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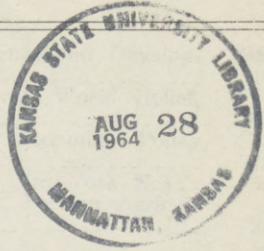
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EXTENSION OF PUBLIC LAW 480 83D CONGRESS

GOVERNMENT

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HEARING BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1498, S. 2687, and S. 2925

BILLS TO EXTEND THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954, AND FOR OTHER PURPOSES

AUGUST 12, 1964

Printed for the use of the Committee on Agriculture and Forestry



U.S. GOVERNMENT PRINTING OFFICE
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EXTENSION OF PUBLIC LAW 480, 83D CONGRESS

WEDNESDAY, AUGUST 12, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Talmadge, Jordan of North Carolina, McCarthy, Mrs. Neuberger, McGovern, Walters, Aiken, Young of North Dakota, Cooper, and Mechem.

The CHAIRMAN. The committee will come to order.

We have before us this morning several bills which will be made a part of the record at this time, along with reports on them, dealing with the subject of an extension of Public Law 480. Included among these reports is a statement of the Comptroller General, and I notice that Mr. Ralph Ramsay, Associate General Counsel for the General Accounting Office, and a number of his associates are present in the event we may need further information from them.

We will also include a copy of H.R. 12298, which I understand the House committee is to report with a few amendments.

(S. 1498, S. 2687, S. 2925, and H.R. 12298, together with reports and staff analysis, are as follows:)

[S. 1498, 88th Cong., 1st sess.]

A BILL To amend section 304 of the Agricultural Trade Development and Assistance Act of 1954

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That clause (1) of section 304(a) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1693), is amended to read as follows: "(1) to assist, through provisions for alternative marketing and purchasing opportunities agreed upon in cooperation with friendly nations and through other means, such friendly nations to be independent of trade with the Union of Soviet Socialist Republics and with nations or areas dominated or controlled by the Union of Soviet Socialist Republics or the Communist regime in China, and".

[S. 2687, 88th Cong., 2d sess.]

A BILL To extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Trade Development and Assistance Act of 1954, as amended, is further amended as follows:

(1) Section 101 of such Act is amended by adding at the end thereof the following new subsection:

"(g) require such foreign currencies to be convertible to dollars to the extent consistent with effectuation of the purposes of this Act."

(2) Section 102 of such Act is amended by adding at the end thereof the following: "The Commodity Credit Corporation shall finance ocean freight charges under this section only to the extent that such charges are higher (than would otherwise be the case) by reason of a requirement that the commodities be transported in United States-flag vessels."

(3) Effective January 1, 1965, section 103(b) of such Act is amended to read as follows:

"(b) Agreements shall not be entered into under this title during the period beginning January 1, 1965, and ending December 31, 1969, which will call for appropriations to reimburse the Commodity Credit Corporation in a total amount in excess of \$7,100,000,000 plus any amount by which agreements entered into in prior years have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than authorized for such prior years by this Act as in effect during such years: *Provided*, That agreements shall not be entered into during any calendar year of such period which will call for appropriations to reimburse the Commodity Credit Corporation in amounts in excess of \$2,500,000,000. In addition to the agreements which may be entered into within the foregoing limitations, agreements may also be entered into in an amount equal to amounts received in United States dollars as loan repayments under this title and deposited to the account of the Commodity Credit Corporation or as reimbursements from other agencies pursuant to section 105 of this Act or section 407 of the Act of September 1, 1954, as amended (5 U.S.C. 171z-1)."

(4) Section 104 of such Act is amended by striking out in subsection (c) the word "military" and inserting after the words "common defense" the words "including internal security".

(5) Section 104 of such Act is amended by striking from subsection (e) the words "not more than 25 per centum of the currencies received pursuant to each such agreement shall be available" and substituting "currencies shall also be available".

(6) Section 104 of such Act is amended by adding the following new subsections:

"(t) For the sale for dollars to nonprofit voluntary agencies for payment of expenses in foreign countries in connection with the distribution of surplus agricultural commodities and products thereof pursuant to titles II and III of this Act and section 9 of the Act of September 6, 1958 (72 Stat. 1790): *Provided*, That nothing contained herein shall prohibit the payment of such expenses pursuant to other authority contained in this or any other Act.

"(u) For the sale for dollars to privately owned United States-flag commercial vessels for use in paying port fees, unloading, lightering, and other necessary expenses in foreign ports in connection with the carrying of cargo under this Act and section 9 of the Act of September 6, 1958 (72 Stat. 1790)."

(7) Section 104 of such Act is amended by adding at the end thereof the following: "Any loan made under the authority of this section shall bear interest at such rate as the President may determine but not less than the cost of funds to the United States Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the United States having maturity comparable to the maturity of such loans."

(8) Section 108 of such Act is amended by striking out the words "six months" and inserting in lieu thereof the word "year"; and by adding at the end of such section the following: "In the case of any country which has more than one exchange rate, or for which the exchange rate in effect at the time of the sale did not reflect the real value of the foreign currency, such report shall specify the various effective exchange rates, the exchange rate applied to the sale, an estimate of the real value of the currency, and such other information as may be appropriate to explain the transaction".

(9) Section 203 of such Act is amended (i) by striking out "1961" and substituting "1965"; (ii) by striking out "1964" and substituting "1969"; (iii) by striking out "\$300,000,000"; and substituting "\$450,000,000"; and (iv) by inserting after "charges for general average contributions arising out of the ocean transport of commodities transferred pursuant hereto" the following: "or donated under said section 416, section 308 of this Act or section 9 of the Act of September 6, 1958 (72 Stat. 1790)". Clauses (i), (ii), and (iii) hereof shall not become effective until January 1, 1965.

(10) Sections 109 and 204 of such Act are amended by striking out "1964" and inserting "1969".

(11) Title III of such Act is amended by adding at the end thereof the following new section:

"SEC. 309. The President shall take such measures as may be necessary to assure that funds and commodities available under title I and IV and section 202 of this Act are used only to carry out purposes which otherwise would be carried out with appropriated funds. The President shall include in the annual budget required by the Budget and Accounting Act, 1921, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter a statement showing for each subsection of section 104 the following: (a) The estimated amount of foreign currencies available under title I for the purposes of such subsection, and the amount proposed to be used therefor during such fiscal year; (b) the estimated amount of all other commodities and funds available under each other provision of this and other Acts for generally similar purposes, and the amount thereof proposed to be used for such generally similar purposes during such fiscal year; (c) the amount of appropriations provided for in the budget for generally similar purposes, designating each appropriation item; (d) the reasons for not using commodities and funds described in (a) and (b) in lieu of the appropriations described in (c); and (e) the total amounts of currencies, commodities and funds devoted to such purposes and generally similar purposes during the period beginning July 10, 1954, and ending up with the last date prior to the submission of the budget for which such information is available. For the purposes of the foregoing sentence currencies, commodities, and funds shall be considered available for any purpose if they could lawfully and properly be used for such purpose, even though they may have been administratively allocated to some other purpose. Such statement shall also contain an estimate of the value of commodities to be covered by sales agreements or grants negotiated or made under title I and IV and section 202 of this Act, respectively, during such fiscal year; the amounts of the sales proceeds therefor (including the value of any economic or community development carried out through grants under section 202); the purposes for which such proceeds will be used; the extent to which such use will preclude the necessity for the appropriation of other funds; and, if any foreign currencies which will accrue under any such agreement cannot be used within the foreseeable future, the reasons for entering into such agreement. No agreement shall be entered into which would result in exceeding any estimate provided for in the preceding sentence, or such other limitation as may be fixed by appropriation Act."

(12) The first sentence of section 403 of such Act is amended by striking out the words "more than" and inserting the words "less than".

[S. 2925, 88th Cong., 2d sess.]

A BILL To amend title II of Public Law 480, Eighty-third Congress, to authorize the use of foreign currencies by the President to carry out more effectively programs undertaken under titles II and III

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, Eighty-third Congress), as amended, is amended as follows:

(1) After the third sentence insert the following new sentence: "In addition to other funds available for such purposes under any other Act, funds made available under this title may be used to purchase foreign currencies accruing under title I in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies) designed to assure that commodities made available under this title or under title III are used to carry out more effectively the purposes for which such commodities are made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: *Provided, however,* That such funds shall be used only to supplement, and not substitute for, funds normally available for such purposes from other non-United States Government sources."

(2) In the last sentence after "costs" insert "or for the purchase of foreign currencies".

[H.R. 12298, 88th Cong., 2d sess.]

A BILL To extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Trade Development and Assistance Act of 1954, as amended, is further amended as follows:

(1) Effective January 1, 1965, section 103(b) of such Act is amended by striking out "1962" and substituting in lieu thereof "1965", by striking out "1964" and substituting in lieu thereof "1967", by striking out "\$4,500,000,000" and substituting in lieu thereof "\$4,000,000,000", and by inserting prior to the colon the following: "plus any amount by which agreements entered into in prior years have called or will call for appropriations to reimburse the Commodity Credit Corporation is amounts less than authorized for such prior years by this Act as in effect during such years".

(2) Section 104 of such Act is amended by striking out in subsection (c) the word "military" and inserting after the words "common defense" the words "including internal security".

(3) Section 104 of such Act is amended by striking from subsection (e) the words "not more than 25 per centum of the currencies received pursuant to each such agreement shall be available" and substituting "currencies shall also be available to the maximum usable extent".

(4) Section 104 of such Act is amended by adding the following new subsections:

"(u) To use foreign currencies which are in excess of the normal requirements of the United States as determined by the Secretary of the Treasury, to promote the development of the resources of less developed friendly foreign countries, their technical knowledge and skills in fields such as food production and distribution, education, health and medicine, and engineering, in a manner which will secure to the United States the maximum benefit from currencies accruing under this title: *Provided, however*, That no such use shall be made of such currencies which would have the effect of reducing the dollar reimbursement to the Commodity Credit Corporation for foreign currencies. There is hereby established an advisory committee composed of the Secretary of Agriculture, the Director of the Bureau of the Budget, the Administrator of the Agency for International Development, the chairman and the ranking minority member of the House Committee on Agriculture, and the chairman and the ranking minority member of the Senate Committee on Agriculture and Forestry. The functions of such Committee shall be to review from time to time the status of foreign currencies which accrue under this title and to make recommendations to the President with regard to (1) the use of excess currencies under the authority conferred upon him by this subsection and (2) grants under subsection (e) hereof.

"(v) For the use of the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry to make investigations and studies deemed necessary by the chairman of the respective committees to carry out their statutory responsibility for legislative oversight of operations under the provisions of this Act."

(5) The first proviso at the end of section 104 of such Act is amended by striking out "to not less than 10 per centum of the foreign currencies which accrue under this title:" and substituting ", effective with respect to agreements entered into beginning January 1, 1965, to not less than 20 per centum in the aggregate of the foreign currencies which accrue under such agreements:".

(6) Section 108 of such Act is amended by striking out the words "six months" and inserting in lieu thereof the word "year".

(7) Sections 109 and 204 of such Act are amended by striking out "1964" and substituting in lieu thereof "1967".

(8) Section 203 of such Act is amended by striking out "1961" and substituting "1965"; by striking out "1964" and substituting "1967"; by striking out "\$300,000,000", and substituting "\$450,000,000"; and by inserting after "charges for general average contributions arising out of the ocean transport of commodities transferred pursuant hereto" the following: "or donated under said section 416, section 308 of this Act or section 9 of the Act of September 6, 1958."

(10) Section 203 of the Act is amended by inserting after the third sentence of said section the following new sentence: "In addition to other funds available for such purposes under any other Act, funds made available under this title

may be used to purchase foreign currencies accruing under title I in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies) designed to assure that commodities made available under this title or under title III are used to carry out more effectively the purposes for which such commodities are made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: *Provided, however*, That such funds shall be used only to supplement and not substitute for, funds normally available for such purposes from other non-United States Government sources," and by inserting after the word "costs" in the last sentence the words "or for the purchase of foreign currencies".

(11) Section 101 of such Act is amended by striking out in subsection (f) the words "from the government or agencies thereof" and further by striking the period at the end of subsection (f) and adding the following: ", and which are not less favorable than the highest of exchange rates obtainable by any other nation."

SEC. 2. Subsection (b) of section 612 of the Foreign Assistance Act of 1961, as amended, is amended (1) by redesignating it as subsection (t) of section 104 of the Agricultural Trade Development and Assistance Act of 1954, as amended.

(2) By striking "this Act" and substituting "the Foreign Assistance Act of 1961, as amended."

(3) By changing the period at the end of the subsection to a comma and adding "except that in the case of any such foreign currencies acquired through operations under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, the United States dollars received from the sale of such foreign currencies shall be deposited to the account of the Commodity Credit Corporation and shall be treated as a reimbursement to Commodity Credit Corporation under section 105 of this Act."

SEC. 3. Section 416 of the Agricultural Act of 1949, as amended, is amended by adding the following at the end of such section: "The assistance to needy persons provided in (4) above shall, insofar as practicable, be directed toward community and other self-help activities designed to alleviate the causes of the need for such assistance."

DEPARTMENT OF AGRICULTURE,
Washington, D.C., October 10, 1963.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for a report on S. 1498, a bill to amend section 304 of the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480 (83d Cong.).

S. 1498 would amend section 304 to (1) provide for the use of title I of the act for "alternative marketing and purchasing opportunities" to assist friendly nations to be independent of trade with the Soviet bloc and (2) add areas and nations dominated or controlled by the Communist regime in China to the countries from which the United States would seek to assist friendly countries to be independent in their trade.

The Department does not recommend enactment of the provision for alternative marketing and purchasing opportunities but has no objection to the provision adding areas dominated or controlled by the Communist regime in China.

Considerable use is made of the title I, Public Law 480 authority to assist friendly nations to be independent of trade with the Soviet bloc. Sales of U.S. surplus agricultural commodities for foreign currencies are made to these countries, thereby making it unnecessary that they obtain these commodities from the Soviet bloc. The proposed amendment of section 304 would neither broaden nor facilitate the use of title I.

If the proposed language regarding alternative marketing and purchasing opportunities contemplates the use of title I proceeds to purchase other commodities from friendly countries in order to make them independent of trade with Sino-Soviet bloc countries, we believe this would be neither practicable nor desirable. It is highly unlikely that arrangements could be made with participating countries to purchase or effectively use commodities in this manner. In the administration of title I, Public Law 480, we have not experienced the need to use foreign currency proceeds for the purpose of preemptive purchases. More-

over, we believe it would be undesirable that legislation be enacted which would suggest that the United States intends to use the title I authority for this purpose.

With respect to adding areas dominated or controlled by the Communist regime in China to those countries from which the United States would seek to assist friendly countries to be independent in their trade, we have been advised by the Department of State that it considers this change useful and desirable and entirely consistent with U.S. policy regarding the Communist Chinese regime. Therefore, the Department would have no objection to the enactment of this proposal.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

CHARLES S. MURPHY, *Acting Secretary.*

DEPARTMENT OF STATE,
Washington, October 11, 1963.

HON. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry,
U.S. Senate.*

DEAR MR. CHAIRMAN: Your letter of May 10, 1963, requested a report on S. 1498, a bill to amend section 304 of the Agricultural Trade Development and Assistance Act of 1954.

Senate bill 1498 would add a specific reference in section 304 to the use of title I of the act to provide "alternative marketing and purchasing opportunities," as a means of assisting friendly nations to be independent of trade with the Soviet bloc. Secondly, the bill would add areas controlled by the Communist regime in China to those countries from which the United States would seek to make friendly countries independent with regard to trade.

The Department believes that the first of these additions would be both unnecessary and undesirable, but that the second would be desirable.

There is no need to add specific reference in section 304 to the provision of "alternative marketing and purchasing opportunities" for friendly nations. The administration is already authorized by section 304 to do this, and the new language would not add to its authority in this connection.

However, the language on "alternative marketing and purchasing opportunities" would have certain undesirable effects. It would indicate that Congress expects the administration not only to sell surplus agricultural commodities, but also to use some of the foreign currency proceeds deriving from such sales to purchase other commodities in order to render some countries independent of trade with Sino-Soviet bloc countries. Thus the new language would suggest, although this may not have been intended, that the U.S. Government is about to embark on a major campaign of preemptive buying of commodities throughout the world. The Department considers that it would be unfortunate to convey any such impression to the less developed countries. It is likely that many of them would soon urge the U.S. Government to buy from them large quantities of various commodities which they might otherwise sell or barter to Communist countries. This Government would be faced with the unpleasant alternatives of accommodating a number of these countries, which would involve expenditures far out of proportion to the potential gains involved in temporarily decreasing somewhat their trade with Communist countries, or of disappointing these governments by rejecting such offers. Furthermore, any preemptive purchasing by this Government might serve to stimulate uneconomic production in these countries and to arouse expectation that surplus commodities could always be disposed of in the United States.

The Department of State has not encountered a situation in recent years where it appeared desirable and practicable to influence the trade of a free world country with a Communist country by resorting to preemptive purchases with funds derived from the sale of surplus agricultural commodities. Under these circumstances it must oppose a provision which would suggest that the U.S. Government intends to make a regular practice of such a technique. If a highly unusual situation should arise in which it would be desirable to resort to preemptive buying, this could be done even without the additional language contained in Senate bill 1498.

The second change which would be effected by Senate bill 1498 would add areas controlled by the Communist regime in China to those from which the U.S. Government should seek to make friendly countries independent in their trade. The Department considers that this change would be a useful and desirable one entirely consistent with the U.S. policy regarding the Communist Chinese regime. It wishes to support that part of Senate bill 1498 which would serve this purpose.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary
(For the Secretary of State).

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 18, 1964.

HON. CARL HAYDEN,
President Pro Tempore
U.S. Senate.

DEAR SENATOR HAYDEN: One of the deep satisfactions that come to me as Secretary of Agriculture is the fact that I am able to play a part in carrying forward our Nation's highly successful agricultural export program under Public Law 480. I know that many of my friends in Congress feel exactly the same way.

Public Law 480 currently is making a greater contribution than at any time in its nearly 10 years of operation. Shipments of U.S. agricultural products under the program reached an alltime high record of more than \$1.6 billion, export market value, in calendar year 1963. Not only are such shipments putting food and fiber into the hands of needy foreign friends and accelerating their growth programs, but also they effectively serve our farm and business communities by building future foreign markets for our efficiently produced abundance. Hundreds of thousands of jobs on our farms and in our towns and cities depend wholly or substantially on the production, processing, transporting, and related activities brought about by Public Law 480.

The programs, operating in more than 100 nations, have begun to make a contribution to economic growth that is even more dramatic. More than half a million workers in 19 countries are paid directly in U.S. food under Public Law 480 food-for-work programs. Many thousands more are employed as a direct result of the use of local currencies for economic development projects.

Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong.) are authorized through the remainder of this calendar year. I am enclosing a draft of a proposed bill to extend these authorities.

It is proposed that (1) the authority to enter into agreements under title I be extended 5 calendar years through December 31, 1969, and increased by \$7.1 billion for the 5-year period with a limitation of \$2.5 billion in any calendar year with provision for the carryover of uncommitted authorizations from prior years, (2) the use of foreign currencies be authorized for procurement of equipment, materials, facilities, and services for internal security programs, in addition to the military categories presently authorized for the common defense, (3) the existing 25-percent limitation on loans to private business firms be eliminated, (4) authorization be included for the sale of title I currencies for dollars to voluntary agencies and to U.S.-flag vessels for payment of certain expenses incurred under the act, (5) the requirement of reports on activities under the act be changed from every 6 months to each year, and (6) the title II authority be increased to \$450 million for each of the calendar years 1965 through 1969 and authority to make general average contributions be extended to title III and related shipments.

Title I of Public Law 480 authorizes the President to enter into agreements with friendly nations or organizations of friendly nations to provide for the sale of surplus agricultural commodities for foreign currencies. Congressional authorizations for the 5-year period January 1, 1960, through December 31, 1964, total \$9.5 billion, with a maximum of \$2.5 billion during each of the calendar years 1961 through 1964. Programing for the past 5 years resulted in costs to the Commodity Credit Corporation of approximately \$9 billion. However, it is an

anticipated that dollar reimbursements to the Commodity Credit Corporation from other agencies of the U.S. Government as a result of loan repayments and sales of title I currencies will provide approximately \$1 billion so that authorization of further appropriations of \$7.1 billion plus carryover of uncommitted authorizations will be sufficient. Public Law 87-128 which extended title I authority through December 31, 1964, did not include the provision for the carryover of uncommitted authorizations from prior years which had been included in previous extensions of title I. The enclosed draft of a proposed bill requests that this provision be restored to eliminate administrative and accounting problems which have resulted.

The request for a 5-year extension of the title I program is presented to permit continuation of orderly programing and shipment of agricultural surplus to food and fiber deficit areas of the world, principally less developed nations. Enactment of the proposal will facilitate efforts to make maximum utilization of our agricultural abundance under the food-for-peace program and to continue to negotiate agreements on a long-term basis where there are opportunities to program commodities and it is in the interest of American agriculture to do so.

The foreign currency uses now include authorization for procurement of military equipment, materials, facilities, and services for the common defense. In order to make clear that this authority can be used for activities in support of counterinsurgency programs, such as the Vietnam strategic hamlet program, and other activities vital to counteract Communist-inspired subversion and insurgency, we are requesting that the authority be changed to delete reference to "military" goods and services and to make explicit that the authority may be used to procure any goods and services necessary for the "common defense" including within that concept "internal security programs."

Public Law 480 now provides a limit of 25 percent on the amount of foreign currency that can be set aside in each agreement for loans to private business firms. There may be occasions when it would be beneficial to the developing countries and to the United States to provide for a larger share of title I currency for this purpose.

Amendment of section 104 is requested to provide for the scale of title I foreign currencies to U.S. voluntary agencies for use in paying expenses abroad in connection with the distribution of donated commodities and to U.S.-flag vessels for use in paying port fees, unloading, lightering, and other charges at destination in connection with the carrying of Public Law 480 cargo. It is now necessary for these users to purchase foreign currencies abroad to pay these expenses and the sale of title I currencies for this purpose would represent a dollar saving to the United States in countries where it is not necessary to purchase currencies to meet other U.S. obligations. This amendment would facilitate the negotiation of agreements providing for the use of funds for these purposes.

The act provides that a report on activities be made every 6 months. The 19th semiannual report now in preparation, as well as the several immediately preceding reports, reveal that these summaries of statistics and factual information will serve the purpose at considerably lower cost if they are submitted annually. Additional timely information is made available to the committees, Congress, and the public as it becomes available and is most useful.

In order to permit continuation of useful activities which have been possible under title II of Public Law 480 (relating to famine relief and other assistance), it is proposed that this authority be extended for 5 calendar years through December 31, 1969. It is also proposed that the authorization be increased to \$450 million per calendar year. This amount along with uncommitted authorizations from prior years will provide for an expansion in the economic and community development programs authorized under section 202. The current authorization for title II programs is \$300 million per calendar year. However, by utilizing uncommitted authorizations from prior years, programing for fiscal year 1963 was at a rate of \$354 million. Section 203 of Public Law 480 also authorizes the use of title II funds to pay certain transportation costs on commodities donated under section 416 of the Agricultural Act of 1949, as amended, and authorizes the payment of charges for general average contributions from title II funds. It is proposed that language be inserted to extend the authority for the payment of charges for general average contributions to commodities donated under section 416 and related statutes when title II funds are used to pay ocean freight charges.

With the possible exception of the increasing operations under title II, enactment of the proposed legislation would result in no increase in employment or administrative costs in the fiscal year 1965. The program cost of \$1.5 billion estimated for the fiscal year 1965 takes into account the proposed amendments.

The Bureau of the Budget advises that enactment of the proposed legislation would be in accord with the program of the President.

A similar letter is being sent to the Speaker of the House of Representatives.

Sincerely yours,

ORVILLE L. FREEMAN,
Secretary.

EXPLANATION

This amendment would:

(1) *a.* Extend title I for 5 years beginning January 1, 1965, and ending December 31, 1969.

b. Authorize agreements of \$7.1 billion over the 5-year period, with not more than \$2.5 billion in any one calendar year. In addition, the amendment would (1) provide for additional authorization of agreements by the amounts of reimbursements to the Commodity Credit Corporation from other agencies of the U.S. Government for foreign currencies and repayment of economic development loans in dollars, currently estimated at approximately \$1 billion, and (2) provide for carryover of unused authorization from prior years, including the approximately \$407 million of unused balance not previously provided for as of December 31, 1961, plus any amount remaining uncommitted from the current authorization on December 31, 1964, projected at approximately \$500 million. (A similar provision has been included in every extension of title I authority except that of Public Law 87-128, enacted August 8, 1961. Reenactment of this provision will eliminate administrative and accounting problems resulting from modifications and amendments of agreements which take place after the expiration of the authorization under which the agreements were signed.)

(2) Authorize use of foreign currencies for procurement of any equipment, materials, facilities, and services necessary for the common defense including internal security.

(3) Eliminate the 25-percent limitation on Cooley amendment loans of foreign currencies to private business firms.

(4) *a.* Facilitate the negotiation of foreign currency amounts for sale to U.S. voluntary agencies as permitted by a new section 612(b) in the Foreign Assistance Act.

b. Facilitate arrangements to furnish foreign currencies for payment of foreign charges instead of furnishing dollars with which ship operators buy foreign currencies to pay these charges.

(5) Change from 6 months to each year the requirement of reports by the President to the Congress on activities under the act.

(6) *a.* Extend title II for 5 years through December 31, 1969, and provide for an increase in the annual title II authorization to \$450 million compared with the present \$300 million. Utilizing unused authorizations from prior years, title II commitments during fiscal year 1963 amounted to \$354 million.

b. Extend to title III and related shipments the general average contribution authority now provided for title II shipments. Under general average arrangements, risks and losses to a vessel and its cargo are distributed in proportion to the value of the vessel, the cargo, and the freight to be earned.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY STAFF SUMMARY OF S. 2687

This bill would amend Public Law 480, 83d Cong., to—

(1) Require title I foreign currencies to be convertible to dollars to the extent consistent with the purposes of the act.

(2) Prohibit Commodity Credit Corporation from financing ocean freight charges on title I shipments, except to the extent of the differential required as a result of cargo preference where the U.S.-flag vessel rate exceeds foreign vessel rates.

(3) Limit title I agreements during 1965 through 1969 to \$7.1 billion, plus unused authorizations from prior years (estimated at \$907 million) and limit agreements during anyone of such 5 years to \$2.5 billion; but each of these limits may be exceeded to the extent of the amount of U.S. dollars received by CCC; (i) in repayment of title I loans; and (ii) as reimbursements from other

agencies under section 105 of Public Law 480 or section 407 of the act of September 1, 1954 (dealing with military housing).

(4) Define "common defense" in section 104(c) as including internal security, so that title I currencies may be used to procure materials, facilities, and services for internal security.

(5) Eliminate the provision of section 104(e) limiting loans to private business firms under the so-called Cooley amendment to 25 percent of the foreign currencies received pursuant to each agreement.

(6) (a) Facilitate the negotiation of foreign currency amounts for sale for dollars to U.S. voluntarily agencies as permitted by a new 612(b) in the Foreign Assistance Act.

(b) Facilitate arrangements to furnish foreign currencies for sale for dollars to private owned U.S.-flag vessels to cover port fees, unloading, lightering and other necessary expenses in foreign ports in connection with cargo under Public Law 480 and section 9 of the act of September 6, 1958 (relating to foreign donation of fats and oils and donations to areas under U.S. jurisdiction or administration).

(7) Require title I loans to bear interest at not less than the cost of funds to the United States.

(8) (a) Provide for annual, instead of semiannual, reports by the President.

(b) Require such reports to contain a full explanation of any transactions involving exchange rates which do not reflect full value.

(9) (a) Limit title II assistance during each of the 5 years 1965 through 1969 to \$450 million (compared with \$300 million at present), plus, as at present, the unused authorization for the preceding year.

(b) Extend to title III and related shipments the authority (now provided for title II shipments) to pay general average contributions from title II funds. Under general average arrangements, risks and losses to a vessel and its cargo are distributed in proportion to the value of the vessel, the cargo, and the freight to be earned.

(10) Extend titles I and II 5 years through 1969.

(11) restrict use of title I foreign currencies, section 202 commodity grants, and title IV credit sales promoting economic development to purposes for which funds would otherwise be appropriated; require the budget to show in one place all funds available, requested, or to be generated for each purpose set out in section 104 of Public Law 480; and require advance justification of any agreement which would generate foreign currencies for which there is no foreseeable need.

(12) make the cost of funds to the United States the minimum, rather than the maximum, interest rate on title IV credit sales.

The provisions described in clauses (3), (4), (5), (6), (8) (a), (9), and (10) constitute the provisions requested by the Secretary of Agriculture in his letter of February 18 to the President Pro Tempore of the Senate. The clause numbers correspond to the clause numbers in the bill.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 16, 1964.

HOB. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter of May 18, 1964, requests our comments on S. 2687, which would extend the Agricultural Trade Development and Assistance Act of 1954, as amended, 22 U.S.C. 1922 (hereinafter referred to as Public Law 480), and make certain amendments thereto.

The extension of P.L. 480 involves matters of policy which are primarily for determination by the Congress and one on which we have no recommendations to make. We do have some comments, however, as a result of our reviews of P.L. 480 and foreign assistance programs which we believe warrant serious consideration by the Congress.

Section 3 of S. 2687 would amend section 103(b) of P.L. 480 to provide that agreements for the sale of surplus agricultural commodities under Title I shall not be entered into which call for appropriations to reimburse Commodity Credit Corporation (CCC) in an amount in excess of \$7.1 billion in the 5-year period starting January 1, 1965, in addition to unused authorizations from prior

years. Agreements during anyone of such 5 years may not be entered into which would call for appropriations to reimburse CCC in an amount in excess of \$2.5 billion. However, these limits can be exceeded by the amount of loan repayments received in dollars under title I or certain dollar amounts received as reimbursements from other agencies for the purchase of foreign currencies.

Data submitted by the executive branch indicates that the foregoing authorization is designed to permit commodities in the amount of \$9 billion, including associated costs, to be sold under title I in the 5-year period. As far as we have been able to determine, the data submitted to the Congress justified this amount solely on estimates that annual sales will be reached during 1965-69 in the same volume as the annual level of title I sales for the past 5 years. Once this total amount is authorized the proposed title I sales, programs of the executive agencies are not subjected to annual appropriation reviews by the Congress. Annual appropriations are made by the Congress, however, based on estimates of amounts necessary to reimburse the Commodity Credit Corporation for the commodities to be shipped abroad under the title I program during the budget year and for prior year costs not previously reimbursed.

Under this arrangement the executive branch has almost unlimited discretion within the \$9 billion ceiling, to determine such matters as the countries with whom sales agreements will be made, the amounts of surplus agricultural commodities that will be sold in each country and the type of commodities to be included in the sales. In addition, the executive branch has wide latitude in determining the conditions of sale in such matters, such as: whether sales of surplus commodities will be for local currency, U.S. dollars, or long-term credits; the amounts of sales proceeds to be made available for loans or grants to the recipient country; and the amounts of sales proceeds which will be made available for U.S. uses.

It is evident that P.L. 480 title I sales of surplus agricultural commodities are not strictly commercial transactions since the sales proceeds which accrue to the United States are in the local currencies of the recipient country, most of which are given back to the country in the form of loans or grants. Such sales are but one part of the total program of economic assistance provided to achieve U.S. foreign policy objectives. However, no equivalent degree of congressional review exists over the programs and conditions under which surplus agricultural commodities are provided to foreign countries similar to that which exists over other elements of the foreign assistance program. Since such commodities are an integral part of the foreign assistance program and provide resources for economic development and other purposes which differ only in composition from the other kinds of resources provided to these countries under foreign assistance legislation, the Congress may wish to consider the desirability of requiring the executive agencies to submit annual justifications, as part of the appropriation process, for the sales programs which are proposed under title I, taking into account such matters as the ability of the recipient countries to procure the commodities with dollars or on long-term credit, the extent of foreign currencies currently being held by the United States in these countries, the extent to which additional title I sales would increase such holdings and the purposes for which the local currencies would be used. This could be accomplished by substituting the language "not to exceed \$2,500,000,000 provided annually in appropriation acts," for the phrase "in excess of \$2,500,000,000" in line 19, page 2, of S. 2687. In this manner, the Congress would be in a position to (1) evaluate the economic assistance being furnished in the form of surplus agricultural commodities in the light of other types of assistance being provided, (2) consider the impact of the P.L. 480 program on the overall program of the United States to achieve its economic and political objectives in each of the recipient countries, and (3) assure optimum movement abroad of surplus agricultural commodities.

The foregoing would appear to be especially pertinent in light of the following considerations:

1. Very large amounts of local currencies have accrued in many countries from title I sales which are excess to any foreseeable needs of the United States and which may present considerable difficulties to the countries concerned. Continued accumulation of such excesses under the broad authority proposed to be given to the executive agencies to provide additional commodities to foreign countries and incur additional associated costs totaling \$9 billion may compound these difficulties. The following table shows the trend of U.S. holdings of local

currencies in countries which have been determined to be excess currency countries.

Country and currency	Equivalent value in millions of dollars, at the then current rate of exchange		
	June 1961	June 1962	June 1963
India (rupees)-----			
Poland (zlotys)-----	\$977	\$1,022	\$1,010
Yugoslavia (dinars)-----	349	393	442
United Arab Republic (pounds)-----	104	178	279
Pakistan (rupees)-----	129	156	211
Israel (pounds)-----	209	165	190
Burma (kyats)-----	72	47	68
Indonesia (rupiah)-----	37	33	32
	78	96	121

¹ Change in exchange rate during fiscal year 1963 caused \$130,000,000 decrease.

2. P.L. 480 exports of farm products during fiscal year 1963 account for 30 percent of the total agricultural exports of the United States. They represent 76 percent of all wheat exported, 21 percent of total edible vegetable oil exports, 58 percent of total milled rice exports and 34 percent of all cotton exports. This large volume of agricultural commodity movements under P.L. 480 presents a danger of displacing normal commercial dollar sales and a consequent adverse effect on the U.S. balance-of-payments position.

3. The executive agencies have pointed out that the P.L. 480 programs have operated to develop commercial markets in countries which heretofore have not deemed it desirable to procure U.S. farm products. Increasing dollar purchases of wheat by Japan and of soybean oil by Spain have been cited as outstanding examples. However, the continued programing of title I sales to such countries as India, Pakistan, and the United Arab Republic is not likely to develop commercial dollar markets. While the executive agencies are aware of this problem and have developed elaborate mechanisms for considering these matters at the time sales agreements are negotiated, the Congress may feel it desirable to undertake annual reviews of the agencies' plans and programs in this respect.

4. Title I foreign currency sales agreements, since the start of the program, have involved about \$14 billion. Title IV sales agreements which involve dollar payments by foreign governments have amounted to about \$236 million. The proposed authorization of \$9 billion is premised on annual sales agreements at about the same level as in the preceding 5-year period. The Congress may want to consider the desirability of annual reviews of the agricultural sales programs to assure the proposed level of local currency sales does not overlook the possibility of maximizing dollar commercial sales and that such level is in consonance with the objective of moving the P.L. 480 program toward increasing use of title IV dollar sales.

