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1968

FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1968

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

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

PART 1

MILITARY ASSISTANCE
RELATED AGENCIES:

Asian Development Bank
Cuban Refugees
Export-Import Bank
Inter-American Development Bank
International Development Association
Migration and Refugee Assistance
Peace Corps
Ryukyu Islands

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1968

MONDAY, MARCH 20, 1967.

EXPORT-IMPORT BANK OF WASHINGTON

WITNESSES

HAROLD F. LINDER, PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS
TOM LILLEY, DIRECTOR
B. JENKINS MIDDLETON, VICE PRESIDENT, PROGRAM PLANNING AND INFORMATION
CLARK L. SIMPSON, TREASURER-CONTROLLER

LIMITATION ON OPERATING EXPENSES

Program and financing

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Program by activities:			
Equipment and services loans:			
Authorizations	944,219	2,275,000	2,295,000
Participations and cancellations	−53,815		
Net authorizations	890,404	2,275,000	2,295,000
All other, excluding administrative expenses:			
Authorizations	294,309	450,889	570,000
Participations, cancellations, and expirations		−25,296	−15,000
Net authorizations	294,309	425,593	555,000
Total authorizations other than for administrative expenses	1,184,713	2,700,593	2,850,000
Financing:			
Uncommitted balance lapsing	1,407	7,648	
Limitation	1,186,120	2,708,241	2,850,000

LIMITATION ON ADMINISTRATIVE EXPENSES

Program and financing

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Program by activities:			
Administration:			
Loan program	2,430	2,823	2,890
Guarantee and insurance program	1,277	1,280	1,300
Total obligations	3,707	4,103	4,190
Financing:			
Unobligated balance lapsing	345	159	
Limitation	4,052	4,262	4,190

Object classification

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Personnel compensation:			
11.1	Permanent positions	2,850	3,127	3,171
11.3	Positions other than permanent	12	13	19
11.4	Special personal service payments: Excess of annual leave earned over leave taken	24	40	43
11.5	Other personnel compensation: Overtime and holiday pay	15	12	20
	Total personnel compensation	2,901	3,192	3,253
12.0	Personnel benefits	208	241	249
21.0	Travel and transportation of persons	63	70	70
22.0	Transportation of things		6	3
23.0	Rent, communications, and utilities	414	446	462
24.0	Printing and reproduction	27	28	30
25.1	Other services	31	42	43
25.2	Services of other agencies	29	40	40
26.0	Supplies and materials	34	38	40
93.0	Accrued administrative expenses included in schedule for fund as a whole—see separate schedule	−3,707	−4,103	−4,190
	Total accrued administrative expenses—costs			

Personnel summary

	1966 actual	1967 estimate	1968 estimate
Total number of permanent positions	325	328	328
Full time equivalent of other positions	3	2	2
Average number of all employees	292	306	309
Average GS grade	8.6	8.8	8.8
Average GS salary	$9,960	$10,218	$10,372
Average salary of ungraded positions	$5,585	$5,744	$5,744

Export-Import Bank of Washington Fund

Program and financing

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Program by activities:			
Loan program:			
Operating costs, funded:			
Interest on borrowings	13,775	18,516	10,460
Interest on advances under letters of credit	782	900	900
Administrative expenses subject to limitation	2,430	2,823	2,890
Adjustment of prior year administrative expense	−36		
Other expenses	28	99	99
Total operating costs, funded	16,979	22,338	14,349
Change in selected resources [1]	3		
Total obligations (operating program)	16,982	22,338	14,349
Capital outlay, funded:			
Equipment and services loans	648,560	981,056	1,113,845
Exporter loans	6,391	7,000	6,155
Commodity loans	14,816	83,000	80,000
Discount loans		100,000	100,000
Emergency loans	13,303	18,944	
Total capital outlay, funded	683,070	1,190,000	1,300,000
Change in selected resources [1]	219,993	1,590,153	1,054,937
Adjustments in selected resources (loan obligations)	672,453	627,300	426,049
Total obligations (capital outlay)	1,575,516	3,407,453	2,780,986
Total obligations (loan program)	1,592,498	3,429,791	2,795,335
Other: Purchase of equipment—capital outlay	9	250	20

See footnote at end of table.

Program and financing—Continued

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activities—Continued			
	Guarantee and insurance program:			
	Operating costs, funded:			
	Administrative expenses subject to limitation	1,277	1,280	1,300
	Nonadministrative expenses		1	1
	Total operating costs, funded	1,277	1,281	1,301
	Change in selected resources:			
	Guarantees	95,327	182,530	93,100
	Short-term insurance		25,000	
	Medium-term insurance	54,085	10,000	165,800
	Subtotal	149,412	217,530	258,900
	Reduction for fractional reserve basis	−102,903	−163,148	−203,330
	Total change in selected resources	46,509	54,382	55,570
	Total obligations (guarantee and insurance program)	47,786	55,663	56,871
10	Total obligations	1,640,293	3,485,704	2,852,226
	Financing:			
14	Receipts and reimbursements from non-Federal sources:			
	Loan program:			
	Loans repaid [2]	−122,111	−88,681	−485,837
	Sale of portfolio certificates with recourse	−760,500	−700,000	−1,000,000
	Sale of loans with recourse	−23,780	−165,000	−50,000
	Sale of loans without recorse	−39,509		
	Interest revenue from loans [3]	−130,483	−153,622	−134,709
	Guarantee and insurance program: Fees and premiums, net	−2,007	−2,653	−2,753
17	Recovery of prior year obligations, loan program	−672,447	−627,300	−426,049
21.47	Unobligated balance available, start of year: Authorization to spend public debt receipts	−2,617,827	−2,678,372	−879,925
24.47	Unobligated balance available, end of year: Authorization to spend public debt receipts	2,678,372	879,925	77,048
27	Capital transfer to general fund	50,000	50,000	50,000
	New obligational authority			
	Relation of obligations to expenditures:			
10	Total obligations	1,640,293	3,485,704	2,852,226
70	Receipts and other offsets (items 11-17)	−1,750,837	−1,737,256	−2,099,348
71	Obligations affecting expenditures	−110,544	1,748,448	752,878
	Obligated balance, start of year:			
72.47	Authorization to spend public debt receipts	2,869,073	3,143,829	4,764,375
72.98	Fund balance	1,389	1,112	714
	Obligated balance, end of year:			
74.47	Authorization to spend public debt receipts	−3,143,829	−4,764,375	−5,880,452
74.98	Fund balance	−1,112	−714	−2,173
90	Expenditures	−385,023	128,300	−364,659
	Cash transactions:			
93	Gross expenditures	1,146,757	1,628,859	1,719,862
94	Applicable receipts	−1,531,780	−1,500,559	−2,084,521

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

[2] Principal receipts are net of portion due holders of portfolio certificates: 1966, $397,757,000; 1967, $348,519,000; 1968, $296,763,000.

[3] Interest receipts are net of portion due holders of portfolio certificates: 1966, $45,149,000; 1967, $68,240,000; 1968, $113,750,000.

Object classification

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
25.1	Other services	3	75	75
25.2	Services of other agencies	25	25	25
31.0	Equipment	9	250	20
33.0	Investments and loans	1,575,516	3,407,453	2,780,986
42.0	Insurance claims and indemnities	46,509	54,382	55,570
43.0	Interest and dividends	14,557	19,416	11,360
93.0	Administrative expenses—see separate schedule	3,707	4,103	4,190
	Adjustment of prior year expense	−36		
	Total costs, funded	1,640,290	3,485,704	2,852,226
94.0	Change in selected resources	3		
99.0	Total obligations	1,640,293	3,485,704	2,852,226

Mr. PASSMAN. The committee will come to order.

Today we start our hearings on the fiscal year 1968 budget estimates of appropriations for the foreign aid program.

TOTAL FOREIGN AID PROGRAM

We shall insert in the record at this point a table I prepared last year on the requests for foreign aid and/or foreign assistance for 1966—not to prejudice the request for this year's foreign aid program, but for the sole purpose of indicating in one place all of the different types of aid or assistance.

(The information follows:)

AUGUST 15, 1966.

To whom it may concern:

If you will take the time to read the attached three recapitulation sheets, then you may have a partial answer as to why we are now having inflation, deficit financing, continuing increase in the public debt, continuing balance of payment deficit, a continuing loss in our gold reserves.

Requests for *new* foreign aid funds so far this year amount to *9 billion, 166 million, 668 thousand dollars.* (This does not include the military assistance program for South Vietnam, which is now included in the Defense Budget, nor the *930 million dollars* in supplemental requests approved by the Congress earlier this year.) This fantastically high sum is requested through 15 separate budget items presented to the Congress. Only the first item on the attached list is ever mentioned publicly as being foreign aid; however, the other 14 items are just as much a part of the foreign assistance total program, as your head is a part of your body.

If the Congress approves all of the funds requested by the President for fiscal 1967, then the total amount of new funds and funds from prior years' authority will make available for expenditure, the staggering sum of *26 billion, 91 million, 822 thousand dollars.*

Foreign aid has been so fragmentized and so enmeshed into the Budget until it is difficult for members of Congress to unscramble it. The Congress would do well to again place this program under close scrutiny, permit the proper Committees to bring it back under control, and allow the Executive what it needs, rather than what it asks for, which is usually far in excess of actual needs and encourages continued waste.

Congress is the first branch of the Government. It should stop yielding its prerogatives to inexperienced, bureaucratic spenders who have limited knowledge as to what the dissipation of our Nation's wealth is doing to our economy, our monetary system, and our free world markets.

I have endeavored to list all foreign assistance items accurately. I beleive it is a patriotic service to expose wasteful spending, fragmentation, and a trend toward turning our funds over to international organizations to spend, surrendering our control over them and our right of detailed examination. *Believe*

it or not, the Executive branch never includes these items in the foreign aid totals.

Sincerely yours,

OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations.

AUGUST 15, 1966.

New foreign aid funds requested so far in 1966—Category I

1. Foreign Assistance Requests, as amended (Mutual Security)	$3,385,962,000
2. Receipts and Recoveries from Previous Credits	246,887,000
3. Military Assistance Advisory Group (MAAG)	74,000,000
4. Export-Import Bank (Long-term Credits)	2,500,000,000
5. Public Law 480 (Agricultural Commodities)	1,617,000,000
6. Inter-American Development Bank (Latin America)	250,000,000
7. International Development Association (IDA)	104,000,000
8. Peace Corps	112,150,000
Total, new foreign aid request for 1966—Category I	8,289,999,000

Other foreign aid requests—Category II

9. Export-Import Bank (Regular Operations)	$600,000,000
10. Permanent Construction Overseas (Military)	70,500,000
11. Contributions to International Organizations	100,826,000
12. Educational (Foreign and Other Students)	56,050,000
13. Ryukyu Islands (Total—Regular, Supplemental, Pre-Treaty Claims)	41,243,000
14. Migrants and Refugees	6,050,000
15. Atomic Energy Commission (Euratom)	2,000,000
Total, new foreign aid request for 1966—Category I	876,669,000
Total, new foreign aid request for first 7½ months of 1966	9,166,668,000

Fantastic—Frightening—Factual.

OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations.

AUGUST 15, 1966.

Foreign aid unliquidated funds from prior years—Category I

1. Foreign Assistance Requests, as amended (Mutual Security)	$6,757,310,000
2. Receipts and Recoveries from Previous Credits (carried in Item I)	
3. Military Assistance Advisory Group (MAAG)	2,000,000
4. Export-Import Bank (Long-term Credits)	1,427,967,000
5. Public Law 480 (Agricultural Commodities)	1,004,133,000
6. Inter-American Development Bank (Latin America)	1,416,164,000
7. International Development Association (IDA)	416,190,000
8. Asian Development Bank	140,000,000
9. Peace Corps	67,141,000
Total, unliquidated funds from prior years—Category I	11,230,905,000

Other foreign aid unliquidated funds from prior year—Category II

10. Export-Import Bank (Regular Operations)	$4,394,233,000
11. Permanent Construction Overseas (Military)	1,211,000,000
12. Contributions to International Organizations	1,835,000
13. Educational (Foreign and Other Students)	46,548,000
14. Ruykyu Islands	6,605,000
15. Migrants and Refugees	6,433,000
16. Atomic Energy Commission (Euratom)	6,200,000
17. Inter-American Highway—Latin America	21,395,000
Total, unliquidated funds from prior years—Category II	5,694,249,000
Total, unliquidated funds from prior years	16,925,154,000

Even More—Fantastic—Frightening—But Factual, Nevertheless.

OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations.

OCTOBER 15, 1966.

To Whom It May Concern:

Gold holdings ("Free World" countries)

Gold Holdings, United States—December 31, 1952	$23,252,000,000
Gold Outflow from United States—1952 through 1965	9,519,000,000
Gold Holdings, United States—December 31, 1965	13,733,000,000
Gold Holdings, Other Countries [1]—December 31, 1952	13,028,000,000
Gold Holdings Increase, Other Countries [1]—1952 through 1965	15,172,000,000
Gold Holdings, Other Countries [1]—December 31, 1965	28,200,000,000

[1] Does not include Sino-Soviet Bloc.

Short-term dollar claims held against United States by "Free World" countries

Short-term Claims Against United States—December 31, 1952	$10,546,100,000
Short-term Claims Increase, Foreign Countries—1952 through 1965	18,525,700,000
Short-term Claims Against United States—December 31, 1965	29,071,800,000

U.S. balance-of-payments position

1950 Net Deficit	−$1,912,000,000
1951 Net Deficit	−578,000,000
1952 Net Deficit	−1,100,000,000
1953 Net Deficit	−2,100,000,000
1954 Net Deficit	−1,500,000,000
1955 Net Deficit	−1,100,000,000
1956 Net Deficit	−1,000,000,000
1957 (Only Credit in 16 Years)	+500,000,000
1958 Net Deficit	−3,400,000,000
1959 Net Deficit	−3,700,000,000
1960 Net Deficit	−3,800,000,000
1961 Net Deficit	−2,400,000,000
1962 Net Deficit	−2,200,000,000
1963 Net Deficit	−2,660,000,000
1964 Net Deficit	−3,006,000,000
1965 Net Deficit	−1,306,000,000
U.S. Deficit, 1950 through 1965, Inclusive	−31,262,000,000

Gross public debts

Public Debt, United States—December 31, 1965	$321,078,000,000
Public Debt, "Free World" Countries (Latest Available Figures)	227,155,000,000
Public Debt, U.S., Exceeds Debts Other "Free World" Countries by	93,923,000,000
Public Debt, U.S., Exceeds Combined Public Debt of All Other Countries of the World by (Estimate)	37,209,000,000

These figures establish a partial reason for the approaching runaway inflation in the United States, and also for our deficit spending, continuing increase in public debt, continuing balance-of-payments deficit, continuing loss of gold reserves, and why we are being forced out of a competitive position in world markets.

OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations.

Mr. PASSMAN. This afternoon, we have before the committee the Honorable Harold F. Linder, President and Chairman of the Board of Directors of the Export-Import Bank and supporting witnesses, including the Honorable Tom Lilley, Director; the Honorable B. Jenkins Middleton, Vice President, Program Planning and Information; and also the Honorable Clark L. Simpson, Treasurer-Controller.

Mr. President, it is always a pleasure to have you appear before this subcommittee. You are usually forceful, factual, and forthright. I have never known of you to answer any question asked by members of this committee in an evasive manner, and that we do appreciate.

If you have a statement, the committee will be very pleased to hear from you at this time.

GENERAL STATEMENT

Mr. LINDER. Thank you very much, Mr. Chairman.

Mr. Chairman, it is, as it has been for a number of years, a pleasure to appear before your committee to discuss with you the program of the Export-Import Bank—this time for fiscal year 1968. Since I look forward to your own and your colleagues' questions, I shall make my statement brief and touch only upon some of the highlights of our past and proposed activities.

CUMULATIVE STATISTICS

Let me begin, if I may, with a brief statistical sketch of Eximbank, particularly for the benefit of the three new members of the committee. Since its founding in 1934 through December 1966, the Bank has authorized some $17.4 billion in loans, against which it has disbursed approximately $11.4 billion. The difference between these figures represents cancellations, participations by others, and undisbursed commitments. Repayments of principal on these disbursed loans through the same date have amounted to some $6.9 billion, or over 60 percent. We had outstanding loans on our books, also as of December 31, of $3.8 billion. In addition to our direct loan program, we have since 1961 operated programs for the issuance of export credit insurance and guarantees. Authorizations under these programs, including renewals of expiry coverage, have totaled $5.3 billion. At yearend approximately $1.3 billion in insurance and guarantees was outstanding.

On the income side, the Bank has earned interest and fees aggregating some $2.3 billion. From this income, we have paid the Bank's expenses, consisting of approximately $690 million in interest, $42 million in operating expense, and $6 million in losses written off—that is, for the whole life of the Bank. We have other losses to which our annual report makes reference in the notes to the financial statements. This has left us $1.6 billion of net income available for dividends and reserves, of which $506 million has been paid to the Treasury as dividends on the Bank's capital stock of $1 billion, and $1.1 billion has been set aside as a retained income reserve for contingencies and defaults.

FISCAL YEAR 1966

Although I am sure, Mr. Chairman, that you are familiar with the operating record of the Bank for the 1966 fiscal year as detailed in our report to the Congress submitted last fall, for the record I should like to summarize it briefly. Our gross authorizations were $2.142 billion, an increase of 15.2 percent over the 1965 figure. Included in this amount were long-term loans of $944.2 million, commodity credits of $76 million, exporters credits of $6.6 million, special or emergency foreign trade credits of $122.2 million, guarantees of $300.1 million, and export credit insurance in association with the Foreign Credit Insurance Association of $692.8 million. The Bank closed the year with an uncommitted lending authority of $3.084 billion of the total $9 billion authorized in the Export-Import Bank Act, as amended.

LENGTH OF LOANS

At this point I would like to make a parenthetical comment in respect of the reference I have just made to Eximbank's "long-term loans." I think there has been some misapprehension in respect of this description, which you and I have discussed, Mr. Chairman, and I hope clarified. I think it is appropriate, nevertheless, to make clear for the sake of the record what this term means. We have recently completed a study of the so-called long-term loans active and on our books at the beginning of fiscal 1966 plus those authorized during fiscal 1966. Practically all of these loans are repayable in equal semiannual installments, in some cases after a suitable period of grace necessary to construct the facility which we are financing. Taking these semiannual payments into account, we calculate that the weighted average life of all loans now on our books is about 10 years from the date of authorization.

LOAN MATURITIES

Mr. PASSMAN. If it will not interrupt your reading of the statement, I think every member of the subcommittee undoubtedly understands when we refer to the maturity date of the loans it means the date of the last installment payment. Obviously, you have certain loans on a 25- year maturity basis, and the borrower repays one twenty-fifth of that loan in 1 year, one-twenty-fifth in 2 years, one twenty-fifth in 3 years and et cetera. I think we understand perfectly that the maximum of 25 years means that is the date of the last installment.

I would not want the people who are putting up this money to get the wrong impression. Have I stated it correctly?

Mr. LINDER. I think you have.

Mr. PASSMAN. Thank you.

Mr. LINDER. If I may continue.

Mr. PASSMAN. Certainly you may continue.

Mr. LINDER. We calculate the weighted average life.

Mr. PASSMAN. That term "weighted average" may confuse the people who read the record. You may use "weighted average" for your benefit, but let's don't dress it up to where the readers will not understand it.

Mr. LINDER. All right, sir. We have a table of our final maturities, if you would like it, Mr. Chairman.

Mr. PASSMAN. Put it in the record now, if you like.

Mr. LINDER. We have one. I do not have it right with me. In any event, although I have calculated this as average life, I can do it the other way just as well. For the loans made in 1966, our figure was 5 years and 5 months, and the final maturities would average about double that.

Mr. PASSMAN. That is the weighted average you just referred to?

Mr. LINDER. Yes.

Mr. PASSMAN. It is about an 11-year maximum maturity.

Mr. LINDER. I think that is about what it would work out to.

Mr. PASSMAN. Thank you, sir.

Mr. LINDER. Of course, if one calculates from the average date of disbursement, it would be about 1 year less.

Mr. PASSMAN. For all loans there is the same length of grace period?

Mr. LINDER. A grace period, yes, but not always the same. My point is that when I use the phrase "long-term" loans, I am speaking of loans having much shorter maturities than the 20 or 30 years which the term might sometimes connote.

RETAINED EARNINGS RESERVE

Returning to our operating record for fiscal 1966, the Bank's loan disbursements of $683.1 million were offset to a large extent by loan repayments of $519.9 million. The Bank's net earnings were $114.2 million. This figure after deducting from our gross income, payments for interest and financial expense of $59.7 million, and operating expenses, claims paid, et cetera, of $4.8 million. We paid a $50 million dividend to the Treasury, as we have for the past several years, and we added the remaining $64.2 million of our net earnings to our retained income reserve for contingencies and defaults.