5. In recent years congressional attention has been focused on the desirability of reviewing U.S. economic assistance to foreign countries in light of the countries' own efforts to develop their economies. Foreign assistance legislation has, in the past required the development of plans by U.S. agencies for the phase-down of U.S. assistance as the foreign economies improve and U.S. economic assistance attains its objective of helping the recipient countries to become self-sufficient. Proposed surplus agricultural commodity assistance, since it is an integral part of economic assistance being furnished foreign countries, could well be considered by the Congress as coming within the same objective and subject to the same annual scrutiny. In this respect, we have noted in some of the reviews we now have underway that certain AID missions are treating commodities available under P.L. 480 as but one type of economic resource being furnished to the country to assist it in its economic development and undertake negotiations with the country for additional quantities of P.L. 480 commodities in light of the programs which the country itself has undertaken to achieve self-sufficiency. Under these circumstances, P.L. 480 sales agreements are used as a lever to increase the pace of country agricultural development and to hasten the time when title I local currency sales can be eliminated. In other countries, we noted little effort on the part of AID in this direction and as a result the underdeveloped countries seem to feel that foreign import requirements will be met for the indefinite future through P.L. 480 transactions. The authorization of

an annual level of title I, P.L. 480 operations for the subsequent 5-year period at the same level as the preceding levels without an annual review by the Congress would appear to do little to alter the attitude of these countries and alleviate the pressure on the executive agencies to provide additional quantities of P.L. 480 commodities.

Section 11 of S. 2687, would add a new section 309 to P.L. 480, which appears to have the objective of establishing tighter annual congressional review and control over certain sections of P.L. 480 by requiring the submission of data in the annual budget to (1) show that maximum use is being made of surplus commodities and foreign currency proceeds to carry out programs that would otherwise require appropriated funds; (2) justify annual surplus commodity programs in terms of the need for and intended use of U.S.-owned foreign currency; and (3) justify agreements that would generate foreign currencies over and above these requirements. These objectives are generally in line with those we have delineated above. The proposed amendment contains a number of requirements for the submission of detailed information deemed necessary to carry out these objectives. In addition, section 309 would provide for annual submission of estimates of the value of commodities to be covered by sales agreements or grants negotiated or made under titles I and IV and section 202 of P.L. 480 during each fiscal year and limits the amount of agreements which can be entered into to such estimates.

A number of reviews we have performed bear out the need for improved controls to assure maximum utilization of foreign currency proceeds in lieu of U.S. dollars. For example, we reported to the Congress in October 1962 (B-146749), that dollar expenditures abroad could be reduced if better use were made of U.S.-owned local currencies. In addition, congressional hearings in November 1963 disclosed that substantial dollar expenditures had been made by the United States in India to finance the purchase of goods for other friendly countries when at the same time substantial amounts of Indian currency were available for U.S. use.

Although we agree with the objectives embodied in the proposed section 309, it appears that the prescribed methods of accumulating and reporting data, and imposing program limitations, might not effectively achieve these objectives. However, data is readily available within the executive departments which would permit the compilation of meaningful information on country programs in terms of the commodity needs of the countries, the level and type of commodity assistance being proposed and the availability and utilization of local currencies in each of the countries securing assistance under P.L. 480.

We believe, therefore, that objectives such as those sought in the proposed amendment could be achieved by requiring submission to the Congress in support of the annual budget of the following types of data for each country involved in surplus commodity programs:

1. For each fiscal year, the amounts of proposed sales agreements under P.L. 480 together with the justification for entering into these agreements. The justification should include sufficient information on economic conditions in the country, including country agricultural commodity requirements, local production, normal commercial procurements from the United States and other countries, foreign exchange holdings, and such other economic data as would permit an evaluation of the need for the level and type of assistance being proposed.
2. Historical data regarding sales agreements entered into and commodities furnished in prior years. This information would be useful in permitting the Congress to detect trends and ascertain progress being made toward achieving congressional intent to shift emphasis of programs from local currency sales to dollar sales and to phase down programs as country economic conditions improve.
3. The extent of foreign currencies generated from U.S. dollar programs and surplus commodity programs, in sufficient detail to show the program origin of the funds and the agreed purposes for which they may be used.
4. Projected amounts of generation and proposed usage of foreign currency, by source and application, during the budgeted fiscal year. Should proposed agreements result in accrual of foreign currencies which cannot be used within the foreseeable future, the reasons for entering into such agreements.
5. Actual dollar expenditures by U.S. agencies in such country during the preceding fiscal year, together with an analysis of reasons why available foreign currency was not used in lieu of dollars.

6. Proposed dollar expenditures of U.S. agencies in each country for the budgeted fiscal year, together with an analysis of reasons why available or projected generations of foreign currency is not proposed for use in lieu of dollars.

Submission of the above data would permit the Congress to subject P.L. 480 programs to the same type of analysis as is required for proposed economic and military assistance programs. If considered in conjunction with data now submitted for those programs, the Congress would be in a position to evaluate assistance in the form of surplus agricultural commodities in light of other types of assistance being provided, and to evaluate the impact of the P.L. 480 program on the overall U.S. program for achievement of economic and political objectives in each of the recipient countries.

We also believe that the Congress may wish to consider the adoption of language similar to that included in section 634 of the Foreign Assistance Act of 1961, as amended, which requires the administration to notify appropriate congressional committees of significant changes to programs as previously submitted and justified in lieu of the last sentence of section 309 which would restrict the administration to the detailed budget estimates. This provides the administration with the flexibility it believes necessary to carry out foreign policy while permitting the Congress to evaluate the need for any significant changes to original plans and programs.

S. 2687 would amend section 104(c) of P.L. 480 to authorize the use of foreign currencies to procure equipment, material, facilities, and services for the common defense including internal security. Section 104(c) presently contains authorization for such use to procure military equipment, materials, facilities and services for the common defense.

U.S.-owned local currencies have been provided for military budget support purposes in six countries under section 104(c) (Taiwan, Iran, Korea, Pakistan, Turkey, and Vietnam) and for military base construction and mapping services in a number of these and other countries. These programs have been justified as necessary to support large military forces which these countries cannot support from their own resources.

Our review of military budget support programs carried out with section 104(c) funds by the Department of Defense have disclosed significant deficiencies in programing and administration. Foreign currencies in some instances have been made available without regard to actual need, funds have been released for general purposes and have been merged with country funds instead of being identified with specific projects of priority need, and reviews by U.S. agencies of the actual usage of funds have been incomplete and ineffective.

The fiscal year 1965 budget presentation to the Congress shows that the Agency for International Development presently administers programs in about 30 countries relating to internal security, including counterinsurgency and paramilitary operations. U.S. dollar funds totaling about \$84 million are estimated for expenditure on these programs through June 30, 1964, and about \$20 million is proposed for fiscal year 1965.

The proposed amendment to section 104(c) would permit the use of foreign currency generated under P.L. 480 to meet local operating and maintenance costs of internal security forces that are now being almost completely financed by recipient countries. Only a few of the countries with AID-supported internal security programs have been supported to any extent with U.S.-owned foreign currencies and, with the exception of Vietnam and Indonesia, foreign currency amounts have been relatively small. In Vietnam, counterinsurgency programs have been jointly financed by the United States and Vietnam, and United States foreign currencies used have been generated by cash grants and a commodity import program. In Indonesia, U.S.-owned foreign currency has been made available for construction of facilities.

We perceive no objection to the use of P.L. 480 foreign currencies to support essential internal security programs, where the alternative would require generation of foreign currencies through cash grants or commodity import programs. It should be recognized, however, that the assumption by the United States of the responsibility for supporting internal security forces heretofore supported by the country governments may involve the development of a military force structure in excess of the forces established as an objective by the Joint Chiefs of Staff, would tend to diminish the incentives for the country government to mobilize effectively its own internal resources, and would decrease the amounts of local currencies available for economic development. We believe, therefore, that the use of P.L. 480 foreign currencies to support internal security programs requires

a thorough review to assure that (1) U.S.-owned foreign currencies are used only if the local costs of these programs is clearly beyond the capability of the recipient country to finance from its own resources, and (2) U.S. foreign currencies are a supplement to, rather than a substitute for, recipient country funds now being used to support these programs. In this respect, the Congress may wish to consider the following factors which indicate that the use of P.L. 480 foreign currencies could be a substantial and continuing cost to the United States:

(1) Internal security forces being assisted by AID amount to several hundred thousand personnel. For example, internal security forces number 123,000 in Indonesia, 120,000 in Brazil, and 46,000 in Burma. Even partial support of the local costs of these forces could be very costly.

(2) The use of foreign currency for section 104(c) purposes is not controlled through the provision of appropriations, since this section of P.L. 480 is exempted from the provisions of section 1415 of the act of July 15, 1952 (66 Stat. 663, 31 U.S.C. 724). There would be less incentive to limit the size of internal security programs since these programs would not require the same degree of justification and budgetary control as appropriated funds.

(3) Our reviews of the use of section 104(c) foreign currencies for common defense programs have shown that substantial amounts of currencies have been released to recipient countries without a firm determination as to need and without appropriate safeguards to assure proper and effective use.

In light of the foregoing, your committee may wish to consider limiting the authorization for use of foreign currencies for internal security programs to those situations where the President determines that counterinsurgency activities require the use of U.S.-owned foreign currencies. This could be done by including in the bill a provision similar to those in sections 505 and 512 of the Foreign Assistance Act of 1961 (as amended by sec. 202 of the Foreign Assistance Act of 1963 (77 Stat. 384)), limiting the furnishing of military assistance for internal security requirements unless the President determines otherwise and promptly reports such determination to the Congress.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

The CHAIRMAN. Our first witness is the Secretary of Agriculture. Mr. Freeman, we will be glad to hear from you now. Will you proceed?

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Mr. Chairman and members of the committee, it is an honor and a pleasure to meet with you to support extension of titles I and II of the Agricultural Trade Development and Assistance Act of 1954—Public Law 480. These are essential parts of Public Law 480, under which for the past 10 years we have carried on a program of enormous importance to the United States and the rest of the free world.

The Congress has every reason to be proud of Public Law 480. This is landmark legislation. It is legislation enacted with bipartisan support, which not only has promoted economic well-being at home, but which also has demonstrated before all the world that we are meeting our moral obligation to use our food abundance to combat hunger.

I am confident that when the history of this period is finally written, the food-for-peace program, made possible by Public Law 480, will be acclaimed as one of our top achievements. I can think of no similar effort in history that has done so much for so many people—both to those who give and those who receive.

This Public Law 480 food-for-peace program expands outlets for American farm products at the same time that it helps in a major way to end famine and combat malnutrition and hunger.

It strengthens the economy of the United States—and promotes economic growth in the less developed countries, hastening the day when these countries, which make up the last vast underdeveloped market in the world, will become partners with us in commercial trade—the kind of trade that expands itself, regenerates itself, perpetuates itself.

It creates jobs for American workers—and pays the wages of workers on many foreign economic development projects.

It promotes American objectives of security and peace, while raising standards of living for people desperately eager to move up on the economic ladder.

It improves the U.S. balance-of-payments position at the same time that it promotes the education and health of millions of foreign school-children.

It helps our farmers use their technology and resources in this age of adjustment from scarcity to abundance—and gives the rest of the world a chance to compare the productivity of our free enterprise agriculture with the regimented farming of the Communist countries.

Let's look at the program in more detail.

The cumulative value of shipments under Public Law 480 is \$12.3 billion. That represents about 28 percent of our total agricultural exports in the past 10 years. In this decade we have moved some 130 million tons of food to more than 100 countries having a population of close to 2 billion.

Shipments of wheat under Public Law 480 this year are equivalent to 45 bushels out of every 100 bushels of wheat our farmers harvested in 1963.

Our rice shipments this year under Public Law 480 are equivalent to 30 bags out of every 100 harvested by U.S. growers last year.

Public Law 480 cotton exports have added over \$1.5 billion to the income of American cotton producers.

We have shipped large volumes of nonfat dry milk, vegetable oil, feed grains, and tobacco.

Sharing on such a vast scale has helped to ward off the worst effects of food shortages—famine. This morning in many areas of the world American food provides the only hope of men, women, and little children that for them there will be a tomorrow, that they will grow up to become useful members of society.

The economic growth that food for peace is engendering is helping the less-developed countries stand on their own feet. The United States is lending or granting back to the emerging countries a substantial part of the foreign currencies received under Public Law 480. These funds are being used for flood control, irrigation, reforestation; for improvement of railroads, highways, bridges, docks, communications; for construction of electric power facilities; for building hospitals, clinics, and schools. Our food not only is helping directly through making such improvements possible, but also is helping indirectly by putting the brakes on potential food price inflation which would increase costs and thus reduce the funds available for development projects.

I want to talk now about some of the benefits the United States is getting out of the Public Law 480 program. They are substantial benefits. They are accruing to us both at home and abroad.

U.S. agriculture benefits, of course. Our Public Law 480 shipments add directly to U.S. farm incomes. Public Law 480 shipments mean reduced carrying charges on Government-owned stocks.

Public Law 480 means jobs and pay for thousand of workers engaged in handling, processing, and transporting the food for peace commodities moving abroad.

Public Law 480 shipments mean extra earnings for the American business community—processing plants, railroads, steamship lines, and many other enterprises, large and small.

We are getting very tangible benefits in the international area.

The economic growth that Public Law 480 is stimulating overseas is creating expanded markets for cash sales of our farm products.

Japanese officials have told me that U.S. aid programs after the war brought their country back from the brink of starvation, put a brake on inflation, prevented a social revolution, and paved the way for reconstruction of Japanese industry. Japan is now our No. 1 purchaser of American farm products for dollars.

Spain, which once obtained large quantities of U.S. farm products under Public Law 480, had become in fiscal year 1963 a \$112 million cash market for our agricultural commodities. Israel, also a big recipient of our food for peace, stepped up cash buying of our farm products for less than \$7 million in 1958 to more than \$23 million in 1963. Taiwan's cash buying rose from less than \$1 million in 1959 to almost \$22 million in 1963.

Public Law 480 is helping to expand the sale of farm products in over 60 countries through a market development program carried on by the Department of Agriculture in cooperation with more than 40 U.S. producer and trade groups from all parts of the United States. The Government's share of these jointly financed activities comes largely from foreign currencies received from farm product sales under title I, Public Law 480. Very active promotion, through trade fairs and other promotional techniques, is carried on under this program to expand shipments of virtually all important U.S. agricultural export commodities.

We know that this sales effort is paying off. We exported a total of \$6.1 billion worth of agricultural commodities in the fiscal year that just ended. In the past 10 years, commercial exports have increased from a little over \$2 billion to a record of \$4.6 billion the past fiscal year. Over these same years, our exports under Public Law 480 programs have increased by about \$170 million. In other words, dollar sales have gone up \$12 for every \$1 increase under Public Law 480.

Foreign currencies generated under title I, Public Law 480, are having a net favorable impact on our balance-of-payments position. Foreign currencies, in addition to financing market development, also have many other uses which are helping us stem the outflow of gold and dollars. Since 1954, title I has provided more than \$936 million in foreign currencies for payment of U.S. embassy and other expenses abroad, and another \$567 million for the common defense of the United States and the recipient countries. Furthermore, repayments made by foreign governments on title I foreign currencies loaned to them will continue to provide additional funds for U.S. uses in future years.

Public Law 480 is helping us to promote our overall foreign policy.

We gain in the foreign policy field when we give uncommitted countries an opportunity to compare the relative efficiencies of free and regimented agriculture. We are showing the world that farmers under the free democratic system of the United States can outproduce the collectivized farmworkers of the Soviet Union by a ratio of 5 to 1.

We gain in the foreign policy field when we strengthen with our food the will and the capacity of free world peoples to remain free—to realize their legitimate aims and aspirations. To put it simply, what is good for the free world as a whole is good for the United States.

We are concerned in this bill with two titles.

Under title I, the largest component, U.S. agricultural commodities are sold to friendly countries with payment received in local currency of the recipient country. From the beginning of the program through June 30, 1964, we have entered into a total of 392 sales agreements with 49 countries for a total value of \$10 billion.

The CHAIRMAN. Mr. Secretary, when you say \$10 billion, is that our cost or the price that it was sold at?

Secretary FREEMAN. This is on a market value basis.

The CHAIRMAN. Now I would like to have for the record the actual cost to our Government, which would include the delivery charges and the amount that we received in return from the sales.

(The information is as follows:)

The total cost to Commodity Credit Corporation of commodities exported under title I through May 31, 1964, is \$11,743,485,000. The amount charged to the importing country for the commodity cost and ocean freight financed by CCC (excluding ocean freight differential of \$349 million) is \$8,115,936,000. The difference between this total and the amount collected as reported in the preceding table represents normal lag in documentation.

The CHAIRMAN. We would also like to have for the record the total currencies loaned under 104(g), to the foreign countries with the interest rates charged each country. And then the total currencies loaned under 104(e), the Cooley loan provision, with the interest rates charged in each country; the total currencies granted under 104(d), which is for the purchase of goods and services to friendly countries; and under 104(e) and also under 104(f). And we would like to have that separately for each country; that is, under each of these designations. And we would like to have that as nearly up to date as possible.

Secretary FREEMAN. All right, sir. We will prepare that material for you.

The CHAIRMAN. I presume that you have all of that available now.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. It is just a question of bringing it together in one place.

**STATEMENT OF DAVID E. BELL, ADMINISTRATOR, AGENCY FOR
INTERNATIONAL DEVELOPMENT, DEPARTMENT OF STATE**

Mr. BELL. Right.

Secretary FREEMAN. Right.

(The information is as follows:)

Loans under Public Law 480, title I, sec. 104(g), July 1, 1954, to June 30, 1964

[Million dollar equivalents]

Area and country	Total earmarked in sales agreement ¹	Total loan agreements signed ¹	Loans repayable in local currency with maintenance of value	Interest rate (percent) ²	Loans repayable in local currency without maintenance of value	Interest rate (percent) ²	Loans repayable in dollars	Interest rate (percent) ²	Total loan disbursement
Europe:									
Austria.....	25.5	25.5	25.5	3.4					25.5
Finland.....	19.4	19.0	5.0	4.5			14.0	3	19.0
Iceland.....	12.2	11.6	5.4	3/4, 3.5	6.2				8.3
Italy.....	92.8	92.6					92.6	3.4	92.6
Portugal.....	3.4	3.4	3.4	3.4					3.4
Spain.....	245.1	205.8	148.7	3, 4.5	57.1				187.3
Yugoslavia.....	319.2	375.8	204.5	3 1/2, 4.5	171.3	3/4, 4			205.4
Africa:									
Congo.....	15.7								
Ethiopia.....	5								
Guinea.....	17.3	8.2			8.2	4			
Ivory Coast.....	1.9	1.9		3/4	1.9	3/4, 4			
Morocco.....	14.3	14.3		3/4, 4	14.3				
Senegal.....	2.0								
Sudan.....	8.3	8.3		3/4, 4					
Tunisia.....	19.7	19.0		3/4, 4	19.0	3/4, 4			12.1
Near East and south Asia:									
Burma.....	31.9	26.6	18.1	4.5	8.5	4			8.2
Ceylon.....	11.1	12.7	9.3	3, 3 1/2, 4	3.4	4			4.8
Cyprus.....	1.1	1.1			1.1	3/4			
Greece.....	54.1	51.9	36.3	3, 4.5	15.6	4			49.4
India.....	1, 213.0	1, 083.0	398.9	3, 3 1/2, 4.5	684.1	4			730.5
Indonesia.....	239.5	80.2	73.0	4.5	16.2	4			29.3
Iran.....	29.5	28.4			28.4	4			16.6
Israel.....	171.3	177.8	90.9	3, 3 1/2, 4.5	77.2	3/4, 4	9.7	3/4, 2.4	126.4
Pakistan.....	256.7	274.8	87.3	3, 3 1/2, 4.5	187.5	3/4, 4			191.9
Syria.....	22.8	20.2			20.2	4			2.1
Thailand.....	1.8	1.7	1.7	4.5					1.7
Turkey.....	199.1	212.2			212.2	3/4, 4			116.2
United Arab Republic.....	579.2	552.0			552.0	3/4, 4			307.4

Footnotes at end of table.

Loans under Public Law 480, title I, sec. 104(g), July 1, 1954, to June 30, 1964—Continued

[Million dollar equivalents]

Area and country	Total earmarked in sales agreement ¹	Total loan agreements signed ¹	Loans repayable in local currency with maintenance of value	Interest rate (percent) ²	Loans repayable in local currency without maintenance of value	Interest rate (percent) ²	Loans repayable in dollars	Interest rate (percent) ²	Total loan disbursement
Far East and Pacific:									
China	34.9	26.6			26.6	3 1/2			12.4
Japan	105.5	105.5	105.5	4.5					105.5
Philippines	11.6	5.0	5.0	4.5					5.0
Latin America:									
Argentina	18.7	14.9			14.9	4			14.8
Bolivia	22.7	17.7			17.7	3 1/2			7.1
Brazil	345.3	152.7			152.7	3 1/2			126.8
Chile	53.0	45.0	27.7	4.5	13.4	3 1/2	3.9		40.8
Colombia	39.7	32.6			32.6	4			30.7
Costa Rica	7.2	6.9	5.8	3, 4, 5	1.1				6.7
Ecuador	11.4	10.8				4	10.8		10.5
Mexico	11.4	5.8	2.1	4.5	3.7	3 1/2			4.3
Paraguay	6.0	23.9	12.5	3, 3 1/2, 4, 5	11.4	3 1/2, 4, 5 1/2			13.6
Peru	23.5	14.3			14.3				12.3
Uruguay	13.3								
Total	4,375.2	3,778.7	1,266.6		2,381.1		131.0		2,528.6

¹ Several factors account for differences between the total loans earmarked and total loan agreements: (1) Unsigned loan agreements; (2) difference in exchange rates; (3) adjustments in amount of loan agreements to agree with disbursements; and (4) lack of adjustment in sales agreement earmarking to reflect shortfalls.

² Interest rates were generally in effect as follows: 3 and 4 percent up to fiscal year 1958; 4 and 5 percent during fiscal year 1958; 3 1/2 percent during fiscal year 1959; 4 percent from April 1959 to April 1962; 3 1/2 percent since April 1962. Interest rates for withdrawal loan agreements are listed in AID Report W-224, "Status of Loan Agreements."

Loans under Public Law 480, title I, section 104(e) (Cooley), as of June 30, 1964

[Dollars in thousands]

Area and country	Amount of loan agreement	Amount disbursed	Interest rate (percent)
Europe and Africa:			
Finland.....	\$2,577	\$2,577	6,7½
France.....	6,448	6,448	7½
Italy.....	3,658	3,658	6¾, 7
Sudan.....	453	453	7
Near East and south Asia:			
Greece.....	6,634	6,291	6, 7
India.....	73,542	38,672	6, 7
Iran.....	433	433	5, 8
Israel.....	17,571	17,141	5½, 10
Pakistan.....	8,575	8,412	5, 6½
Turkey.....	36,441	28,029	7, 8
United Arab Republic, Egypt.....	1,032	1,032	5½
Far East:			
China.....	3,182	2,852	9, 12
Korea.....	1,651	1,651	8
Philippines.....	3,700	2,487	7, 7½
Vietnam.....	550	412	6
Latin America:			
Chile.....	685	685	10
Colombia.....	6,095	6,032	8, 9
Ecuador.....	822	418	8, 9
Mexico.....	6,762	6,762	10
Paraguay.....	825	767	9
Peru.....	2,657	1,686	6, 8
Uruguay.....	3,332	3,332	6½, 7½
Total.....	187,625	140,230	

Disbursements for the purchase of goods and services for other friendly countries granted under Public Law 480, title I, subsec. 104(d), July 1, 1954-June 30, 1964

[In thousands]

Country	Type of currency	Foreign currency units	U.S. dollar equivalent
Finland.....	Finn marks.....	545,000	1,700
France.....	Francs.....	17,035	3,477
India.....	Rupees.....	152,544	32,121
Italy.....	Lire.....	3,748,182	6,036
Japan.....	Yen.....	3,112,168	8,645
Total.....			51,979

Disbursements to promote economic development and multilateral trade under Public Law 480, title I, subsec. 104(e) (grants), July 1, 1954-June 30, 1964

[In thousands]

Country	Type of currency	Foreign currency units	U.S. dollar equivalent
Brazil.....	Cruzeiros.....	10,087,338	18,610
Burma.....	Kyats.....	8,218	1,741
Ceylon.....	Rupees.....	10,909	2,291
Congo.....	Francs.....	1,453,572	15,212
Egypt.....	Pound.....	1,139	2,619
India.....	Rupees.....	1,784,561	376,395
Indonesia.....	Rupiah.....	636,297	6,820
Israel.....	Pounds.....	41,169	15,903
Japan.....	Yen.....	216,000	600
Pakistan.....	Rupees.....	1,537,327	323,079
Peru.....	Soles.....	3,866	144
Philippines.....	Pesos.....	6,500	1,669
Tunisia.....	Dinars.....	2,659	1,197
Turkey.....	Liras.....	19,000	2,111
Yugoslavia.....	Dinars.....	32,712,744	43,617
Total.....			812,008

The CHAIRMAN. You may proceed.

Secretary FREEMAN. Under title II, we have shipped farm products valued at more than \$1.0 billion to 69 countries, mainly in the form of donations, under which our commodities are used both to support economic development projects and to feed the victims of earthquakes, floods, droughts, or other disasters. Through title II, we also are carrying out the U.S. pledge to the U.N.-FAO world food program, now in its second year.

These hearings are not directly concerned with title III but I do want to pay tribute to the donation of food to foreign needy people through U.S. voluntary agencies and international organizations. Twenty billion pounds of U.S. food has been sent to needy people since 1954 under this program, the food having a cost value of \$2.4 billion. CARE, Catholic Relief Services, Church World Service, UNICEF, and Lutheran World Relief reach 98 percent of total recipients; 12 smaller organizations account for the balance. About 72 million persons in 134 countries and territories are receiving this food.

I also want to mention title IV, under which we supply U.S. farm products to the stronger developing countries on a dollar-sales basis with payments over a considerable period of time.

Title IV is of particular help to countries which are "graduating" from title I foreign currency purchasing to dollar purchasing; the relatively smooth transition is facilitated when credit terms can be arranged. From July 1961 through June 1964, 40 title IV agreements and amendments were signed with 18 countries, for commodities, having a market value (including ocean freight on U.S. vessels) of \$262 million.

Let me say, in conclusion, that American agriculture—and the food situation in the less-developed countries, are still in a period of adjustment. I say this while recognizing the progress that has been made in the direction of adjustment.

What faces us, then, is the prospect of a continuing imbalance of food supplies at least for the next few years. Our supplies, and supplies of some of our friends, will continue to stay in excess of needs. The less-developed countries will continue to be confronted with malnutrition which could quickly turn into famine unless the world is lucky. As long as these unbalanced conditions persist, we should and must continue the sharing of our abundance with the needy. To do otherwise would, I am convinced, endanger our domestic agricultural economy and undo in considerable part what we have accomplished with Public Law 480 in the underdeveloped countries in the past decade.

By reenacting the Agricultural Trade Development and Assistance Act of 1954, we can forge ahead with the domestic and foreign adjustments that are needed to bring about a better balance in the world's food supplies.

Reenactment of Public Law 480 will strengthen our American agriculture, it will aid in developing a more prosperous export trade in farm products, it will help to prevent hunger and famine abroad, and it will strengthen an American foreign policy consistently aimed in the direction of stability and peace.

As you can see, I fully support the concepts of Public Law 480. This legislation, in my opinion, is indispensable to the United States and to the rest of the free world at this particular period of history.

The CHAIRMAN. Now, Mr. Secretary, I think that it was yesterday or the day before that the House Committee on Agriculture reported a bill for action by the House of Representatives as a whole. I presume that you are familiar with its contents.

Secretary FREEMAN. Yes, sir; I think I am.

The CHAIRMAN. As you know, there is a little conflict between the House and the Senate as to the best method of controlling these expenditures, that is, to have supervision of those expenditures in some way. I believe, personally, that one of the best methods of doing this is through the appropriations, but the House has suggested the creation of a commission composed of you and others, and the chairman and ranking minority members of the Agriculture Committees of the House and the Senate. I would like to have your reaction to either method or both.

Secretary FREEMAN. First, Mr. Chairman, I would want to say that I believe that there has been a very good working relationship between the executive and the legislative branches of the Government where Public Law 480 is concerned. I know that I have enjoyed a very courteous and helpful relationship with the chairman and with the ranking minority member and other members of the committee, and I can say the same for the House.

I believe that the system which we have followed has been an efficient and an effective one. It has made possible the kind of flexibility and discretion which the changing conditions in agriculture in this country and around the world require. And I believe that it ought to be continued. And I am merely really saying, Mr. Chairman, that I think that the control exercised by the Congress over Public Law 480 has been wise, and I think that the Executive has been responsive to that interest. And would say that I think that the mechanism as it exists in the current law ought to be continued.

The CHAIRMAN. As you know, we have had discussions about the rates of interest charged. I brought it to the attention of the Senate sometime ago that although our surplus commodities under title II, let us say, are sold at world prices wherein we suffer some loss, the interest rate in some instances is fixed as low as three-quarters of 1 percent, which means nothing, no interest, really.

What have you to say about that?

Secretary FREEMAN. Well, I think, because of the chairman's interest in this, and the interest that is shared in the House, this matter has been reviewed and considered, and the policy, by way of adjusting the interest rates, should be more consistent with the cost of money in the world, particularly where loan repayments are made in soft currencies. This policy which is emerging, has been a result of the good relationship between this committee and the executive branch of the Government.

Mr. CHAIRMAN. As you know, the Senate yesterday adopted an amendment to the pending foreign aid bill more or less fixing the rate of interest.

Do you see any objection to fixing the rate of interest at a sum not less than what we must pay for money here?

Secretary FREEMAN. I think in the instance I see no objection to it, sir. In the instances where we are being repaid in so-called soft currencies.



The CHAIRMAN. What about—

Secretary FREEMAN. I would say that in the case of title IV where we are selling for dollars, and getting repaid in dollars, with the transition program moving toward a commercial relationship, it may very well be consistent with our program to expand our agricultural markets and at the same time not try and make too sharp a break with the recipient countries, that we might have a lower rate of interest over an extended period in those cases.

The CHAIRMAN. If those sales are made at what the goods cost, I would not have very much to say, but to get this food at a bargain rate, to get it paid at the delivery point, I mean, that the charge for it, at whatever cost it is at the delivery point, it would seem to me that since we in the past and in the present are paying a certain rate of interest that the recipients of our bounty, through this method, should at least pay the interest rate that we pay. I think people would have more respect for us if they did.

Secretary FREEMAN. This point can certainly be made, and if it was contemplated that this relationship would continue forever I think that the chairman's point would be conclusive. However, what is involved here is really a transition where a country which has not been a commercial customer, becomes in part a commercial customer. We at the same time are providing some needed assistance—and I think the facts show that this does take place in that country—looking to the time when it becomes a normal commercial customer over a given period of time. Sometimes these agreements fluctuate between, I think, 10 to 20 years. Otherwise I think, Mr. Chairman, we would not make these sales, in all probability, in these cases. In many instances we may have been getting repayment in soft currencies instead of repayment in dollars and we want to get repayments in dollars and so we serve a dual purpose. And so I do really think there is a difference between those loans and arrangements that involve the repayment in soft currencies and those that involve repayment in dollars.

The CHAIRMAN. As I recall, the House bill provides that these repayments in dollars should be made or credited to the Commodity Credit Corporation, rather than to the Treasury. What do you say to that?

Secretary FREEMAN. They should be credited to the Commodity Credit Corporation. And I think that they are now credited to the Commodity Credit Corporation, although paid to the Treasury. I am a little confused on that. How does it work?

STATEMENT OF CLARENCE R. ESKILDSEN, ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. ESKILDSEN. They are now credited to the Commodity Credit Corporation in the instances that I know of. There is a provision in an amendment passed last year, that would provide for these currencies—in a few of these that might arise under the sales of local currencies where that would be in local currencies.

Senator YOUNG. I wonder if you would not stand up so that we can hear you better.

Mr. ESKILDSEN. There is a provision in the law now which is an amendment to the Foreign Assistance Act, the so-called Smathers amendment, which does provide that in a few instances where the sales for local countries are made to private entities, the resulting dollars would go into the miscellaneous receipts of the Treasury. The House bill which has just been reported would change that, so that those dollars, as all of the other dollars that are repaid would go into the Commodity Credit Corporation.

The CHAIRMAN. Personally, I think with my good friend from North Dakota here and others, what they desire is to have these sales charged to foreign aid and not to the Department of Agriculture and it would seem to me that anything we might put in this bill that would bring that about would be very beneficial, because here is the Department of Agriculture which has been accused in the past of spending \$5 billion or \$6 billion for agriculture, and that it is a subsidy to the farmers. A good deal of it has been used to carry on the program that the Secretary has so eloquently described. And I believe that it ought to be charged to foreign aid, to foreign assistance, rather than to the Department of Agriculture.

Senator JOHNSTON. I think that you will find most of the members feel the same way that the chairman does in this regard.

The CHAIRMAN. There is a provision in the House bill which authorizes and encourages the sale of some of these currencies to tourists. That is, American tourists that go abroad, for cash and that also should be credited to the Commodity Credit Corporation.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Do you agree to that?

Secretary FREEMAN. I certainly do.

The CHAIRMAN. In respect of the sale of our commodities to foreign countries for their own currencies, as you are no doubt familiar, about 3 years ago this committee adopted an amendment to the foreign aid bill, to the effect that the sales to foreign countries should be made at a realistic exchange rate. As I pointed out previously in my travels abroad the countries by not utilizing realistic exchange rates in addition to suffering a loss by selling at world prices, that is, our country, that we suffered a loss of almost \$700 million in four countries because of the fact that the rates of exchange were not realistic. For instance, in Poland, as I recall, anybody could obtain exchange rates of 55 zlotys to one dollar. We sold our surplus at 24 to 1. And in the case of Yugoslavia, anybody could get 600 dinars for \$1 and you sold wheat there and other surpluses at 300 to 1. And that, of course, meant quite a loss to our Treasury.

Are you satisfied with the provisions in the House bill?

Secretary FREEMAN. Yes. I think that the provision in the House bill, as I have read it, largely reinstates language that the chairman himself placed in the act some time ago. It was later somewhat modified. I believe that the problems to which you have addressed attention would be met by the House bill, and that language reads that the highest rate of exchange would be used for the payment for agricultural commodities.

The CHAIRMAN. I do express the hope—

Secretary FREEMAN. Mr. Bell corrected me by saying the highest legal rate. I stand properly corrected. I thank the Director for being sure that I am legal.

The CHAIRMAN. I do express the hope that the State Department will not step in here and try to reinstate the old procedure, getting this so-called legal rate in contrast to the rate of exchange that is given to anyone or any corporation or anybody doing business in the country. And I hope that Mr. Bell will see to it that that is done.

Mr. BELL. That is our intention, Mr. Chairman. We do not disagree with you at all.

Senator AIKEN. That is a good assignment.

The CHAIRMAN. And do not let these boys from the State Department override you, because if they do somebody is going to have to account to Congress for it.

Senator MCGOVERN. With regard to this matter of the cost, I think that it is understandable why the farmers sometimes are concerned about being blamed for the cost of the oversea food program but there is another side to this problem. I would like the Secretary, if he would, to comment on what the approximate cost would be to the American farmer and to the Department of Agriculture if we did not have these oversea outlets.

Secretary FREEMAN. If I could repeat what I touched on in the statement which I have submitted, in the neighborhood of one-half of the wheat that is being exported is going out under Public Law 480, and if we went back to the \$12 billion worth of commodities and assumed that they were in storage and put a dollar value on that, the sum would be, indeed, astronomical.

Senator MCGOVERN. What about the additional storage costs?

The CHAIRMAN. We may be producing too much, Senator McGovern. You know, we have been trying to get our production in line with what we can sell. We have been going to reach that goal now for quite some time, but somehow we have not been too successful with it.

Senator MCGOVERN. I think that is a good point. But I think we ought to recognize that we have some stark alternatives ahead of us if we begin to crimp this oversea program. We have the alternative of either sharp reductions in production here at home or else piling the production up in Government warehouses.

The CHAIRMAN. That is the argument that has been advanced by foreigners. They think that we have these surpluses and that they are doing us a favor by letting them have it at a bargain price.