LIMITATIONS ON PROGRAM ACTIVITY

You will recall, Mr. Chairman, that our Appropriations Act of 1966 limited Eximbank's fiscal year 1966 operations to nonadministrative authorizations of not to exceed $1.186 billion, of which not to exceed $900 million was available for equipment and services loans. Although I indicated that the Bank's gross authorizations totaled over $2 billion, the net figure for statutory purposes was $1.185 billion for total authorizations, or within $1.4 million of the limitation placed

upon out total activity by the Congress. Equipment and services loans, net of participations and cancellations, totaled $897.9 million—within $2.1 million of the statutory limit for that category of activity.

BALANCE OF PAYMENTS

I would like to say one final word about Eximbank's 1966 performance, and that is to note our estimated contribution to the credit side of the U.S. balance of payments. The inflow of principal and interest on the long-term loans and other direct credits extended by Eximbank, plus sales abroad of participations in loans, less payments to foreign holders of such participations, contributed $721.4 million net to the favorable side of the U.S. balance of payments. However, this figure does not fully measure Eximbank's contribution. To it must be added the payments received by suppliers or their banks under sales guaranteed or insured by the Bank. Under short-term export insurance, payment for the export is generally received within 180 days after the shipment. Under medium-term credits which we guarantee or insure there is an immediate credit to the balance of payments of the required cash payment, amounting to 10 to 20 percent of invoice value; thereafter repayment of the balance of principal is relatively rapid—on average in approximately 2 years. During the year these initial cash payments, plus installments on principal, resulted in an estimated addition of $750 million to the U.S. balance of payments. Thus the total Eximbank contribution is believed to approximate $1.5 billion for the fiscal year 1966. As our export financing assistance grows, future years should produce even more significant payments on exports under the Bank's continuing loan, guarantee, and insurance programs.

INCREASED BANK ACTIVITY

I need not tell you, Mr. Chairman, that we have experienced increasing demand for our export credit assistance over the past 12 months. At the time I appeared before your committee a year ago we anticipated, and the budget provided for, gross new commitments in fiscal 1967 of some $3.13 billion or, translated into net terms for statutory purposes, $2.108 billion. Congress adopted the latter figure as the ceiling on our total program activity for the current 1967 fiscal year.

However, over the spring and summer of 1966 it became increasingly apparent that this ceiling would not suffice to accommodate the surge in applications for Eximbank credits I have just mentioned, which began at about the time I testified last year. Because this demand for financing continued, on October 5 President Johnson transmitted to the Congress proposals which included an increase of $600 million in the limitation on total activity, to $2.7 billion. As I explained in my letter to you of October 11, 1966, Mr. Chairman, much of this increase was attributable to unanticipated applications, in large measure for jet aircraft. In this field our estimate rose from around $100 million early in calendar 1966 to some $900 million by the time the President made his request for an increase. Moreover, in September we inaugurated an entirely new program, the Eximbank discount program, which was not planned or budgeted earlier in the year. We did this because the need for the program, designed to provide greater liquidity for export debt obligations held in the commercial banking system,

arose only as the tight money situation became increasingly acute toward midyear. As a result of these developments our earlier projections were recalculated to take account of these substantial increases, but at the same time to reduce the original $595 million estimate for emergency foreign trade authorizations which we believed probably would not be needed.

The Congress—and I thank you again for your support—enacted the increases requested by the President. They are reflected in the fiscal 1967 budget material now before you. We expect our authorizations during the current year, both total and for equipment and services, to be very close to the revised levels permitted us in the current year.

1968 ESTIMATED ACTIVITY

I have dwelt at some length upon these past developments relating to our current fiscal year activity because they provide essential background to our estimates for the 1968 fiscal year, which are of course the immediate subjects of this committee's concern. At this time we have every reason to believe that our recent higher level of applications will be sustained. Consequently our estimate for fiscal 1968 in each category is not far from that finally made for comparable categories for fiscal 1967. We estimate total gross commitments of $3.7 billion. Loan authorizations are estimated at $2.684 billion, comprised of equipment and services loans of $2.295 billion, commodity loan authorizations of $76 million, discount authorizations of $250 million, and emergency authorizations of $63 million. The estimate for insurance and guarantee authorizations in fiscal 1968 is $1.026 billion. These figures result in net new program activity of $2.85 billion.

Net income for the year, after payment of all expenses, is estimated at $121.7 million. The Bank is requesting the Congress to authorize an administrative expense limitation of $4.19 million, which is less than 2 percent of the Bank's anticipated gross income of $252.6 million.

COMMITMENT FEE INITIATED

Mr. Chairman, there are two final matters which I would like to mention to the committee. One is our decision of last summer to begin requiring payment by borrowers of a commitment fee of one-half of 1 percent on the undisbursed amount of our direct loans. We instituted this requirement after very careful consideration of a number of factors, including recognition that such a fee is generally charged by financial institutions. We also had in mind the substantially increased cost of money to the Bank.

AMENDMENT TO EXPORT-IMPORT BANK ACT

The other matter relates to new legislation. You will note that the budget indicates that by June 30, 1968, the charges against the limitation on total Eximbank loans, guarantees, and insurance outstanding at any one time—which as you know is apart from the limitation on annual activity imposed by the Appropriations Act—will have reached some $9.635 billion if our estimate is correct. This figure is well above the $9 billion limit now provided in the Export-Import Bank Act of 1945, as amended. We will of course not be able

to enter into commitments which will carry us over the $9 billion figure unless and until that limit is increased by the Congress.

To this end, we have proposed an amendment to the Export-Import Bank Act of 1945. A bill—H.R. 6649 and 6650—has been introduced by Representatives Patman and Sullivan and referred to the House Banking and Currency Committee. On the Senate side, an identical bill, S. 1155, is before the Senate Banking and Currency Committee. These bills provide for a $4.5 billion increase in the ceiling on outstanding commitments to bring the $9 billion limitation up to $13.5 billion. There is also proposed, within the $13.5 billion total, an increase of $1.5 billion in our present $2 billion authority to issue guarantees and insurance on a 25-percent fractional-reserve basis. In addition, the bill would extend the life of the Bank, which now expires on June 30, 1968, by an additional 5 years. We do not need and are not requesting any additional authority to borrow from the Treasury.

Mr. Chairman, I shall be pleased to endeavor to answer any questions you or your colleagues may have.

Mr. PASSMAN. Thank you very much, Mr. Linder, for a very excellent statement.

Off the record.

(Discussion off the record.)

JUSTIFICATION MATERIAL

Mr. PASSMAN. We shall insert justification pages 1, 2, 6, and 11 in the record at this point.

(The pages follow:)

Estimated activity, 1968

[In thousands of dollars]

Equipment and services authorizations	$2,295,000
Commodity authorizations	76,000
Discount authorizations	250,000
Emergency authorizations	63,200
Subtotal	2,684,200
Less: Participations in authorizations issued during year	15,000
Net loan authorizations	2,669,200
Guarantees and insurance, new and renewed policies	1,026,000
Subtotal of authorizations	3,695,200
Change in unused balance of FCIA authorizations	45,000
Total authorizations	3,740,200
Less: Repayments and cancellations on Guarantees and Insurance	812,100
Subtotal	2,928,100
Less: Reduction from use of fractional reserve	203,330
Subtotal	2,724,770
Interest and non-administrative expense	125,210
Equipment and all other	20
Total other than for administrative expense	2,850,000
Administrative expense	4,190
Total	2,854,190

Comparative statement of new program activity

[In millions of dollars]

	Fiscal year 1966 actual	Fiscal year 1967 estimate	Fiscal year 1968 estimate
1. Loan authorizations (see p. 3, item a)	1,149.0	2,603.0	2,684.2
Cancellations and participations in authorizations issued during current fiscal year	−53.8	−25.3	−15.0
Loan authorizations, net	1,095.2	2,577.7	2,669.2
2. Guarantees and insurance			
Authorizations, new and renewed policies:			
Issued at 100 percent	12.2		
Issued subject to fractional reserve basis	962.8	1,112.0	1,026.0
Transfers from loan program	11.0	15.0	
Guaranteed participations	7.0		
Total guarantees and insurance authorized (see p. 3, item b)	993.0	1,127.0	1,026.0
Change in unused balance allocated to FCIA (see p. 3 item c)	1.7	−5.0	45.0
Repayments, cancellations, and expirations:			
Subject to fractional reserve (see p. 3, item d)	−912.2	−982.5	−799.9
Issued at 100 percent			−12.2
Subtotal, 100 percent	82.5	139.5	258.9
Reduction from use of fractional reserves	−52.7	−104.6	−203.3
Net charge to activity for guarantees and insurance	29.8	34.9	55.6
3. Interest and nonadministrative expense	59.7	87.8	125.2
4. Equipment and all other		.2	
5. Total charge to program activity	1,184.7	2,700.6	2,850.0

Position with respect to lending, guarantee, and insurance authority

[In millions of dollars]

	June 30, 1966, actual	June 30, 1967, estimate	June 30, 1968, estimate
Statutory authority	9,000.0	9,000.0	9,000.0
Proposed new authority			4,500.0
Total	9,000.0	9,000.0	13,500.0
Charges against authority:			
Loan program:			
Loans	2,226.8	2,463.1	2,227.3
Portfolio certificates sold with recourse	1,385.0	1,736.5	2,439.7
Loans sold with recourse [1]	50.4	47.6	45.1
Loan obligations	1,340.1	2,581.6	2,935.8
Loan reservations	536.5	500.0	1,500.0
Subtotal	5,538.8	7,328.8	9,147.9
Export guarantees and insurance program: [2]			
Short-term: Commitment to foreign credit insurance association	181.3	187.5	187.5
Medium-term:			
Foreign Credit Insurance Association	32.8	35.3	76.7
Export-Import Bank of Washington	160.8	206.4	220.5
On-shore insurance	2.5	2.5	2.5
Subtotal	[3] 377.3	431.7	487.2
Total charges against authority	5,916.1	[3] 7,760.4	9,635.1
Unused authority	3,083.9	1,239.6	3,864.9

[1] Charged fractionally at 25 percent beginning in 1967.
[2] In general charged fractionally at 25 percent.
[3] These figures do not add due to rounding.

Salaries and expense limitation statement relating to 1967 and 1968 administrative expense budgets

[In thousands of dollars]

	1967 estimate	Increase or decrease (−)	1968 estimate
11 Personnel compensation	3,192	61	3,253
12 Personnel benefits	241	8	249
21 Travel and transportation of persons	70		70
22 Transportation of things	6	−3	3
23 Rent, communications, and utilities	446	16	462
24 Printing and reproduction	28	2	30
25 Other services	42	1	43
Services of other agencies	40		40
26 Supplies and materials	38	2	40
Total	4,103	87	4,190

ADMINISTRATIVE EXPENSE—EXPLANATION

The largest increase, $61 thousand for personnel compensation, is accounted for by the following increases: average employment $19 thousand, $33 thousand for within-grade increases, $3 thousand to cover the estimated excess of annual leave earned over leave taken, and an increase of $6 thousand for temporary employment.

Other minor increases are for personnel benefits, $8 thousand; rent, $16 thousand, printing and supplies, $4 thousand, other services, $1 thousand; which are partially offset by a decrease in transportation of things of $3 thousand.

LOAN ACTIVITY MISLABELED AS EXPENSES

Mr. PASSMAN. Mr. President, I notice on page 8 of the Export-Import Bank report to the Congress the caption "Requested limitation on operating expenses." Then it states, "Not to exceed $2,850 million, of which not to exceed $2,295 million shall be for equipment and services loans * * *."

The facts are that your actual operating expenses are in the neighborhood of $4 million; are they not?

Mr. LINDER. That is right.

Mr. PASSMAN. It is fuzzy terminology, is it not, to indicate that your loan program is an expense?

Mr. LINDER. It is, sir.

Mr. PASSMAN. It covers loans.

Mr. LINDER. It covers authorizations for loans and other forms of assistance, and not expenses as such. It covers all kinds of things that are not usually thought of as operating expense, but I understand our national budget does use that terminology.

Mr. PASSMAN. I wonder if you would like to insert in the record at this point an explanation of how this is broken down because, as I stated off the record a moment ago, the committee understands and you understand that this is not an expense, but a person reading it would interpret your lending activity as being an expense, whereas the operating expenses are a very small portion of it.

Mr. LINDER. Our equipment and services loans will amount to $2,295 million.

Mr. PASSMAN. Those are loans which you expect to be repaid?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. With interest?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. So, it is not an expense in any sense of the imagination.

Mr. LINDER. That is correct. Commodity credits, which are also loans of the same category, $76 million. So-called emergency credits, which we cannot be certain about, $63 million. We have provided for $250 million of loans to commercial banks in this country, which are called discount loans.

These, of course, would be the obligations of those private U.S. banks and we certainly would expect to be paid back. The loans would not be extended for more than 1 year and for periods shorter than a year in some cases.

That would give us gross authorizations of some $2,684 million, and then we have some miscellaneous items, which Mr. Middleton may be able to give me, of $166 million. These include, for the most part, interest of about $125 million, and nonadministrative expense of some $1 million. The net charges to our program on guarantees and insurance of $56 million, less cancellations and participations by others of $15 million would account for the balance of the $166 million.

So, we have a grand total here of $2,850 million of either loans, guarantees, or insurance, as we are required to calculate them by the Congress. Our operating expenses, as you and I understand operating expenses, are added to that. They aggregate slightly over $4 million.

Does that make the record a little clearer?

Mr. PASSMAN. I think so, Mr. President.

INCREASE REQUESTED FOR FISCAL YEAR 1968

For fiscal 1968 your estimate for the categories you have just mentioned is $2,850 million?

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

Mr. PASSMAN. Is that an increase of $741,759,000 over fiscal 1967?

Mr. LINDER. Not over the revised authority given us by the Congress. The Congress, you will recall, in October raised our fiscal 1967 authority by $600,000, to a total of $2,700 million.

Mr. PASSMAN. Originally it was $3.1 billion for both categories, but the anticipated supplemental request did not come to the Congress?

Mr. LINDER. It did come, but some time after you and I discussed it.

Mr. PASSMAN. I know, but it was not sent up at the time you were expecting it to be.

Mr. LINDER. That is correct.

Mr. PASSMAN. When it did come, it came for a lower amount.

Mr. LINDER. That is correct. It came for a total of $2.7 billion. What we are comparing is $2.7 to $2.850 billion.

TERMS OF LOANS

Mr. PASSMAN. We were discussing during your presentation, Mr. President, the maximum loan terms. Would you insert in the record at this point a division of the total estimate for fiscal 1968—that part that we refer to as long-term loans and that part we have previously referred to as the regular loan operation. Or if you have that information with you, we could accept it now.

Mr. LINDER. I think we can insert in the record, sir, the amount of loans already authorized which have a term—I am now talking about

final term, the final payment, as you would like me to—of 5 years or less, 5 to 10 years, 10 to 15 years, 15 to 20 years, and over 20 years. I cannot estimate that for fiscal 1968 with any degrees of precision.

Mr. PASSMAN. You are being very fair about this, but last year you gave us two categories—what we refer to as long-term loans and regular-term loans. Do you recall that?

Mr. LINDER. I do, very well.

Mr. PASSMAN. If you would insert in the record at this point a comparable table with the long-term loans and the regular-term, and then follow that with a breakdown of your maximum terms, 5, 10, 15, 20, 25, and 30.

Mr. LINDER. For previous years?

Mr. PASSMAN. 1966 would be the last complete year. You could give us your estimate for 1967.

As we understand maximum terms, if you have a 25-year loan, the committee would understand that in all probability after you had made delivery, one twenty-fifth would be returned in 1 year, one twenty-fifth the second year, with the very final payment being 25 years later.

Mr. LINDER. That is right.

Mr. PASSMAN. I think that is the way we usually define maximum terms. If you want to insert following that, the explanation that you gave earlier—what did you call it?

Mr. LINDER. I said the weighted average.

Mr. PASSMAN. Then follow that with the weighted average, so the layman likewise will understand it.

Mr. LINDER. Fine. We will be glad to.

(The information follows:)

Gross authorizations—Long term capital loans classified as to terms

[Dollars in thousands]

	Fiscal years—			
	1966		1967 (8 mos.)	
	Number	Amount	Number	Amount
Term from date of authorization to date of final maturity:				
Up to 5 years		[1] $30		
Over 5 and up to 10 years	46	698,071	53	$929,425
Over 10 and up to 15 years	14	130,946	19	381,964
Over 15 and up to 20 years	6	60,768	4	48,933
Over 20 years	2	64,404	2	73,378
Total	68	944,219	78	1,433,700

[1] Increase in loan authorized prior to fiscal year 1966.

ESTIMATED DECREASE IN LEVEL OF EMERGENCY LOANS

Mr. PASSMAN. Mr. President, I note your 1967 estimate for equipment and services loans has increased by $945 million since last year, and the estimate for emergency loans has decreased by $495 million.

Mr. LINDER. This is correct, sir, if we take our estimate at this time a year ago. If, on the other hand, we take our estimates in our letter to you of October 11, 1966—that is, the estimates when Con-

gress increased our authority—then the difference is relatively small.

Mr. PASSMAN. Would a decrease in your estimate for emergency loans such as you anticipate in fiscal 1967 and fiscal 1968 take some pressure off your limitation?

Mr. LINDER. I am not sure that I follow your question.

Mr. PASSMAN. Would not a decrease in emergency loans such as you anticipate for fiscal 1967 take some pressure off your limitation? Would it not necessarily lower the need?

Mr. LINDER. But we have taken that into account, sir. We have assumed that we will have very little demand for emergency loans.

Mr. PASSMAN. What would emergency loans cover, ordinarily?

Mr. LINDER. These are loans which we sometimes have to make in order to assure that a country which is in temporary balance-of-payments difficulties, such as Canada or Italy a few years ago, would continue to buy from the United States. In many cases those loans are authorized and are never drawn. Frequently, they are merely standbys to give reassurance to the market that that country is not going to devalue. In fact most of them have not been drawn. They usually terminate at the end of a year or two. The borrower pays a standby fee to us, a commitment fee. But even when they are not drawn, they become authorizations and, therefore, we must account for them.

Mr. PASSMAN. That is what I meant by the question—whether it would take some of the pressure off your limitation.

LOANS TO FINANCE MILITARY EQUIPMENT SALES

If I remember correctly, 3 years ago the Congress authorized the Export-Import Bank to make loans to finance the sale of military equipment; is that correct?

Mr. LINDER. I do not know that there was a specific authorization by the Congress.

Mr. PASSMAN. Let me put it this way: Export-Import Bank financing of sales of military equipment is a fairly recent practice, is it not?

Mr. LINDER. Yes, sir. The loans started in fiscal year 1963, but none was made in 1965, and very, very little was authorized in 1964.

Mr. PASSMAN. What prompted this decision, Mr. Linder?

Mr. LINDER. Sir, in the first place, the administration as a whole—and this includes Treasury, State Department, Bureau of the Budget, and, of course, the Defense Department—felt that there were a number of countries among those receiving military equipment under grant arrangements that could afford to pay for it. However, they could not necessarily afford to pay cash, but were prepared to undertake a valid debt obligation. The question was, how could that be financed?

DEFENSE DEPARTMENT CREDIT GUARANTEES

The Congress had authorized the Defense Department to guarantee extensions of credit of this kind and had provided specific funds for that purpose. There was some concern, I must say, in the administration lest the Defense Department, which was not a banking organization, go into the banking markets and try to get its guarantees accepted and money put up by the private banks. We at the bank agreed that this would be unwise as well.

We said to the administration, "Gentlemen, these military sales are exports, and we are in the export financing business." Where the buyers clearly have good credit and where we are reasonably convinced that the borrowing countries are close to us and are good friends of ours, we will be glad to consider financing military export sales on relatively short terms—"not more than 7 years," using your definition. Occasionally, we may have gone up to about 10 years, but rarely, and frequently we have authorized loans on 5-year terms.

Where there are situations in which we are not at all sure that we would like to be known as the source of financing, we said we would finance the sales only if the Defense Department, having made its own decision as to the country to which they would sell, would give us a guarantee on certain obligations of unnamed borrowers which they held as a result of sales of such materials. In those cases we have the Defense Department's guarantee.

In this manner certain of these export sales have been financed to countries which otherwise would have received grants of military equipment. We have done this because there was an export and we thought it would aid our balance of payments.

Mr. PASSMAN. You have certain grants and certain loans made out of the AID Agency, have you not, for the sale of military equipment?

Mr. LINDER. I do not really know, Mr. Chairman. I would not like to answer that categorically. All I know is that we deal with the Defense Department only.

Mr. PASSMAN. I am just trying to pin down that there are several different spigots whereby countries are getting military assistance. The Defense Department, as such, also has a repayment proposition for sales of military equipment, has it not?

Mr. LINDER. I think anything which is done for cash, they arrange; but I think that practically all of the credits that they extend for military export sales are done through us. I believe this to be true.

Mr. Bacon, of my staff, who is also here today, tells me that they have military assistance program funds, Mr. Chairman, the details of which I do not know.

FINANCING SALE OF MILITARY EQUIPMENT

Mr. PASSMAN. I think you will find there are four spigots whereby certain countries can get military assistance either on a grant basis or on a loan basis. Of course, substantial amounts of equipment are given free to various countries.

Would you furnish for the record a table showing your direct loans by fiscal year and country for military equipment purchases since the inception of the program, Mr. President?