Senator MCGOVERN. I do not think they are doing us a favor. But I think we have to recognize that in trying to put a cost label on the program, that it cuts both ways. There are, really, substantial benefits to us. There is nothing wrong, as I see it, with benefiting both the foreigners and ourselves. And I think that is the way the program works. It has been of enormous benefit to the people overseas. We are doing them a great favor in making these commodities available, but it is also a good arrangement for us and has been of great benefit to American agriculture. I think that the chairman has long supported that position, too.

The CHAIRMAN. I do not deny that, but it seems to me that we should be realistic and dispose of these commodities at a fair value

and get returns on them, if we can, and not be satisfied with merely giving them away.

Senator McGOVERN. I think that the Secretary made a good point, that we have to deal with these people according to their differing capacities. In some cases with outright donations and in other cases soft currency arrangements and in other cases we can work out long-term loans, but we certainly cannot expect the whole operation to be put on a hard commercial basis; otherwise, there would be no point to it. We might just as well go through commercial channels.

The CHAIRMAN. I am not complaining about that. We have had this program going on now, as the Senator knows, for 10 years. It has been quite a success. But what has irked me in many instances is that we have donated these commodities to many countries in an effort to try to show them how to use our food and the benefits that were derived by the use of that food, but when we stop giving it to them, they buy from someone else. That happened in Japan on our milk program. I can well remember when Secretary Benson was proud of the program that was going on in Japan whereby we used up a lot of our surplus milk. This was more or less by donation. The idea was too teach the use of good milk, wholesome milk for school-children in Japan. But the moment that we cut off the gift of the milk, Japan started buying milk from Australia instead of buying milk from us.

Senator McGOVERN. Is it not true, though, that Japan is one of the best customers we have?

The CHAIRMAN. Yes. That is correct. But I am just giving an instance. I could cite other instances along that line that when we stopped giving it to them, they purchased from someone else. I do not blame them when they buy where they can get it the cheapest. I do not believe that we should be in the position of competing with Australia or anybody else. We are selling this at a bargain price, as it is. It would seem to me the fact that we are giving it to many of these countries, until it hurts, that they should continue to buy from us.

Are there any further questions?

Senator YOUNG. I have some questions that I would like to ask, Mr. Chairman.

The CHAIRMAN. Proceed.

Senator YOUNG. What part of this program would you say is of direct benefit to agriculture and what part would be a part of our foreign aid program? Have you ever figured that out?

Secretary FREEMAN. Well, I would dislike to assess a percentage value to it, Senator Young. It accomplishes that and other goals as well.

No. 1, the markets involved are very important. Senator McGovern and others have just indicated that the markets that we are building for the future for dollar sales and commercial sales are important to the American farmer. The program is important to the whole economy in terms of what flows from it. And millions of people are involved in it.

I would defer for a more direct answer to my colleague, Mr. Bell. It is important as a part of our foreign policy as it seeks to strengthen and assist some of the developing countries to maintain their course in the direction of freedom. And certainly as it dramatizes as nothing else does the superiority of American free enterprise family farm system over the collectivized Communist agriculture.

If the Senator wants me to put a percentage value on each of these, I will do my best, but it would be pure conjecture. They are all important. And I think that one of the overwhelming parts of this program that made it such a success, and I say this advisedly, is that I think that it will go down as one of the most outstanding things done in the history of mankind, is because it does have this multiple effect of serving the mutual interests of so many people.

Senator YOUNG. I wonder if Mr. Bell would venture an estimate as to how much our foreign aid appropriation would have to be increased if we did not have this program?

Mr. BELL. I do not have any figures in my head, Senator. Obviously, they would have to be increased very substantially, because as the Secretary indicated this program has simultaneously served the interests of American agriculture, that is domestically, and the interests of the United States overseas in helping the growth and the strengthening of the freedom of the less-developed countries. We follow a very clear and definite policy of making use of Public Law 480 resources to the maximum extent, rather than dollar appropriations for quite obvious reasons. There are many things we are able to do and deliberately do through the use of Public Law 480 resources which we might well not do, if the question were whether to appropriate dollars for that specific purpose. But I want to reiterate what the Secretary has said, I do not think that this would be a reasonable test of the significance of Public Law 480, because the fact is that the same resources serve both objectives.

We are using effectively resources which, otherwise, would be costing us storage in the United States. We are using these resources effectively to feed people and to strengthen the economies of the countries where they are going, so that it is a dual-purpose program, rather than one that you could say easily, "Well, this much of it we would do for foreign aid purposes and this much of it we would do for American agriculture purposes."

Senator YOUNG. Do you have figures, Mr. Secretary, for the past year of the amount of food that has been shipped abroad under the title in which we give food for famine relief and to CARE and other such agencies. Also, would you provide figures on amounts shipped under the other titles for barter and sale for foreign currencies?

Secretary FREEMAN. Yes. We would be happy to submit them. I do not have them right at the top of my head to the exact dollar amounts, but I think it is covered by what the chairman has requested.

Senator YOUNG. Thank you.

(The information is as follows:)

Public Law 480 commitments¹ to export U.S. farm commodities, July 1, 1954, through June 30, 1964

[In millions of dollars]²

Fiscal year	Title I, sales for local currencies	Title II, disaster relief and other assistance ³	Title III		Title IV, long-term dollar sales	Total all titles
			Foreign donations	Barter		
1955.....	354.6	107.8	197.2	124.6	-----	784.2
1956.....	671.3	101.0	302.5	298.4	-----	1,373.2
1957.....	1,034.4	131.2	253.7	400.5	-----	1,819.8
1958.....	727.8	109.5	272.5	99.8	-----	1,209.6
1959.....	834.3	77.8	209.8	132.3	-----	1,254.2
1960.....	1,135.7	85.7	148.9	149.2	-----	1,519.5
1961.....	⁴ 1,766.9	273.7	208.2	143.9	-----	2,392.7
1962.....	1,591.2	214.9	224.5	198.4	57.0	2,286.0
1963.....	1,225.7	350.2	277.3	60.1	87.8	2,001.1
1964.....	469.1	292.5	334.6	93.0	117.9	1,307.1
Total.....	9,811.0	⁵ 1,744.3	2,429.2	1,700.2	262.7	15,947.4

¹ As used herein, "Commitments" refers to sales agreements under title I and title IV, transfer authorizations under title II, and title III shipments under barter contracts and foreign donation authorizations. In some instances, title I and title IV agreements provide for multiyear programing. Total commitments shown for each fiscal year do not necessarily correspond with actual shipments during the same period.

² Export market value (includes certain transportation costs) is used for title I, title III barter, and title IV. Title II transfer authorizations and title III foreign donations are at CCC cost.

³ Includes child-feeding, economic development, and world food program.

⁴ Includes financing for last 3 years of 4-year India agreement signed May 4, 1960.

⁵ Estimated market value calculated on ratio of current market prices to CCC cost, \$681,100,000 (all figures also include authorized ocean freight costs on title III foreign donations).

The CHAIRMAN. In connection with what Senator Young has stated to Mr. Bell about the use of these funds, we have a lot of funds in Egypt. I was disappointed and rather irked when I found out when I was in Egypt that we have quite a few ships going through the Suez Canal. And we have a lot of Egyptian money on hand—that is, Egyptian pounds—and yet we cannot use those pounds to pay for the cost of our ships going through the Suez Canal. And it would seem to me that these funds would be used for any purpose we desired in these countries.

What have you to say about that?

Mr. BELL. Senator Ellender, I do not know the background of that particular situation. As you know, the use of the local currencies that are derived from each of the title I agreements are controlled by the terms of the agreement entered into.

The CHAIRMAN. But if you put that into the agreement, we ought to have that.

Mr. BELL. It is a question I have not gone into. I will be glad to look into it. I do not know the pros and cons of that particular issue. I will have to pursue the matter before I would be prepared to comment.

The CHAIRMAN. A lot of the countries want the use of these funds to suit their own economy, and any time they can make use of those funds and force us to use dollars, they will do that. It would seem to me that any funds we have available in a country should be used for any purpose we see fit within the country.

Senator AIKEN. Have you any position on the proposal to put Egyptian pounds into a trust fund, the income from which would be

used for the benefit of the American University in Cairo? We have been asked to consider that. And I think that this is a good time to get your position on it.

Mr. BELL. We think this and similar ideas with respect to other countries where we have surplus currencies—that is, excess currencies—is a good idea. There are other ideas like it which we are actively pursuing right now. As a matter of fact, we have Dr. Herman Wells, the recent president of the University of India, acting right now as a consultant to us. I believe he is in India this week looking into a similar idea with respect to some of the excess rupees. We believe it ought to be possible to use some of the resources in Egypt and some of the resources in India this way.

We are trying to work out a practical way by which this can be translated from a good idea into a practical proposition.

Senator AIKEN. How would you decide which beneficiary to elect?

Mr. BELL. This is one of the things we have to consider.

Senator AIKEN. Is that not somewhat of a problem?

Mr. BELL. Yes, sir; it is.

Senator AIKEN. Would you make these trust funds to run indefinitely, so that the beneficiary would build its operations upon a scale which would become dependent upon them?

Mr. BELL. How would they be controlled? What would be the American representation on the board?

Senator AIKEN. Yes, that is what we have in mind. We have many problems here.

Mr. BELL. Exactly. That is why we have President Wells right now examining exactly this kind of question.

Senator AIKEN. So far as I can see they are all problems.

Mr. BELL. Yes.

Secretary FREEMAN. I will supplement that answer by saying that Mr. Bell and I have discussed this a number of times. India could be used as an example, because I recently was there. I was in Calcutta where we have a mission under a private foundation of very competent and knowledgeable people trying to be of service in reconstructing the sanitation and the housing and other things in that city where they are not of the highest standard, to say the least. And as a part of it I discussed informally with some of the Indian officials that when we were negotiating title I agreements, particularly when it involves substantial amounts of soft currency, that some of it at that time ought to be agreed to be expended on projects of significance that would be important to the local country but would also be dramatic in terms of the United States in the fact that this food would be used. I would like to see in Calcutta a slum clearance project, with signs placed up there that the money has been provided by the American food provided under the food-for-peace program by the farmers of America. I think that we ought to negotiate some of these kinds of things under these title I arrangements.

The CHAIRMAN. That is how a good use could be put to a lot of these, rather than to tie them up for 20 years, like in Egypt and, probably, invest them in Egyptian bonds. It is my belief that we ought to find uses for these funds and we should have more direction of them rather than tying them up in these agreements.

Senator AIKEN. What do we have in Italian lira on hand?

Mr. BELL. It is not much.

Senator AIKEN. We ordered them to spend them day before yesterday. I wondered how many we have to spend.

Mr. BELL. Italy is not an excess currency country. There aren't any surpluses of Italian lira, but I believe we do have some.

Senator AIKEN. I voted against that proposal because I thought that it was a hoax on the Polish people to give them to understand that we were going to establish and maintain their cemeteries in Italy when we did not have anything to maintain them with. Of course, I am not up for reelection—maybe that made a difference.

[Laughter.]

The CHAIRMAN. Some voters have quite a long memory.

[Laughter.]

Are there any further, questions?

Mr. Bell, have you anything to add—do you have a statement to make?

Mr. BELL. No, sir; I do not have a statement. We checked with the committee staff and they thought that it was not necessary.

The CHAIRMAN. I will ask your full cooperation, along with that of the Secretary, although I do not think that I need to do that, in obtaining for us all of these figures.

Mr. BELL. Yes.

The CHAIRMAN. We hope to have this record printed very quickly so that come Monday or Tuesday we probably will be able to vote this out. In the meantime, I am in hope that the House of Representatives will pass their bill, so that we can have that, too.

Mr. BELL. The information is available and we can get it up to you very promptly.

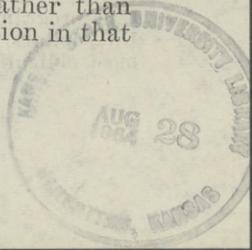
The CHAIRMAN. Get it to us as early as possible.

Mr. BELL. Yes.

Senator AIKEN. Is the bill as prepared by the House committee generally satisfactory?

Secretary FREEMAN. The bill as prepared by the House committee is generally satisfactory. There is one section in it to which Senator Ellender directed specific attention. This is in connection with the establishment of an advisory committee, composed of Members of the Congress and the executive branch of Government which would review and advise in connection with the excess currencies and grants. And my response to this is that it gives some concern. There is the question of executive-legislative relationship involved in it—and it was my firm conviction, after working with this committee and the House committee and the Congress generally for 4 years now in administering this program, that there is a good working relationship, that there is a good communication, that policies have been adjusted as circumstances have changed, and as the wishes of Congress have become clear. I think that the executive branch has tried, I know that I have, and I know Mr. Bell has, earnestly, to be responsive to the policy as determined by the Congress, and therefore I would say that the machinery which now exists, having proven itself, in my judgment, as efficient, allowing adequate discretion and flexibility and yet responsiveness to policy direction, ought to be maintained, rather than changed, and this committee may want to look at that section in that light.

The CHAIRMAN. Are there any further questions?



If not, we thank you very much, gentlemen.

Secretary FREEMAN. Thank you.

Mr. BELL. Thank you.

The CHAIRMAN. Without objection there will be placed in the record at this point a letter addressed to me, dated August 11, 1964, from Mr. Phillip S. Hughes, Assistant Director for Legislative Reference of the Bureau of the Budget, in respect to a proposal that chairman of this committee I made on this bill.

(The letter dated August 11, 1964, follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 11, 1964.

HON. ALLEN J. ELLENDER,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: The purpose of this letter is to express our concern over the provisions of S. 2687, a bill to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes (Public Law 480), which would require the preparation and inclusion of additional material in the annual budget. The bill would require that the President's budget for the fiscal year 1966 and each fiscal year thereafter contain specified information with respect to foreign currencies and other commodities and funds available under each provision of the Agricultural Trade Development and Assistance Act, and other acts for generally similar purposes. As a general principle, it is desirable to avoid statutory specifications on details of the budget, leaving flexibility in determining and revising the most appropriate way of presenting the budget from time to time. Additional information desired by the Congress or its committees might better be requested directly or, at the most, be required as a part of the budget justification rather than as a regular part of the formal budget document.

The proposed requirement would add appreciably to the budget document and would require a disproportionate amount of space for details with respect to this act. The budget now includes a considerable amount of information on the availability and use of foreign currencies owned by the United States. A copy of special analysis K, "Foreign Currency Availabilities and Uses," reprinted from the 1965 budget, is enclosed. In addition, the budget appendix contains schedules showing more details on the use of foreign currencies without charge to appropriations (for example, see pp. 61 and 62 of the 1965 budget appendix).

Apart from the problem of having permanent legislation specify the contents of the budget document, there are a number of technical problems in providing the information which would be required under the terms of S. 2687:

1. The provision would require reporting separately on the amounts of foreign currencies under each of the 19 present subsections and 2 proposed new subsections of section 104. Under the present system of negotiating agreements, the amount for U.S. purposes (subsecs. (a), (b), (d), (f), and (h) through (s)) is stated in a lump sum which is available for any or all of these subsections, and amounts are specified separately only for each country use subsecs. (c), (e), and (g)). The provision of a single amount for all U.S. purposes permits flexibility in making the best use of the currency, and makes it unnecessary to obtain the consent of the other Government if subsequent developments make it desirable to use the currencies for a different purpose. Budgetary control, accounting and reporting of the currencies following this same pattern. Under these arrangements, the requirement for separate reporting on each of the subsections relating to U.S. purposes would produce considerable overlapping and duplication in reporting, for each subsection, the amount which "could lawfully and properly be used for such purpose, even though they may have been administratively allocated to some other purpose." It would also result in the attribution of a large portion of expenditures for these purposes since 1960 to subsection 104(f).

Our primary objective in the management of foreign currencies available for U.S. programs is to see that these currencies are expended instead of using U.S. dollars, to the maximum extent possible. Foreign currencies used to pay most obligations may be either Public Law 480 currencies, currencies received

from other sources, or (in many countries) currencies purchased with dollars through commercial sources. The total expenditures of currencies from each source is readily available, but it is not possible in most cases to attribute expenditures of currencies from any one source to specific appropriations. Such an attribution would not contribute to the objective of maximizing the use of foreign currencies in lieu of dollars.

2. The requirement that, in addition, there be included other commodities and funds available for the purpose specified in section 104 and for "generally similar purposes" would involve quite subjective judgment as to what purposes are similar. Since subsection (f) covers "payment of U.S. obligations abroad," the bill literally would require an identification of every appropriation item that involves obligations to be paid abroad. The identification of amounts used for payment of obligations abroad from 1954 to date would impose a heavy administrative burden and would not help to maximize the use of foreign currencies.

3. The provision would also require reasons to be offered for not using Public Law 480 resources in lieu of appropriations. Since the application of Public Law 480 resources for U.S. uses is already controlled by appropriations, it is meaningless to require explanations in these cases. In the case of country-use programs, the explanation would generally be that the country's need for outside resources cannot be met with the country's own currencies.

4. The provision also requires the annual budget to contain an estimate of the value of commodities to be covered by sales agreements and grants to be made during the fiscal year, an estimate of the sales proceeds, a statement of the purposes for which such proceeds will be used, and a statement on the extent to which the use will preclude the necessity for the appropriation of other funds, including the reasons for entering into such agreements in excess currency countries. It would prohibit entering into agreements which would result in exceeding any estimate.

It would be exceedingly difficult, if not impossible, to forecast transactions by country in such detail so far in advance of negotiations. While forecasts are currently made of anticipated foreign currency collections under current and prior agreements, as a basis for the special analysis on foreign currencies in the budget, the publication of more details and the specific forecasting of new agreements could hamper subsequent negotiations of sales agreements. The rigidity which would be introduced by such controls would greatly hinder the most advantageous negotiation of agreements and the best utilization of the proceeds. Since the value of commodities, foreign exchange rates, and other factors usually change between the time that budget estimates are prepared and the time of agreement, it would be very difficult to maintain a logical and consistent relationship among the various types of estimates which would be required.

In summary, we believe that the present system provides adequate control over the use of Public Law 480 and other currencies for U.S. programs, and that the proposed system of making detailed budget estimates controlling over future agreements would impose a very serious administrative and accounting burden which is unnecessary to achieve our joint purposes.

Sincerely,

(Signed) PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

The CHAIRMAN. All right, Mr. Lynn, we will be glad to hear from you now for the American Farm Bureau Federation, and I notice that you have a long statement. Will you highlight it for us?

The whole statement will be put into the record.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the committee, we appreciate the opportunity to present the Farm Bureau's views with regard to Public Law 480, the Agricultural Trade Development Act.

In the first few pages of this statement we try to summarize what some of the results of Public Law 480 have been. You will recall that it was a temporary program, designed to relieve us of some of

the surpluses we had in the Commodity Credit Corporation, but, unfortunately, it has not worked like that. We have about \$1,400 million more surpluses now than we had 10 years ago in the Commodity Credit Corporation. We think it is very important that the Congress review the operation of this program at least every 3 years, because we think that it needs to be improved because of changing conditions that do exist. We think that in some cases Public Law 480 is being used to deter our ability to get into commercial markets. We think that this is true, perhaps, in India and Pakistan and the United Arab Republic. And for this reason and others we are making some specific recommendations for changes in this bill. Starting on page 5, if I may, sir, I would like to read the specific recommendations that we make.

New safeguards: The most important safeguard is to take those steps necessary to insure that foreign currency sales are limited to agricultural surpluses. This means that our domestic agricultural programs should not encourage production in order to expand foreign currency movements under title I. This also means that we should not attempt to justify unrealistic domestic programs by citing the availability of foreign currency sales as a means of exporting the surplus production. We have a serious obligation, not only to ourselves but also to other exporting nations, to make basic changes in our domestic agricultural programs to prevent artificial incentives for production when such production is to be pushed into the world markets through special programs such as Public Law 480.

The CHAIRMAN. That is in the law, as you know. That is in the law already.

Mr. LYNN. We hope that it remains so.

The CHAIRMAN. That is part of the law. That has not been changed—it is in the law now. That is, that we shall not produce food for peace, it is only in the event that we have surpluses that it can be made available for any long-term contracts.

Mr. LYNN. The reason that we emphasize this point is that the subcommittee of the House Committee on Agriculture did modify that section when they reported their bill to the full committee of the House, and it was changed in the full committee.

Of course, the magnitude of the export movements of agricultural surpluses as carried out under Public Law 480 presents a constant danger of displacing normal commercial sales. In our opinion, some displacement has already occurred.

Any new legislation should require that “usual marketing provisions” be included in every agreement. In addition, we should require that all future foreign currency sales be made on the condition that a fixed percentage of the total purchase be paid for in dollars or freely convertible foreign exchange.

The recent export arrangement with Poland which included a \$30 million foreign currency sale, a \$30 million short-term credit sale, and a \$30 million sale on commercial terms is evidence that it is time, and that it is possible, to move toward more commercial sales arrangements with the countries which have been acquiring a major part of their food needs through title I type programing. We believe that a 25-percent requirement would not be unreasonable in most cases.

After 9 years' operation of this program, there is a growing attitude among many nations that farm products are not worthy of foreign exchange. To put it another way, many underdeveloped countries seem to feel that foreign exchange is something to be used for the importation of industrial goods since food import requirements can be met through Public Law 480 type transactions. This could have an extremely detrimental long-term effect upon potential dollar markets for farm products.

The excessive foreign currency balance indicates the necessity for a requirement in the law that a Public Law 480 agreement specify not only the general category to which the foreign currency is to be applied but also the projects for which those funds allocated to economic development will be used. Foreign currency should not be generated through title I sales unless there is real evidence that it can be used promptly and constructively. A foreign currency sale which results in such currency lying indefinitely in a U.S. account is not a sale, and is not serving the best interest of either country.

What we are saying is that when an agreement is negotiated negotiations should take place as to what would happen to the foreign currency.

We believe that the adoption of the new section 309, as contained in subparagraph 11 of S. 2687, Ellender, Democrat, of Louisiana, could make a major contribution toward dealing with this problem. It is important that these foreign currencies be budgeted and appropriated. It is imperative that they be used instead of appropriated dollars wherever possible. A start must be made in eliminating these currency surpluses." Section 309 of your bill could play an important part in solving this serious problem.

Since market development activities are being financed by appropriations even when foreign currencies are used, the mandatory "set-aside" of 5 percent for market development activities should be deleted. With the adoption of our recommendation of a 25-percent cash requirement, there should also be deleted the 2-percent convertibility requirement contained in section 104(a).

Extension and authorization: Adoption of the revisions recommended herein would enable Farm Bureau to support a 3-year extension of the authority to enter into foreign currency sales contained in title I of Public Law 480. We would recommend an increased authorization of \$3 billion with the additional limitation that not more than \$1.5 billion could be committed in any 1 year.

We believe that authorizations for title I should act as a discipline upon the programing. It is apparent that this has not been the case in recent years. Therefore, we are opposed to proposals which (1) carry forward unused authorizations for past years and (2) increase authorizations by an amount equivalent to repaid loans or reimbursement from other agencies. Excess authorizations of past years should not be used as a means of providing excess authorizations for future years. The fact that loans made in the past are being repaid has no relationship to the requirements of future programing.

1. We believe it is essential for Congress to review and reassess a program of the magnitude and implications of Public Law 480 at least every 3 years.

2. We believe it is imperative that the United States not indicate to recipient countries or to other exporting countries that we intend to enter permanently into a program of noncommercial export movements of U.S. agricultural products. It is not in the best interest of the United States, the American farmer, or the underdeveloped nations of the world to indicate such an attitude. It would not build strength, it would sustain weakness; it would not generate gratitude, it would compound resentment. Our relationship with underdeveloped countries should be based on the principle of a partnership in trade, not on a donor-donee basis.

An additional \$3 billion authorization to cover this period should prove sufficient. The fact is that we already have overprogramed some countries. It certainly is an unhealthy situation when recipient nations must come to the United States to explain why they do not want to take as much as we have tried to give them.

Title II emergency relief: Donations for emergency relief and so-called work payment programs under title II of Public Law 480 are currently administered by the Agency for International Development. It seems appropriate that such activities be delegated to the foreign aid agency. Logically the cost should be borne by the foreign aid budget. Therefore, Farm Bureau recommends that title II authorizations be transferred to the foreign aid bill and be subject to appropriations for foreign aid.

We believe that Congress should extend title II for 1 year with a \$300 million authorization and further recommend that the committee report make clear that authorizations and appropriations for programing subsequent years be handled in the foreign aid bills.

As a temporary program, Public Law 480 can move surpluses into consumption to countries unable to pay dollars. However, the export movements should be used to expand future commercial trade, not as a substitute for such trade. It will defeat our purpose if we allow Public Law 480 to become a permanent program and if we permit recipient countries to become permanently dependent on U.S. Government programs for their food import needs.

(The complete statement of John C. Lynn follows:)

We appreciate this opportunity to present Farm Bureau's views with regard to Public Law 480, the Agricultural Trade Development Act. Under current law, title I (authority for sales of surplus farm products for foreign currency) and title II (authority for foreign grants for agricultural surpluses) expire December 31, 1964.

Farm Bureau is an organization of 1,628,295 farm and ranch families in 49 States and Puerto Rico. Our extensive policy development program provides every member, individually and through his elected representatives, an opportunity to study, discuss and take action at thousands of meetings each year.

In 1954 Farm Bureau took a leading role in developing legislation, which became Public Law 480, authorizing an export program for surplus agricultural products designed to move them into consumption and establish the basis for long-term commercial sales in the future. You will recall that this was to be a temporary program. At the time, international trade in farm products was being restricted because of several factors. One of the chief factors was a "dollar shortage" which was almost worldwide. Today that situation has changed dramatically. When Public Law 480 was being considered by Congress in 1954, it was looked upon as a means of moving surpluses out of storage and into consumption. Our agricultural surpluses at the time amounted to a little over \$6 billion. As of May 31, 1964, after 10 years of Public Law 480 our agricultural surpluses amount to some \$7.4 billion. So in light of the many changes that have occurred, we think it is appropriate that this program be reviewed at this time.

The current situation

To a very large degree, as is indicated by the continued buildup in Commodity Credit stocks, Public Law 480 shipments have come out of current production, and perhaps these export movements have given the impression that some of our domestic agricultural programs have been working better than they actually are.

The program has moved a tremendous amount of surplus agricultural products to many nations which would not have been able to obtain them through normal purchases. Agricultural products valued at over \$20 billion have moved since the enactment of this law.

Title I foreign currency sales have accounted for the export of \$13.6 billion worth of farm products. Title II donations have amounted to \$1.6 billion; foreign and domestic relief shipments under title III have exceeded \$3.4 billion and barter contracts account for over \$1.7 billion. Less than \$237 million of farm products has been sold under the long-term credit arrangements of title IV.

Foreign currency sales under title I have accounted for nearly 2.9 billion bushels of wheat, 84 million bags of rice, 433 million bushels of feed grains, 7.7 billion pounds of fats and oils, 8.1 million bales of cotton, and large quantities of other farm products. Since U.S. agriculture has a vital stake in the export market, present and future, we must be concerned over the persistent percentage of our exports that moves under the Government programs of Public Law 480.

In fiscal year 1963—

Wheat exports represented 58 percent of U.S. production; 76 percent of these exports moved under Public Law 480.

Rice exports were 54 percent of U.S. production; 58 percent of these exports moved under Public Law 480.

Drastically reduced cotton exports still represented 25 percent of U.S. production; the percentage that moved under Public Law 480 increased to 33 percent.

Soybean oil and cottonseed oil exports represented over 40 percent of U.S. production of these oils; 40 percent of these exports moved under Public Law 480.

The above agricultural products represented 40 percent of our agricultural exports last year. On a total value basis, 60 percent of them moved under Public Law 480. Can any industry hope to build solid markets if it continues indefinitely to base such a substantial part of its marketing on Government programmed exports for nonconvertible currency?

Foreign currency sales

Farm Bureau 1964 policies in regard to Public Law 480 state:

"The law should be extended for not more than 3 years with authorization to use existing surpluses in a constructive manner, moving them into consumption where nations are unable to pay in dollars. These export movements should not replace dollar sales. It is not consistent with the purpose and intent of the law to embark on a program of encouraging production to expand Government-financed movements or to attempt to justify unrealistic domestic programs by citing the availability of foreign currency sales as a means of exporting the surplus production."

In our opinion, the purpose of title I foreign currency sales has been widely misunderstood. This program was not designed to be—it never has been—a direct relief program in which food was given to the people of the recipient country. Other titles of Public Law 480 and the foreign aid program were designed to serve that function. Under title I, the recipient country is supposed to make payment for the product received. The food and fiber is sold through normal commercial channels, and the individual consumers in the recipient countries pay their local currency for these products. Such a program provides the recipient country with two direct benefits:

- (a) it is a means of accumulating capital for economic development, and
- (b) it permits the importation of food in cases where foreign exchange is not available to pay for it.

When Public Law 480 was enacted, and a dollar shortage existed throughout the world, foreign currency transactions were viewed as a transitional program which would lead to normal commercial trade as foreign exchange became available.

In the current situation Public Law 480 appears to be operated primarily in interest of the economic development of less developed countries. There have

been instances in the past when this program was used to develop some solid markets for U.S. agricultural products; however, we question whether it is achieving this objective currently.

For example, wheat shipped to Japan under Public Law 480 has developed a continuing market which probably would not have reached its present magnitude without the program. Over 6 years ago, soybean oil sales to Spain were initiated under Public Law 480. Spain has now emerged as the largest U.S. cash market for edible oils. However, continued unrestricted programing to countries such as India, Pakistan, the United Arab Republic, etc., will not bring about commercial markets. It may very well prevent them from developing.

The international dollar shortage of 1954 has been reversed in 1964. The persistent balance-of-payments deficit of the United States has built up tremendous dollar and gold reserves outside of this country. With a deficit in our balance of payments which has averaged around \$3 billion over the past several years, a policy of programing annually \$1.5 billion worth of farm products for foreign currency should be subjected to the closest scrutiny.

The extent to which many underdeveloped countries can benefit from additional accumulation of local currency under Public Law 480 is subject to serious question. The billions of dollars worth of foreign currency accumulated under Public Law 480 has become in many instances more of an embarrassment than an asset. The Budget Bureau has indicated that the United States today holds "excess currency in Poland, India, Burma, Israel, Pakistan, the United Arab Republic, and Yugoslavia." We have accumulated sufficient foreign currency in some countries to attain the unenviable position of being capable of wrecking the foreign country's economy. The fact is that some foreign countries have little motivation to "draw down" foreign currency generated by Public Law 480 for economic development projects. There is some indication that, given the choice, some foreign countries prefer to pay for projects with "new money" rather than to borrow foreign currency from the Public Law 480 account. The effect upon their economies is approximately the same if the United States agrees to continue to confine its hoard of foreign currency; and, in the case of "new money," there is no need to pay interest.

For example, the United States holds \$532 million worth of rupees in India. The Budget Bureau estimates that we will spend about \$21 million equivalent in India during this fiscal year.

The foregoing facts indicate that, just as the conditions in 1954 called for a new program such as Public Law 480, current conditions in 1965 call for basic and fundamental changes in the program. This requires the enactment of new safeguards and the strict and vigorous implementation of them.

New safeguards

The most important safeguard is to take those steps necessary to insure that foreign currency sales are limited to agricultural surpluses. This means that our domestic agricultural programs should not encourage production in order to expand foreign currency movements under title I. This also means that we should not attempt to justify unrealistic domestic programs by citing the availability of foreign currency sales as a means of exporting the surplus production. We have a serious obligation, not only to ourselves but also to other exporting nations, to make basic changes in our domestic agricultural programs to prevent artificial incentives for production when such production is to be pushed into the world markets through special programs such as Public Law 480.

Of course, the magnitude of the export movements of agricultural surpluses as carried out under Public Law 480 presents a constant danger of displacing normal commercial sales. In our opinion, some displacement has already occurred.

Any new legislation should require that "usual market provisions" be included in every agreement. In addition, we should require that all future foreign currency sales be made on the condition that a fixed percentage of the total purchase be paid for in dollars or freely convertible foreign exchange.

The recent export arrangement with Poland which included a \$30 million foreign currency sale, a \$30 million short-term credit sale, and a \$30 million sale on commercial terms is evidence that it is time, and that it is possible, to move toward more commercial sales arrangements with the countries which have been acquiring a major part of their food needs through title I type programing. We believe that a 25-percent requirement would not be unreasonable in most cases.

After 9 years operation of this program, there is a growing attitude among many nations that farm products are not worthy of foreign exchange. To put it another way, many underdeveloped countries seem to feel that foreign exchange is something to be used for the importation of industrial goods since food import requirements can be met through Public Law 480 type transactions. This could have an extremely detrimental long-term effect upon potential dollar markets for farm products.

The excessive foreign currency balance indicates the necessity for a requirement in the law that a Public Law 480 agreement specify not only the general category to which the foreign currency is to be applied but also the projects for which those funds allocated to economic development will be used. Foreign currency should not be generated through title I sales unless there is real evidence that it can be used promptly and constructively. A foreign currency sale which results in such currency lying indefinitely in a U.S. account is not a sale, and is not serving the best interests of either country.

We believe that the adoption of the new section 309, as contained in subparagraph 11 of S. 2687, Ellender, Democrat, of Louisiana, could make a major contribution toward dealing with this problem. It is important that these foreign currencies be budgeted and appropriated. It is imperative that they be used instead of appropriated dollars wherever possible. A start must be made in eliminating these foreign currency "surpluses." Section 309 of your bill could play an important part in solving this serious problem.

Since market development activities are being financed by appropriations even when foreign currencies are used, the mandatory set-aside of 5 percent for market development activities should be deleted. With the adoption of our recommendation of a 25-percent cash requirement, there should also be deleted the 2-percent convertibility requirement contained in section 104 (a).

Extension and authorization

Adoption of the revisions recommended herein would enable Farm Bureau to support a 3-year extension of the authority to enter into foreign currency sales contained in title I of Public Law 480. We would recommend an increased authorization of \$3 billion with the additional limitation that not more than \$1.5 billion could be committed in any one year.

We believe that authorizations for title I should act as a discipline upon the programing. It is apparent that this has not been the case in recent years. Therefore, we are opposed to proposals which (1) carry forward unused authorizations for past years and (2) increase authorizations by an amount equivalent to repaid loans or reimbursement from other agencies. Excess authorizations of past years should not be used as a means of providing excess authorizations for future years. The fact that loans made in the past are being repaid has no relationship to the requirements of future programing.

1. We believe it is essential for Congress to review and reassess a program of the magnitude and implications of Public Law 480 at least every 3 years.

2. We believe it is imperative that the United States not indicate to recipient countries or to other exporting countries that we intend to enter permanently into a program of noncommercial export movements of U.S. agricultural products. It is not in the best interest of the United States, the American farmer, or the underdeveloped nations of the world to indicate such an attitude. It would not build strength, it would sustain weakness; it would not generate gratitude, it would compound resentment. Our relationship with under developed countries should be based on the principle of a partnership in trade, not on a donor-donee basis.

An additional \$3 billion authorization to cover this period should prove sufficient. The fact is that we already have "overprogramed" some countries. It certainly is an unhealthy situation when recipient nations must come to the United States to explain why they do not want to take as much as we have tried to give them.

Title II emergency relief

Donations for emergency relief and so-called work payment programs under title II of Public Law 480 are currently administered by the Agency for International Development. It seems appropriate that such activities be delegated to the foreign aid agency. Logically the cost should be borne by the foreign aid budget. Therefore, Farm Bureau recommends that title II authorizations be transferred to the foreign aid bill and be subject to appropriations for foreign aid.

We believe that Congress should extend title II for 1 year with a \$300 million authorization and further recommend that the committee report make clear that authorizations and appropriations for programing subsequent years be handled in the foreign aid bills.