Mr. LINDER. I would prefer that that be off the record, Mr. Chairman.

Mr. PASSMAN. Why should it be off the record? If it is good and regular, and it is the American people's business we are attending to, and if it is not classified, then why should it not be on the record? It is part of the Bank's operation.

Mr. LINDER. Sir, I have at times taken the liberty of classifying some things because I have felt—and the Defense Department, I think, joins me in feeling—that certain of these transactions should not be on

the record. I am perfectly prepared to tell you, when we have financed the sale of military equipment to the United Kingdom, that we have done it.

But in some cases I do not even know to which country the export has gone because I am merely accepting a debt instrument which is guaranteed by the Department of Defense. I know they have the funds to guarantee it, which has been made available to them by the Congress, and, therefore, it seems to me an appropriate thing to do.

Mr. PASSMAN. Could you tell us the number of countries to which you have financed the sale of military equipment?

Mr. LINDER. I can tell you the number which I know.

Mr. PASSMAN. Would not someone in your Bank have to know?

Mr. LINDER. No, sir; we would not.

Mr. PASSMAN. How would you ever get the money out of the Treasury on that basis?

Mr. LINDER. I get the money now not out of the Treasury, but I get it out of the market. As a matter of fact, we have a credit balance with the Treasury at the present time.

Mr. PASSMAN. Do I understand the committee is not going to be able to ascertain the number of countries for which you are financing the sale of military equipment?

Mr. LINDER. The committee can ascertain all of those countries where we at Eximbank can identify the country. But if the Defense Department came to us tomorrow morning and said, "Country X is buying $5 million worth of military equipment. We have a 5-year-note from country X which we are prepared to guarantee to you. Country X has paid down 10 percent or 15 or 20 percent in cash. It will repay the balance over a period of 5 years in equal semiannual installments. Will you discount a note guaranteed by the Defense Department or buy an account receivable which the Defense Department has against country X's obligation which we tell you we hold and which we guarantee you repayment on?" I would provide them with the money. I do not know which country is denominated "X."

DEFENSE DEPARTMENT CREDIT GUARANTEES

Mr. PASSMAN. Then you are making your loans to the Defense Department?

Mr. LINDER. No, I am not, sir. I am making my loans through the Defense Department, with the Defense Department's guarantee.

Mr. PASSMAN. They guarantee it.

Mr. LINDER. I am buying a receivable of the Defense Department.

Mr. PASSMAN. Could you tell us the total amount of the receivables you have purchased from the Defense Department?

Mr. LINDER. Yes, we could do that, but I would prefer to tell that to the committee privately, rather than put that in the public record.

Mr. PASSMAN. I have very high regard for you, sir, as an administrator and a good witness, but we are actually financing the sale of military equipment to *x* number of countries. Some of it is direct. Some of it goes through the Defense Department. We would like, if we could, to find out the number of nations that we are doing such business with.

Mr. LINDER. I will ask the Defense Department to provide that.

Mr. PASSMAN. We also want the total amount that you are financ-

ing directly; then the total amount and number of nations that you are financing through this arrangement with the Defense Department.

Mr. LINDER. I think I can do that, sir.

LEVEL OF LOANS FOR MILITARY SALES

Mr. PASSMAN. Could you give us at this time an estimate of the approximate amount that you have? Do you have those figures with you?

Mr. LINDER. I think I have some figures with me which may be adequate.

In direct loans over the years from 1963 through 6 months of 1967, we have direct loans of $765 million; and we have loans guaranteed by the Department of Defense of $480 million.

Mr. PASSMAN. For a grand total of?

Mr. LINDER. For a grand total of about $1,245 million.

Mr. PASSMAN. What percentage of your total loan operations does that represent?

Mr. LINDER. We would have to calculate what we did in the years 1963 through 1967. In fiscal 1967, it will represent something in the neighborhood of 20 percent. Fiscal 1967 is as large as any one year. I would figure it probably represents, if I had to guess—and I am only guessing, Mr. Chairman—I would say it did not represent much more than 10 percent of our operation over that period of years.

Mr. PASSMAN. That is 4 years, and it is $1.2 billion?

Mr. LINDER. No, it is 5 years, sir. Excuse me. 1963, 1964, 1965, 1966—4½ years.

Mr. PASSMAN. And it is $1.2 billion?

Mr. LINDER. It is $1.245 billion. It may be a little higher than 10 percent. It may be 15 percent. I think that if you would give me 15 minutes after we have finished our meeting, I would be able to make the calculation.

Mr. PASSMAN. That is all right. You may put it in the record.

Mr. LINDER. The total amount?

Mr. PASSMAN. The number of nations, the amount of the direct loans, and the total of the arrangement with the Defense Department.

Mr. LINDER. Yes, that much I shall be glad to do.

(The information requested is included on p. 24.)

INVOLVEMENT OF THE BANK IN MILITARY SALES

Mr. PASSMAN. Inasmuch as the Defense Department has a program whereby they sell equipment and use the receipts for financing further sales why did they want to get the Export-Import Bank involved in financing the sale of military equipment when you had operated so many years without such an arrangement?

Mr. LINDER. As I understood it, sir, at the time the Congress had given the Defense Department an amount of money necessary to guarantee certain borrowers' obligations. To use a country we can talk about quite freely, if the United Kingdom had wanted to buy $100 million worth of military equipment from the Defense Department on credit, the Defense Department might have gone up to New York and said to the Chase Bank or First National City Bank, "Will you buy an

obligation of $100 million from the United Kingdom against our guarantee? We will guarantee it."

We already were making such arrangements in our normal course of business, and we did not like the idea of the Defense Department confusing, if you will, the banks in New York, Chicago, or wherever. The Defense Department with all their skill and abilities, may not be quite so sophisticated in banking as we thought our selves to be. So, the Secretary of the Treasury, the Secretary of Defense, and the Bureau of the Budget thought, why would it not be a good idea for the Export-Import Bank to take on this function and have one agency of the U.S. Government talking with the banks about the financing of what amounts to export sales?

Whether you sell a civilian aircraft or military aircraft, the balance-of-payments effect is the same.

Mr. PASSMAN. Except one is for business and one is for war.

Mr. LINDER. I said from the point of view of the balance of payments. Both sales bring us dollars and both require credit. We agreed to provide that credit. I went first to see the chairmen of the banking and currency committees of both the House and the Senate and talked to them about loans to finance military exports. They agreed it was a desirable thing for us to do and that is how it came about.

DOD RESERVES AGAINST GUARANTEES

Mr. PASSMAN. Mr. Linder, this would be considered a contingent liability so far as the Defense Department is concerned, would it not?

Mr. LINDER. I assume so.

Mr. PASSMAN. Do you know whether or not they are creating any reserves?

Mr. LINDER. Yes, they have a reserve. They are creating a 25-percent reserve.

Mr. PASSMAN. That applies against the military assistance appropriation?

Mr. LINDER. Now, Mr. Chairman, I would not for a second presume to understand the intricacies of that accounting. All I know is that the Defense Department has assured me they have set up a 25-percent reserve for obligations that are guaranteed for us. They have the legal authority so to do.

Mr. PASSMAN. What do you mean a legal reserve?

Mr. LINDER. They set aside out of their appropriations 25 percent of the amount they have asked us to provide.

Mr. PASSMAN. I asked you the amount they have set aside. I will put it another way: Did you say you have advanced $800 million to the Defense Department?

Mr. LINDER. $480 million.

Mr. PASSMAN. Which means they would have put aside $220 million?

Mr. LINDER. No, 25 percent; $120 million.

Mr. PASSMAN. The only reason I am asking this is because you have a repayment program under AID, you have a repayment program under Defense. They plow receipts back into the appropriation. Now you have one under the Export-Import Bank. We are just trying to get it to where we can put it all together and find out how much money we are putting up to finance the sale of military equipment.

INTEREST RATES FOR MILITARY EQUIPMENT LOANS

What are the usual interest rates for this type of loan?

Mr. LINDER. I think it depends on what the market is.

Mr. PASSMAN. We will accept the average.

Mr. LINDER. Let me say this, sir: All of our loans in this past year have been done at 5½ percent.

Mr. PASSMAN. What are you paying for money?

Mr. LINDER. We have been paying for money anywhere——

Mr. PASSMAN. During the same time what did you pay for your money?

Mr. LINDER. At that time anywhere from 2¾ and 2⅞ percent to not exceeding 4¾ percent. But subsequently during this year we have had to pay a good deal more for money. We have made certain of the military loans at lower rates of interest than 5½ percent. We have made some of these loans in years gone by, when we could borrow money at much lower rates, at 4⅞ percent and we have made some at 4¾ percent.

Mr. PASSMAN. Of course, you could have made some loans to the Department of Agriculture if the Lord permitted. They were paying six and a quarter for a while, the Farmers Home Administration.

Mr. LINDER. We have not done it at a loss in relation to what we were paying for money when the rate was established. That I can assure you.

Mr. PASSMAN. Have any of these loans been refinanced or rolled over?

Mr. LINDER. No, sir.

"COUNTRY-X" LOANS

Mr. PASSMAN. Do you have instances where you do not know the name of the country but you nevertheless make the loan through the Defense Department?

Mr. LINDER. Yes, sir; this is substantially what I said earlier if I understand your question.

Mr. PASSMAN. If I wanted to get that information I would have to ask the same questions of the military assistance witnesses?

Is that where we would get that information?

Mr. LINDER. I would hope they would regard it as classified information and give it to you as they usually do.

Mr. PASSMAN. I hope this committee is cleared for classified information.

Mr. LINDER. I merely say that, sir, because I would not like the embarrassment of two countries having the idea that the Bank had financed one or the other in the purchase of military equipment. Still I think it is a perfectly appropriate—I do not want to be misunderstood about this—piece of business which helps our balance of payments, being an export from the United States which will be repaid. This is a desirable piece of business to do.

APPRAISAL OF LOAN APPLICATIONS

Mr. PASSMAN. If you had an application from country A and one from country B, and each wanted a loan to buy military equipment, would you approve the loans if you thought they could pay it back?

Mr. LINDER. If I thought they could repay the loan and if I thought there were not political consequences which were adverse to the United States, and if I thought that there was every reason to believe that they would continue to be a friend of ours, then I would make the loan.

Mr. PASSMAN. Who makes that judgment as to whether country A and country B are going to get into a fight after they get the equipment?

Mr. LINDER. I think a combination of the Defense Department and the State Department and ourselves. We never approve a loan which does not go through the NAC. We would never approve a loan for military equipment unless Defense urged us to do it and unless it was approved by the NAC, which means that State has given its approval.

Mr. COHELAN. What is the NAC?