As a temporary program, Public Law 480 can move surpluses into consumption to countries unable to pay dollars. However, the export movements should be used to expand future commercial trade, not as a substitute for such trade. It will defeat our purpose if we allow Public Law 480 to become a permanent program and if we permit recipient countries to become permanently dependent on U.S. Government programs for their food import needs.

The CHAIRMAN. Thank you.

Are there any questions? If not, thank you very much.

Mr. LYNN. Thank you.

The CHAIRMAN. Our next witness is Mr. Harry L. Graham, legislative assistant to the master of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO THE MASTER, NATIONAL GRANGE

Mr. GRAHAM. My name is Harry L. Graham, and I am legislative assistant to the master to the National Grange.

Just in paraphrasing what is in the prepared statement, I would say that the National Grange has been a staunch supporter of this program since its beginning, and in our judgment the accomplishments of the program are of such a nature that it merits not only our continued support but our high praise.

We know there has been some criticism of the program. It is inevitable that in a program this big and far reaching there would be some administrative mistakes and that there would be some problems arising from the distribution of this much food and agricultural commodities, but we also believe there have been substantial improvements in the distribution and that the improvements seem to be in the picture today; although they may not eliminate all of the problems they certainly reduce them.

One of the things we have liked about this program is that it has had the unique ability of bringing private citizens and the Government into a working relationship and it is interesting to note that through June 1963—I am sorry that the 1964 figures are not in—we distributed \$1,387 million of American foodstuffs free to needy people under title IV.

The churches themselves, basically, raised the same amount of money—that is, churches and private relief organizations. They have some 780 people overseas at the present time distributing these food products. I think this has been one of the really fine accomplishments that has come out of this program.

Senator YOUNG. I would certainly agree with you. In my travels I made abroad this particular part of the program has made us more friends than all of the foreign aid program and other programs put together.

Mr. GRAHAM. I think sometimes, as the former President said, our only reward is a good conscience. But I think in this case we have had more than a good conscience as our reward.

I think that the bad propoganda that would come from refusing to use our surpluses for people in need would be incalculable. And

we do not foresee the time in the foreseeable future when the problems of the developing countries and the relationships that are involved with them are going to be eliminated to the point that we no longer see the necessity of carrying forward at least some parts of this program.

On of the accomplishments of most interest to us has been the fact that this has been a means of moving a number of countries from being Public Law 480 recipients to becoming purchasers of American agricultural products.

These include Spain, Italy, Japan, the United Kingdom, the Netherlands, Argentina, and Mexico, among others.

The total average imports of these countries in the 1955-59 period was \$1,819 million; including Public Law 480 sales in 1962, these countries imported from America \$2,070 million with only \$45 million of the sales for soft currencies, and those were carryover sales in tobacco and a couple of items, primarily from Spain.

There is no question but that there has been an amazing development in the market.

For instance, last year we sold \$1,600 million—we sent that amount of food-for-peace commodities overseas. There was an increase of 6 percent over the previous year. During the same time we sent \$5,600 million worth of agricultural products through commercial channels, a 12-percent jump over the previous year.

When you analyze this as I think it ought to be analyzed, I think, it can be well proven that this has substantially increased the markets for American agricultural products. We know that it has not in Pakistan and India, but those are areas that will be problems to us in terms of our international relations in foreign aid for many years, but the interesting part of that is that even the demands for food, although they are increasing in India, is being met also by increasing production of the very foodstuffs that we are sending to India. This seems to be important, that they are beginning to help themselves in these areas. They will not be self-sufficient in food for many years, but, nevertheless, this is a part of the problem.

We think that the use of some of these funds for market development has been very wise. And I think that all of us have been aware in most recent months that there was a problem that was given the popular name of “beef imports.”

I think that all of us heard about this one, but one of the interesting things was that the expenditure of Public Law 480 money in market development is now beginning to show some real results, especially in the Common Market and the Outer Seven. If we can use this kind of money to develop markets in cooperation with the American Meat Institute and other private agencies, then it seems to us to be a valid expenditure of taxpayer money.

In general, we would say that we need to move from a concept of using Public Law 480 as a means of disposing of surplus foods over into a means of disposing of food in commercial channels or assisting the disposition of food into commercial channels, but we do not think it will be possible to eliminate the need for moving surplus relief food into foreign countries for some time to come.

Generally, we would support what the previous witness has said, that when this gets into foreign aid that it probably ought to be

shifted into the State Department and the foreign aid bill, but this is not possible this year.

I would say also that I do not believe that the previous witness can prove that all of the increase in the surpluses has come from the administration of Public Law 480 program. I have noticed that his organization has testified about probably every farm program—whatever program was being considered—that it had been a major contribution to the increasing of surpluses.

Because of the time element that is involved this year, after having just briefly studied the House bill, we would be pleased to see the Senate adopt the House version and extend the program for 3 years and be prepared to review it as we think you should, but, also, be prepared to continue to support the program for a good many years to come.

(The prepared statement of Harry L. Graham follows:)

The National Grange, both as a farm organization and as individual citizens, has looked with favor upon the constructive results which have been attained under Public Law 480 since its beginning. We have been a staunch supporter of this program and its basic principles and activities, in our judgment, are of such a nature that it merits not only our continued support but our high praise.

Although there have been some problems that have arisen from the administration of this program, problems that are inevitable in a program so widely dispersed and in so many varying kinds of situations as this one, the substantial results which have been obtained in not only the first purpose of this law, which was to reduce the surpluses of American foodstuffs, but more importantly in the feeding of hungry people, the development of markets abroad, the renewing of life and hope for needy people, and finally giving to American people a means of expressing their continuing concern for the welfare of the less privileged people around the world.

Indeed, the church and public relief agencies through June 30, 1963, had distributed \$1,387 million worth of American foodstuffs free to needy people under title II. This has moved into famine areas, into perennial food deficit areas, into school lunch programs, war relief, disaster areas, and various other usages. The amount of the contributions indicates the widespread public support for this program.

Sometimes the return from this in terms of gratitude are real, substantial, and measurable. Sometimes, in the words of our late President, "a good conscience is our only sure reward." We had no other choice in many instances, even as today, but to share of our exceedingly great abundance with people who are in need. It is unconscionable and unthinkable for us to sit behind a mountain of surplus foodstuffs and refuse to share these with the needy peoples of the world. This is not only a proper application of our Christian conscience and social ethics, but in many ways, it was the most hardheaded and practical kind of politics.

The propaganda value to Communist countries of our refusal to give away our surplus to people in dire need would be incalculable. The National Grange has consistently supported this program and continues to do so.

However important the relief and surplus food disposal aspects of the program may be, we would point out that the fundamental purposes and value of Public Law 480 has been that it has opened the door for the introduction of American agricultural commodities in the countries to which we never would have gained entrance otherwise, and that it has served to develop and expand substantially our dollar markets abroad. The largest single item in Public Law 480 expenditures so far has been sales for soft currency which account for a cumulative total of \$6.7 billion worth of commodities. This had been helpful both to the United States in reducing the dollar overflow and to the receiving country as well.

The provisions of this bill have been helpful to a number of countries which have moved from being Public Law 480 recipients to becoming purchasers of American agricultural products through regular commercial channels. These countries include Spain, Italy, Japan, United Kingdom, France, Netherlands, Germany, Argentina, and Mexico. The total average imports of these countries

in the 1955-59 period was \$1,819.7 million, including substantial amounts for Public Law 480 sales. In 1962, these countries imported from America \$2,070 million worth of American agricultural commodities of which only \$45.6 million was for soft currency.

Japan remains the largest customer for American agricultural products. Her purchases from Australia and New Zealand enable these countries to also purchase American industrial products. In passing, it should be noted that Australia in 1962 purchased \$37.7 million worth of American agricultural products, up \$15.1 million from 1961.

An exciting new development has been the use of food as capital to pay for work on projects to improve the health, education, and welfare of needy people. The combination of food so used, plus free lunches to schoolchildren, has had a fantastic effect upon the development of educational opportunities in some needy countries, especially in Latin America. The use of counterpart funds for capital improvements, of surplus food for wages, and of other surplus food for feeding the hungry, such as in school lunch programs, presents an efficient use of surplus American food products.

The use of some of these funds which have been earmarked for market development as in the recent instance of developing market for beef, in the European Economic Community and the Outer Seven has been a striking example of the successful use of Government funds in co-operation with private initiative to develop markets for American products overseas. This is in keeping with the expressed will of the delegates to the National Grange session last November who urged that:

"Congress makes it clear that its intent is that this measure be administered for the maximum benefit of American agriculture and that the Secretary of Agriculture is to exercise the maximum determination both with respect to the making of commodities available and use of the proceeds generally. Such proceeds should not be used to develop foreign competition to the disadvantage of the American farmers, and any uses of such proceeds other than for the development of markets for American agricultural commodities should not be charged to agriculture."

Title III provisions should be continued for both foreign donations and barter. In our judgment, the barter provision has resulted in the stockpiling of strategic materials without the expenditure of U.S. gold reserves. We recommend the continuation of this program with an emphasis on market development. In order to encourage the development of foreign markets through private trade, it is the judgment of the National Grange that:

"The provisions of title IV of Public Law 480 should be administered in such a way as will facilitate and maximize the sale of surplus agricultural commodities for dollars through the longtime supply agreements and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical, and crippling obstacles which serve to frustrate the intent of this law."

In summary, the position of the Grange is that the relief features of Public Law 480 should be continued, that the soft currency sales should be continued with reservations as to the use of the proceeds so as not to develop competition to American agriculture, the barter and foreign donations provisions be continued and finally to give greater emphasis toward the long-term objectives of the development of markets overseas.

This means that some of the early emphasis on Public Law 480 as a means of simply getting rid of surplus American commodities should now be shifted to the long-term emphasis on dollar market development through the private trade. Even our relief and soft currency exports probably have greater public relations value if they were not clothed in the garments of surplus disposal.

The Grange at this time does not foresee in the near future the time coming when we should dispense with this program. We believe that it has been one of the most valuable aids to agriculture. It has also served as an important instrument to further foreign policy objectives. We also believe that these functions can be continued and the larger function of market development can be fulfilled at the same time to the benefit of the importing countries of the world and to the long-term advantage of American agriculture.

The National Grange therefore urges that Public Law 480 should be extended and that Congress recognizes the need for long-term planning in this field by enacting the legislation for a period of 5 years.

APPENDIX A

MARKET DEVELOPMENT

"We support the further extension of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) but urge that in doing so Congress make it clear that its intent is that this measure be administered for the maximum benefit of American agriculture and that the Secretary of Agriculture is to exercise maximum determination both with respect to the making of commodities available and use of the proceeds generated. Such proceeds should not be used to develop foreign competition to the disadvantage of the American farmer, and any uses of such proceeds other than for the development of markets for American agricultural commodities should not be charged to agriculture. The provisions of title IV of Public Law 480 should be administered in such a way as will facilitate and maximize the sale of surplus agricultural commodities for dollars through long-term supply agreements, and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical, and crippling obstacles which serve to frustrate the intent of this law" (from the report of the Committee on Agriculture, adopted by the National Grange, Nov. 19, 1963).

APPENDIX B

U.S. agricultural exports

[In millions of dollars]

Country	Average, 1955 to 1959	1962
Japan		
United Kingdom	385.4	481.4
West Germany	426.8	407.6
Netherlands	321.9	391.1
Italy	255.5	365.8
Spain	145.3	175.7
Mexico	118.7	198.7
France	77.9	63.4
	83.2	286.3
Total		
Poland	1,819.7	2,070.0
	41.0	284.5

¹ Includes \$44,000,000 soft currency.

² Includes \$1,200,000 for tobacco for soft currency.

³ Includes \$51,000,000 for soft currency.

The CHAIRMAN. Are there any questions?

Thank you very much.

Senator JORDAN. I have just one comment in relation to what Senator Young said and what you said about the distribution of food through the church organizations. I thoroughly agree with that, and I have said that before. I know that to be a fact, because I have been in many places and have checked up on it. Some of them did put a sticker on the parcels, for instance, in Spanish or in Portuguese, or whatever the language was, as to where it came from. Some of them said that it came from the churches. That is not applicable to just one church but all of them taking credit for it. They ought to know where it comes from.

Senator YOUNG. I think this is very important. In every instance the source should be known.

Mr. GRAHAM. And the churches should be No. 1, too.

The CHAIRMAN. Thank you very much.

Mr. GRAHAM. Thank you.

The CHAIRMAN. Our next witness is Mr. E. C. Phillips of the American Merchant Marine Institute.

STATEMENT OF EDWARD C. PHILLIPS, AMERICAN MERCHANT MARINE INSTITUTE, AND JOHN N. THURMAN, VICE PRESIDENT AND WASHINGTON COUNSEL, PACIFIC AMERICAN STEAMSHIP ASSOCIATION

Mr. PHILLIPS. Mr. Chairman and members of the committee, my name is Edward C. Phillips and I am with the Washington office of the American Merchant Marine Institute. I would like to have my associate introduce himself.

Mr. THURMAN. My name is John N. Thurman and I am vice president and Washington counsel for the Pacific American Steamship Association, representing the west coast steamship industry in Washington.

Mr. PHILLIPS. Mr. Chairman and members, this bill in two areas vitally affects the entire steamship industry, and I hope that it will be possible for us to have 10 minutes to explain these two problems to the committee.

The CHAIRMAN. Please proceed.

Mr. PHILLIPS. This is a joint statement on behalf of the American Merchant Marine Institute, Pacific American Steamship Association, American Tramp Ship Owners Association, Committee on American Steamship Lines, Committee on American Tanker Owners, and the Labor-Management Maritime Committee. We represent virtually the entire U.S.-flag ocean steamship industry. The entire industry is vitally affected by and is strongly opposed to certain portions of this bill.

S. 2687, a bill to extend the life of the so-called Public Law 480 program, contains two provisions which are of direct concern to the American maritime industry. These are—

Senator YOUNG. You support this bill with the subsidy for your industry included in it?

Mr. PHILLIPS. For the shipment on U.S.-flag ships.

Senator YOUNG. You support the use of U.S.-flag vessels, where we pay you more than if we ship in foreign bottoms to carry the food.

Mr. PHILLIPS. We would hold to the requirements which are in the law.

Senator YOUNG. It amounts to a subsidy, does it not?

Mr. PHILLIPS. It helps the industry.

Mr. THURMAN. We do not look on it as a subsidy.

Senator JORDAN. What is it?

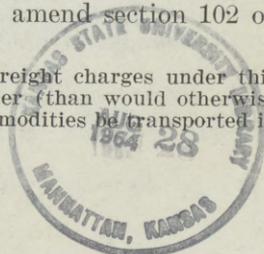
Mr. THURMAN. It is a payment so that we can have U.S.-flag vessels manned by U.S. citizens. It gives employment to our people, it gives employment in the shipyards and to the ship handlers. It is an overall help to the economy in the United States.

Senator JORDAN. It is a subsidy, in other words. I know what you are going to say.

Mr. PHILLIPS. The two amendments that we are concerned with are:

1. Amendment (2) of the bill which would amend section 102 of Public Law 480 to add a new section as follows:

The Commodity Credit Corporation shall finance freight charges under this section only to the extent that such charges are higher (than would otherwise be the case) by reason of a requirement that the commodities be transported in United States-flag vessels.



2. Amendment (6) which would add a new subsection (u) to section 104 of Public Law 480 dealing with the use of foreign currencies:

(u) For the sale for dollars to privately owned United States-flag commercial vessels for use in paying port fees, unloading, lightering, and other necessary expenses in foreign ports in connection with the carrying of a cargo under this Act and section 9 of the Act of September 6, 1958 (72 Stat. 1890).

We are opposed to the proposed amendments because we believe their ultimate effect would cause injury to the Public Law 480 programs, affect the volume of surplus grain and other surplus agricultural products which would be exported thereunder, increase the overall shipping cost to our Government and taxpayers, and prejudice American-flag shipping as compared to its foreign competitors.

The proposed amendment to section 102 of Public Law 480 would add a new section to this law which would prohibit the use of Commodity Credit Corporation funds for the payment of other than any ocean freight differential which may exist. This amendment would require the ocean steamship companies to look directly to foreign recipient nations for the payment of basic freight charges. It would significantly alter the historic arrangements applicable to U.S.-flag vessels carrying Public Law 480 cargoes and would in all probability create difficulties which would be detrimental to the title I program.

Since the inception of Public Law 480, the U.S. Department of Agriculture (CCC) has met its statutory obligations for the shipment of "at least 50 percent" of the cargoes involved in U.S.-flag vessels in the following manner: Freight costs for the portion shipped on U.S. vessels are paid to these vessel owners in dollars by CCC, with reimbursement to CCC from two sources, namely:

(a) Recipient country pays to CCC in its own currency the dollar equivalent up to the level of world market rates for the cargo carried in U.S.-flag vessels, and

(b) CCC appropriations cover the payment in dollars for the differential between U.S.-flag vessels and foreign-flag vessels.

Section (2) of S. 2687 would, henceforth, limit the Department's activity to that under (b) above. The ship operator would have to collect whatever hard currencies he could obtain from the recipient country's purchasing mission, up to the level of the existing world freight rate. CCC would continue to pay the U.S.-flag differential in dollars. The ship operator would receive his freight money from two sources under two separate sets of conditions, and possibly in two different currencies—a highly unworkable arrangement.

There is no more justification for the shipowner to be asked to accept foreign currencies for his services than there is to expect the U.S. farmer, grain merchant, trucker, railroad, warehouse operator, port authorities, or exporter to accept foreign currencies for their services. Each must pay his costs of labor and overhead in dollars.

Senator JOHNSTON. The Americans who work on these ships, do you know how much taxes they pay?

Mr. PHILLIPS. They pay the same as other citizens, Sir.

Senator JOHNSTON. When you give them employment you build up the economy from the taxes received back from them, is that not true?

Mr. PHILLIPS. That is true—that is correct.

Mr. THURMAN. That is correct.

Senator JOHNSTON. That is what I am driving at.

Mr. THURMAN. The shipyard workers, the people who supply the American vessels, they all help. If we did not have them—all of this money which does accrue to the United States would immediately dissipate.

Senator YOUNG. I think that it is necessary to maintain a merchant marine, but the subsidy involved should more rightly be charged to the Department of Commerce or some other department of Government, rather than to the Commodity Credit Corporation. Everyone looking at the agricultural budget thinks that the entire amount is a subsidy to agriculture. This is a good example. The farmer gets no benefit from the money paid to the shipping interests.

Mr. THURMAN. That is a point that has bothered us for a long time. We would like to work that out. It is not fair to the Agriculture Department.

Senator YOUNG. I appreciate your comment.

Senator JOHNSTON. It builds up the cost to our farmer. The whole program is hurting in that regard. There is no question about that.

Mr. PHILLIPS. We might point out that not all U.S.-flag ship operators would be affected in the same way by the enactment of amendment (2) of the bill, since the industry includes both liner operators and tramp ship operators.

For example, Public Law 480 cargoes carried in parcel lots by liner cargo vessels, other than infrequent movements of bulk grain, are carried at conference rates and there is no U.S.-flag differential involved. Thus, the liner operators might, by the enactment of amendment (2), be required to accept virtually all of their revenue from these shipments in foreign currencies (largely inconvertible). In addition to this financial burden, this could put them in conflict with conference tariffs which usually require repayment in dollars.

Tramp operators are prohibited by law from forming conferences, but over 90 percent of the cargoes carried by American-flag tramp vessels are Public Law 480 grain movements. If these operators were forced to accept a substantial portion of their freight charges for such cargoes in inconvertible foreign currencies, the tramp segment of our American merchant marine would be eliminated overnight.

All U.S.-vessel owners would face the prospect of negotiating with the purchasing missions of foreign governments as to the acceptance of currencies offered. Keep in mind that these are government-to-government contracts and the private shipowner does not have equivalent bargaining power and would be subject to many pressures when negotiating with a foreign government entity.

We suggested earlier, it seems to us there would be parallel disadvantages to USDA in this proposal. The obvious disadvantage is that the very countries with whom Public Law 480—title I transactions are being consummated, are those which cannot earn dollars and other hard currencies to buy our surpluses.

If the requirement prohibiting the Commodity Credit Corporation from paying the basic ocean freight should be written into the law it would create inflexibility which would frustrate those programs where a bona fide inability exists for a potential purchasing country to use hard currencies to pay for ocean transportation.

If they are required by law, under amendment (2) of S. 2687 to use their dollar currency for 100 percent of ocean freight up to world

market levels (when they already find it difficult in most cases to come up with enough hard currency to pay for the 50-percent portion on non-U.S.-flag vessels), they may be unable to buy the wheat or other farm products from us in the first place.

We turn now to the proposed amendment (6). The ordering and utilization of services required for the performance of ship delivery functions abroad is traditionally subject to the call of the shipowner, be he American or foreign.

It should be borne in mind that at those ports at which title I, 480 merchandise is being discharged there is often slow delivery, lack of berthing space, and lack of specialized equipment. The American ship, by this amendment, would be merely returning to the recipient country its own inconvertible local currency in payment for these services.

Foreign shipping in competition with ours would be procuring these services with hard currency. In those ports where the berthing services, for example, are run by a government entity, we fear there may be a natural inclination to show preference to shipping other than our own. Our ships may well end up being serviced last. Because of American standards, our vessels' daily costs are the world's highest.

Such delays as may accrue will ultimately have to be borne by adding to our freight rate, a situation which we do not look forward to with any enthusiasm. The final conclusion of this could be that the U.S. Government in the utilization of our own ships will find deliveries delayed and/or freight rates increased. In cases where cargoes are currently shipped free of discharge costs to the carrier, this amendment would encourage the recipient country to shift the burden of discharge costs onto the American operator.

An additional technical problem involved in this proposal deals with the fact that many Public Law 480 cargoes are moved as parcels aboard liner vessels in addition to those bulk commodities which move as full shiploads. It would not be unusual for a U.S.-flag liner delivering Public Law 480 cargo in a foreign port also to have aboard various other amounts of general commercial cargo for delivery at the same time. We do not see how it will be possible equitably to allocate port costs, assessable against the ship, between the two categories of cargo on board. Nevertheless, such an allocation would have to be made, with the greatest possible complications, since under the language of the bill use of the foreign currency funds is intended to cover port expenses in connection with the carrying of Public Law 480 cargoes.

For the foregoing reasons, we respectfully request that this committee delete amendments Nos. (2) and (6) from S. 2687.

The CHAIRMAN. Thank you.

Mr. PHILLIPS. I want to thank you, Mr. Chairman, for the opportunity of fully explaining these two matters to the committee.

The CHAIRMAN. Very well. Your statement will be considered.

Are there any questions?

Senator JORDAN. I just want to state to the gentlemen here that I did not have any objections to your being subsidized because you cannot run without it. Tobacco, wheat, corn, everything else has to be subsidized. There is no use trying to kid ourselves about that. It is a subsidy. Airplane lines are subsidized.

Mr. THURMAN. We have two segments in the merchant marine. None of the companies that I represent receive any differential payments. The only time that there is a cost differential is in the large bulk movements of grain.

Senator JORDAN. Such as in this particular case?

Mr. THURMAN. That is right. And these are the examples. The tramp ship operators are the only ones that receive anything that might be so considered. That is what I was thinking about.

Senator JORDAN. I know.

The CHAIRMAN. Thank you again very much.

Our next witness is the Very Reverend Joseph Gremillion, director of the Division of Social Economics, Catholic Relief Services of the National Catholic Welfare Conference.

We shall be glad to hear from you now.

**STATEMENT OF THE VERY REVEREND JOSEPH GREMILLION,
DIRECTOR, DIVISION OF SOCIAL ECONOMICS, CATHOLIC RELIEF
SERVICES, NATIONAL CATHOLIC WELFARE CONFERENCE, NEW
YORK, N.Y.**

Monsignor GREMILLION. Mr. Chairman and members of the committee, I am Monsignor Joseph Gremillion, director of the Division of Social Economics, Catholic Relief Services, National Catholic Welfare Conference.

It is a distinct privilege to me to be here today to present testimony bearing upon the revision and extension of Public Law 480 which has enabled Catholic Relief Services, NCWC, to distribute abroad as a gift of the people of the United States more than 5 million tons of foodstuffs from the warehouses of American abundance.

I am here in the name of Bishop Edward E. Swanstrom, our executive director, who regrets deeply his inability to be here to meet with you personally.

At this time, Catholic Relief Services, NCWC, is operating programs of relief and assistance in 70 countries and reaching approximately 40 million needy persons—7½ million children in school, feeding 17 million persons in family feeding distributions of U.S. surplus foods and some 15½ million through clothing distributions, through medical programs and through self-help projects to improve health, sanitation, housing, and so forth.

This is our own U.S. agency paid staff. In addition our oversea collaborating agencies maintain paid staffs of several thousand persons, about 3,500 and receive voluntary services of more than 50,000 additional nationals in the countries in which we operate.

In this work there are used annually more than a million tons of relief and assistance materials—food, clothing, medicines, tools, and equipment, and all the many other things necessary to successful ministry to the needy.

To properly carry out this work, Catholic Relief Services, NCWC, maintains a staff of 691 persons, 165 in the United States and 526 abroad.

All of this is made possible by the annual contribution by American Catholics of millions of dollars and million of pounds of contributed

goods for relief service among the hungry, disease-ridden and poverty-stricken overseas.

The single purpose of American Catholics in making these contributions and the single purpose of Catholic Relief Services, NCWC, in carrying on these programs is the relief of need among the suffering, the underfed and the underprivileged, regardless of race, color, or creed.

This is our responsibility as Christians. It is equally our responsibility as Americans, because need is the common enemy of everything Americans have achieved or hope to achieve. It is the enemy of democracy. It is the enemy of peace. It is the enemy of health and hope and opportunity.

I would like again, as I have before, to express our deep and abiding gratitude and commendation to the Congress for its statesmanship, wisdom and generosity in the creation and continuing expansion of Public Law 480.

Under it, in our sharing of our food abundance with many millions in more than 100 countries abroad, there is being built a monument to the love of men for all mankind that is without equal in history.

In this regard, it is unfortunate that nowhere in Public Law 480 is there evidence that much of what is being done under its provisions—particularly in titles II and III—is being done just because it is right—because it is American—this sharing of our abundance with the less fortunate in an effort to improve their lot in life.

If this is the purpose of many more than a hundred million of our citizens in supporting voluntary agencies in work under Public Law 480—and it is—then it is large in the motivation that continues them in their tax support of its governmental operation.

I would suggest that the Congress might well spell out, in the preamble to Public Law 480, this so important facet of its endeavor to make maximum efficient use of our food resources.

It would be a simple thing to add such words as “and to assist the needy abroad” in the first sentence of section 2, as a stated purpose of the act.

This would not only be highly gratifying to millions of Americans, but it would give official evidence to millions abroad of America’s concern for her fellow men and of her pride in having such concern.

Through our food program abroad—made possible only because of Public Law 480—Catholic Relief Services, NCWC, annually distributes approximately 1½ billion pounds of American food for peace commodities.

In doing so, we believe that we carry out the highest ideals of our own organization and that we serve in great measure the overall interests of the American people. We are extremely proud that in this use we not only carry out our religious responsibility, but that, in perfect compatibility, we also serve our country.

We urge adoption of the 5-year extension of Public Law 840 asked by the Secretary of Agriculture and proposed in S. 2687 by Senator Ellender.

Also, we urge the increase of resources under title II from \$300 million to \$450 million yearly, as asked by the Secretary and as provided for in Senator Ellender’s bill.

Through the decade since Public Law 480 came into being, there has arisen necessity for new types of service. Progressively, also, there have emerged new opportunities to make more effective use of our American abundance in the interest of peace and democracy.

All concerned, departments of Government and voluntary agencies, are making an effort to meet these new and growing requirements.

These extensions of service require extension of resources. Also, because they require longer range planning and application than the simple food distributions of our early Public Law 480 experience, longer term legislation will assure better programing and more effective operation.

We urge favorable consideration of the provisions in S. 2687 that would apply general average insurance financing to section III as well as to section II shipments of donated commodities.

We strongly endorse S. 2925 introduced by Senator McGovern that would amend section 203 to utilize excess foreign currencies accrued to the U.S. account to assure more effective use of our donated foods and to promote community and other self-help activities designed to alleviate the causes of need, building at the grassroots, elements of physical health, basic knowledge and simple skills that lead to the incentive and productiveness necessary to community level, village and slum level economic development without which national economic and market development cannot possibly succeed.

Because the underfed, the unhealthy, and the ignorant and unskilled can neither work well nor buy much, the definite relationship between food donation programs, community development, and economic and market development has long been obvious.

It has been clearly demonstrated by—

(a) School lunch programs that have brought more children into the classroom, kept them more alert and respectful to instruction, and increased their potential as productive adults;

(b) Food-for-work programs of community development that have created facilities for better agriculture and marketing, better housing and health, and better utilization of natural resources.

Experience, particularly of the Peace Corps, in these and other community operations, and of the various international organizations and of our own governmental community development efforts argues for greater use of Public Law 480 resources in this area, especially as regards school lunch and food-for-work extensions and in basic nutrition, housing, health and sanitation, in literacy, rural development and simple vocational training.

With this amendment providing the necessary tools and services, we, the people of the United States in partnership with the people of other recipient countries, can really begin, through building dividend-paying work capacity, to realize some objectives of the great investment in human beings made through the donation aspects of Public Law 480.

As such programs are instituted, contributions to their support should be permitted from recipient individuals as they are able to do so. It is important that people help themselves as much as they can so they may feel themselves truly partners in the overall effort to improve their situations, and if the dignity of at least partial self-sufficiency is to replace the indignity of indigence.

Projects made possible by this great step forward, demonstrating at the individual level that there really is a basic for hope and a reward for incentive and application, can encourage and stimulate much similar action by the governments of the recipient peoples, who very well might be successfully persuaded to take increasing shares in the costs of such programs, particularly from their own resources generated by Public Law 480 foods.

Participation by Catholic Relief Service, NCWC, in programs under the proposed amendment will require outlay of funds by our agency beyond our current budgets.

Year by year, however, as new opportunities for service have arisen, our people have generously and increasingly supported our work by their contributions. We are confident that they will continue to do so.

An allwise providence, working through the efficiency of American agriculture, has created a great and continuing American abundance of food, the element most essential to success in mankind's struggle against need. Our duty, therefore, all of us working together, is to make the widest and best use of this resource.

It is to this end, looking ahead to the inevitably increasing scope of the needs of the people we serve and in what we believe is the best interest of our country as it strives to help the emerging nations toward economic and political security, that we appear here today.

In closing, let me express my heartfelt thanks to all of the Congress and to the many thousands involved in Government voluntary agencies and among our friends abroad who, through Public Law 480, are working together to make the world a better place in which to live.

I thank you.

Monsignor GREMILLION. Thank you, Mr. Chairman. Thank you, members of the committee.

The CHAIRMAN. Any questions?

If not, we thank you very much, Father.

Dr. McLain?

Is Dr. McLain here?

Is Mr. Danielian here?

Mr. Tom Hall Miller?

Is Mr. Devine present?

Is Mr. Bernard A. Confer present?

I am sorry they are not here. Permission is hereby granted for all of them to file their statements within 24 hours.

Mr. ROBERT E. VAN DEUSEN. Mr. Chairman, Mr. Confer is on his way here, and I understood he could testify this afternoon. If there is to be no afternoon session, may I present an oral statement on his behalf, with a written statement to follow?

The CHAIRMAN. Yes, you may.

All of you are permitted to file statements.

STATEMENT OF REV. ROBERT E. VAN DEUSEN, WASHINGTON SECRETARY OF THE DIVISION OF PUBLIC RELATIONS, NATIONAL LUTHERAN COUNCIL

Mr. VAN DEUSEN. My name is Robert E. Van Deusen. I am the Washington secretary of the Division of Public Relations of the National Lutheran Council, with which Lutheran World Relief is associated.

I know Mr. Confer will be sorry that he wasn't here in person, because it was his understanding that there was to be an afternoon session. He counted on that.

Lutheran World Relief is the material aid agency of the National Lutheran Council, and the Lutheran Church—Missouri Synod. The National Lutheran Council is a joint agency of the Lutheran Church in America and the American Lutheran Church, which together have about 5½ million members. The Lutheran Church—Missouri Synod has about 2½ million members.

Lutheran World Relief is one of the main private food distribution agencies, along with Catholic Relief Services, Church World Service, and CARE. It was mentioned by Secretary of Agriculture Freeman as one of those which carry the heaviest loads in distributing Government-owned food.

Senator YOUNG. In how many countries of the world does your church distribute food?

Mr. VAN DEUSEN. I think it must be around 50, maybe not all of them at present, but during the 20-year period. We have distributed during the past 20 years over \$150 million worth of food, clothing, and medicine, about half of which has been Government-donated surplus food.

The CHAIRMAN. Was the other half contributed by your membership?

Mr. VAN DEUSEN. The other half was contributed by our members in money, clothing, medicine, and so on.

Our agency, as one of the cooperating agencies, is very much in favor of the principles of Public Law 480, and we heartily favor its renewal.

There are certain serious misgivings that we would like to voice briefly—in regard to the large-scale use of church-related agencies as channels of distribution for Government-owned food.

This was expressed in detail by the executive director of the National Lutheran Council, Dr. Paul C. Embie, at the public hearings held by the House subcommittee. This will be included in Mr. Confer's testimony, which will be submitted in writing. But I would like to summarize our position.

Whereas at the outset the cooperative relationship between the church agencies and Government was justified on the basis of emergency need and human hunger, it has now become a long-range ongoing program. On that basis, we think the nature of such cooperation ought to be reviewed and looked at rather closely.

On a permanent basis, we feel it would be unfortunate for church agencies to become, either actually or in the eyes of the recipients, agents of the U.S. Government in carrying out U.S. foreign policy. We feel that the church is by nature an international and supranational agency which has its own functions. Church people, as a group of citizens, cooperate with other Americans in carrying out national policy. But the church itself should not be the agent of national policy.

The large amounts of U.S. food which have been shipped by church-related agencies have in some cases overshadowed the size of the ongoing program of the same agencies which are supported by church contributions. When this happens, we feel that the voluntary nature of the agency diminishes to the extent to which Government-supported food provides a large proportion of its budget.

In some cases, over 80 percent of the commodities shipped by church agencies is provided by the Government. We think this is unfortunate. We have tried to keep our participation down to 50 percent. When it goes beyond that, we believe we are on dangerous ground.

We feel, too, that large-scale subsidy by the U.S. Government is a temptation to any voluntary agency to expand its program beyond that which is feasible on the basis of its own ongoing program. Any sudden change in policy on the part of the U.S. Government, any sudden withdrawal or diminishing of Government support, would create a serious organizational crisis, sometimes even to the extent of questioning whether this agency could continue any longer with the Government's support.

We think that would be an unfortunate outcome of this trend.

We feel that it would be better if, over a period of a few years, a shift would be made from the use of private agencies, particularly church-related agencies, to the use of Government agencies in a government-to-government program. We believe that the church agencies should have parallel programs as large as their own contributions merit, and that they should take a very close look at some of the possible outcomes of becoming increasingly arms of U.S. Government policy.

That, in brief, is the basis of our concern.

Senator JOHNSTON. Do the people that you donate to overseas know where it is coming from?

Mr. VAN DEUSEN. It is always labeled, bag by bag.

Senator JOHNSTON. What is the marking of the label?

Mr. VAN DEUSEN. Something like "Donated by the people of the United States"—there is some kind of label that indicates it is from the American people. It avoids the implication that it is the church that is giving it.

Specifically, we do have concern about the amendment that was proposed by Mr. McGovern, which would increase the involvement of the private agencies by giving them foreign currencies for oversea distribution costs. As of now, oversea ocean freight is reimbursed. When the food gets there, the agency bears the cost of distribution in the various countries. We think this is wholesome. We think that this keeps the voluntary nature of the agencies intact. We would hesitate very much to see large-scale increases in our own involvement, especially in terms of money rather than bags of food.

You can audit bags of food, but it is hard to find out where the money goes, once it gets out of the hands of the U.S. Government and into the hands of a private agency.

Senator JOHNSTON. Well, it works in another way, too. People of the United States give the various things. It makes them feel the effects, too, back home. I think that has a good effect.

Mr. VAN DEUSEN. There have been some instances where, because of the large nature of the program, and the somewhat inadequate staffing by the private agency, large amounts of food have gotten into black market channels—not voluntarily, but because of inadequate control of what happens in the other countries.

You know of a number of instances where this has happened, including South Vietnam.

The CHAIRMAN. To what extent do you operate in respect to the distribution of food that you, yourself, that is, your church furnishes, in contrast to that furnished by the Federal Government?

Mr. VAN DEUSEN. Almost all of the food that we distribute is U.S. Government food. The other items that are distributed under our own aegis are mainly clothing and medicine, which are in large amounts.

The CHAIRMAN. Do you know whether or not other agencies, such as—I mean other denominations other than yours, have followed the same method? Don't they distribute all of the food, the same as you do, that is furnished by the Federal Government?

Mr. VAN DEUSEN. Yes. CARE and Church World Service and Catholic Relief Services are the main ones.

The CHAIRMAN. What is your objection if all of them do as you do? You don't furnish food at all. All that we distribute is food. Would you want them to contribute to the furnishing of clothing and things like that, as you do, in order to make them—

Mr. VAN DEUSEN. They do. The other agencies are not purely food agencies. They are relief agencies. That is my understanding—wide-scale relief agencies. Catholic Relief Services, for instance, has many programs outside of the food program.

But increasingly the food program has overshadowed the balance of the program in that agency and in other agencies. We feel in general that this is an unfortunate trend in the relation between church agencies and the Government.

Senator JOHNSTON. A good many of the churches of various denominations have someone in the various churches to collect things, too.

Mr. VAN DEUSEN. Yes. In the case of Church World Service, many of the Protestant denominations channel through Church World Service. It just happens that in the case of the Lutherans, since not all of the Lutheran bodies are in the National Council of Churches, we have our own separate relief program. This came about partly, because there was such a large amount of relief needed in Lutheran countries after the war, such as Germany and the Scandinavian countries.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. The committee will stand in recess until 2:30 this afternoon.

(Whereupon, at 11:25 a.m., the committee recessed, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

(The committee reconvened in room S-126 at 2:30 o'clock p.m.)

Senator MCGOVERN (presiding). The committee will resume hearings on the extension of Public Law 480, and the first witness is Mr. Fred W. Devine, deputy executive director of CARE.

Mr. Devine, we will hear your statement now.

**STATEMENT OF FRED W. DEVINE, DEPUTY EXECUTIVE DIRECTOR,
CARE, NEW YORK, N.Y.**

Mr. DEVINE. Mr. Chairman and gentlemen of the committee, my name is Fred W. Devine, deputy executive director of CARE, representing on this occasion Frank L. Goffio, executive director, and the CARE board composed of representatives from 26 national member agencies of CARE.

CARE's experience in the oversea distribution of U.S. Government-owned foodstocks dates back to 1950. In that year, following congressional provisions made late in 1949, CARE first evolved its food crusade programs.

The food crusade, which continues in operation in various poverty-stricken areas of the world today, is supported by literally millions of American voluntary donors whose contributions pay the costs of packing, processing, distributing, administering the use of Government-donated commodities, and occasionally purchasing additional commodities to fit local diet habits and needs. This is almost a basic necessity.

With the passage of Public Law 480 in 1954 a significant additional support for such programs came with the provision of ocean freight reimbursement by the U.S. Government. Since then CARE has participated heavily in the development of major institutional and school feeding programs. These represent a second dimension of use of Public Law 480 commodities, known as CARE partnership programs, wherein host governments capable of doing so share in the local costs of administration and distribution and thus adopt an increasing load of responsibilities for the welfare of their own institutions. We believe this represents a significant step forward in the self-help process which uses American farm abundance for the creative development of local institutions in developing countries.

And here, particularly, we would like to make a note of those countries no longer receiving Public Law 480 commodities who are able to continue their school lunch feeding program, purchasing commodities from the United States and the commercial market. This is a direct result of the programs made available to these countries through voluntary agencies using Public Law 480.

By July 1963 CARE had been the medium for distributing over 3 billion pounds of U.S. Government-owned commodities to 55 countries in very serious need of nutritional support.

In fiscal year 1963 some 860 million pounds of these commodities under the provisions of title III of Public Law 480 and nearly 90 million pounds under title II reached about 27,500,000 hungry people in 36 developing countries through the mechanism of CARE.

Included among those recipients were more than 19 million schoolchildren, many of whom were able to enter or remain in school primarily because of this resource from the United States.

CARE's current fiscal 1964 food program, the largest in its history, plans for a distribution of more than 1 billion pounds of commodities to an estimated 35 million recipients in 38 countries around the world. Schoolchildren now 25,565,059 and preschool 1,326,105. This increase mainly in India and Latin America.

The CARE organization is honored to have been a part of this remarkably creative process, and it deeply appreciates the thoughtful cooperation of the several agencies of the U.S. Government in the assessment of such programs, the provision of ocean freight reimbursement, and the provision of the commodities themselves from the abundance of America. We believe that this law that has made such programs possible has been, and hopefully will continue to be, a keystone in the decade of development and a foundation stone of international good will.

It should be clearly understood, however, that CARE does not regard its role in the development process as completed with participation in Public Law 480 programs alone. It feels a responsibility for adding to that great resource other facilities and equipment, paid for by American donors, through its self help and Medico programs. And Medico is an independent agency merged with CARE some years ago. This is the organization founded by Dr. Peter Commonduras and Dr. Tom Dooley.

Much of this assistance is designed to support, directly or indirectly, those communities and institutions that benefit from American farm productivity. This may take the form of providing food preparation and preservation equipment, the building of school kitchens, the provision of equipment to improve local water supplies and to safeguard public health, the development of projects and the supplying of tools for increasing local food production through school gardens and cooperative activity and for vocational training to broaden the base of local economic activity. These and other additional efforts and supplies are financed entirely by private voluntary contributions, with the exception of ocean freight reimbursement.

The main bulk of this work has been made possible by carefully planned use of commodities made available under title III. However, title II, section 202, which permits voluntary agencies to use commodities as payment of local labor wages on certain publicly useful and needed projects for the general welfare, has in our view greatly expanded and deepened the potential of Public Law 400. Since 1962 CARE has undertaken or is currently engaged in eight title II programs in Ecuador, Costa Rica, Iran, Hong Kong, Korea, and the Philippines. One of the two Iran programs, for example, involves the construction of what will become a 1,200-kilometer road that will link together one of the most neglected and poorest sections of the Middle East (The southern ports and isles area) and give it access for the first time in history to major markets and industrial sectors.

The other title II CARE Iran program is being applied to relief work projects in drought-stricken areas throughout the country, and is creating new roads, canals, schools, water supplies, etc. Such projects involve also a substantial investment by the host country in major equipment and administration. The partnership principle in such cases is clearly at work in significant ways.

The same principle is at work in those areas where CARE administers locally rural and urban community development projects for the U.S. Peace Corps, or otherwise supports the work of Peace Corps volunteers. The new CARE-Peace Corps project in Guatemala, for example, is directly engaged in construction and other activities to

improve the facilities of rural schools where CARE Public Law 480 distributions provide a base for development. The participation of Peace Corps volunteers in food-based school improvement programs is one more significant illustration of the productive interrelationships that can and do multiply the effect of Public Law 480.

Indeed, many dimensions of the whole development job which CARE and other agencies are endeavoring to undertake on the foundation provided by Public Law 480 are still to be more fully explored. In the years ahead efforts must be made to develop additional instruments for enriching rural life in underdeveloped areas on which world food adequacy depends. In addition to further extension of title II projects and of interrelationships between local-level technical assistance such as the Peace Corps and the operation of food programs, CARE has a particular interest in deepening the character of oversea programs related to the Public Law 480 base in the following directions:

1. Diet and health improvement through such instrumentalities as the Medico branch of CARE, whose team operations are centered in hospitals, and through the additional programing of supplies for improving local health facilities. We should like to look forward to the day when local currencies earned from the sale of title I commodities can also be used in making professional medical and health services and equipment more available to schools and institutions using Public Law 480 commodities through voluntary agencies.

2. Education services ranging from simple equipment and classroom supplies to more sophisticated services and vocational training equipment. As the development of major school feeding programs proceeds, the upgrading of the local school as the principal institution for development could be aided significantly if local currencies accrued from the sale of Public Law 480 commodities could be applied through the voluntary agency to extending such service and equipment.

3. Food program technology calling for the design and adaptation of simple but efficient devices for school and institutional food preparation, storage, and serving; preservation and canning of local food production; and the continued introduction of better tools, seeds, and small livestock for the small landholders. We regard such activities as an integral part of the larger pattern based upon Public Law 480 programs. CARE has encouraged and worked with several scientific and industry groups on special technological phases of these activities, and we should like to hope that Public Law 480, through the extension of the use of earned local currencies, could support such related activities of the nongovernmental agency at work in the field.

Two other suggestions to the committee occur to us which are based on practical experience in the operation of both title II and title III programs.

In regard to title II and its dramatic stimulus to the development process in numerous areas, we suggest that the use of title II provisions could gain increased flexibility and applicability if the law could provide for the payment of local labor not only in food commodities but, under carefully controlled and modest circumstances, in money also where the laborer lives in an urban money economy. In regard to title III, significant and desperately needed feeding program are

sometimes limited by the capacity and ability of the host government or the administering agency to provide the necessary local financial support.

In this connection, I would refer to the problems of all agencies in the African area.

When such support is clearly not possible through the host government, we suggest that loan agreements under title I be extended to the host government if such feeding programs are vital to the stability and growth of that country.

We are now faced with a serious milk shortage. May I read CARE's position paper presented to Mr. Richard W. Reuter, Food for Peace Director, on June 24.

CARE (Cooperatives for American Relief Everywhere, Inc.) as an American organization has been cooperating with USDA and AID since 1950 in the utilization of Public Law 480 foods made available to us under title III of that act.

This cooperation has led to programs in 33 countries with recipients in schools of 25,565,059 and preschool of 1,326,105. Total recipient level is at 34,545,384.

At the quarterly Washington food availability meeting on April 3, we were advised of a "tight situation" regarding the availability of dry skim milk powder. Subsequently, and at a meeting hastily called at the request of the Food for Peace Office and AID officials, we were deeply shocked to learn on June 5 of the imminent possibility of a serious shortage of milk powder.

Since the milk shortage of 1959, when we were faced with serious program cutback in our programs overseas, we have been attempting to strengthen the confidence of the recipient governments, and to assure them that this kind of shortage would not occur again. This decision being based primarily upon the establishment of the Food for Peace Office as an expression of the President's concern for Public Law 480 title III programing.

Over the past years, and in cooperation with the USDA and the State Department agencies, CARE has developed food distribution programs that assure proper administration as well as orderly commodity supply. Without this kind of commodity supply as was practically assured following the 1959 milk crisis, when it was deemed wise to purchase milk to meet the need, we would be unable to meet program needs.

Time and time again we have heard in the course of U.S. official briefings, and as a result of official U.S. oversea representation, that the voluntary agencies' programs are complementary to official U.S. aid programs. We are seriously concerned, over and above the humanitarian aspect of this program, that we run a serious risk of damaging the U.S. image overseas. Our stature is high because of the voluntary agency-U.S. Government partnership programs constructed under title II and title III of Public Law 480.

Needless to say the increased worldwide scope of CARE's programing, as well as other voluntary agencies, is contributing significantly to the development of new markets overseas for U.S. agricultural commodities.

And in this instance I would like to refer to the Japanese school-lunch program which was started as a Government-to-Government program under title II. The Japanese took that program over some years back and I understand are continuing to buy skim milk powder from the United States on the commercial market.

President Johnson has only recently reiterated U.S. policy with regard to our Government's concern for peoples overseas when he said "the war on poverty does not end in the United States."

"We believe the Food for Peace Office was established as a vehicle to provide the means of intelligently programing food commodities, and once and for all eliminated the possibility at home and abroad that Public Law 480 was considered a disposal vehicle for surplus commodities. If we are to return to a program of disposing commodities because we have them, but not to provide them because they are needed, then it appears we are defeating the purpose of food for peace, and taking a backward step toward the negatives of "disposal" and all it implies. We firmly believe these programs to be in the national interest, and that the Food for Peace Office of the President should take immediate

remedial action to avert the reported imminent shortage of this basically essential nutritive commodity. Such action may take one, or a combination, of the following forms:

(1) Because powdered milk has come to be an irreplaceable item in feeding programs, the U.S. Department of Agriculture should acquire, by whatever means necessary, sufficient milk to insure the fulfillment of AID-approved fiscal year 1965 voluntary agency commitments overseas.

(2) As a much less desirable alternative, FAS-USDA should be authorized to acquire a protein-equivalent commodity—for example, soya flour—to replace the forecast shortage and/or extend the available milk supplies.

We at CARE are convinced that Public Law 480 programs—aside from their humanitarian nature—are in the national interest, and likewise lie within the avowed foreign policy of the United States; it may well be that the problem of continued and adequate milk availability, if a solution is not found elsewhere, should be presented to the National Security Council for its appraisal and recommendations.

This is the statement we presented to Mr. Reuther's office. Unfortunately, the milk shortage crisis still continues. It appears that about 50 percent of the commodity needed by all voluntary agencies will be made available. I would not like to close this testimony without saying that we at CARE particularly want to make mention of the fact that U.S. farmers in making these commodities available have at most time not received the kind of support from the people of the United States that they should have. All too often we hear of the problem of price supports, of surplus, et cetera. This, if course, tends to be in a very critical tone. Quite frankly, we do not feel that we have a surplus.

A recent FAO statistic indicates that more than 10,000 people die of starvation a day, worldwide, particularly women and children, and this is a minimum and not a maximum figure.

We at CARE feel that the American farmer is producing a commodity that may and is ultimately more worthwhile than industry's production of tanks, bombs, et cetera, that are used in our defense program.

In closing, we hope this testimony of the CARE organization may be useful, valid, and a further evidence of the outreach and high intent of the family of voluntary agencies participating with their Government in the kind of development that adds to the peace and security of our world.

Senator MCGOVERN. Thank you for your statement, Mr. Devine.

I just want to say, speaking as one member of the committee, that I do not know of any agency that is doing any more to advance the interests of humanity than CARE. The other voluntary agencies that are participating in this program are also making a great contribution to the building of a better world.

I had the opportunity in 1962 to take a trip around the world, or at least a good share of it, and I saw, over a period of about 6 weeks, the operations of CARE in India and in Egypt, Hong Kong, and other places and was tremendously impressed with the skill with which those programs were carried out and the results they were securing in countries that we are trying to help, and also, the results they secured in forwarding the interests of the United States.

I believe in the foreign aid program. And one of the reasons I believe in it is because it has been so effectively buttressed by our private voluntary agencies. There are one or two questions that I want to raise with you.

First of all, with regard to the milk shortage which you referred to, it is my memory that in 1959, when a similar shortage was announced, that this set off a very severe repercussion all over the world where we were carrying on our school feeding program. Is there any reason to think that we can avoid such repercussions today if a similar shortage does become a reality, so far as our programs are concerned?

MR. DEVINE. I would say that if the figures we now have are actual that may present some very serious repercussions. We are attempting as a voluntary agency as much as possible to hold the line and to work with our cooperating recipient governments so that this becomes less of a problem, but I am afraid that when the cutbacks are actual and this will, probably, be within the next 3 to 4 months, I think that there is going to be some very, very serious situations developing.

In this instance I would like to make reference to a situation in Ceylon over a year ago. As you know, the official program, AID, was curtailed in that country because of the confiscation of American properties by that Government. CARE has a very extensive school lunch program in Ceylon. At the request of the American Ambassador—particularly to Washington—we have been allowed to continue that program and this is not a matter of hearsay, it is a matter of record at the State Department that the American Ambassador felt that if the school lunch program was stopped the repercussions would be tremendous and might very well cause a break in diplomatic relations.

We have heard officially from other U.S. representatives abroad that you might conceivably reduce your AID program but to reduce your school lunch feeding program, I think you have to remember enters into every home, of every child who goes to school, and is being fed through these programs. You curtail that program and you might very well damage the U.S. stature abroad.

So it is something seriously to think about.

Senator MCGOVERN. I have often wondered if at sometime the committee ought to consider the possibility, or the Department ought to consider the possibility, of building up some kind of a reserve on nonfat milk so that these recurring shortages can be prevented. Is it not difficult to plan any kind of a successful school feeding program in any country unless you have some assurance that the supply will be reasonably continuous?

MR. DEVINE. It is very, very difficult. It is a very precarious situation to be in. I would say that in relationship to skim-milk powder it is one commodity that is the river of nutrition that sweeps along with the wheat, the corn, the vegetables, the shortening oils that we make available. Without milk as a basic part of the program, particularly in the schools and in institutional feeding, I do not believe we could make available to the media abroad with any degree of success the large quantities of wheat, corn, and oils that we presently make available. And of course, to come up with what is, basically, a fact of life; that is, the providing of the nutritional requirement which, of course, is an animal protein in most of these protein deficient areas.

Senator MCGOVERN. Is it your understanding that the impending shortage of milk powder is the result of administrative rulings by the Department of Agriculture, or is there, in fact, a shortage of

nonfat dry milk in the country? In other words, is there anything that the Secretary of Agriculture can do administratively to secure additional supplies of milk, or are we faced with a situation where we do not have the milk in the country for this purpose?

Mr. DEVINE. Our best information indicates that milk production in the United States this year is about a little less by 2 percent than what it was last year, so that there really is not a problem of a shortage of milk as such, but there have been some serious droughts in Europe, particularly, and unfortunately, some of this milk powder, under the PIA, the payment in kind program has gone abroad because of this to feed animals, to keep them going in Europe. We maintain that this is an administrative situation; that by the establishment of set-asides at the beginning of each fiscal year, and I think in this context you must remember that all voluntary agencies submit their requests for fiscal year requirements before March 15 for the succeeding fiscal year, and there is ample time for the set-asides, and that the importance of this program with the availability of milk being what it is, would, to me, seem necessary for the Secretary of Agriculture to do just that, to set aside milk powder to meet the requirements of these programs. We do not feel, very frankly, that it is a problem of a shortage of milk. Incidentally, we do not feel that it is, as it was in 1959, when we did have a drought. Our production is high now. I think the payment-in-kind programs—and at this point I do not want to argue sales, because the payment-in-kind program is a sales program—but what I would indicate is that a food commodity such as milk should be used to feed people and I do not think that sales for other uses is realistic—I do not think it is morally a responsible thing to do. And I would certainly recommend that in this connection set-asides be a part of the structure of Public Law 480.

Senator MCGOVERN. Senator Cooper, are there any questions?

Senator COOPER. I would like to ask Mr. Devine a question. Do you have any estimate of the amount of powdered milk that would be needed?

Mr. DEVINE. The total requirements for Public Law 480, title II and title III programs for this fiscal year would probably run in the area of about 850 million pounds. At the moment it seems as if less than 400 million pounds of powder would be made available under Public Law 480, titles II and III.

Senator COOPER. What has been the average volume used by CARE and voluntary agencies?

Mr. DEVINE. Last year it was in the vicinity of about 650 million pounds. This, I think, is important to note. The reason for the increase has been additional country programs. At the moment, we are at the threshold of a school lunch feeding program in India, that is, CARE, that would be for the first time in the history of relationships with oversea governments, so far as our voluntary agency is concerned, even included in the Indian Government's 5-year plan and would attempt initially to feed 22 million children a day in school. At the moment we are feeding 7,500,000 children a day in India. And at the end of the 5-year period to provide enough commodities for what is anticipated school population at that time of some 53 million children a day in India. So there is a great potential for this kind of program. It is a program that we are interested in, in working out

with recipient governments so that we can get to the point of what is now the Japanese situation, in other words, the recipient government takes the program over, CARE leaves, and they then buy the commodity, either on the commercial market or through title I. It is not a program that we are interested in doing forever. This is the success of a title III school lunch program.

Senator COOPER. I noticed that you say in your statement, and I quote:

We are seriously concerned over and above the humanitarian aspects of this program that we run a serious risk of damaging the U.S. image overseas.

What do you mean by that?

Mr. DEVINE. Well, I would say that the reason for that statement is that if you do not have adequate milk supplies to feed the children in school, and you cut back, say, from 1,500,000 children to what may be 750,000 children, then this cutback is not going to be because of the recipient government's inability to cooperate in this program—it will be because the United States is no longer willing to provide that commodity. This kind of problem will be manifested, I would say, in most countries throughout the Middle East and the Near East and southeast Asia, particularly, and to some extent in Latin America, although in the Latin American area we have been told by AID and USDA that this being of a high priority, they probably will receive as much commodity as we need for this area, but I would say in the other areas by cutting back on the number of children, because we do have in many areas women with children who are too young to go to school, standing outside of the gates of the school during the feeding program, hoping to get what is left over after the children are finished in schools. It gets that close to the situation. There are posters in the school indicating that this food is a gift from the people of the United States. There are statements in the press that the U.S. Government and the U.S. people are proud of their cooperation in making this program available for the betterment of education and health facilities of the country.

So all of this tends, when it is reduced, to be a serious problem. And I think can adversely affect and probably will affect the U.S. image abroad.

Senator COOPER. That is why I support this program. The problem probably could not be avoided if the people expect that the program will be continued in the same scope.

Is there anyone who is guaranteeing these people each year that a certain kind of program will be continued? Is this being done? I can understand that once a program is started that they think that it will be continued. But this statement seems to imply—maybe I am wrong—that there has been some kind of a commitment that it will be continued and that a failure to honor the commitment would be serious. I do not believe that is correct.

Mr. DEVINE. I would say there is certainly not a guarantee made. We certainly make it very well known to the recipient government personnel, and also to cooperating agency personnel that this is a program because of this law. That it is on a year-to-year basis. But I think that we must keep in mind that Public Law 480 is now

in its 10th year and we have continued these programs in many countries for just that long. In other countries we have been able to phase out the program. But I am sure that you understand that people who have been receiving this help from this program for 10 years tend to expect that it will continue so long as the need exists but there certainly is no guarantee in that respect.

Senator COOPER. I have no doubt that they expect it and want it.

We also would like to see it continue, I question the idea that in some way we should make some form of guarantee or commitment. That is all I have to say.

Senator McGOVERN. Mr. Devine, I have just one more question. There is a provision in the bill as reported out of the House Committee on Agriculture that permits the use of a small amount of the currencies that have accrued under title I sales to strengthen the hands of the voluntary agencies in carrying on some of the food programs. As I understand it, some of the funds could be used for the purchase of simple implements and utensils and other things that might be used in these community self-help projects. Some of it, perhaps, could be used to purchase certain food additives that would increase the nutritional value of the food.

Do I understand from your testimony that Care supports that provision in the bill?

Mr. DEVINE. We certainly support it wholeheartedly. We have been doing that in all of our countries that we have programs in, particularly in school lunch and institutional programs, using donor moneys from the United States and Canada. We have received from excess property supplies some jeeps and other materials. We are convinced that any additional help along these lines will make not only a better program, that is, make for a better program, but will also give that extra support to the program that will continue long after we are not making it available, that is, Public Law 480 commodities. In that respect I am talking about title II and title III. So we certainly do support that part of the bill. We think it is a step forward for institutional building, and in the final analysis would make the recipient governments more amenable ultimately to their taking over these programs, which is therefore our goal.

Senator McGOVERN. This new section is an amendment offered by Congressman Matthews, of Florida. I have introduced a similar amendment in the Senate.

Do you have any other questions, Senator Cooper?

Senator COOPER. No.

Senator McGOVERN. If there are no further questions, thank you very much.

Mr. DEVINE. Thank you.

Senator McGOVERN. Our next witness is Mr. Bernard A. Confer, executive secretary of Lutheran World Relief, Inc.

We will be glad to hear from you now.

STATEMENT OF BERNARD A. CONFER, EXECUTIVE SECRETARY,
LUTHERAN WORLD RELIEF, NEW YORK, N.Y.

Mr. CONFER. Mr. Chairman and gentlemen of the committee, my name is Bernard A. Confer. My office is in New York City.

May I depart for a moment from my prepared statement to say that it is a particular pleasure to speak in this forum, since it is this afternoon presided over by a man who has been a friend of the voluntary agencies for many years. And I say this without any detrimental implications to any other Senator.

I am the executive secretary of Lutheran World Relief, a corporation which gathers and distributes material relief supplies overseas and engages in other projects of social service and economic development.

Lutheran World Relief is supported by the American Lutheran Church and the Lutheran Church in America through the National Lutheran Council, and by the Lutheran Church-Missouri Synod and other Lutheran groups in this country.

The combined membership of these church bodies in the United States is in excess of 8½ million persons. Since its organization in 1945 Lutheran World Relief has shipped abroad to 41 countries commodities valued at more than \$158 million, about 53 percent of which has been donated by the U.S. Government.

My presence here today on behalf of my colleagues in Lutheran World Relief is prompted by the concerns of our board of directors with regard to information that new legislation is under consideration with respect to the scope of and procedures for the distribution of U.S. surplus commodities under Public Law 480.

Such a step seems to us to call for thoughtful study, looking at the entire matter in long-range perspective. Since this hearing may be considered a contribution toward such a study, we respectfully submit our point of view and concerns, which are based upon nearly 20 years of experience in this field. Our board of directors has gone on record identifying itself with the concerns which I present here today.

Since the time opportunity was afforded in 1950 to expand its distribution of food through the use of sizable amounts of Government surplus commodities, involving in most cases reimbursements by Government of oversea freight costs, Lutheran World Relief has participated with appreciation in the development of broader programing overseas.

From the start and continuing today it has welcomed the decision of Government to make available surplus foods to bring relief to needy people abroad.

Lutheran World Relief and the National Lutheran Council have on a number of occasions taken official action to commend the Government for its policy directed to sharing with those who are in want. We support wholeheartedly efforts within the Congress to extend and intensify the food-for-peace program on a nonpolitical basis.

Five years ago at a similar hearing our representative, Dr. Paul C. Empie, voiced some reservations of Lutheran World Relief about the trend which seems to be developing in the course of this operation,

especially with regard to its implications for the role of voluntary agencies in their relationships to Government. We made it plain at that time, and wish to reiterate now, that we of Lutheran World Relief share with fellow Americans to the fullest extent a deep sympathy for the world's needy and the desire to help them.

In emergency situations where human lives have been at stake, Lutheran World Relief has opened up its channels for the shipment of supplies from sources other than its own constituencies when its services have been needed. In such circumstances it has permitted the primary concern for saving lives to override its uneasiness over possible long-range effects of such involvements. This is its position today.

In the course of the present study it is of central importance to underscore the fact that by and large the problems which confront us currently are not those of emergency situations but rather of long-range endemic need. Most persons now receiving Government surplus foods are not starving to death. Such commodities either supplement their subsistence rations, to help build up bodily vitality and health over longer periods of time, or are used in self-help projects. This type of assistance in areas of chronic need has been going on for a long time and will continue for many years to come.

Voluntary agencies, and especially those of a religious character, recognize their obligations in situations of endemic need and are attempting to persuade their constituencies that they have as much a responsibility to help prevent suffering as they have to alleviate it after it has appeared. But in long-range perspective it seems to us that a satisfactory answer has not been given to the question: Is it best or even wise to increase the scope of involvement of voluntary agencies in the use of Government resources for serving areas of endemic need?

We believe that it is especially urgent that concentrated attention be focused upon this issue since, as evidenced by S. 2925, there is desire by some to write into this new legislation a provision whereby U.S. Government-owned foreign currencies can be used for the benefit of programs abroad by U.S. voluntary agencies. Such a provision would have the effect of removing what we believe to be the healthy current limitation which exists by virtue of the necessity for voluntary agencies to draw upon their own resources for the cash requirements of extending distribution programs overseas. We believe that this is a "healthy" limitation for the following reasons:

1. It is a temptation to any agency in its zeal for its goals to overreach itself and to undertake more than it can administer effectively. The use of "soft currencies" contributed by Government would enable voluntary agencies to mushroom their programs out of proportion to their own resources and perhaps beyond the point of manageability.

Our experience has convinced us that the unique value of voluntary agencies resides in, and their reputation for integrity depends upon, involvement of an adequate number of competent persons truly representing their constituencies, to witness by their presence and their responsible actions that spirit of constructive brotherhood which the organizations desire to demonstrate. To have available cash and commodities for large-scale programs in which this balance is upset

not only can be harmful to the agencies themselves, but can result in a higher percentage of wastage in the use of the commodities.

Some years ago Lutheran World Relief was the first agency to raise serious questions about one of the major areas overseas where voluntary agencies were distributing Government surplus commodities and to request a Government audit to ascertain whether or not these apprehensions were based in fact. We are under the impression that this and similar audits in other areas confirmed our fears all too well. This committee might find an examination of them useful in the course of its study.

Senator McGOVERN. Could we interrupt you there just for a few minutes? We are going to have to go to a roll call. We will resume as soon as we get back.

Mr. CONFER. I understand.

(Brief recess.)

Senator McGOVERN. All right, Mr. Confer, will you resume?

I want to warn you there will be another rollcall here shortly on final passage. We are perfectly willing to listen to your whole statement, but if you want to give the highlights of it and insert the entire statement in the record, we might be able to get it in before the bell rings.

Mr. CONFER. I will be glad to do that, Mr. Chairman.

Senator McGOVERN. If you prefer to read it all, that is fine. We will come back again and take whatever time is necessary.

Mr. CONFER. If you will just put this in the record.

(The balance of the prepared statement of Mr. Confer follows:)

2. We further believe that it is a wise limitation because it protects the "voluntary" character of the agencies, particularly those of a religious nature. Some of them may retort that this is a protection they neither need nor want! We cast no aspersions on their integrity; we simply assert that, when dealing with religious agencies, Government policy should take into account the fact that their overriding religious motivations and objectives encompass their "humanitarian" activities, and therefore such policy should not facilitate a mushrooming of situations in which the actual though not deliberate result of the distribution of relief commodities provided by the U.S. taxpayers is to build up the prestige and frequently to further the evangelistic efforts of religious groups.

It must be conceded that to some extent this effect is inevitable. When Lutheran World Relief distributes commodities in an area where Lutheran missions are at work it is both natural and unavoidable that grateful people will be influenced thereby when Lutheran mission personnel confront them with the gospel of Jesus Christ. To be scrupulously honest, we have made strong efforts to publicize locally the source of Government commodities and to publish in open reports the amounts received from this source, for all to see. We had felt that Lutheran World Relief was not compromising its character as a religious agency as long as, in good faith, it could incorporate Government commodities, made available without political or other strings attached, in what would continue to be its own program. But when the proportion of receipts from Government sources exceeded 50 percent of the total, Lutheran World Relief began to question whether or not it could continue to claim the program as its own. One can't be sure just where to draw the line but there ought to be a border zone defined somewhere. Perhaps the character of religious and other voluntary agencies could best be protected if some kind of matching basis were established such as that which obtains with respect to grants and loans to denominational colleges and universities.

3. This limitation also seems healthy because it helps to underscore the necessity that voluntary agencies—and especially religious agencies—be neither in fact, nor in the estimate of the public, instruments of Government. At the hearing referred to above it was stated by a member of the committee that a motive for distributing Government surplus commodities through voluntary agencies

was to save money for the taxpayers since the agencies could do the job more cheaply. It was further indicated, without being in these precise words, that Government could (1) capitalize on the good will which voluntary agencies have abroad, (2) fulfill more effectively thereby its world peace objectives through the people-to-people concept, and (3) achieve its purposes in this manner without the necessity of dealing officially with governments or organizations in the area concerned. In such matters, what may be good for Government may not be good for the agencies. We are convinced that the ever-closer identification of voluntary agencies with Government, which would seem to be the automatic outcome of deepening the involvement of voluntary agencies with Government by the use of U.S.-owned foreign currencies, may work eventual loss for both parties.

Agencies in the programs of which the proportion of distributed goods from Government sources is already high are especially vulnerable. The committee might find it useful to take a closer look at this particular point. We have not been able to secure complete statistics but have reason to believe that the 53-percent figure for Lutheran World Relief, cited above, is among the lower ones. We are under the impression that there are some among the smaller agencies which, without Government commodities or contracts, virtually would be out of business. A rejoinder might well be made that this is their affair, not ours. Yet it seems obvious that such organizations cannot but be regarded as thinly veiled instruments of Government; when anti-U.S. feelings erupt in various parts of the world all U.S. voluntary agencies get tarred with the same stick. This is neither in the interests of the U.S. Government nor in the interests of the agencies themselves. It ought to be unmistakably clear that no voluntary agency is an instrument of Government and the criteria according to which this statement can be affirmed should be known. The great virtue of voluntary agencies has been the confidence they have engendered because their resources result from the spontaneous generosity and sacrificial giving of individuals in their constituencies. Our country has been tremendously blessed by this tradition, and a thoughtful Government will take all possible measures to preserve it.

Permit me to state again that I am raising the issues of means, not ends. Lutheran World Relief yields to no agency in its concern for the ends in view; namely, to alleviate human suffering and to help those in need to help themselves. In the hearing of 5 years ago, mentioned above, a colleague from another agency whispered to our representative at the conclusion of his testimony, "If you Lutherans have scruples about accepting large quantities of commodities from Government, you don't have to take them; but why do you want to prevent the rest of us from receiving them when we see no compromise of our principles by doing so?" We know that not all agree with our position and that we will be regarded by some as a "dog-in-the-manger" in stating it. But the matter is not that simple, especially where religious agencies are involved. To have each go his own way and undermine equitable relationships of Government with all agencies would inevitably intensify sectarian tensions. A glance at the proportions government resources bear to the total programs of some of the larger voluntary agencies as reported by them to the Advisory Committee on Voluntary Foreign Aid is illuminating in this connection:

Calendar year 1962

Agency	Agency cash expenditure	U.S. Government ocean freight reimbursements	U.S. Government surplus commodities	Other relief supplies	Government resources (percent)
American Jewish Joint Distribution Committee	\$28,797,200	\$358,124	\$1,406,159	-----	5.8
Catholic Relief Services—National	5,097,546	27,506,156	103,905,884	\$22,974,202	82.0
Catholic Welfare Conference	5,616,462	6,450,189	22,971,673	6,423,429	71.0
Church World Service	9,756,656	12,129,164	42,160,794	672,413	84.0
CARE	807,250	1,542,410	4,215,532	5,741,758	47.0
Lutheran World Relief					

These five agencies shipped 98.15 percent of government surplus foods received by all voluntary agencies in 1962. The breakdown is as follows:

	<i>Percent</i>
American Jewish Joint Distribution Committee.....	0.79
Catholic Relief Services—National Catholic Welfare Conference.....	58.40
Church World Service.....	12.91
CARE.....	23.69
Lutheran World Relief.....	2.36

From the stateside viewpoint, we do not suggest that the "equitable relationships of government" mentioned above require that grants to all agencies be cut back according to a "least common denominator" of concern and activity for the needy overseas. But this viewpoint by itself cannot be the basis for Government policy. The facts of life are that at the local level overseas no U.S. agency is able to exert more than partial control over what transpires in the process of distribution. Some time ago Lutheran World Relief declared its intention of terminating its support of a large family-feeding operation in a certain area overseas because of widespread abuses and violations of LWR as well as Government regulations for the distribution of surplus commodities.