Mr. LINDER. The National Advisory Council on International Monetary and Financial Policies, of which I happen to be a member and which is chaired by the Secretary of the Treasury.

Mr. PASSMAN. Mr. Linder, I hope the time never comes when witnesses of the executive branch would say or imply that we are becoming too inquisitive. If that time should ever come, I want to go home. We are entitled to all the information we ask for. I am going to get it somewhere before the year is over. This is not implying that you have not been completely fair. But the information you have given to me is not satisfactory. I think it is because you do not have it. I am going to move along and wait until the military assistance people come before us and find out how many countries are receiving this type of loan. I certainly do not want the time to ever come that any witness, whether he is in Defense or in a civilian agency will say we are getting too inquisitive and the information is classified, you cannot get it. We will smoke it out some way.

I will move along and we will have some pointed questions when the witnesses from the Defense Department appear. We are going to find out how many different agencies of Government are now financing the sale of military equipment.

Mr. LINDER. Mr. Chairman, just to be clear, I am perfectly happy to tell you every country of which I have knowledge. And I am perfectly happy to ask the Defense Department how many countries are involved of which I do not have knowledge and let you have that. I am perfectly happy to let you have the amounts of those where I have knowledge and the amounts of those of which I do not have knowledge.

Mr. PASSMAN. Thank you.

EXTENT OF MILITARY EXPORT LOANS

We know there is a military assistance program in over 50 nations of the world. We just do not want the Export-Import Bank to get too far afield in financing the sale of military equipment to various countries for profit's sake because there are two profits involved: one, to the manufacturer and one to the lending agency, whether it is a private bank or the Export-Import Bank. I do not think it is very conducive to peace if we keep on advocating the sale of military

equipment by too many agencies of Government and make it too easy for these countries to buy military equipment. If you will, give us as much information as you can as to the number of direct loans, and the amount and number of loans by Defense, the grand total of all those you are familiar with.

Mr. LINDER. Will do.

(The information follows:)

Gross authorizations, military export loans, July 1, 1962, through Dec. 31, 1966

[Dollar amounts in thousands]

	Number of nations	Gross amount authorized
Loans without guarantor	5	$765,400
Loans guaranteed by Department of Defense	12	479,969
Total	17	1,245,369

LOAN DEFAULTS

Mr. PASSMAN. Once again I do not find a table in the justifications which shows loan defaults.

Will you supply this for the record?

Mr. LINDER. I think, sir, we did submit that. We did submit a recapitulation of all refundings and deferments which took place, and we will be glad to give you the defaults.

Mr. COHELAN. Where is it?

Mr. LINDER. We submitted it to the Chairman separately. It is not in the yellow book. You also will note in our annual report, Mr. Chairman, for the year ending June 30, 1966, which went to you in October of this year, there are notes to our financial statements which state, "Note 3: There are protracted defaults of such amounts," and so on for three paragraphs. Also there are delinquencies which in the opinion of the Board are attributed to routine delays. All this is in the notes to our financial statements on page 15 of the annual report of the Bank for the 12 months ended June 30, 1966.

Mr. PASSMAN. That data is not in the justification data presented to the committee?

Mr. LINDER. No, it is not. We have also a recapitulation, which I think Mr. Merrill asked for and which we have provided him with, showing the number of loans rescheduled during 1966 and 1967.

We cannot tell the defaults for 1967 until the fiscal year is over.

Mr. PASSMAN. Regardless of the number of years the nation is in default, when you put the totals together you put in just the installments that are in default? You do not include the entire amount?

Mr. LINDER. We state both.

Mr. PASSMAN. On the amount of your outstandings that are in default, you use only the installments that are in default and not the entire amount?

Mr. LINDER. I think both are stated. We start in by saying there are protracted defaults of $25.7 million, $13.2 million of principal plus $12.5 million of interest involving five loans.

Mr. PASSMAN. I am leading up to this specific question. How many loans do you have in default at this time and the aggregate amount?

Mr. LINDER. We have five loans to Cuba in default.

Mr. PASSMAN. If you have the total number, you do not have to call them.

Mr. LINDER. I do not think I have them that way, sir.

Mr. PASSMAN. Will you insert it in the record?

Mr. LINDER. I will be glad to insert in the record the number of loans in default and the amount.

Mr. PASSMAN. And the aggregate amount in default. Then if you will, show the aggregate of the principal amount.

(The information follows:)

Delinquent loans and protracted defaults as of Feb. 28, 1967

[Dollar amounts in thousands]

Country	Number of loans	Outstanding balance of loans	Past due		
			Principal	Interest	Total
Delinquent loans:					
Argentina	5	$5,571.0	$4,466.1	$371.9	$4,838.0
Colombia	1	10.4	10.4	2.1	12.5
Costa Rica	1	12.3	12.3	1.3	13.6
Ecuador	2	516.4	16.4	1.5	17.9
Indonesia	5	80,683.3	12,486.4	4,269.0	16,755.4
Peru	1	1,274.9	0	6.6	6.6
United Arab Republic	2	23,357.2	1,187.5	674.7	1,862.2
Uruguay	2	31.4	31.4	5.4	36.8
Total	19	111,456.9	18,210.5	5,332.5	23,543.0
Protracted defaults:					
China (mainland)	4	26,386.0	20,059.0	14,214.1	34,273.1
Cuba	6	36,266.6	14,424.8	13,492.8	27,917.6
Total	10	62,652.6	34,483.8	27,706.9	62,190.7
Grand total	29	174,109.5	52,694.3	33,039.4	85,733.7

REFUNDED AND RESCHEDULED LOANS

Mr. PASSMAN. How many of these rollover loans do you have each year and what is the total amount?

Mr. LINDER. Let me explain, if I may, from the schedule that we have here. For both fiscal year 1966 and 1967 it includes 16 loans.

Mr. PASSMAN. That you have updated?

Mr. LINDER. That is correct.

Mr. PASSMAN. What is the aggregate?

Mr. LINDER. If I may, sir, you will find that 70 percent is in two loans which have been in default for a number of years. So that although the loans were renegotiated in 1966 and 1967, the defaults under these date back for a good many years. Haiti and Bolivia are the two. They amount to some $64 million out of $91 million that was rescheduled during those 2 years. The balance includes $18 million in the Argentine, on which payment will be resumed 2 years after the rescheduling, $2 million in Costa Rica, $350,000 in Uruguay, and other small amounts of that kind.

Mr. PASSMAN. You would think with all the millions of dollars we are giving those countries they could repay these small Export-Import Bank loans.

Mr. LINDER. Many of them have not been recipients of AID. The Argentine was in great economic difficulty. Bolivia is weak. For 8 years we have not made a new loan to Bolivia and the government has not paid principal or interest on existing loans. Haiti, you know, has been in bad shape. Those two owed us $64 million. The rest is relatively inconsequential.

Mr. PASSMAN. Mr. Linder, I think you have established a marvelous record with the Export-Import Bank. I would not want you to interpret my questioning as being too critical or taking away credit that this institution is entitled to. I think you have a great operation. I do know from experience that you can go too far afield updating accounts. All you have to do to keep loans current is to update them. That is exactly why we are asking these questions. Your successor may get careless.

Mr. LINDER. As I have told you, last year we received repayments amounting to almost as much as we disbursed.

Secondly, of our total loans, over 65 percent have been repaid with interest. I can tell you, sir, that during last year and the first half of this year when we did some $3 billion or $3½ billion worth of business, we had but $91 million that had to be rolled over and the better part of that amount represented two ancient history cases. So you really had a very small portion of the Bank's portfolio in difficulty.

Mr. PASSMAN. I know you have a marvelous record. But you could update every delinquent account and even have a better record.

Mr. LINDER. We could, but we wouldn't.

Mr. PASSMAN. I hope not.

I think that is making the record right there. That is why we ask these questions.

Mr. LINDER. Thank you, sir.

FACTORS DETERMINING LOAN "WRITEOFFS"

Mr. PASSMAN. How many times will you roll over or update a delinquent account before you give up and charge it off.

Mr. LINDER. Let me say this, Mr. Chairman. We have not rolled over Cuba, and we do not intend to, and we do not intend to charge it off. The reason is in part because the Cubans are not talking to us and we are not talking to them.

(Discussion off the record.)

Mr. PASSMAN. I am not asking that you write off any loan. You the banker, you the President, you the Directors, you make that decision. Inasmuch as we now have started financing the sale of military equipment, I do not know where it will stop. We might as well know a little something about your operations, if you do not mind us asking these questions.

Mr. LINDER. Anything you want to know, Mr. Chairman, you may have. It is an open book.

PARTICIPATION CERTIFICATE SALES

Mr. PASSMAN. Mr. Linder, the Bank recently offered for sale approximately one-half billion dollars in participating certificates.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. What has been the response to this offer?

Mr. LINDER. Very good, excellent.

Mr. PASSMAN. What percentage were sold in the United States and what percentage abroad?

Mr. LINDER. This was almost all sold in the United States.

Mr. PASSMAN. How do the interest rates and maturities for your certificates compare with the interests and maturities of participation certificates offered by FNMA?

TERMS OF PARTICIPATION SALES CERTIFICATES

Mr. LINDER. I think very favorably. We sold our 4-year obligations to yield 5.0 percent. We sold our 15-year obligations to yield 5.10 percent. We were fortunate because we went to market when interest rates were at the lowest point this year.

Since then they have gone the other way and now they are recovering. When I say recovering, I mean that prices are rising and yields are falling again, whereas prices fell and yields rose somewhat just after our offering. More recently the market has eased again. In any case, I do not think I could go out in the market today and sell the same securities to yield as little as they did on February 7.

Mr. PASSMAN. Inasmuch as we are discussing banking, I read in the paper recently were a certain European country that is waxing fat in wealth insisted we maintain our troops in her country. But the country says we are not going to pay the expense, we want you to pay the expense. We, in effect, said we do not have the money or it would have a bad effect on our balance-of-payments situation. So the country says, we have the money, we will let you have a half billion dollars and take your securities for the half billion if you agree to spend it in our country. Did you read that article?

Mr. LINDER. I did.

Mr. PASSMAN. Isn't that the same as a man going down the street and saying, "Good morning, Mr. Jones, I understand you are a pretty wealthy man. If you will let me have a hundred dollars I will give you a postdated check but I will take the $100, buy some groceries and send those groceries down to your home."

Isn't that a pretty good analysis of this?

Mr. LINDER. I do not think I would like to comment on that.

Mr. PASSMAN. I would not expect you to. But I read that article over about three times and I just could not believe it.

I note on page 6 of your submission that your 1967 estimate of portfolio certificates sold with recourse has been reduced by $576.4 million since last year and the estimate of loans sold without recourse shows a reduction of about $3 million. Would you comment on these, Mr. President? This is the 1967 program.