Some of our group who opposed this withdrawal were quick to point out that it would place Lutheran missions in that area at a great disadvantage. It was said that competitors could and would indicate that stoppage of relief distribution there by LWR proved that Lutherans were not really concerned about the suffering of others, while they (the competitors) demonstrated by their deeds how much more love they had for their fellowmen than certain other people. Nevertheless, we terminated our support of the project, while other agencies continued.

Enlarging the scope of voluntary agency involvement by making available to them U.S.-owned foreign currencies, or goods and services purchased with these currencies, would certainly aggravate this problem. One can put a label with the words "Gift of the American people" on food packages but such a label can hardly be pinned to the forehead of employees or be made prominent in the variety of uses in the distribution of commodities or in other projects toward which the funds would be applied. The prestige value to a religious agency of a large-scale relief program is enormous; it is naive not to recognize this or to suggest that it is a negligible or a trivial factor, or so incidental as to be not worthy of consideration.

Nevertheless, in emergency situations where it is clear that government use of the channels of voluntary agencies for relief is an urgent requirement, we would waive this particular concern. At this hearing, however, we raise the question whether or not in fact another and a better way for making its surplus commodities available overseas in situations of endemic need, may be used by the U.S. Government. We believe that in the long run, responsibility for meeting the needs of its undernourished and ill-housed citizens rests primarily with each government, and that the United States should make every effort to assist governments in developing responsible procedures to cope with problems of endemic need.

The underlying assumption upon which the promotion of a wider role for voluntary agencies in this matter is based is that in most if not all of the lands concerned the governments are incapable of organizing effective relief distribution programs, or that graft and corruption are so deeply ingrained in their national life that our Government could not be assured that the commodities would reach the persons who really need them. This allegation, which has been made frequently in our presence, Lutheran World Relief rejects as a generalization which is insulting to the peoples concerned, harmful to U.S. relations with their countries, not in the best interests of either donor or recipient land, and dangerously misleading as a guide to future policy. Of course there is a certain amount of graft and corruption everywhere, including our own beloved country; there is also a degree of it in the programs of the voluntary agencies, though quite contrary to their wishes and beyond their control. Competent and responsible administrative procedures in this field are developed only in the course of experience, for which most receiving countries have had little if any opportunity in the past. We believe that the U.S. Government, which organized the brilliantly successful Peace Corps, would do well to engage here in long-range planning, making available to the governments concerned experts in social welfare who will help them to establish pilot projects for relief distribution and self-help projects. Such govern-

ments will then be better prepared to foster the development of indigenous voluntary agencies which can carry on the work effectively and responsibly in the future. Toward this end Lutheran World Relief and Church World Service cooperated with the Red Cross of Yugoslavia in a school-feeding pilot project and has recently brought it to a successful conclusion.

Other governments are not stupid. They are aware of the allegations mentioned above and surely resent any step which our Government may seem to take in support of these charges. Furthermore, in some quarters at least there are questions raised about possible ulterior motives possessed by a country of a predominantly Christian tradition which chooses to use religious agencies in assisting lands where competing religious ideologies prevail.

Without criticizing anyone for the record of the past and, indeed, applauding both Government and the agencies for what has been accomplished in partnership, Lutheran World Relief steadfastly holds to the point of view that the trend toward increased identification of Government with the voluntary agency programs should be halted in the interest of bringing back into sharp focus the now blurred line of distinction between the respective roles of private and public agencies, and strengthening each in the process.

Mr. Chairman, to make it quite clear that this statement is intended to be constructive, not negative, permit me to summarize our position in the following three points:

1. Lutheran World Relief joins wholeheartedly with its colleagues in the American Council of Voluntary Agencies for Foreign Service in expressing appreciation to the American people through their Senators and Representatives of the Congress "for the opportunity to share with their Government in the utilization of these valued foods in their program of assistance overseas through the food-for-peace program." Countless lives in many lands have been blessed thereby and the net results have been positive.

2. Lutheran World Relief, while recognizing certain inevitable ambiguities inherent in use of Government commodities by voluntary agencies, is ready to continue such use on the present basis, as long as it does not result in an unbalanced program, but rather supplements one which can honestly be termed its own as over against one in which it actually would be serving as an instrument of Government. It believes that the latter characterization would become virtually unavoidable should substantially more than half of its relief supplies come from Government sources. It would be even more vulnerable should Government funds, not easily identifiable, serve to make its outreach through food distribution and special projects even more dependent on Government resources and thus identify it more closely with Government and its policies.

3. Lutheran World Relief holds the strong conviction that the United States should intensify its food-for-peace program on a nonpolitical basis; that Government should institute plans whereby recipient countries may be assisted in developing indigenous welfare agencies, public and private, which can effectively utilize local as well as U.S. gifts to meet emergency and endemic needs; and that U.S. voluntary agencies should continue to supplement such efforts by undertaking small-scale pilot projects where these are needed and desired, financing such projects in proper proportion with gifts from their respective constituencies.

Thank you.

Mr. CONFER. May I say in my own words, just to hit the highlights, we in Lutheran World Relief see a developing situation here that started after World War II with Government resources being made available in the form of ocean freight, then in 1950 surplus foods, and a little later more surplus foods more liberally. Gradually we see the proportion of support to voluntary agencies coming more and more from Government and less and less from voluntary sources. We question whether this is wise.

On page 7 of my testimony I have a table which would show that two of the largest agencies in the field back in 1962 already received 82 and 84 percent of their resources from Government, and I would think that since programs are continuing to expand, that this would be higher today than it was then. Though we are in principle right

along with you on making the food available, we wonder how far you can safely take voluntary agencies in this relationship.

When does an agency become an instrument of Government?

In the eyes of oversea people, if you get up to 90, 95, 99 percent where do you draw the line?

For ourselves, within our own group, we are hesitant at the moment we hit 50 percent. You see, we have no case for any particular figure and are not advancing this as a criterion. But when do oversea people have a right to consider a voluntary agency as an instrument of government?

And then, if we more and more become dependent on Government resources for the program, in essence and in actuality how independent are we?

We say that we are going to be independent, and yet if this continues over the long pull, we wonder whether voluntary agencies will be able to keep their independence really or whether they will be subjected to the political objectives of government.

Senator McGOVERN. In that connection, Mr. Confer, as I understand it, what you have suggested as a working rule is that not over 50 percent of the resources be from Government.

Mr. CONFER. This is for ourselves, yes. We do not know where to draw the line really. But when we see it going into the eighties and nineties we really have serious question and lay the question before you. Is it wise to increase this by making additional resources available?

Senator McGOVERN. Would that same concern apply to a non-religious group such as CARE, for example, or are you concerned primarily about the church-state relationship?

Mr. CONFER. We are concerned first of all with voluntary agencies, and the preservation of voluntary agencies, which some of us think is pretty valuable on the American scene, and it becomes valuable abroad too. But it has the extra impact at the point of the church agency. There we especially have a concern, mainly because overseas, let's face it, in their evangelistic programs the churches have not been able to come to an agreement. Although we may not be in competition here, I have seen it develop over there. This is referred to in my basic testimony, and this does mean that a pull is made on each of the church-agency headquarters at home by oversea Christian groups. So it has special force there, as you rightly suggest. But I say that voluntariness in itself has unique values on a people-to-people basis. It really expresses what the man in the street feels. I wonder, the more Government subsidy we put on, whether this will not just complicate the problem and make less valuable in the long run the service of voluntary agencies.

Senator McGOVERN. One of the concerns you expressed, Mr. Confer, in your testimony, was the feeling that if the agencies expand their operations too far, they will not be able to do an effective administrative job. Is it not possible that under the provision in the House bill which I have introduced separately over here on the Senate side, where we provide some funds, some of the title I funds, that we might actually be doing just the opposite? We might be strengthening the administrative efficiency of the program?

Mr. CONFER. It is possible, and I know that those men in the administration who want this passed intend to try to do just that. But I

would point to the record of the last 10 years, and wonder how effective this is going to be. It may be that it would be effective.

For example, I have been told by the administration representatives that they plan not to make funds available, but to use the funds to acquire equipment or other commodities or services, and make those equipment, commodities, and services available. I can see this would make for tighter administration.

However, the legislation proposed is rather broad at this point, and does not even limit it to commodity programs.

Senator McGOVERN. It does provide, however, that the major purpose of that provision is designed to alleviate the cause of the need for such assistance. In other words, the presumption is that the administrators would carry this out in such a way as to get at some of the root causes that make direct feeding programs necessary. If properly executed, this could be a device, could it not, for getting us out of some of the present long-term feeding programs with which we are involved?

Mr. CONFER. Yes, it could be. It could be the device.

Please note that I do not question the end here. I think it is a good end.

Senator McGOVERN. I think you have a legitimate concern here and I think it is something that the committee ought to very seriously consider as we look to the continuance of this program.

Mr. CONFER. Then let me summarize. We in Lutheran World Relief are for the extension of this law. We feel that the food-for-peace program has literally made it possible to reach millions of people, needy people, more than would otherwise have been the case. Millions of people's lives have been truly blessed, we think.

Secondly, we would call upon Government to halt this trend of increased identification of Government with voluntary agencies, and bring back into sharp focus the lines of distinction between private and public agencies, so that each may be strengthened in the process.

Thank you, Mr. Chairman.

Senator McGOVERN. Thank you ever so much for your testimony, Mr. Confer.

What I said to Mr. Devine, I would like to say to you. I think that Lutheran World Relief has done a remarkably good job in the way it has handled its programs all over the world.

Mr. CONFER. Thank you.

Senator McGOVERN. I have also had a chance to look at some of them firsthand.

Mr. CONFER. I am glad.

Senator McGOVERN. And the organization has done a remarkably effective job.

Mr. CONFER. Thank you, Mr. McGOVERN.

Senator McGOVERN. Dr. McLain, chancellor of the American University in Cairo.

STATEMENT OF DR. RAYMOND F. McLAIN, CHANCELLOR, THE
AMERICAN UNIVERSITY IN CAIRO

Mr. McLAIN. May I ask Dr. Barco to join me?

Senator McGOVERN. Yes. You can proceed any way you wish, paraphrase your statement, read it, or however you wish to proceed.

Mr. McLAIN. Ours is a very short statement, Mr. Senator. I think I could read it more rapidly than paraphrasing it.

Mr. Barco is the chairman of our board of trustees, Mr. McGovern, and has been with the delegation to the United Nations for a long time, with particular reference to the interest and responsibilities of the Middle East, and I am Mr. McLain. I was for eight and a half years president of the university, living in Cairo, now its chancellor, living here.

We speak for the present president, Dr. Thomas Bartlett, as well as for the rest of our board in this statement, sir.

While the specific concern of the university is best expressed in section "u" of the proposed House bill (H.R. 12298), a copy of which is attached—you are aware, I am sure, of this, the statement which has to do with the excess of foreign currencies piled up in the U.S. account in a few of these countries where that exists. While that is our primary concern at this moment, the broader concern of the university arises from the desire that public funds, such as accumulated in the excess currencies in the U.S. uses account in Cairo, be both conserved and utilized in the public good. An educational enterprise, being permanently rooted in the foreign country, makes the funds go a long way, relatively speaking.

Further, our particular proposal, to be brought before the President's Committee if this legislation passes, would both conserve and utilize such currencies. The money would not be spent, but be invested in enterprises advantageous to Egypt as well as to America and the university. The income from the funds, when invested, would be utilized for the current support of the university.

The university serves the public good, both in Egypt and America. Aside from its central and direct educational program the university is a nonpolitical instrument serving, in the finest sense, the political purposes of the United States. We do this indirectly, as an American presence located in the very center of Cairo, bringing the best of the American cultural, scientific, economic, and political traditions to bear on Egypt's major current problems of development.

The fact that the U.S. Embassy in Cairo, which knows the institution intimately, supports this major interest of the university in all respects speaks for its acceptability. The fact that both the Bureau of Educational and Cultural Affairs of the State Department, and the Administration for International Development have been interested in and support the university's effort authenticates it as meeting American standards and objectives.

Sir, I neglected to put it, and it should be inserted at this point, the fact that our university has been receiving support through Public Law 480 funds, beginning in 1959 and through the present AID funds, and beginning in 1959 the ICA as predecessor to AID.

We are interested in the revision of Public Law 480 generally because it will extend the ways in which American helpfulness can be made available; more definitely, because it will open the way for direct assistance to our university in getting our job accomplished in the best possible manner.

If the proposal contained in section "u" becomes law, or a proposal similar to it, I am not speaking just of its wording but the idea, our university will request the President, through the Committee, to place \$30 million in Egyptian pounds of the \$101 million in pounds now in the U.S. uses account, in an Egyptian pound investment fund, to be handled by an American corporation separate from and yet related to the university's board of trustees. The corporation will have the duty to invest these Egyptian pounds and will turn the income over to the university for its current support.

It will report to the U.S. Government as to its handling of the funds; the university will report as to its use of the income from the investment. If for any reason the university should cease to operate as an American institution, the funds would revert to the U.S. Treasury.

The American University in Cairo was incorporated in Washington, D.C., in 1919 as a private, nonsectarian institution, with a self-perpetuating board of American trustees. Its academic efforts are in direct teaching in its undergraduate faculty, with six majors leading to the bachelor of arts and bachelor of science degrees, and to teaching and research in its master of arts program, leading to the six M.A. and M.S. degrees. It is beginning a Ph. D. program in Arabic studies. The social science research center conducts widespread research in economics, anthropology, sociology, and political science. Its center for Arabic studies conducts research in modern Arabic literature, in Islamics, and in other aspects of the humanities.

The university is placing particular emphasis upon developmental economics, upon business organization and management, and in teaching of English as a foreign language. It enjoys the fullest cooperation with the Egyptian Government; in fact, it remains as the only free foreign institution of learning operating in Egypt.

It is enrolling close to a thousand students in its credit and language studies, and some 750 adults in a broad and flexible evening studies program. (If a current effort to purchase an adjacent school property succeeds, the university will immediately double its present capacity. It has done and continues to do a great deal of creative "ground breaking" in the educational enterprise. It stresses quality in all phases of its work. It finds countless ways to serve Egypt in addition to its formal studies.

For instance, its library is one of the finest in its content and operation, and is made available to many Egyptian teachers and leaders outside the university personnel; many of its staff serve on significant Government committees and councils such as (at present) the Economic Planning Board and the Family Planning Council; its halls are frequently used for cultural presentations from the United States, West Germany, Austria, Greece, and the like.

In brief, it is a small but splendid institution of which Americans can be proud. In the judgment of its officers and board, an American investment in it is an investment well placed. Such an investment

would enable the university still further to bring American ways of thinking, doing things, and living to the inescapable attention of the millions of people of the Middle East.

If Mr. Barco and I can answer any questions, we should be only too pleased to do so.

We thank you very much for this opportunity to speak for this particular amendment which would broaden the base of the use of the excess currencies that are now in existence.

(Attachment to statement follows:)

H.R. 12298

Section u

"(u) To use foreign currencies which are in excess of the normal requirements of the United States as determined by the Secretary of the Treasury, to promote the development of the resources of less developed friendly foreign countries, their technical knowledge and skills in fields such as food production and distribution, education, health and medicine, and engineering, in a manner which will secure to the United States the maximum benefit from currencies accruing under this title: *Provided however*, That no such use shall be made of such currencies which would have the effect of reducing the dollar reimbursement to the Commodity Credit Corporation for foreign currencies. There is hereby established an advisory committee composed of the Secretary of Agriculture, the Director of the Bureau of the Budget, the Administrator of the Agency for International Development, the chairman and the ranking minority member of the House Committee on Agriculture, and the chairman and the ranking minority member of the Senate Committee on Agriculture and Forestry. The functions of such committee shall be to review from time to time the status of foreign currencies which accrue under this title and to make recommendations to the President with regard to (1) the use of excess currencies under the authority conferred upon him by this subsection and (2) grants under subsection (e) hereof."

SENATOR MCGOVERN. Thank you, Dr. McLain. I think your proposal is a most interesting and constructive one and I know that the members of the committee will want to study it carefully.

I wonder if you could just describe some of the possible purposes that the funds might be used for, the kinds of projects that might be undertaken. Would this be to support the general program of the university, or would there be programs especially related to the needs of the people of Egypt, or can you give us some idea how it might be administered?

MR. McLAIN. The fund itself, if we are talking about the purpose of the grant, would be strictly for investment purposes. The income from it would be for the general operation of the university.

Now, in the investment of the Egyptian pounds for this purpose, they have to be invested in Egypt. We think nonetheless that a good deal of the investment could be in the type of American-Egyptian business enterprise that is developing once more in Egypt since their difficulties of 1956.

Pfizer, for instance, is building, has built a plant in the outskirts of Cairo. Reynolds Metal is to build a building and a plant, I think, up near the Aswan Dam. Many of the oil companies, many other American companies are there and are moving into Egypt, and investment in these kinds of businesses would open certain opportunities not only for us to make a percentage from the investment, but to mold together in some respect American and Egyptian business interests. Much of the investment would probably be in Egyptian Government bonds.

A good deal of it might be in housing that we in turn would use for our own staff, particularly the more itinerant staff.

Senator McGOVERN. Would you envision using some of the funds for plant expansion at the university and student support?

Mr. McLAIN. No. We would use the income from the funds for student support.

Senator McGOVERN. Yes, for those purposes.

Mr. McLAIN. And for the operational expenses at the university.

Senator McGOVERN. Presumably the income from the funds could be used in the same way you would use other endowment funds?

Mr. McLAIN. Yes, exactly so.

As of now we are receiving through both AID and Public Law 480 approximately \$1 million per year of assistance applied to various aspects of our general current operating program. The income from this fund would take the place of this annual aid, you see, in the support of the university program.

One reason we are interested in a more continuing thing, and reliably from our point of view, is that it is very difficult to plan a university development program and employ staff and so on when one never knows quite for sure if and when a grant is going to be made.

Senator McGOVERN. I know a number of us have been concerned about how we can put these idle currencies to work, and this would seem to be a very constructive and interesting way to do it.

I had the opportunity on two different occasions to visit American University in Cairo, and I know what a great role it plays in the Middle East. I think the proposal ought to be very carefully considered.

Senator Cooper, do you have any questions?

Senator COOPER. Yes. I am glad I got in at the end of Dr. McLain's testimony.

Let me say I have known Dr. McLain for a long period of time, since the time he was president of Pennsylvania College, the oldest college west of the Allegheny Mountains. We are very proud of the work he has done.

I agree with you that the committee should give very thoughtful and serious consideration to this proposal. Dr. McLain has pointed out that this university now has a thousand students.

Mr. McLAIN. Roughly so, yes.

Senator COOPER. About 750 adults who are studying in the evening program?

Mr. McLAIN. Yes, sir.

Senator COOPER. What percentage of these students are citizens of the United Arab Republic?

Mr. McLAIN. The last time I made a count, Mr. Senator, about 60 percent were of the United Arab Republic, and an additional 20 were from the other Arab countries and African countries. The remaining 20 are mostly the children of embassy personnel from all over the world really, about 30 to 35 nations are usually represented in the student body.

Senator COOPER. Does the enrollment remain at a steady and constant level or does it fluctuate?

Mr. McLAIN. No, it is going up continually, and if we do secure this adjacent property that I mentioned in this statement, we could

almost double the enrollment overnight, because we have consistently turned down more students than we have been able to accept, and this would greatly augment our capacity. It would take us several years in our credit program to grow to the point of full utilization of the additional property. In our adult program we could do it instantly, because we will accept 750 adults and 4,000 or 5,000 will perhaps be applying.

So we could, with additional capacity, instantly double our adult enrollment.

Senator COOPER. What is the size of your faculty?

Mr. McLAIN. It is a little hard to—the teaching faculty, sir, would be 55 to 60. The research staff, some of whom would do a little teaching, most of whom are purely involved in research, would vary from as few as 8 to as many as 15 or 20, depending on the different projects we were undertaking.

For instance, we have just completed a 3-year research project in Aswan, having to do with the relocation of the Nubian peoples when its new dam is built. Well, anywhere from 5 to 20 people have been involved in that research project at different times.

Senator COOPER. Are any members of the faculty citizens of the United Arab Republic or the Arab countries?

Mr. McLAIN. Yes. I would say approximately half of our teaching faculty and two-thirds of our research staff are Americans, and the other half are mostly Egyptian, although always there are four or five other Arab countries that are represented on the faculty, and a number of European countries as well. Right now we have two Dutchmen who are Communists, one or two British people, chiefly in our Arabic studies area, a Scandinavian. We will have ordinarily 10 to a dozen nationalities on the staff. But the great majority are either American or Egyptian, and almost all of the Middle East staff have American graduate degrees.

Senator COOPER. I think it would be a good idea, Mr. Chairman, if he has not already done so, that Dr. McLain file with the committee the names of the board of trustees and their residence.

Mr. McLAIN. I would be glad to do that.

Senator COOPER. If this could be done, then, the control and investment of funds would be within the competence of the university board of trustees. Is that correct?

Mr. McLAIN. Our thought, Mr. Chairman, was to create a separate corporation, most of the members of which, however, would be members of our board of trustees, but part of the reason for the separateness is to safeguard the funds in case, as can always happen in a foreign country, something were to happen to the university. It would not be happening to the funds, in other words.

Senator MCGOVERN. Will you please submit that information for the record?

Mr. McLAIN. Yes, I will be glad to and any other details that you think would be helpful.

Our board, as indicated here, are all Americans. It is not required by our university's constitution, but for practical reasons, in the last decade particularly, this has proved to be a very helpful thing. We may ultimately add additional persons of Egyptian nationality to the board, but at the moment they are all American.

I might point out that we are here not arguing for the creation of this corporation and the granting of these funds. We are here interested in a permissive amendment to Public Law 480 that would allow for this kind of use of the excess funds. Then we will have to go to the committee if such a committee is created, with the proposal.

But to be honest, we wanted to state what was in the back of our minds as well as to indicate the desire we have for the amendment, you see.

Senator McGOVERN. But you are supporting the amendment that was included in the House bill?

Mr. McLAIN. Yes.

Senator McGOVERN. And then if that is approved, you will submit to the committee that is created this proposal you have discussed here today?

Mr. McLAIN. Yes, that is right.

Senator McGOVERN. Do you have any other questions, Senator?

Senator COOPER. No.

Senator McGOVERN. Thank you very much, Dr. McLain, for your testimony.

Is Dr. Danielian here?

Dr. Danielian is president of the International Economic Policy Association.

STATEMENT OF DR. N. R. DANIELIAN, PRESIDENT, AND JOHN A. WISE, JR., ASSISTANT TO THE PRESIDENT, INTERNATIONAL ECONOMIC POLICY ASSOCIATION

Mr. DANIELIAN. With your permission, I would like to introduce Mr. John Wise, Jr., of my office. He has made an extensive study of the factual background of Public Law 480 and will be prepared to answer questions relating to it.

I have a prepared statement here, and cognizant of the pressures under which this committee works, I would like your permission to insert this statement in the record instead of reading it.

Senator McGOVERN. Without objection, the statement will be printed.

(Prepared statement of Mr. Danielian follows:)

The International Economic Policy Association represents a group of American international business corporations vitally concerned with the success of our foreign economic policies, and the advancement of the concepts of private ownership of property and private enterprise as the best means toward economic and social development and the raising of the standards of living of all peoples.

These corporations comprise a substantial segment of the American economy, productivity, and employment. Their combined annual gross revenues are in excess of \$23 billion, with a combined capital investment of over \$17 billion.

The extension of Public Law 480 is of interest and concern to use because this program, financed by all the taxpayers, has become an expensive and important tool for the effectuation of U.S. foreign policy. This program has been in effect now for 10 years. The 19th Semiannual Report on Public Law 480 states that the total value of programs since the beginning of operations under Public Law 480 in July 1954 has been \$20.5 billion.¹ Under title I alone, sales of surplus commodities for local foreign currencies programed since July of 1954 have

¹ Nineteenth Semiannual Report on Public Law 480, H. Doc. No. 294, 88th Cong., 2d sess., p. 11.

been in the amount of \$13.6 billion (estimated Commodity Credit Corporation cost).²

What was originally conceived as a method of disposing of nonrecurring agricultural surpluses has been converted into a method of disposing of continuing and increasing agricultural surpluses as a supplement to, and in some cases, a substitute for, dollar foreign aid. It has become a major foreign policy tool.

The administration has requested a 5-year extension of title I through December 31, 1969, with an increased authorization of \$7.1 billion, with a limitation that agreements entered into in any one calendar year may not exceed \$2.5 billion, with a provision, however, for the carryover of uncommitted authorizations from prior years. The administration request further provides that agreements may be entered into in excess of \$2.5 billion to the extent of the dollar equivalent amount of the local currencies repaid from previous title I sales.

The administration is also requesting \$2.7 billion authorization in order to carry on activities under title II (famine relief and other assistance) at \$450 million per year over the 5-year period, 1965 through 1969. This is a \$150 million increase over present authorizations of \$300 million per year under title II.

In total, therefore, the administration's request amounts to \$11.2 billion over the next 5 years (1965-69) to carry on activities under titles I and II of Public Law 480 (see table 1).

A program of such magnitude should have the benefit of congressional scrutiny more frequently than once every 5 years.

COOLEY LOAN PROVISION (SEC. 104 (e))

On August 13, 1957, the Congress approved the so-called Cooley amendment which authorized U.S. representatives in negotiating title I agreements to set aside up to 25 percent of the currencies received under such agreements for the purpose of making loans "to (1) United States business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries, and (2) for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products."

The appended table 2 indicates that since the Cooley amendment was enacted on August 13, 1957, to December 31, 1963, 7 percent of the dollar equivalent value of the currencies generated by title I sales has been negotiated by U.S. representatives to be set aside for Cooley loans, and only 3.1 percent has been lent.

This is in contrast to 63.4 percent which has been lent or granted to the governments of recipient countries for economic development during the period July 1, 1954, through December 31, 1963³—18.3 percent in the form of grants and 45.1 percent in the form of loans. Loans are made in most instances for 40 years with a 2-to-4-year grace period after which three-fourths of 1 percent interest is charged.

Our studies indicate that there is greater demand by U.S. business in many countries for Cooley funds than have been made available by U.S. negotiators under Public Law 480.

In the case of Peru, there was on hand as of June 30, 1964, according to an AID press release of that date, \$875,600 in local Peruvian currency. There were requests for \$5.3 million represented by 12 pending applications for such funds. Six other corporations have filed letters of intent to apply for Cooley funds in Peru but no figures are available as to the amounts they desire to borrow. Since the Cooley amendment was passed in 1957, Cooley loans in Peru have amounted to \$2,700,000 (12.3 percent of the local currency generated by title I sales to Peru since 1957).

Since July 1, 1957, Colombia has purchased \$42,905,000 worth of Public Law 480 commodities under title I.⁴ Eighteen percent of that amount was allocated for Cooley funds and only 12.8 percent has been actually lent.

² The Commodity Credit Corporation's cost (CCC cost) reflects costs incurred by the Corporation to be reimbursed under Public Law 480, 83d Cong., as amended. These costs include the Corporation's investment in making Government and commercial surplus stocks available for export, cost of financing the exportation of these surplus commodities and ocean transportation thereon as authorized.

³ Nineteenth Semiannual Report on Public Law 480, H. Doc. No. 294, 88th Cong., 2d sess., table 12, p. 102.

⁴ SDS-7-61, SDS-11-63, USDA Program Operations Division.

There was, as of June 30, 1964, only \$271,400 in local Colombian currency available for Cooley loans. Colombia is a country in which the demand for Cooley loan funds generally has exceeded the supply. It has been announced by AID that no further applications will be accepted for Cooley loans in Colombia.

In the case of Brazil, since the Cooley amendment was passed, \$297,774,000 worth of Public Law 480 commodities have been sold for cruzeiros. No funds whatsoever have been available for Cooley loans. Since 1962, title I sales agreements with Brazil have contained a provision that 10 percent of the cruzeiros generated by any sale would be turned over to the Brazilian Government's National Economic Development Bank (BNDE) which is to make loans to United States and Brazilian private business on a 50-50 basis.

A total of \$11,237,000 in cruzeiros has been turned over to BNDE for this purpose. This is only 3.7 percent of the value of commodities that have been supplied to Brazil since the Cooley amendment passed. Of that amount \$3,484,000 has been lent to U.S. private enterprise. That is, only 1 percent of the value of commodities sold to Brazil since 1957 and 0.8 percent of the value of commodities supplied to Brazil since the Public Law 480 program began.

The above facts with regard to BNDE are borne out by the experience of one of our member companies which wrote to us the following:

"Applications to BNDE for loans of Public Law 480 counterpart funds by American-owned subsidiaries have been completely unproductive and Brazil assumes that any real needs will be supplied from parent companies in the United States."

This attitude negates the purpose of section 104(e) of Public Law 480.

A number of our member companies have informed us that if Cooley funds were available in Brazil they would have applied for loans.

Chile is another example where, of title I sales of \$32,862,000, only \$761,000 has been provided and \$400,000 has been lent as Cooley loans to private business—2.3 and 1.2 percent respectively of the dollar value of the local currencies generated since the Cooley amendment was passed. There are no Cooley funds presently available in Chile.

In India, only 4 percent of the \$1,557,312,000 worth of commodities sold to India under title I since the Cooley amendment was passed have been lent as Cooley loans to private American business. As of June 30, 1964, there was on hand \$18,515,300 to meet a demand represented by pending applications of \$32,820,000. This is almost double the available amount. Yet India has received \$1.7 billion worth of Public Law 480 title I commodities since 1954 and 80 percent of the local currency generated by these sales have been turned back to the Government, 48 percent in the form of loans and 32 percent in the form of grants.

Although originally 125 million were provided in India for Cooley loans, a considerable portion of that lapsed and reverted to the Treasury, and now we find ourselves short of Cooley funds. Similar situations exist in the Philippines, Nationalist China (Taiwan), and Finland.

In the light of these facts, the impression is perhaps justified that the administration of section 104(e) since the Cooley amendment was added in 1957 has not lived up to congressional intent. We feel that it is desirable for Congress to clarify by new legislation what its intent has been and is in this matter.

COOLEY FUNDS FOR WORKING CAPITAL

The AID agency has established a policy in some countries that Cooley funds are to be made available only for fixed investments and not for working capital requirements. This policy has been applied to Turkey. Several of our members have been informed by AID that it is necessary to apply this policy because the demands on available funds are considerably greater than the supply and that only by eliminating their use as working capital can a reasonable number of the applications for loans for fixed investments be approved.

Yet in the case of Turkey only 14 percent of the local currency generated since July 1957 has been set aside for this purpose and 6.8 percent has actually been lent to American business firms under the Cooley provision.

Our information indicates that as of June 30, 1964, \$9,174,000 worth of local Turkish currency was on hand to supply a demand of \$2,100,000. It would appear from such figures that adequate funds are presently available both for fixed asset investment and for working capital loans as well.

We are informed that the Indian Government will not permit the use of Cooley funds for working capital.

There are a number of countries, recipients of Public Law 480 sales, where there is need by U.S. business for working capital. This is another area where Public Law 480 Cooley loan administration stands in need of improvement.

COOLEY FUNDS AND BALANCE OF PAYMENTS

Increased use of Cooley funds for U.S. business investments in underdeveloped countries, in addition to aiding their economic development, will also have a beneficial effect on the U.S. balance-of-payments problem. It would be responsive to section 105 of Public Law 480 which was amended last year in the Foreign Assistance Act (Public Law 88-205) by adding the following sentence at the end of section 105:

"The President shall utilize foreign currencies received pursuant to this title in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States."

It would also follow the recommendations of a task force appointed on October 2, 1963, by the late President Kennedy. On April 27, 1964, that task force submitted to President Johnson its report on "Promoting Increased Foreign Investment in U.S. Corporate Securities and Increased Foreign Financing for U.S. Corporations Abroad."⁵ On pages 18 and 19 of that report, the task force comments that the expanded use of Public Law 480 Cooley funds would help to alleviate the U.S. chronic balance-of-payments deficit:

"In this connection, the task force notes that the ability of oversea branches and affiliates of U.S. banks to provide foreign debt financing is enhanced by making Public Law 480 and other counterpart funds available to such branches and affiliates. *This practice, already of long standing, should be encouraged to the greatest extent feasible consistent with other objectives of the program* where possible placing such funds on a long-term basis and thereby facilitating badly needed capital loans." [Emphasis added.]

The report, in its recommendations that U.S.-based international corporations should, where feasible, finance their foreign operations in a manner which minimizes the outlay of cash, states further:

"U.S. corporations investing overseas should examine the possibility of utilizing foreign currency loans (the so-called Cooley loans) made available in certain countries by the U.S. Government out of receipts from the sale of surplus agricultural commodities under Public Law 480." [Emphasis added.]

RECOMMENDATIONS

Section 104(e)

To provide adequate Cooley funds in countries where U.S. business indicates a desire to borrow for economic development purposes, we recommended to the House Subcommittee on Foreign Agricultural Operations that a minimum of 25 percent of local currency equivalents of title I sales be set aside for Cooley loan purposes in countries where there is a clear demand. The House subcommittee in its judgment has made the following change in section 104:

"(e) For promoting balanced economic development and trade among nations, for which purposes (not more than 25 per centum of the currencies received pursuant to each such agreement shall be available) *currencies shall also be available to the maximum usable extent* through and under the procedures established by such agency as the President shall direct for loans mutually agreeable to said agency and the country with which the agreement is made to United States business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion * * *"

The Committee on Agriculture has also indicated in its report to the House strong endorsement of providing sufficient funds for Cooley loans where there is demand, and has indicated that the elimination of the ceiling of 25 percent is recognition of the fact that more than that amount should be made available where needed.

Our organization accepts this expression of congressional intent and we would be satisfied if the Senate concurred in this revision of section 104(e).

Since this still leaves a wide area of discretion to the negotiators and administrators of this program, we urge that the House and Senate Committees on Agriculture keep this program under close scrutiny. Specifically, it should be required that the AID Agency should accept, and keep continuous and cumula-

⁵ The chairman of this task force was the former Under Secretary of Treasury, Henry Fowler; the members were: Robert M. McKinney, Charles A. Coombs, Frederick M. Eaton, G. Keith Funston, George F. James, George J. Leness, Andre Meyer, Dorsey Richardson, Arthur K. Watson, Walter B. Wriston, John M. Young, and Ralph A. Young.

tive records, of all applications for Cooley loans, by country, and indicate clearly those that have been granted and those rejected, and the reasons therefor, as a measure of conformance with the intent of Congress in the revised version of section 104(e). We urge this committee to indicate to the AID Agency that, wherever possible, Cooley funds should be made available in sufficient amounts to satisfy working capital requirements as well as fixed asset investment needs.

If experience should indicate that the administration of the program falls short of congressional intent, then it may be necessary later to amend further this section by writing into the law a mandatory allocation for Cooley funds as originally suggested by us to the House committee.

Title IV. Long-term dollar sales

Since the passage of title IV in 1959, providing for long-term dollar sales of surplus commodities, only \$236.5 million worth of agricultural commodities have been programed for sale under title IV, while title I sales during that same period amounted to almost \$6 billion. The value of commodities actually shipped under title IV agreements through December 31, 1963, has been substantially below the total value contemplated in the agreements signed for two reasons:

"First, several of the agreements involved a multiyear supply period including commodities to be shipped in future years. Second, the foreign governments involved sometimes change their buying plans after signing an agreement because of unforeseen changes in domestic production, world prices or foreign exchange difficulties."⁶

The amount actually shipped through December 31, 1963, has been approximately \$91 million including ocean transportation costs.⁷

The International Economic Policy Association is of the opinion that considerably greater emphasis ought to be placed on title IV sales which at some point in the future would return dollars to the U.S. Treasury from the sales of U.S. agricultural commodities under Public Law 480. This would be a welcome contribution to future external dollar resources which our balance of payments may sorely need.