Mr. LINDER. Page 6 shows end of year balances, not fiscal year activity. I think it just so happened that with interest rates as they were and with the market as it was when we made the estimate, we calculated as closely as we could what we probably could place. We came to the conclusion this was a reasonable estimate. I do not know that there is anything further to comment.

NONRECOURSE SALES

Mr. PASSMAN. What effect have these reductions in sales of certificates and loans sold without recourse had on sales of loans with recourse?

Mr. LINDER. I wonder whether there is not an error here.

Mr. PASSMAN. I will restate it.

What effect have these reductions in sales of certificates and loans sold with recourse had on sales on loans without recourse?

Mr. LINDER. I do not think that the two have a great deal of relationship one to the other. Let me say this: It is relatively easy to sell loans without recourse, obviously, when you have a good borrower, when there is plenty of money around, and provided you are selling only the nearby maturities. It is no trick at all if, let us say, Kennecott Copper is the borrower, and the banks have plenty of money, to sell a 1-year or 2-year strip of that Kennecott Copper obligation without recourse on us. The real trick is to sell a 5- or 10-year strip. The trouble with selling only the near maturities is that it distorts our own portfolio. It means we won't get that money back in the next 2 years—it will go to the buyer of that obligation.

Our objective is to keep a balance. We want to have long-term sales. If you are going to be able to sell obligations extending over a 5- or 10-year period, you have to sweeten the sale by including the maturities due in 6 months, in 1 year, or in 2 years. If we sell without recourse the very short term maturities of long-term notes we won't be able to do this, and we may not be as well off as we would be if we sold longer term notes with recourse.

Mr. PASSMAN. What is the current level of sales without recourse?

Mr. LINDER. Very small, for the simple reason that nobody is flush with money, as interest rates indicate to you—either here or abroad. Secondly, I do not want to sell these nearby maturities without recourse.

Mr. PASSMAN. We all have heard the expression "there will be a day of reckoning." I have a lot of faith in the people in our Government, but I am afraid through this rush of life, trying to do everything for everybody everywhere regardless of cost, that we fail to take into account what is going to happen on the day of reckoning. For example, this country that said they would be happy to buy our securities if we will take the money and spend it in their country, it follows that if deals like that materialize, some day we will have to redeem those maturities and if you just keep rolling it up and build short-term demands against our gold, our resources, we could wind up in trouble. I am afraid you would be the last man not to admit that on close questioning.

PROPOSED CHANGES IN STATUTORY LIMITATIONS

What is the effect of these anticipated changes on your statutory authority?

Mr. LINDER. You're referring to our overall statutory authority?

Mr. PASSMAN. Yes.

Mr. LINDER. I think my statement indicated if we were to have the approval of the Appropriations Committee an the Congress for the program we are now putting before you, we would need an increase

in our total statutory authority because we would be over the $9 billion ceiling as the Congress has instructed us to calculate it. Therefore, two bills have been introduced into the Congress to increase our total lending authority. We are not asking for an increase in our borrowing authority. These two bills are now before the House and Senate Banking and Currency Committees.

Mr. PASSMAN. As you operate under the $9 billion authority, you have a safety valve. As repayments are made, you could reloan, could you not?

Mr. LINDER. Yes; we could.

LOAN REPAYMENTS

Mr. PASSMAN. In fiscal 1968, what do you anticipate will be paid back to the Export-Import Bank on loans previously made?

Mr. LINDER. We think about $782 million principal will be repaid to us in 1968.

Mr. PASSMAN. After you have paid the interest on your own loans, can you use the balance for new loans?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. What will that amount to?

Mr. LINDER. The interest on our loans——

INTEREST COLLECTIONS

Mr. PASSMAN. You anticipate the amount of interest collections?

Mr. LINDER. We will collect interest of $246 million, but we will pay interest of $118 million.

Mr. PASSMAN. You only have the net?

Mr. LINDER. We will have net interest of about $128 million. This comprises the bulk of our earnings. We will pay a dividend of $50 million, so the $128 million would be reduced to $78 million.

Mr. PASSMAN. Without your new authority your operation would be limited to collections.

Mr. LINDER. Not quite, sir.

Mr. PASSMAN. When you reach the ceiling, it would be.

Mr. LINDER. When we reach the ceiling, that is correct.

LOANS TO AMERICAN COMPANIES ABROAD

Mr. PASSMAN. Export-Import Bank finances sales of commodities to foreign corporations or countries?

Mr. LINDER. That is correct.

Mr. PASSMAN. You can likewise make loans to Americans overseas if they have businesses abroad, can you not?

Mr. LINDER. Yes, sir; as long as they are buyers of products which originate with the United States.

Mr. PASSMAN. You make no loans to finance commodities that move only within the borders of the United States?

Mr. LINDER. None whatever.

Mr. PASSMAN. It has to be without?

Mr. LINDER. That is correct.

Mr. PASSMAN. Would you furnish for the record, as accurately as you can, your outstanding loans to foreign individuals and corpora-

tions, the amount that would represent loans to Americans who operate abroad, and then to foreign governments? Three categories.

Mr. LINDER. I can do two of them easily.

Mr. PASSMAN. Which one would you have trouble with?

Mr. LINDER. I would have trouble with the Americans and I will tell you why. Many Americans are interested indirectly in foreign corporations even though they do not own them outright. For example, General Motors may own all of Vauxhall in England, but Chrysler may only own a portion of Rootes Motors. We will make the loan to Rootes Motors to buy machine tools in the United States and we will not always know whether Chrysler has an interest.

Mr. PASSMAN. I am not talking about stockholders. I am talking about those individuals who can be identified as American operators.

Mr. LINDER. We make almost no loans to borrowers who can be identified as American operators except where they are wholly owned subsidiaries.

Mr. PASSMAN. That is the category I am talking about, the wholly owned subsidiary.

Mr. LINDER. Chrysler may own a 30-percent interest in Rootes Motors, or 33 or 38 or 62 percent, I do not know what it is. Or you will find Corning Glass owning some part of a glass-manufacturing plant in Brazil called the Compania this and this, and we might not know that Corning was interested. We will do whatever we can to find you the information on this.

Mr. PASSMAN. Let me tell you why we want this information, Mr. Linder. Members of this committee last year visited a plant overseas where they had 3,400 employees. It was one of the most beautiful modern plants I have ever visited. The supervisor got $75 a month in American money, all the others received $20 per month American money. The finished product came off the assembly line two and one-eight times faster than it does in America. At the airport we saw them loading these very large cargo planes that were headed for New York.

Contrast that with what it would cost in America. Another plant we visited the previous year—a very modern plant. Again the supervisor made $75 a month, all the others, $20 per month. A beautiful production line, a beautiful commodity. We asked, "where is your market?" All of it—flashlight batteries—went to Latin America. Olin-Mathieson Co., one of our largest companies, was the owner. These people, as large and as wealthy as they are, were borrowing money to operate that plant. I think it is good for us to know the percentage of our outstanding loans that are actually going to Americans who may operate plants of that type overseas, or who have a substantial interest in plants of that type. Is it a valid question?

Mr. LINDER. Certainly.

Mr. PASSMAN. Help us if you can.

Mr. LINDER. Surely.

(The information follows:)

Classification of obligors on outstanding loans (excluding discount loans) as of Dec. 31, 1966

Obligor	*Percent of loan exposure*
1. Foreign government or government agency obligors	65
2. Foreign private obligors (except category 3)	33
3. U.S. corporations or their wholly owned foreign subsidiaries	2

DISCOUNT LOAN PROGRAM

Mr. PASSMAN. Mr. President, would you explain the anticipated $150 and $250 million in fiscal 1967 and 1968, respectfully, for discount loans which are not noted as such in last year's submission.

Mr. LINDER. That is correct; they were not noted.

Mr. PASSMAN. It is a new program?

Mr. LINDER. Yes, sir; the discount program did not exist a year ago.

Mr. PASSMAN. Would you put something in the record on it?

Mr. LINDER. Surely.

Mr. PASSMAN. Thank you.

(The information follows:)

EXIMBANK DISCOUNT PROGRAM

On August 17, 1966, Eximbank announced details of its new "Eximbank Discount Program" designed to increase private financing of United States exports. The program began operation on September 1st.

The Bank began planning the new facility in April, when there were indications that the curtailment of Bank liquidity might be impeding commercial bank financing of exports. There was a further tightening of money and credit during the period when the program was in the planning stages.

The Discount Program is designed to encourage commercial banks and similar institutions to increase their financing of export sales by making medium and longer term debt obligations which arise from such sales more liquid. While financing for short term export paper (180 days or less) can generally be found in the private market, financing for longer term paper is not as readily available.

Under the program, banks may borrow from Eximbank for periods up to one year against their holdings of debt obligations of more than 180 days relating to exports shipped after March 1, 1966. In addition, to provide an incentive for increases in short term as well as medium term export financing, Eximbank will make loans annually beginning September 1, 1967, based on any increase in a bank's total export loan portfolio over the preceding September 1.

In practice, Eximbank does not actually "discount" an export loan in the sense of acquiring the export obligation itself. Instead, it makes loans to banks, the criterion for which is their holdings of export debt obligations.

In detail, this is the way the program works:

Those eligible to borrow under the facility are commercial banks, as well as Edge Act corporations and so-called "Agreement Corporations" operating under sections 25 and 25(a) of the Federal Reserve Act.

Eximbank makes two kinds of loans, "current export loans" and "net increase loans". To obtain either type of loan, the borrowing bank reports to Eximbank its holdings of "eligible export debt obligations". An "export debt obligation" is defined as indebtedness of a foreign obligor arising out of exports of goods or services from the United States. This indebtedness may be represented by a promissory note of the buyer, a draft, a book account of the bank itself or one it has acquired from the seller, or other similar evidence of debt. To be "eligible", export debt obligations must relate to exports shipped on or after March 1, 1966, and must have a final maturity date at least 181 days after the date of the obligation. Eximbank Portfolio Fund Participation Certificates are not considered export debt obligations for "discount" purposes.

Beginning in September 1966, Eximbank will make "current export loans" from time to time in an aggregate amount up to 50 percent of the principal of the bank's reported "eligible" export debt obligations outstanding. The term of any such loan may not exceed one year or the average term of the reported "eligible" export debt obligations, whichever is shorter.

A borrowing bank sets aside the reported "eligible" export debt obligations justifying the amount it is borrowing from Eximbank. These obligations may not be sold or pledged during the life of the Eximbank loan unless replaced by comparable export debt obligations.

Additional "current export loans" may be requested at any time that the bank's holdings of eligible export debt obligations justify them. Thus a bank may request another such loan if its original loan was less than the full amount

which its eligible export debt obligations would justify, or if it acquires additional eligible export debt obligations, or if its earlier loans under the Discount Program have been paid off while the obligations supporting them are still unmatured.