Unloading costs—Port taxes

The United States pays the full cost of transportation to the port of entry of recipient countries and returns a substantial amount of the sales proceeds to the recipient government in the form of grants and loans for economic development. The IEPA supports the policy that the recipient country should pay the costs of unloading, lighterage, port taxes, and wharfage fees abroad involved in Public Law 480 shipments, out of local currencies. This would be a dollar saving, however small, and would have a favorable impact on our balance-of-payments problem.

TABLE 1

[In billions]

Title I:

Title I authorization request for 5-year period 1965-69.....	\$7.100
Estimated amount of reimbursements to the Commodity Credit Corporation from other agencies of the U.S. Government for foreign currencies and repayment of economic development loans in dollars.....	1.000
Carryover of unused balance as of Dec. 31, 1961, not previously provided for in Public Law 87-128, enacted Aug. 8, 1961, which extended title I and II for 3 years (Jan. 1, 1962, to Dec. 31, 1964) but which did not provide for a carryover of unused balances from previous authorizations beyond Dec. 31, 1961.....	.407
Carryover of any amount remaining uncommitted from the current authorization on Dec. 31, 1964 (estimate).....	.500
Total title I authorization request.....	9.007
Title II authorization request for 5-year period 1965-69 (\$450,000,000 multiplied by 5, equals \$2,250,000,000).....	+2,250
Total title I and II authorization requests of the administration.....	11,257

Source: Draft of the administration letter from the Department of Agriculture to the Honorable John W. McCormack, Speaker of the House of Representatives, accompanied by a draft bill with explanation.

⁶ Nineteenth Semiannual Report on Public Law 480, H. Doc. No. 294, 88th Cong., 2d sess., p. 82.

⁷ *Ibid.*

TABLE 2.—Public Law 480 title I sales, 1955-63, and Cooley amendment funds and loans, 1957-63, by countries

[In thousands of U.S. dollar equivalents]

Countries	Title I sales ¹		Cooley funds				Funds available June 30, 1964
	Jan. 1, 1955, to Dec. 31, 1963	July 1, 1957, to Dec. 31, 1963	Actually provided		Loans made		
			Amount	Per cent of col. B sales	Amount	Per cent of col. B sales	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Europe:							
Austria	39,502	13,693					
Finland	41,207	19,481	3,457	17	2,600	13.0	332.5
France	35,468	33,418	6,518	19	5,800	17.0	
Germany	1,197						
Iceland	14,128	14,035					
Italy	139,992	34,470	3,657	10	4,700	13.0	
Netherlands	17,481	17,234					
Poland	438,865	438,865					
Portugal	6,282						
Spain	467,046	302,708					
United Kingdom	48,094	15,094					
Yugoslavia	553,761	368,868					
Africa:							
Congo	35,262	35,262					
Ethiopia	870	870					103.5
Guinea	9,690	9,690	193	1.9			909.1
Morocco	18,281	18,281	1,947	10			1,986.4
Senegal	622	622					
Sudan	7,309	7,309	1,378	18	600	8.0	1,011.6
Tunisia	30,557	30,557	3,491	11			3,939.2
Near East and South Asia:							
Burma	45,833	26,476					
Ceylon	24,985	24,985	4,780	18	400	1.6	
Cyprus	648	648					155.2
Greece	99,748	59,101	8,989	15	5,106	8.8	3,450.2
India	1,706,540	1,557,312	125,092	8	67,200	4.0	18,515.3
Indonesia	257,530	186,715	20,184	10			1,438.3
Iran	37,219	28,997	2,086	7	2,400	8.0	589.9
Israel	223,265	176,578	37,102	20	23,900	13.0	7,431.5
Pakistan	615,178	521,534	30,025	5	12,300	2.2	9,910.0
Syrian Arab Republic	30,400	30,400	2,934	9			1,073.6
Thailand	4,115	1,864					
Turkey	393,585	307,721	45,355	14	21,300	6.8	9,174.2
United Arab Republic (Egypt)	480,765	463,708	57,948	12	1,000	.2	22,913.1
Far East and Pacific:							
China (Taiwan)	142,719	134,366	10,463	7	4,400	3.0	5,245.4
Japan	135,028	8,586					
Korea	336,711	273,808	5,757	2	1,800	.6	1,709.5
Philippines	33,687	33,687	5,945	18	3,900	11.6	1,300.0
Vietnam	76,452	76,452	2,936	4	500	.6	
Latin America:							
Argentina	29,875	1,226					
Bolivia	16,457	16,457	943	5			1,504.7
Brazil	349,486	297,774					
Chile	65,544	32,862	761	2.3	400	1.2	
Colombia	57,827	42,905	7,959	18	5,500	12.8	271.4
Ecuador	10,870	6,905	991	10	1,000	14.5	
Mexico	24,644	24,644	6,762	27	7,400	30.0	
Paraguay	10,990	8,393	1,028	12	800	9.5	
Peru	31,419	21,881	3,532	16	2,700	12.3	875.6
Uruguay	34,119	34,119	3,462	10	3,300	9.7	17.4
Totals	7,157,913	5,728,655	405,675	7.08	179,300	3.1	95,224.1

¹ Estimated market value of shipments.

Sources: (A) SDS-11-63 USDA Program Operations Division. (B) SDS-7-61 and SDS-11-63 USDA Program Operations Division. (C) W-206 AID Public Law 480, sec. 104(e) Cooley loan funds available for new loan authorizations, prepared by: International Loan Branch, Accounting Division, Office of Controller. (E) 19th semiannual report on activities carried on under Public Law 480, 83d Cong., as amended, covering the period July 1 through Dec. 31, 1963, table XVIII, p. 36. (G) Same as (B); See also AID press release AID-64-158 of June 30, 1964.

Mr. DANIELIAN. I have a very brief summary which I would like to use as a part of my comments. It may not take more than 5 or 6 minutes, if I may have your indulgence.

This is the first time, at least to my knowledge, that a group of important business organizations have become very much interested in the administration of Public Law 480, realizing that over its lifetime it has cost approximately \$20 million to the U.S. Government, and therefore the use of these funds in foreign countries have a very vital influence upon the evolution or the economic structure and directions of these countries. Under title I alone of this program, sales of surplus commodities for local currencies programed since July of 1954 have been in the amount of \$13.6 billion. These are the Commodity Credit Corporation estimated costs.

The administration has requested a 5-year extension of title I through December 31, 1969. Attached to my testimony is a breakdown of the administration's authorization request for title I and title II, which amounts to, during these 5 years, \$11,257 million.

A program of such magnitude we believe should have the benefit of congressional scrutiny more frequently than once every 5 years. We are particularly interested in the provisions of section 104(e) relating to Cooley loans.

COOLEY LOANS (104(E))

On August 13, 1957, the Congress approved the so-called Cooley amendment, which authorized the U.S. representatives in negotiating title I agreements to set aside up to 25 percent of the currencies received under such agreements for the purpose of making loans:

"(1) To U.S. business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries; and

"(2) For loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, U.S. agricultural products."

Now, this has been the law since 1957. The table 2 appended to our statement indicates that since the Cooley amendment was enacted on August 13, 1957, to December 31, 1963, only 7 percent of the dollar equivalent value of the currencies generated by title I has been negotiated by U.S. representatives to be set aside for Cooley loans, and only 3.1 percent has been lent. This is in contrast to 63.4 percent which has been lent or granted to the governments of recipient countries for economic development during the period July 1, 1957, through December 31, 1963, 18.3 percent of it in the form of grants and 45.1 percent in the form of loans.

Loans are made in most instances for 40 years, these loans to the governments, with a 2- to 4-year grace period, after which three-quarters of 1 percent interest is charged.

Furthermore, there is no maintenance of value clause in these loan agreements with the local governments.

Our studies indicate that there is greater demand by U.S. business in many countries for Cooley funds than have been made available by U.S. negotiators under Public Law 480. In the following countries demand for Cooley funds has often exceeded the supply:

Colombia, Peru, Chile, Brazil, Philippines, Taiwan (China), Turkey, and Finland. In the case of India, demand presently exceeds supply despite the fact that India has been the largest single recipient of Public Law 480 sales, a total of \$1.7 billion since the beginning of the program, of which 80 percent has been turned back to the Government, 48 percent in the form of loans, and 32 percent in the form of grants.

In the light of these facts, the impression is perhaps justified that the administration of section 104 (e), since the Cooley amendment was added in 1957, has not lived up to congressional intent.

We feel it is desirable for Congress to clarify by new legislation what its intent is and has been in this matter.

COOLEY FUNDS FOR WORKING CAPITAL

The AID Agency which administers Cooley loans has established a policy in some countries that Cooley funds are not to be made available only for fixed investments and not for working capital requirements. This policy is the result of a lack of funds to meet demand, and therefore it has been necessary to place priority on fixed investments.

The Indian Government in particular, we are told, will not permit the use of Cooley funds for working capital. If more Cooley funds were available, this problem could be solved.

Senator McGOVERN. Mr. Danielian, we have got another rollcall on. Can you let us interrupt you here for a few minutes and we will get the vote out of the way and come back and finish hearing your testimony.

(A recess was taken.)

Senator McGOVERN. You can proceed, Mr. Danielian.

Mr. DANIELIAN. We pointed out that insufficient amounts of Cooley funds have been available to private business and that they have not been available for working capital.

COOLEY FUNDS AND BALANCE OF PAYMENTS

Now, one of the significant factors in using Cooley loans for private investment is in the area of balance of payments. The increased use of Cooley funds for U.S. business investments in underdeveloped countries, in addition to aiding their economic development, would also have a beneficial effect on the U.S. balance-of-payments problem. It would be responsive to section 105 of Public Law 480, which was amended last year in the Foreign Assistance Act, Public Law 88-205, by adding the following sentence at the end of section 105:

The President shall utilize foreign currencies received pursuant to this title in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States.

A study by a President's task force on increased foreign financing by U.S. corporations abroad, a task force appointed by President Kennedy which reported to President Johnson this spring, comes to this same conclusion, that specifically the use of Cooley funds for private investment abroad would help the U.S. balance of payments.

There is a third factor to consider in this connection. There is a proposal before Congress to give a 30-percent tax credit for invest-

ments in underdeveloped countries, but this tax credit would be available only to that portion of the investments which results in U.S. procurement.

That means that these companies, if they do want to invest money and expand their facilities abroad, must either use additional dollars for which they do not get tax credit, by converting them into local currencies, which will of course adversely affect the balance of payments, or if they are given facilities to borrow in the local area, then they could combine U.S.-procured dollar investments with local currency investments for the expansion of their enterprises.

So there is no question that the use of Cooley funds for private investment would help the U.S. balance of payments, and it would be consonant with the idea of creating economic development in the industrial field as much as possible in the private sector.

We recommend, therefore, that adequate Cooley funds for economic development in those countries where U.S. business has need of local currency loans be provided. The association recommended to the House Subcommittee on Foreign Agriculture Operations that a minimum of 25 percent of local currency equivalents be set aside for Cooley loan purposes in countries where there is a clear demand.

The House subcommittee, in its judgment, unanimously has amended section 104(e), by removing the 25-percent ceiling and replacing it with the following language:

Currencies shall also be available to the maximum usable extent.

The Committee on Agriculture has also indicated in its report to the House a strong endorsement of providing sufficient funds for Cooley loans where there is demand, and has indicated that the elimination of a ceiling of 25 percent is recognition of the fact that more than that amount should be made available where needed.

The committee report, just printed, has come to my attention, and I was just reading it, and perhaps it is relevant here to give a quotation from the committee report on this subject.

On pages 29 and 30, the committee states, and this is a report unanimously adopted by the House Agriculture Committee, according to my understanding:

In some countries there is little or no demand from private business for these loans. In other countries, the requests for loans substantially exceed the amount of currency available for this use.

Continuing to read from the recently issued House Agriculture Committee's report:

The committee believes that in some of these countries a higher proportion than 25 percent of the Public Law 480 currencies could profitably be used for Cooley loans and it has, therefore, included in this bill an amendment removing the 25-percent ceiling, with the expectation that this expanded authority will be used in proper cases.

The committee notes with disapproval that there are a few countries where the amount of currency reserved for such loans in the country agreements is less than the maximum authorized by present law and apparently less than the amount which could profitably be used for this purpose, as measured by business demand for such loans. Neither the business community nor the committee understands why this should be.

The committee suggests, therefore (1) that the President in negotiating title I agreements with other countries should make it clear to them that the Congress expects that there will be included in such agreements provision for the use of local currencies for section 104(e) loans up to the maximum, which he

estimates may reasonably be used profitably in that country, and (2) that in connection with the signing of any agreement providing for less than the maximum authorized by present law for such loans, the President should issue a statement informing the business community and the committee why the amount is less than 25 percent.

Our organization would be satisfied if the Senate concurred in this revision of section 104(e) by the House committee.

This, however, leaves a wide area of discretion to the negotiators, and administrators, of this program, and hence we urge the House and Senate Committees on Agriculture to keep this program under close scrutiny.

If experience should indicate that the program falls short of congressional intent, then it may be necessary later to amend further this section by writing into the law a mandatory allotment for Cooley funds as originally suggested by us to the House committee.

I think to be specific in this regard, I must say that we would prefer paragraph 3 on page 2 of H.R. 12298, the House bill, the paragraph 5 on page 3 of S. 2687, which merely eliminates the ceiling without giving any additional authority to the administration.

In view of the fact that they have failed to use the 25-percent-hoped-for ceiling in the past, just eliminating the ceiling does not augur well for expanded Cooley loan programs in the future. Therefore, we feel that a stronger statement, such as the House has added in its bill, paragraph 3 of page 2 in the House bill, would be preferable.

We strongly urge that the Senate committee in its report indicate also its intent to include working capital as one of the permissible uses of Cooley funds.

This concludes my oral statement, Mr. Chairman.

Senator MCGOVERN. Thank you, Mr. Danielian.

Do I understand you correctly now to say that your recommendations which you have submitted here to the committee have been incorporated in the House bill?

Mr. DANIELIAN. Yes, sir.

Senator MCGOVERN. And you are satisfied that your objectives—

Mr. DANIELIAN. We accept that language subject to the proviso that the administration must be kept under observation, and that in the future, if it turns out that they fail to provide funds in those instances where there is demand, then perhaps a stronger mandatory requirement may be placed in future legislation.

Senator MCGOVERN. Is it possible that in those cases to which you have referred, where the 25-percent allowance has not been used, that the administrators of the program have not found feasible use for the total amount?

Mr. DANIELIAN. Well, of course in certain countries like Poland and Yugoslavia, there would be little opportunity to use funds for private investment. In other countries like India, there has been a great deal of it, but for some reason some of these Cooley funds have reverted back to the Treasury, and at the present time, as my statement—the full statement—indicates, we find ourselves with only \$18 million available in India, with demands up to \$32 million, which means that it is within the capacity of the administration to replenish the Cooley funds either from those funds that have been reverted to the Treasury, or by providing in future agreements a more liberal allotment to Cooley funds.

Do you have anything to add to this, Mr. Wise?

Mr. WISE. Only that the full statement indicates that there are six or seven countries in which the present demand for Cooley funds now exceeds the supply. The appended table 2 indicates in column D the percentages that have been set aside, country by country, to be made available for Cooley loans, and in column F the percentages which the actual amount by country that has been lent represents.

If you take a quick look at page 1 of table 2, and run down column D, you will see that the percentages that have been set aside for Cooley loans, not one of them has been up to 25 percent. The majority of them have been less than 20 percent, and in some of the critical countries, in Latin America where the funds are needed, you will see that the percents have been, as in the case of Peru, 16 percent made available; in the case of Colombia, 18 percent; in the case of Brazil, none; in the case of Chile, 2.3 percent; and always the amount that actually has been lent has been less than the amount that has been set aside by 3 to 4 to 10 percent.

Senator MCGOVERN. Can you shed any light as to why that is the case, as to why the full amount has not been used? Do you know why?

Mr. WISE. I think perhaps I may be able to shed some light.

In negotiating these agreements, the AID agency has certain priorities, and among them, as our testimony indicates, 63 percent has been turned back to the countries for economic development. When you add to that the U.S. use, that leaves small amount left for the private enterprise sector.

Mr. DANIELIAN. I think perhaps I can add a word to that.

Projects approved for Cooley loans must also receive the approval of the local government, and I think there are all kinds of possibilities there of delays.

Furthermore, in some countries it has been announced by the AID agency, as in Colombia, that no further applications are being obtained because there are insufficient funds. Therefore, people do not apply for these funds, since it would be quite useless. There have been discouragements, of course, in many countries, and people have just thrown up their hands.

Now what is the use of going through the expense of applying if there are going to be all these handicaps?

We recommend in our principal statement that the AID agency be required to keep a record of all applications, separating them of course between those approved and those disapproved, and the reasons for disapproval. But I think a record of all applications should be available. This would be the best measure of what demand there is for these funds.

Of course, not all applications will be qualified as sound projects, but if the applications are on file and the record is kept, it would be possible to evaluate how much demand there is for these funds.

At the present time there has been an air of discouragement and therefore the applications filed do not necessarily reflect the demand for these funds.

Senator MCGOVERN. I think in the case of the big India agreement of 1960, as I remember it, about 85 percent of those funds was committed for loans and grants and for economic development purposes largely in India; is that not correct?

Mr. DANIELIAN. Yes, in India it is about 80 percent as an average over the years has been turned back to the country.

Senator MCGOVERN. So there is not 25 percent left.

Mr. DANIELIAN. There is only 20 percent left, and of course of that, 10 percent was set aside for Government use. That leaves very little for other use.

Senator MCGOVERN. Senator Cooper, do you have any questions? Senator COOPER. I have no questions.

Senator MCGOVERN. Thank you very much, Mr. Danielian.

Mr. Miller of the American Partners, Inc.

The Chair will announce now that the record will be kept open until Friday noon for any subsequent statements that anyone wishes to file.

Mr. Miller.

STATEMENT OF TOM HALL MILLER, PRESIDENT, AMERICAN PARTNERS, INC.

Mr. MILLER. Mr. Chairman and Senator Cooper, I am Tom Hall Miller, president of American Partners, Inc. I was a Government employee for 12 years, much of which time was spent in India, Pakistan, Ceylon, and Afghanistan. I resigned from the Government more than 2 years ago to develop this self-help plan, which proposes to generate broad public funds to augment Government seed moneys, and thus project the private enterprise concept in developing countries.

Seated with me is Khurshed Bhungara, assistant to the president of American Partners. Directors of our organization include: Ambassador Ellsworth Bunker, U.S. representative to the Organization of American States; Kalwey H. Johnson, management consultant; Carl Levin, public relations counsel; Robert H. Shorb of Pogue & Neal as legal counsel, and Samuel S. Spaulding of the U.S. Department of Commerce.

We are here today to summarize the American Partners program, which envisages partial use of so-called surplus currencies, and to propose consideration of new legislation which will double the value of portions of these local currencies in terms of accomplishment of U.S. Government objectives in some developing countries.

Briefly, the purpose of this nonprofit corporation is to assist nations by arranging loans between U.S. citizens and groups to worthy and talented foreign nationals, ranging from several hundred to several thousand dollars, to start and expand truly small business.

The corporation plans to establish an American representative—preferably a retired businessman—in a foreign country where operations are intended, to enlist the voluntary help of resident Americans to locate such worthy individuals, and to analyze and report feasible loan applications.

In the United States, these loan opportunities will be publicized through service clubs, industry and trade associations, and the general press to locate individual citizens or groups to sponsor each worthy applicant, much as Foster Parents does with orphans.

The corporation will act as agent for the lender and as a communications link between the American “partner” and the recipient “partner.” In view of the intent of the International Executive Service Corps to

provide technical assistance, American Partners presumably will abandon activity in that sphere that was originally intended.

Prior to forming American Partners, with the help of a number of associates, many of whom are career Foreign Service officers, I drafted a plan which I then circulated among a number of Government and industry leaders. In the interests of brevity of this statement, I have turned over excerpts of their comments to the clerk of this committee for the record, at the discretion of the chairman.

After incorporating their suggestions, we edited and circulated what has since become known as the American Partners plan. In December of last year when the President directed an intensive review of foreign aid, we proposed to AID that it provide the "seed" money needed to test this concept in two foreign countries.

This was well received by AID officials and, in fact, the Deputy Administrator, William S. Gaud, advised Senator J. W. Fulbright on March 25 that AID was—

actively exploring the possibilities of a pilot operation using excess rupees in India, and will consider helping send one of the American Partners to one or two countries in Latin America to explore a possible project with the American business community and the AID missions.

To provide the modest funds needed to accomplish this exploration, American Partners submitted a study proposal to AID. Though this was received with enthusiasm in early April, there has been no adequate response to this proposal during the 4 months intervening.

This morning, however, I received a call from an AID representative advising me that Mr. Peiser, who has said very good things about our organization and its program during hearings conducted by the House Foreign Affairs Committee, would set up a meeting shortly to discuss our proposals.

Nonetheless, we are beginning now operations on a limited basis. As a result of publicity which appeared in *El Comercio* in Ecuador and *El Universal* in Venezuela, we have received two loan applications for which we have located prospective "investing" American Partners. One application is from a medical doctor, who needs \$2,000 to expand his small drugstore and establish a clinic.

The second is from a couple who need \$1,000 to start a beauty salon.

We are beginning to investigate a third application from a skilled worker who hopes to start a sockmaking business. We have asked the publishers of these newspapers and the American ambassadors to act for us in these first two cases, as we have not yet been able to establish our own resident representatives in those countries.

We detail this so that the members of this committee may better realize how this program will fill an acknowledged vacuum by reaching directly to individuals in developing countries, and how this plan identifies the American benefactors. It is at this broad base that the economic and attitudinal impact is so sorely needed.

It is in this area, the area of the voluntary agencies and services, where this committee by new legislation may well be able to double the value of portions of its excess currency deposits in terms of accomplishment of U.S. Government objectives. CARE, the Catholic Relief Service, Church World Service, the Foster Parents' Plan, the Heifer project, Lutheran World Relief, Project Hope, and World Neighbors, Inc., are only a few of the worthy organizations which would likewise benefit.

Specifically, we propose that this committee consider legislation which will authorize the Government to match from excess currency deposits contributions made by American citizens and organizations to approved voluntary agencies and services for oversea projects.

Under this proposed legislation, the excess currencies will be allocated without the need for individual appropriations. It will, of course, be necessary to establish that the objectives of the country programs conducted by these voluntary agencies and services parallel the defined objectives of the U.S. mission in each specific country in point.

Mr. Chairman, and Senator Cooper, we very much appreciate this opportunity to report on American Partners and to place these views before you. We will further appreciate the advice and support of the members toward carrying out our program, and your consideration of the new legislation we have summarized herein.

Thank you again.

Senator McGOVERN. Mr. Miller, without objection, we will include in the record the attached statement from the two newspapers, as well as the supporting statements that you submitted, the mimeographed statement you submitted to the committee.

Mr. MILLER. Thank you, sir.

(The documents referred to follow:)

[From the New York Herald Tribune, July 26, 1964]

PARTNERS IN WORK

(By Joseph R. Slevin)

WASHINGTON.—Tom Hall Miller is a bespectacled, gray-haired former Government official who wants to make Horatio Alger heroes out of thousands of workers in India, Korea, Peru, Morocco and other underdeveloped countries.

It is an exciting idea and some day it may rank alongside the Peace Corps as one of the important breakthroughs in the U.S. foreign aid program.

Mr. Miller is proposing a private small loan program that will help capable workmen start their own businesses. Foreign aid experts call it a person-to-person program for Mr. Miller hopes the loans will go directly to foreign borrowers from American companies, foundations, and ordinary citizens.

"I come from Lock Haven, Pa.," Mr. Miller says. "I think of Milt Grossman who runs the ladies wear store and Ken Griffin who runs the woodworking plant. There's no question in my mind that Ken Griffin would start a man in the woodworking business."

Mr. Miller is stocky, 47, and enthusiastic. He spent 10 years promoting Commerce Department trade fairs, most of them in south Asia, then resigned 2 years ago to launch his small business plan. He calls the fledgling organization American Partners, Inc., and has six directors, including Ellsworth Bunker, U.S. Ambassador to the Organization of American States.

When Mr Miller talks about small loans, he means very small loans. He suspects that most would run about \$2,000 and that very few would amount to as much as \$5,000.

"No one is doing this now," he declared. "If you want a \$100,000 Government aid loan, it's fairly easy, but if you want to borrow \$5,000 it's just about impossible. There's nothing that reaches the man in the street."

Loan applicants will be chosen by a committee of resident American and local businessmen, and American Partners will find the needed funds for approved borrowers, Mr. Miller explains.

He hopes the lending American and the borrowing foreigner will establish a relationship like the bond that develops when an American supports a foreign child under the highly successful Foster Parents plan. "We originally talked about Foster Partners, but we decided that American Partners was a better name for our purposes," he says.

Mr. Miller thanks a Pakistani cab driver for inspiring the American Partners idea. He borrowed \$300 from a British bank in Karachi in 1955 to help the

driver make a downpayment on a cab. The driver paid off the loan ahead of schedule.

When Mr. Miller returned to Karachi 2½ years later, the driver owned 5 cabs, was paying off 2 more and had just received a contract to provide 40 cars for a meeting of the Southeast Asia Treaty Organization.

On another occasion, Mr. Miller says a \$750 loan arranged by Ford Foundation representative Dr. Douglas Enslinger gave New Delhi a prospering chicken and egg man. He started with a 300-egg incubator in 1959 and just recently replaced it with a 22,000-egg incubator.

"He's a real, honest-to-heaven small businessman," Mr. Miller declared.

"If we're going to promote private enterprise, there's no way of doing it better," he contends. "We're talking about the man who needs \$2,000 to start a paint factory or \$1,000 for a metal lamp shade factory—the mechanic who now spends all his life working for someone else because he can't find the money to buy the tools."

Mr. Miller hesitated a moment, "You know, Singer Sewing Machine Co. got started with a \$55 loan," he says.

[From the Washington Post]

WORKER PLANS OWN FOREIGN AID PLAN

(By B. D. Ayres, staff reporter)

A former Department of Commerce worker has staked his future—including his \$15,000 in retirement savings—on a plan to set up a person-to-person, grass-roots level foreign aid program sponsored by American businessmen.

The program, christened American Partners, Inc. by its 47-year-old founder, Tom Hall Miller, would use technical advice and small low-cost loans from U.S. businessmen and companies to set up small business men in developing nations.

Similar projects are under consideration by other groups and individuals as part of a growing effort to bypass the bureaucratic nature and effect of Government-sponsored aid.

The American Partners plan, Miller says, would complement but in no way replace U.S.-sponsored foreign aid programs. He says the plan would simply avoid the massive aid concepts in which funds almost always are used on large projects and seldom "trickle down" in recognizable form to the man in the street.

Few loans from American Partners would exceed \$5000 and most would be less than \$2000, Miller says.

Miller proposes to reach the foreign man in the street through the American man in the street.

Thus, to set up a radio repair service in Peru, American Partners would persuade an American businessman—preferably one associated with electronics—to loan a Peruvian the funds necessary for establishing a shop. Training would be provided through part of the loan or perhaps through an American Partners volunteer experienced in radio repair.

Because of the person-to-person nature of the American Partners plan, Miller thinks its impact would be "direct and immediate." He also thinks the plan would provide a better image of America than that provided by massive aid.

Among other attributes, Miller said, "this project will identify the American individual instead of the impersonal American dollar. It will create a new, small business class in developing countries and perhaps will lead to some joint ventures."

As an International Trade Fairs representative for the Commerce Department, Miller spent almost a decade overseas working with both company executives and shopowners in India, Pakistan, Afghanistan, Italy, and Ceylon.

Two years ago he resigned from Government work to devote full time to the American Partners concept.

In a year he spent his retirement savings and was forced to go back to work. He now is a public relations executive with Carl Levin Associates, one of the project's strongest supporters.

The impact of the American Partners plan, Miller says, will stem from two key points—low interest rates on loans and a provision to provide loans to men with business potential but not loan collateral.

Miller proposes to peg interest rates considerably below prevailing commercial rates, which exceed 30 percent in some countries. He says streamlined

administration and the nonprofit aspect of American Partners will aid in reducing rates.

The business potential of a man requesting a loan is to be determined by a local board composed of native businessmen and American businessmen stationed in the area. If approved, the loan request immediately will be forwarded to American Partners' U.S. headquarters at 1725 I Street, N.W. and a search will be started for an American sponsor.

Miller now is attempting to acquire a \$10,000 grant from the U.S. Agency for International Development for a 2-month survey to prove the project's worth. AID officials informally have indicated that they would consider providing up to 50 percent of the initial operating funds for a worthwhile pilot program in two Latin American countries.

Miller is confident that if AID joined in support of the project's administrative costs, American business would be quick to follow.

[From the Evening Star, Washington, D.C., Mar. 30, 1964]

SMALL AID GROUPS FORMING TO COUNTER CRITICS' CLAIMS

(By George Sherman, Star Staff Writer)

Foreign aid supporters here are launching a counterattack against critics who charge that U.S. programs are too bureaucratic, too impersonal, and too vast.

The strategy is to take the criticism literally. Small, private aid operations are springing up here which require little or no Government financing and which aim at stirring the grassroots of underdeveloped countries.

These small programs do not seek the spectacular, but rather to supplement the billion dollar development programs which the United States works out with foreign governments. They call on native American enthusiasm and know-how to help create local incentives for progress which often are missed by the larger programs.

NEWEST RECRUITS

Two of the newest recruits are the Pan American Development Foundation, centered in the Pan American Union, and American Partners, Inc., which has still to find a home here. Both are classed as tax-exempt, nonprofit organizations under U.S. revenue laws.

American Partners, Inc., which is still in its infant stage, plans to establish small private enterprises by channeling loans from this country to little people abroad with talent but no capital.

"Nowhere is there an American-sponsored private sector program that reaches directly and effectively to the man in the street," says Tom Hall Miller, chairman of the board and founder of American Partners.

"Nowhere can individuals in developing countries obtain small loans to help them start truly small businesses, and to learn the lessons and benefits of the private enterprise system as practiced in democratic countries," he says.

PLAN GIVEN TO AID

His plan, together with a complete outline of organization has been presented to the Agency for International Development, several congressional committees and has been endorsed by such men as George D. Woods, President of the World Bank and Senator Fulbright, chairman of the Senate Foreign Committee.

Mr. Miller, 47, says the idea for American Partners grew out of an "accident" he and his wife had in 1955 in Karachi, the capital of Pakistan. They were traveling in the Far East for the U.S. Trade Fair program.

"Our driver asked us for a loan of \$300 worth of rupees to make a down-payment on his first taxi," Mr. Miller explained. "We went to the local British bank and I arranged to stake him to the money at the local interest rate. In 5 months the loan was repaid. Two years later, when I returned, he owned five taxis outright and was paying off two more."

EMPLOYS 11 PEOPLE

"He now employs 11 people and is providing sugar, tea, and rice for more than 150 refugees," Mr. Miller added.

In June 1962, Mr. Miller left the Government and put 1 year and all his retirement money into expanding the idea.

Today, American Partners has a board of six members, all respected businessmen in the Washington community.

They have approached AID for \$100,000 to cover the cost of running a pilot project in one country for a year. If that works, they want \$150,000 more the second year to cover expansion to a second country.

The group believes this \$250,000 will be the total needed, since after the first 2 years the program will generate its own loans and payment of costs from private U.S. citizens.

"We need the initial \$100,000 to begin operations here and in the country AID chooses overseas," said Kalway H. Johnson, management consultant and treasurer of American Partners. "We would use the money to open offices to get ourselves known to businessmen throughout the United States, and to form the basis for our first lending operations."

INDIA, PAKISTAN FAVORED

The plan calls for Mr. Miller to go to the chosen country—he leans toward India or Pakistan—to make contacts with the local and American business community.

He will ask these business representatives to recommend prospective candidates. With 50 applications in hand, American Partners will begin the search for "partners" in this country. They place no minimum on loans. The maximum sum would be \$5,000.

"If AID approves our application by April 1, I could be on my way in 48 hours," Mr. Miller says. "There are at least 81 countries around the globe crying out for the services of small businessmen which are taken for granted here. Why can't small businessmen here show them how?"

The Pan American Development Foundation, on the other hand, does not aim at private enterprise, but at going beyond governments to cooperation between the peoples of the hemisphere.

"Our objective is to provide an opportunity for the citizens of all the American States to become personally involved in the Alliance for Progress," says Dr. Jose Mora, Secretary General of the Organization of American States and chairman of the board of trustees of the foundation. That board also includes Dr. Milton Eisenhower, president of Johns Hopkins University and brother of General Eisenhower, and Dr. Alberto Lleras Camargo, former President of Colombia.

PERSONAL PARTICIPATION

The foundation presently is operating on funds from a \$5,000 grant of the Alfred Sloan Foundation in New York. Through such projects as supplying 1,000 pounds of seed peanuts to a new farmers' cooperative in the Dominican Republic, the foundation is stimulating a sense of personal participation in both parts of the Americas in social and economic progress.

The novelty of the foundation is that recipients of help do not pay back the donors. They give what they receive toward helping another cooperative or individual beginning operations. The aid does not go only from north to south. In each country of Latin America, businessmen, clubs, societies, and private foundations are being encouraged to band together in committees, to select projects and to supply 50 percent of the needed aid.

Experts in aid operations believe that such unspectacular but basic efforts in cooperation can well give foreign aid "the practical heart" which many of its critics now claim it lacks.

[From the Palm Beach Post, Feb. 20, 1964]

CURRENCY-USE PROPOSAL WOULD HELP FOREIGNERS

WASHINGTON.—A plan to use U.S.-owned foreign currencies to help worthy foreigners start small businesses was outlined yesterday to a House agriculture subcommittee.

The idea was proposed by Tom Hall Miller, president of American Partners, Inc., of Washington. Dollars put up by Americans here would guarantee loans made abroad in foreign currencies.

This country now has a program for disposing of surplus U.S. agricultural products abroad through barter, gift, or exchange for foreign currencies. The Agriculture Committee is considering a 5-year extension of this program.

Miller suggested that the committee, in its bill to extend the program, emphasize the intent of Congress to allow considerable executive discretion in promoting the broadest possible utilization of these foreign funds.

He also proposed consideration of a bill which would permit utilization of funds, from the foreign currency accounts owned by the United States, to match any money put up for loans by American nationals living in any foreign land where U.S.-owned foreign currencies were available.

American Partners, Miller told the committee, is incorporated as a District of Columbia nonprofit corporation, formed less than 2 years ago, to promote the private enterprise concept at the grassroots level in developing countries by recruiting the interest of U.S. citizens and organizations in giving financial and technical help to establish and expand small businesses in countries requiring such assistance.

The American Partners' plan proposes to enlist the participation of U.S. citizens, businesses, and civic organizations in fostering small business starts abroad by extending loans to talented nationals of developing nations who are unable to obtain necessary credit through regular commercial sources.

The proposal is designed, Miller said, to combat Communist advances in these countries by dramatizing the benefits of the American private enterprise system.

Americans living abroad would help select worthy nationals with ability to start small businesses. A board composed of such Americans would screen applicants and forward to American Partners the names of those it regarded as worthy.

American Partners would then publicize the applications to find persons or organizations willing to provide the necessary funds.

When American Partners begins operation in a country where U.S.-owned foreign currency is available and where convertibility of foreign currency into dollars is a problem, American Partners would apply to the Agriculture Department's Commodity Credit Corp. Here for an interest-free loan of the equivalent of perhaps \$500,000 to be used as loan capital, Miller said.

Each individual loan made with such money, he said, would be secured by a guarantee deposit of dollars in escrow in the United States.

"In this manner the need to transfer dollars into a recipient country and later repatriate them (dollars) will be minimized," Miller said.

The plan, Miller said, "will dramatize at the very grassroots level the benefits of the American private enterprise system by assisting development of private enterprise in developing countries."

IN SUPPORT

Many people in responsible positions throughout the world have expressed interest and confidence in the American Partners plan. A few opinions:

"I have read with great interest and, indeed, excitement your proposal for American Partners, Inc. I think it is one of the best ideas I have come across in many a day and I have every confidence that it can fill a most important need in our oversea activities.

"I am impressed particularly with the small sums of money involved and with the philosophy of aiding the little man * * *."

"I believe that this type of enterprise, coupled with American investment in larger industrial undertaking, would give the lie to those people who preach that the United States is only interested in seeing the African countries remain pastoral and agricultural * * *."

WILLIAM J. HANDLEY,
U.S. Ambassador to Mali.

"Your refined 'American Partners, Inc.' project arrived last week and at once I went into a huddle with my staff to see what guidance or comments we could give you on your refreshing idea.

"Various possible bugs were discussed, but none seemed to me to be sufficiently weighty to be passed on to you * * *."

"As far as the selection of Togo for your pilot project, you can be assured that I am with you 100 percent and would be delighted to have you try it out here * * *."

LEON B. POUILLADA,
U.S. Ambassador to Togo.

"I was very interested to learn of the establishment of this enterprise which, I am sure, will prove a great success * * *."

"I am confident Iran will be a most suitable country for your initial operations in the Near East * * *."

DR. A. MINAI,
Economic Counselor, Iranian Embassy, Washington, D.C.

"I have given careful attention to your proposal and have come to the conclusion that Venezuela should be an adequate country to test the operation of such a program * * *."

DR. LUIS VALLENILLA,
Presidente, Corporation Venezolana De Fomento.

"* * * We have in fact given consideration within the Department to requesting Congress to provide some seed money for this type of investigation and loans for initial operation of small enterprise abroad. But if this same technique could be achieved through private means, with the support of a nonprofit foundation, it would be all to the good * * *."

JACK N. BEHRMAN,
The Assistant Secretary of Commerce.

"I feel very strongly that encouraging small business in the less developed countries of the world is a very important objective, the usefulness of which goes well beyond the economic consequences of the development * * *."

"The problems of credit selection, character evaluation, and loan supervision are all difficult to do when dealing with small operation * * *. Mr. Miller's suggestion of a partnership arrangement is an interesting idea for overcoming these obstacles * * *."

MARTIN M. ROSEN,
Executive Vice President, International Finance Corp.

Father Daniel McLellan, the American missionary in Peru, who, a very few years ago, with only a few hundred dollars started a credit union now worth over a million dollars, comments as follows:

"Credit is necessary as you know for the development of a free enterprise system and social dignity of man. Credit through Government channels, if achieved, is done so after very, very long delays and it is a cold international banking operation which usually leaves both parties unsatisfied.

"* * * Your ideas are magnificent and very needed. My only suggestion is to put them into action as soon as possible."

A study of the American Partners' proposal undertaken by the Legislative Reference Section of the Library of Congress reported as follows:

"* * * in distinction from foreign aid programs currently in effect * * * the program is aimed at the development of the smallest units * * * the plan is not intended to supplant Government aid * * * will channel developmental assistance to a part of an underdeveloped economy which has thus far been by and large neglected.

"* * * impact in terms of economic development would be direct and would probably generate almost immediate results.

"* * * the person-to-person aspect as envisaged, rather than the impersonality of government-to-government aid, would create a definite awareness both at the giving and receiving ends that assistance is being given and would generate in the underdeveloped country a sense of individual and personal involvement in this assistance, as well as a clear identification of the United States and the American people as its giver, a point which impersonal Government aid despite its hugeness and publicity at times does not succeed in driving home among the rank and file abroad.

"* * * the utilization of American retired skilled workers * * * by small enterprises in underdeveloped countries could be a vital, if not giant, step forward."

INDUSTRY SUPPORT

"I am intrigued with your American Partners, Inc. It is the sound, practical, people-to-people approach that is desperately needed in this crazy, bureaucratic world. What can I do to help you with your API plan?"

E. S. WHITMAN,
De La Roza Corp.

"Your plan is certainly an interesting one and I'm sure that continuing efforts of this type will be of value in strengthening the position of free men throughout the world. As you are well aware, it's bound to be difficult to get something of this type going, but I would personally agree with the approach of getting some results before going to the public for money."

A. W. ELWOOD,
Senior Vice President, Food, Machinery & Chemical Corp.

"Your brief on American Partners, Inc., I found of great interest. I really believe it can, with proper help and guidance, work quite well. It might even become a milestone in new international cooperation."

JOHN FORNEY RUDY,
Assistant to Executive Vice President, the Goodyear Tire & Rubber Co.

"* * * The program seems to have merit. It is apparently a worthwhile endeavor, which, if successful and sufficiently widespread, should be of definite economic value to private enterprise in the foreign countries and foster much needed respect and good will for the United States."

W. T. PIPER, JR.,
Piper Aircraft Corp.

"I can see some merit in the program you have in mind to promote the development of small businesses in countries requiring development assistance, but I am not informed sufficiently to evaluate how such a program might work. No doubt, this is something that would have to be coordinated and worked out in conjunction with some of our foreign aid programs * * *."

SPENCER T. OLIN,
Chairman, Olin Mathieson Chemical Corp.

"We have read your letter of November 2 proposing an organization which might be known as American Partners, Inc., with a great deal of interest. There is no doubt that this has a great deal of merit."

HARRY O. BERCHER,
President, International Harvester Co.

"Mr. Watson has asked me to answer your letter of November 1 about American Partners, Inc. It certainly sounds as though you have an excellent idea for helping really small businesses get started, especially in those areas where business opportunities are not as easily entered into and yet are required for the self-development of the countries involved. Your plan appears to be well thought out as far as starting in restricted areas in previously selected countries and using that record of success to generate the further funds required for additional growth."

H. D. CLAWSON,
Administrative Assistant, International Business Machines, Inc.

"The idea is certainly an imaginative one, and it would help to meet a genuine need in most of the underdeveloped countries where credit is available, generally, only to a small group of families or enterprises and where interest rates tend to be exorbitant * * *."

FRANK X. WHITE,
President, American Machine & Foundry Co.

"* * * I think your American Partners approach is extremely interesting and well worth an aggressive, well-planned effort * * *"

GEORGE D. WOODS,
President, International Bank for Reconstruction and Development.

"The proposal as you describe it certainly sounds worthwhile and to be a project which could prove of help to deserving individuals in the underdeveloped countries * * * I do know that a number of philanthropic foundations are interested in programs concerning the underdeveloped countries and you might want to look into the possibility of gaining support from one or more of them."

DAVID ROCKEFELLER,
President, the Chase Manhattan Bank.

"Mr. Grace particularly asked me to be of whatever assistance I can to you with regard to your plan * * * Mr. Grace told me he was very highly impressed with you and he wants to help all he can."

JOHN D. J. MOORE,
Vice President, W. R. Grace & Co.

"What you are trying to do seems to be an interesting thing and while it may possibly, to some extent, parallel the work of the newly formed International Executive Service Corps, I can see where you are dipping into what is probably a different level of oversea operations * * *"

"I am enclosing my own check which I hope will be of value to you in getting forward with your work."

FRED C. FOY,
Chairman of the Board, Koppers Co., Inc.

Senator MCGOVERN. I think your proposal is an extremely interesting one. The objective is certainly a praiseworthy one as far as I am concerned.

As I understand it, it is designed to encourage the development of a stronger middle class in the countries that we are trying to assist, and particularly to encourage small business enterprise in these countries with the support of the private citizens in this country; is that correct?

Mr. MILLER. That is correct, sir.

Senator MCGOVERN. I think it is a most interesting proposal and one I hope the committee will look at very carefully.

Senator COOPER. I join with you in your comments. It seems to me that several years ago some man from out West went to India and tried to set up such a program as this by himself with his own funds.

Mr. MILLER. Yes, sir.

Senator COOPER. He probably decided that he needed more resources. I think the idea has merit.

Senator MCGOVERN. I was talking with a gentleman the other day who has spent a great deal of time in Venezuela during the last 15 or 20 years, Mr. Milo Perkins, who is known to many people.

Mr. MILLER. Yes.

Senator MCGOVERN. He makes the statement, and I have heard him make it repeatedly, that the kind of thing that you propose here is a most urgent need in Latin America today. If we could find some way of encouraging and forwarding small business development, encouraging these little entrepreneurs who are trying to operate a taxi business or a shoe repair shop or a small retail establishment, that it would not only contribute to the economy of those countries, but we would provide the economic base that makes political democracy stronger and more hopeful. So I want to commend you for your efforts in this direction.

Mr. MILLER. Thank you.

I had discussion about this with Mr. Perkins some weeks ago, and one of the suggestions he made was that we investigate to determine whether in some cases the loans should not be repaid on a percentage of the volume of business each month rather than on a fixed rate, which is certainly one of the things we will try out eventually.

His feelings was that if there is so much which must be met in spite of seasonal ups and downs of a little business, that it might be impossible for some of the people to make each monthly payment, and that it might be easier for them in that kind of a business to use a percentage

of monthly income rather than a fixed rate of return. He was most encouraging to us about this.

Senator McGOVERN. Thank you very much, Mr. Miller.

Mr. MILLER. Thank you, sir.

Senator McGOVERN. I believe that completes our list of witnesses, but the hearing record will remain open until Friday noon for any additional statements.

(Whereupon, at 4:30 p.m., the committee adjourned.)

(Additional statements filed for the record are as follows:)

STATEMENT FILED BY HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE
STATE OF NEW YORK

I appreciate this opportunity to submit a statement in support of my bill, S. 1498, which would amend section 304(a) of the Agricultural Trade Development and Assistance Act of 1954 to (1) provide for the use of title I of the act for "alternative marketing and purchasing opportunities" to assist friendly nations to be independent of trade with the Soviet bloc and (2) add areas and nations dominated or controlled by the Communist regime in China to the countries from which the United States would seek to assist friendly nations to be independent in their trade.

This bill is designed to strength U.S. policies to lessen the dependence of non-Communist countries trading with the Soviet bloc. Experience clearly indicates that Soviet bloc trade with developing nations is designed to disrupt the rational movement of trade between the industrialized West and the new nations seeking economic development. Opportunities for such disruptive operations are ever present. While we are assured by the Departments of Agriculture and State that considerable use is made of title I, Public Law 480 authority to assist friendly nations to be independent of trade with the Soviet bloc through the sale of surplus agricultural commodities for local currency, we must constantly press for new methods which would make the use of this authority more effective.

The present language in section 304(a) states only that the President shall exercise the authority contained in title I of this act to assist such friendly nations to be independent of trade with the U.S.S.R. or its satellites without specifically stating how such assistance may be carried out.

The Departments of Agriculture and State object to the first provision on the ground that the addition of the proposed language would raise practical difficulties in that it may give rise to the belief in friendly countries that the United States is about to embark on a major campaign of preemptive buying of commodities throughout the world by the use of title I proceeds. I believe this problem could be avoided by deleting the words "provisions for" on line 6 of S. 1498 and substituting therefore the words "assistance toward planning for." Such language would make the intention of the United States entirely clear: it would stand ready to assist friendly nations to be independent of trade with the Communist bloc of nations by assisting them to find alternative markets for products they may be compelled to dispose of in the Communist bloc. If a developing nation runs into trouble with any Communist-bloc or Communist-bloc-dominated nation, because it is taking a pro-Western position, such a provision in the act would make it possible for the United States to assist such countries to find markets for their products in Western Europe, in the United States or elsewhere in the free world through such means as the provision of market information, marketing experts and possibly the use of credit.

Also, I urge the committee to give favorable consideration to the inclusion of the provision which would add areas dominated or controlled by Communist China to section 304(a) of the act. The inclusion of this provision in the act has the favorable support of both the Departments of Agriculture and State as they consider this change as useful and desirable and entirely consistent with U.S. policy.

STATEMENT FILED BY WALTER A. HASTY, JR., ASSISTANT DIRECTOR,
LEGISLATIVE SERVICES DIVISION, NATIONAL FARMERS UNION

Mr. Chairman, members of the committee, I sincerely appreciate this opportunity to appear before you today on behalf of the more than 750,000 family farm members of National Farmers Union.

On behalf of these members who are truly farmers, I urge your support of a 5-year extension of titles I and II of Public Law 480.

You, Mr. Chairman, along with the members of your committee are due a vote of thanks by farmers and city people alike for the contribution you have made to the utilization of our abundant food and fiber. The positive concept of using our food abundance as a weapon for peace in a hungry world as contrasted with the concept of a surplus disposal operation has stimulated many significant accomplishments.

We are very pleased that the President and the Secretary of Agriculture have made it clear that they view agricultural abundance as a national blessing and they have and continue to use this abundance under the food for peace program in a positive manner.

The program has operated on a substantial basis since 1954 but the short-term extension of the law has severely limited our ability to plan ahead. We have not been able, therefore, to use food and fiber to the extent that we believe possible as a tool for promoting economic growth and development in the many areas of the world where it is badly needed. A 5-year extension is desirable, we believe, because programs can be planned further in advance and commodities moved in a more orderly manner. It will help the underdeveloped countries because they can plan ahead and make much more judicious use of the commodities to feed their population and the foreign currencies generated for economic projects.

We further believe it is more practicable for the United States and foreign countries to make plans over a longer period of time so that more extensive use can also be made of transportation, storage and distribution facilities.

We believe most of all that the merits of the program based on its past accomplishments warrants this 5-year extension.

We, therefore, urge you to give this proposal favorable consideration.

In closing, Mr. Chairman, I want to thank the committee for the leadership that you have given to what has come to be fondly referred to, as the best known food label in the world, "Food for Peace."

STATEMENT FILED BY KEN KENDRICK, EXECUTIVE VICE PRESIDENT,
NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Chairman, I am pleased to have this opportunity to appear before the committee in behalf of the extension of titles I and II of the Agricultural Trade Development and Assistance Act of 1954.

Public Law 480 has been a success by almost any yardstick by which it is measured. It has reduced surpluses of agricultural commodities, and strengthened farm income.

It has been a stimulus to business and the U.S. economy. It has produced thousands of jobs on farms, in export firms, in processing plants, and businesses all over the country that serve farm communities.

The matter of the extension of Public Law 480 is of vital importance, not only to the economy of the United States, but also for economic as well as social and political development of nations with whom we trade.

Not to extend the life of Public Law 480, or to phase it out too rapidly would be denying many nations the opportunity to grow and develop that we gave to Italy, Spain, Germany, Japan, and others when they so desperately needed help. These nations have become some of our strongest allies, as well as our best dollar customers.

The economy of the United States in general, and agriculture in particular, is becoming more and more dependent upon foreign trade. Public Law 480 was responsible to a large degree for the rapid postwar recovery of many nations. It is just as necessary at this time to fill the needs of the many emerging nations throughout the world.

American wheat producers have practiced considerable restraint in the planting and production of wheat during the past several years, and without the use of Public Law 480, our wheat surpluses would have undoubtedly reached unmanageable proportions, thereby causing unduly low returns to wheat producers, and adversely affecting many other segments of our economy.

We must have a market for the things we produce. A great many of our markets have been developed through this instrument. Failure to extend Public Law 480 at this time would be disastrous to our agriculture, our balance of pay-

ments, and to millions of people throughout the world upon whom we depend and who depend upon us.

The National Association of Wheat Growers feels that it is imperative to extend Public Law 480 for the following reasons:

1. To continue to boost the expansion of markets for our agricultural products, and by so doing, maintain a sound and healthy American agricultural economy as well as assist in our balance of payments.
2. Strengthen the economy of less developed countries and provide them with the incentive to resist aggression.
3. Create good will for the United States from the countries we are helping to feed and aid them in approaching economic stability.
4. Showing uncommitted countries that free U.S. agriculture is more efficient than regimented Communist agriculture.

American agriculture cannot stand still. We cannot reverse the forces of efficiency and technology that have developed in agriculture in recent years without serious injury to our entire economy. The fact is that American agriculture simply has the ability to produce more than the market will take, in spite of the fact that many commodities have made substantial reductions in the acreage sown in recent years. Public Law 480 has served agriculture and the Nation well the past 10 years. The National Association of Wheat Growers recommends its extension.

WASHINGTON, D.C., August 12, 1964.

HON. ALLEN J. ELLENDER,
*Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.*

DEAR SENATOR ELLENDER: Since the inception of the Agricultural Trade Development and Assistance Act of 1954, the National Cotton Council has supported the legislation as a temporary means of disposing of current agricultural surpluses and as a basis for aiding friendly countries which do not have sufficient dollars to finance their import requirements of cotton. The delegate body of the council passed the following resolutions with respect to Public Law 480 at the council's last annual meeting in Biloxi, Miss., January 27 to 18, 1964:

(a) That the council reiterate its belief that, in view of the continuing critical imbalance of foreign payments, U.S. foreign aid programs, especially Public Law 480, should be examined critically and, to the maximum extent possible, assistance to foreign countries should be extended through self-liquidating dollar credits, as in most cases exports for foreign currencies do not help our balance-of-payments situation to any significant degree.

(b) That the council reaffirm its previous decisions to stimulate exports of U.S. cotton * * * by supporting the use of a reasonable amount of Government funds for * * * market development programs abroad in accordance with current provisions of law.

(c) That the council call attention to the fact that shipments of cotton under Public Law 480 are frequently processed in third countries, and urge that as large an amount as possible of such processing be carried out in the United States.

The council considers that Cotton Council International's programs to promote the consumption of cotton and cotton products in foreign countries have been highly effective. These programs have been, and are being, undertaken in collaboration with the U.S. Department of Agriculture pursuant to a provision of Public Law 480. We hope that the cooperative cotton market development programs abroad can be continued. In view of this, we urge that the market development provisions of Public Law 480 be continued without impairment.

Furthermore, the council considers that it would benefit the U.S. textile industry and the U.S. economy if as large an amount as possible of Public Law 480 cotton which is approved for processing outside a recipient country was authorized for processing in the United States. Consequently, we hope that the Public Law 480 program can be designed or administered to accomplish this worthy objective.

We respectfully request that this letter be included in the records of your committee, so that our views will be known by the other members of your committee. Favorable consideration of our position would be greatly appreciated.

Sincerely,

CARL C. CAMPBELL,
Assistant Director, Foreign Trade Division, National Cotton Council of America.

WASHINGTON, D.C., AUGUST 12, 1964.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: Public Law 480 has, since 1958, included a special provision, applicable only to cotton products, which effectively prevents U.S. textile mills from participating in the processing of 480 cotton. That provision reads as follows:

"*Provided, That that portion of the sales price of such products which is financed as a sale for foreign currency under title I of the Act shall be limited to the estimated portion of the sales price of such products attributable to the raw cotton content of such products.*"

The result has been that low-wage countries—chiefly Japan—have received all of the business resulting from third-country processing of 480 cotton. In fiscal 1963, for example, 155,000 bales of 480 cotton were involved in triangular processing deals. Recipient countries were Vietnam, Indonesia, and Burma, with Japan processing 115,000 of the 155,000 bales.

We urge that the language discriminatory against the U.S. textile industry be stricken in the Public Law 480 renewal authority now before your committee. We further request that U.S. processing be made mandatory in the future. This would create many additional jobs in the American textile industry.

Respectfully,

R. BUFORD BRANDIS,
Foreign Trade Director, American Textile Manufacturers Institute.

AUGUST 11, 1964.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The American Maritime Association, representing owners and operators of American-flag vessels which rely heavily upon cargo financed under Public Law 480 for their survival, opposes legislation contemplated under paragraphs (2) and (6) (u) of S. 2687.

Paragraph (2) of S. 2687 would amend section 102 of Public Law 480 by adding the following:

"The Commodity Credit Corporation shall finance freight charges under this section only to the extent that such charges are higher (than would otherwise be the case) by reason of a requirement that the commodities be transported in United States-flag vessels."

Under the terms of this provision, the financing of ocean freight by the Commodity Credit Corporation would be restricted to the amount of the differential between U.S.- and foreign-flag rates. This would require the purchasing country to pay for ocean freight services in dollars, at least up to the world market rate, since services must be paid for in usable currency. The result of this may very well be a reduction of agricultural sales, since some purchasing nations may be unable to pay hard currencies for ocean transportation. Certainly if this occurs the objective of Public Law 480 would be blunted, with both the agricultural and shipping segments of our economy suffering huge losses. The loss of agricultural cargoes by the U.S. merchant marine would deprive it of vital cargoes necessary for its survival.

S. 2687 would also amend section 104 of the existing law by adding the following:

(u) For the sale for dollars to privately owned U.S.-flag commercial vessels for use in paying port fees, unloading, lightering, and other necessary expenses in foreign ports in connection with the carrying of cargo under this act and section 9 of the act of September 6, 1958.

Traditionally the ordering and utilization of services necessary in the performance of ship delivery functions abroad is subject to the control of the shipowner, whether he be American or foreign. Should the proposed legislation be enacted the moneys to be paid abroad for these services would be in local foreign currency. As a result there is a strong possibility that the control over the above-mentioned services would pass to the provider of the service rather than to the ship operator.

Longshore service, berthing privileges, and the use of specialized equipment in foreign ports is now paid for in convertible currency. Should American-flag vessels be forced to pay for these services in inconvertible foreign currency

while foreign-flag vessels continue to pay in hard, convertible currency it is quite likely that U.S.-flag vessels will end up being serviced last. In view of the fact that many of the ports where title I Public Law 480 cargo is being discharged are often congested and subject to many delays, the effect on U.S.-flag vessels would be disastrous. Should such delays occur higher costs will result. American-flag vessels would then be forced to pass these added costs on in the form of higher freight rates.

In view of the problems which would ultimately arise should sections (2) and (6) (u) of S. 2687 be enacted, the American Maritime Association urges the Senate Committee on Agriculture and Forestry to reject the aforementioned sections in their consideration of S. 2687. The American Maritime Association requests that its views be incorporated in the hearing record.

RAY R. MURDOCK,

Legislative Director, American Maritime Association.

STATEMENT FILED BY C. EDWARD BEHRE, POLICY COMMITTEE,
FRIENDS COMMITTEE ON NATIONAL LEGISLATION

My name is C. Edward Behre, 2 Gahent Road, Alexandria, Va. I am appearing as a member of the Policy Committee of the Friends Committee on National Legislation to support the revision and extension of Public Law 480 (the Agricultural Trade Development and Assistance Act of 1954). This testimony has been prepared in cooperation with E. Raymond Wilson, executive secretary emeritus of the FCNL, who had expected to testify had the hearings been held last week as originally scheduled.

The Committee on Agriculture is well aware that the Friends Committee on National Legislation does not claim to speak for all Quakers in the United States. Nevertheless, the Friends Committee is widely representative of Friends in this country, and, on the question of maximum use of our agricultural abundance for humanitarian purposes throughout the world, Friends are as nearly united as they are on anything. The FCNL supported the general purposes of this legislation even before Public Law 480 was enacted 10 years ago. On various occasions it has worked strenuously for various amendments which have broadened the application of this act.

We now wish to make five proposals for making this law more clearly and effectively an instrument of foreign policy for the promotion of human welfare and world peace.

I. RESTATE THE PURPOSE

Originally this law was directed almost exclusively toward the relief of American agriculture by disposal of agricultural surplus. In recent years the concept of food for peace has been increasingly emphasized. However, the purpose of using our agricultural abundance as an instrument of foreign policy for the promotion of human welfare and world peace can be stated more clearly and without equivocation.

May we suggest that the title and section 2 be amended to read somewhat as follows (proposed preamble for Public Law 480) :

"An act to use American food and fiber to improve foreign relations of the United States, to relieve human hunger and to promote economic and social development throughout the world, to expand international trade, and for other purposes.

"Be it enacted, etc.

"SEC. 2. It is hereby declared to be the policy of Congress to expand international trade among the United States and other nations; to facilitate the convertibility of currency; to promote the national welfare and the economic stability of American agriculture by making maximum use of American agricultural abundance for the relief of human hunger and the promotion of adequate nutrition, for economic and social development, and for expansion of economic agricultural production in other countries, including its use in furthering the efforts and programs toward these ends of the United Nations, its specialized agencies and affiliated organizations; to purchase strategic materials; to pay U.S. obligations abroad; and to foster in other ways the foreign policy of the United States."

In similar vein, we suggest that the justification for the humanitarian donation provisions of title III should be on a more statesmanlike basis than the

present wording. The present wording of section 302 makes it appear that the United States is only interested in barter and donation of agricultural commodities as a means of preventing waste. For your consideration we suggest the following:

"SEC. 302. Section 416 of the Agricultural Act of 1949 is amended as follows:

"SEC. 416. Recognizing that current world trends in population and food production present the United States with a unique opportunity and responsibility to use its agricultural abundance and productive capacity for the relief of human distress and to further economic development around the world, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the President may deem in the public interest: (1) upon application, to make agricultural commodities that cannot be disposed of in normal domestic channels or sold abroad at competitive world prices, whether in private stocks or acquired through price-support operations, available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities * * * etc." (The remainder of the section would remain unchanged.)

To further strengthen the humanitarian purposes of the act we also suggest deletion of the word "emergency" from the first sentence of section 201. This section is sufficiently qualified without adding the difficulty of construing the meaning or duration of an emergency.

II. TAKE FOOD OUT OF THE COLD WAR

A world at peace should be the primary objective of civilized man. Almost as important for this objective as the necessity of avoiding nuclear war and achieving disarmament under world law is the urgency of ending the cold war.

What has been done through Public Law 480 in sharing American food with 100 million people in over 100 countries is unparalleled in human history. But it is not an achievement on which the United States can rest with selfish pride and satisfaction. It ought to humble every one of us that God has blessed us with a country rich in land, in power, in technology, in favorable climate, in a large measure of freedom, and in a people characterized by industry and initiative.

While the United States should seek to cherish, nourish, and expand democratic ideas and institutions, is it not high time to cease using food as a weapon in the cold war? When Christians pray, "Give us our daily bread," is it not clear that "us" must refer to all the children of God? As a nation do we choose to flout the New Testament injunction, "If thine enemy hunger, feed him"?

Yet under Public Law 480, use of our agricultural abundance abroad is focused, with only one exception, on "friendly nations." And in two places in the law transactions with the U.S.S.R. and areas dominated by a Communist regime are specifically prohibited.

The Communist part of the world, because of a variety of reasons, tends to be a food deficient area. Part of their trouble is climate, such as recurrent drought in Siberia and typhoons in China. Part is due to the slowdown in agricultural production as a result of the communization of farms. Part is due to rapidly increasing population. Whatever the cause of food shortages, the people in these countries, including Russia, China, and Cuba, are our fellow men. Many of them are unwilling captives of a totalitarian system. Such regimes should never have an excuse for expansionist policies in order to have access to food. In the elemental need for food, humanity is one family.

The United States has recently recognized, at least indirectly, a moral responsibility in this direction by authorizing the sale of wheat to Russia to ease the current food shortage in that country. Now, by appropriate amendment so that our agricultural abundance may be used to promote the objectives of Public Law 480 anywhere, our country has the opportunity to make clear to the world that we did not take this step away from the cold war solely for monetary reasons, but that we are sincerely interested in people under whatever regime they may live.

The Friends Committee urges that Public Law 480 be carefully edited to eliminate all reference to dealing exclusively with "friendly nations." By the same token, we urge, that section 107 and section 304 (a) and (b), which prohibit dealing with the U.S.S.R. and other Communist-dominated areas, be deleted.

By so doing the Congress would end an arbitrary obstacle to the use of

agricultural products for the healing of the nations. Our hearts, our consciences and our tradition tell us that such use, when feasible and appropriate, will be in the best interest of humanity.

III. USE OF FOREIGN CURRENCIES TO PROMOTE FAO AND OTHER U.N. PROGRAMS

Under section 104 the President may enter agreement with "organizations of nations" to use foreign currencies accruing under title I of the act for a variety of purposes, many of which parallel purposes and programs of the United Nations, its specialized agencies and affiliated organizations. However, as far as we know, no U.S. contributions for the programs of the Food and Agriculture Organization or other U.N. agencies come out of the currencies generated by title I transactions.

Because the long-range world food outlook is so critical and because the burden of meeting human needs will fall ever more heavily on the United States, it will be increasingly in the national interest, as well as crucial for the general welfare of mankind to improve agricultural production in underdeveloped countries and to encourage better nutrition of people in food-shortage countries. These are objectives toward which the Food and Agriculture Organization is working.

For fiscal 1963 the FAO received from U.S. general appropriations (not from Public Law 480) only \$4,669,000, plus an additional \$1,075,800 for the U.N. expanded technical assistance program. Would it not be in the spirit of the freedom from hunger program to increase our contribution to FAO and related U.N. programs by authorizing the President to allocate to them, for use in countries where unused balances exist, some of the foreign currencies generated under title I?

IV. MAKE TITLES I AND II PERMANENT

We suggest that it would be in the national interest to assure the world of the sustained intention of the United States to work for world peace and to play its rightful part in the world struggle against hunger, by making titles I and II of Public Law 480 permanent. This would mean removing time limitations on the applicability of these titles, by deletion of section 103(b) and section 204. It would also require change of language in the first sentence of section 203.

Elimination of section 103(b) would involve removal of the dollar limitation also. We think this is desirable because, according to the report of the Director of Food for Peace, sales under title I in 1962 had already reached the rate implicit in the current dollar limitation. With huge stocks still in storage, we doubt that opportunities for further constructive expansion of the program have been exhausted.

If your committee cannot see its way clear to put titles I and II on a permanent basis, we urge that, as a minimum, they be extended for 5 years with appropriate lifting of the ceiling for sales under title I and reconsideration of the annual dollar limitation in title II, section 203.

We hope that dollar limitations in various subsections of section 104 are also being reexamined to be sure that none of these worthwhile channels for using foreign currencies accrued under title I is crippled by arbitrary limitations established in earlier years.

V. AUTHORIZE PAYMENT OF INTERNAL FREIGHT ABROAD

At present there is authority in section 203 for payment of ocean freight on commodities transferred under title II or section 416 of the Agricultural Act of 1949. Only in the case of reaching points of entry in landlocked countries is payment of overland transportation abroad authorized.

In principle it is desirable that people, when in a position to do so, make some contribution in effort, money, or work for benefits received, but title II is directed toward two great purposes. One is to respond to great natural disasters such as floods, prolonged drought, typhoons, earthquakes, or other circumstances beyond control. The other is to further economic development in disadvantaged areas of the world. We can conceive of situations of extreme urgency where it might be desirable for the President to have discretionary authority, similar to that which he now has with respect to ocean freight, to cover the cost to transportation to inland points of distribution. This is now done with military aid. Is food for people in distress less important than guns and bombs?

To implement this we suggest inserting in the next to last sentence of section 203, after the word "to designated points of entry abroad", the word "or, in

cases of extreme urgency, from United States ports to inland points of distribution abroad."

In closing may we say that, as Americans, we are proud of the tremendous and unprecedented contribution which our country has made to human welfare and economic development under Public Law 480. This, we believe, ranks among the world's most notable pieces of humanitarian legislation. We commend the Agriculture Committee and the Congress for its careful study and sponsorship of this legislation over the years.

We believe the recommendations we have made for improving this act merit your sympathetic consideration. We want to feel sure that the fruits of our country's God-given resources and its productive achievements are put to use wherever needed for human welfare.

STATEMENT FILED BY HERMAN WILL, JR., DIVISION OF PEACE AND WORLD ORDER,
GENERAL BOARD OF CHRISTIAN SOCIAL CONCERNS OF THE METHODIST CHURCH

Mr. Chairman, members of the committee, I am Herman Will, Jr., a staff member of the Board of Christian Social Concerns of the Methodist Church. I am presenting this statement on behalf of the Division of Peace and World Order of the Methodist Church.

The General Conference of the Methodist Church, which meets quadrennially, stated in 1964: "The desperate unmet needs of people in this world are of grave concern to Christians. * * *

"We believe that economic assistance, which seeks to make the benefits of scientific advance and industrial progress available for the improvement of underdeveloped areas is an example of both Christian love and practical international brotherhood."

In view of this statement, we favor the extension, expansion, and where desirable, the amendment of Public Law 480 in order that even larger quantities of surplus foods may reach human beings in need through either governmental or nongovernmental channels. We would like to encourage a long-range program, even beyond the 5 years recommended by the administration, until the newly independent and developing countries are able to depend on their own efforts to provide adequate food and a decent standard of living.

While disposal of surplus food has been a benefit to the American farmer and the American taxpayer, we might well consider going further in our Christian concern and sharing some of the foods which have not become surplus, but which are sorely needed to overcome malnutrition in many parts of the world.

We would approve of an emphasis, either in the preamble or in the bill itself, upon the rationale of the program being one which primarily seeks to meet the world's hunger needs rather than being largely one of surplus disposal. This we believe to be consistent both with the Christian Gospel and the Methodist general conference statement. Such a rationale would tend to make more specific Secretary Freeman's excellent general statement when he recently referred to the program as an expression of "the high moral purpose of the people of the United States." We also wish to note our agreement with Church World Service in changing their slogan from "Share Our Surplus" to "Share Our Substance."

Our general conference further stated: "All programs of * * * economic aid should be designed to benefit the peoples of underdeveloped countries and their economies rather than to serve political * * * purposes." Therefore, our explanation of general conference action is that we would generally favor, under title II, the possible use of surplus food for the people of Communist countries where there may be a continuing hunger need as well as in emergency situations. In other words, we would like to see food used, not as a political weapon in the cold war, but as an instrument of good will for all peoples.

We would recommend that food for peace be used increasingly to strengthen multilateral programs, particularly those of U.N. agencies, rather than that it consist largely of bilateral programs.

Our general conference has declared in its statement of 1960: "We sincerely acknowledge the liberal contribution by the United States * * * of food * * * to benefit the underdeveloped areas of the world." We take great pleasure in the knowledge that, as Secretary Freeman has pointed out: "We are now pro-

viding school lunches for 40 million children * * * in over a hundred countries * * *"

As Christians, we support the program basically because Christ said: " * * * for I was hungry and you gave me food * * * as you did it to one of the least of these my brethren, you did it to me."

JESUIT COLLEGE,
St. Bonifacius, Minn., July 19, 1964.

Senator ALLEN J. ELLENDER,
Senator Office Building,
Washington, D.C.

DEAR SENATOR ELLENDER: The following news dispatch was sent from Santiago, Chile, recently by means of the National Catholic Press service.

"Cardinal Silva of Santiago has proposed to the U.S. Government a change in the law governing the distribution of U.S. surplus agricultural products.

"Up to now the U.S. surpluses have been distributed absolutely free to indigent families. Cardinal Silva is president of Caritas International, worldwide Catholic charity organization which cooperates with Catholic Relief Services-National Catholic Welfare Conference in the distribution.

"Cardinal Silva proposes that the surplus food also be sold at half its market value to families of modest means. The money thus received would be used for maintaining housing cooperatives, building schools, and other community projects, according to Cardinal Silva."

The facts of this case boil down to this:

(1) U.S. surpluses are currently being distributed in Chile free of charge to destitute families.

(2) U.S. surpluses could be distributed at about half their market value to families who are not destitute, but who have not much money to buy food at the full market price.

(3) The resulting income could be used in Chile for social projects which are badly needed.

I have been reading in the paper of the upcoming election in Chile, which is seen as a fight between Catholic Social Democrats (liberals who favor land reform) and Marxists Socialists (radical liberals who would fashion a second Cuba in Latin America).

Programs such as this one proposed by Cardinal Silva will go a long way toward peaceful settling of economic crisis. Much of Chilean land is unarable so they have been forced to import most of their food in the past few decades.

I sincerely hope that you as chairman of the Senate Agriculture and Forestry Committee will attentively consider the needs of the Chilean nation and approve an extension in surplus distribution to include families of low income who can pay a portion of the market price.

I would appreciate a reply from you indicating your stand on this matter.

Yours truly,

DONALD SCHALLAU.



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