In addition to current export loans, Eximbank will make annual "net increase loans" beginning September 1, 1967. These loans will be based on a bank's increase in ownership of export debt obligations during the preceding twelve months. For purposes of "net increase loans", the bank's portfolio figures may include *all* "export debt obligations", regardless of term or export date, other than Eximbank Portfolio Fund Participation Certificates.

A bank which shows an increase may apply for a "net increase loan" in an amount up to 50 percent of its total holdings of "eligible" export debt obligations. These eligible obligations may include those which form the basis for outstanding "current export loans". Such a loan, however, will be limited to 50 percent of the increase in total portfolio. As with current export loans, the term of a net increase loan may not exceed one year or the average term of the eligible export debt obligations reported as justifying it, whichever is shorter.

The rate of interest Eximbank charges for either a current export loan or a net increase loan depends upon the extent, if any, to which payment of the eligible export debt obligations on which the loan is based are guaranteed by Eximbank or insured by the Foreign Credit Insurance Association (FCIA). For purposes of determining the applicable rate, the eligible export debt obligations are grouped into three categories:

1. For unguaranteed and uninsured obligations, Eximbank charges interest at its "current discount rate". This rate is the lesser, at the time the loan is made, of Eximbank's interest rate on its direct loans to foreign borrowers or the cost of money to Eximbank in the private market for the applicable term, as judged by Eximbank.

2. For obligations which at the time the loan is made are only partially guaranteed or insured—that is, which are not guaranteed by Eximbank to the extent of 100 percent of the bank's participation in the obligations (and will not be so for six months thereafter), or are not subject to a "hold-harmless" assignment issued by FCIA—Eximbank's rate is one-half percent less than the average effective rate of the obligations, but not less than Eximbank's then-current discount rate.

3. For obligations which at the time the loan is made are fully guaranteed, or will be within six months thereafter, or are completely insured, Eximbank charges a rate of interest which is the same as the average effective rate of interest of the obligations but not less than Eximbank's then-current discount rate.

Interest is payable semiannually unless the term of the loan is shorter than six months.

Each application for a loan under the discount program is accompanied by a financial statement of the applicant bank for the preceding quarter. In addition, within three months after a bank first requests a loan it submits a statement to Eximbank indicating its total export portfolio as of September 1, 1966. Similar statements of the bank's total export portfolio as of September 1 must be submitted annually thereafter if further loans are requested.

If cases should arise in which a bank, because of the nature of its export portfolio or for other reasons, is inadequately assisted by the facility, Eximbank will explore the problem sympathetically. If instances appear, on the other hand, where a bank's total ownership of export obligations declines significantly despite the use of this facility, the bank will be expected to discuss with Eximbank the reasons for the decrease in its export portfolio.

Eximbank furnishes detailed guides to the operation of the Discount Program to banks with which it has done business previously, and, upon request, to other banks and interested institutions.

EQUIPMENT AND SERVICES LOANS

Mr. PASSMAN. Would you furnish for the record a list of the long-term capital loans now called equipment and services authorizations that were made in calendar year 1966 similar to the table on page 260 of last year's hearings?

Mr. LINDER. Yes, sir.

(The information follows:)

Long-term capital loans authorized during calendar year 1966

Area and country	Loan No.	Interest rate	Terms		Amount authorized
			Number of semi-annual payments	Beginning date of payments	
Africa:					
Ghana	1960	5¾	(1)	(1)	$1,562,993
Morocco	2310	5½	24	Sept. 30, 1967	1,628,154
Senegal	2087	5¾	5	Oct. 30, 1966	[2] 30,000
Sudan, the	2309	5½	16	Apr. 1, 1968	2,307,500
Tunisia	2377	6	7	Oct. 31, 1968	700,000
Zambia	2300	5½	10	Sept. 15, 1966	4,899,920
Do	2363	6	10	Feb. 28, 1967	4,988,111
Do	2389	6	20	Oct. 30, 1967	5,590,812
Asia:					
China (Taiwan)	2304	5½	14	July 15, 1967	4,739,000
Do	2323	5½	14	June 30, 1968	5,400,000
Do	2357	6	20	Mar. 31, 1968	7,650,000
Do	2392	6	10	Dec. 11, 1968	5,000,000
India	2367	6	20	Sept. 15, 1968	12,750,000
Iran	2353	5½	31	Oct. 15, 1969	9,000,000
Do	2365	6	16	Sept. 30, 1969	13,100,000
Israel	2351	5½	16	Mar. 31, 1968	1,300,000
Do	2366	6	17	June 30, 1967	6,220,000
Do	2368	6	16	[3]	6,000,000
Japan	2337	5½	16	Dec. 31, 1967	2,000,000
Do	2339	5½	42	Oct. 1, 1970	40,034,000
Do	2373	6	12	June 30, 1968	2,500,000
Do	2387	6	14	Oct. 1, 1967	7,300,000
Do	2388	6	14	do	17,606,398
Korea	2352	5½	14	Sept. 15, 1967	4,131,142
Do	2386	6	14	June 30, 1967	500,000
Lebanon	2356	6	14	Apr. 15, 1968	26,325,000
Pakistan	2359	5½	14	[3]	2,500,000
Thailand	2306	5½	36	Jan. 1, 1969	1,000,000
Do	2336	5½	12	June 25, 1970	14,000,000
Europe:					
Belgium	2313	5½	14	Oct. 15, 1967	19,445,000
Finland	2291	5½	14	June 30, 1967	621,162
Do	2396	6	17	Aug. 1, 1969	21,060,000
France	2324	5½	14	Mar. 31, 1968	12,220,000
Germany	2394	6	10	Mar. 1, 1969	5,198,000
Iceland	2299	5½	14	June 1, 1967	318,000
Do	2361	6	20	July 1, 1968	850,000
Do	2325	5½	14	Oct. 31, 1967	6,235,000
Ireland	2395	6	14	Aug. 15, 1971	22,222,222
Italy	2322	4⅞	[4] 4–6	June 30, 1966	40,000,000
Do	2344	5½	14	[3]	122,600,000
Norway	2341	5½	(5)	Oct. 15, 1966	1,354,000
Portugal	2384	6	14	Aug. 31, 1968	6,480,000
Do	2005	5¾	(1)	(1)	3,372,016
Spain	2311	6	10	Jan. 9, 1969	22,235,000
Do	2319	5½	20	May 31, 1968	2,700,000
Do	2320	5½	18	May 31, 1969	6,250,000
Do	2332	5½	20	Jan. 9, 1967	2,100,000
Do	2333	5½	24	Jan. 15, 1969	40,000,000
United Kingdom	2338	4¾	14	Dec. 31, 1966	35,000,000
Do	2342	5½	14	Nov. 15, 1968	9,293,920
Do	2354	4¾	14	Dec. 31, 1967	260,000,000
Do	2378	6	14	July 31, 1967	4,594,800
Do	2385	6	14	Mar. 1, 1971	38,888,900
Latin America:					
Bahamas	2362	6	30	Dec. 15, 1968	9,000,000
Do	2372	6	24	July 15, 1969	4,000,000
Brazil	2305	5½	14	Oct. 15, 1967	1,500,000
Do	2330	5½	10	Mar. 1, 1968	340,000
Do	2350	5½	12	Dec. 13, 1968	1,258,000
Do	2305	6	14	Oct. 15, 1967	[2] 825,000
Chile	2393	6	14	Jan. 31, 1969	2,500,000
Do	2187	5½	(1)	(1)	88,408
Colombia	2292	5½	10	Dec. 15, 1967	3,400,000
Costa Rica	2308	5½	12	Jan. 15, 1969	3,200,000
Dominican Republic	2331	5½	28	June 30, 1969	8,859,000
Guatemala	1253	6	24	May 15, 1969	[2] 1,312,000
Do	1375	6	24	Dec. 15, 1970	[2] 1,000,000

See footnotes at end of table.

Long-term capital loans authorized during calendar year 1966—Continued

Area and country	Loan No.	Interest rate	Terms		Amount authorized
			Number of semi-annual payments	Beginning date of payments	
Latin America—Continued					
Jamaica	2317	5½	11	July 1, 1968	3,000,000
Mexico	2296	5½	12	Jan. 31, 1968	1,404,114
Do	2297	5½	12	June 30, 1968	5,000,000
Do	2298	5½	24	Jan. 31, 1969	21,190,000
Do	2314	5½	13	July 15, 1968	6,800,000
Do	2315	5½	28	Sept. 15, 1967	1,750,000
Do	2343	5½	10	Mar. 31, 1967	764,000
Do	2355	6	10	July 1, 1968	10,000,000
Do	2364	6	10	Sept. 30, 1967	1,275,000
Do	2370	5½	14	May 31, 1968	2,146,800
Do	2371	5½	20	[7]	56,500,000
Do	2376	6	26	Oct. 31, 1968	3,000,000
Do	2379	6	10	June 30, 1967	1,800,000
Peru	2312	5½	12	Sept. 30, 1967	2,000,000
Do	2380	6	20	Nov. 30, 1968	5,700,000
Venezuela	2345	5½	14	July 1, 1967	6,443,965
Do	2369	6	12	Dec. 15, 1968	2,000,000
Do	2397	6	10	[3]	1,000,000
Oceania:					
Australia	2327	4¾	14	Dec. 31, 1967	110,000,000
Do	2328	5½	10	do	12,000,000
Do	2329	5½	10	June 30, 1967	12,000,000
Do	2358	5½	14	[8]	13,000,000
Do	2375	6	14	[9]	26,685,000
New Zealand	2307	5½	14	Feb. 15, 1968	7,200,000
Do	2347	5½	10	Nov. 30, 1966	25,000,000
Miscellaneous	66-XM-D	4⅜	10	Apr. 15, 1967	9,000,000
Do	66-XM-J	4⅞	13	Dec. 31, 1966	72,000,000
Do	66-XM-S	5½	18	Mar. 31, 1967	72,660,000
Do	66-XM-M	4⅞	[4] 7	Oct. 1, 1968	1,223,836
Do	66-XM-N	4⅞	[4] 7	May 1, 1968	2,850,000
Do	66-XM-O	4⅞	[4] 7	Jan. 1, 1968	4,275,000
Do	66-XM-P	4⅞	[4] 7	do	4,750,000
Do	66-XM-Q	4⅛	[4] 10	July 1, 1968	2,100,000
Do	66-XN-R	4⅛	[4] 7	Jan. 1, 1969	2,867,000
Do	67-XM-A	5½	[4] 9	May 16, 1968	69,800,000
Do	67-XM-B	5½	[4] 7	June 30, 1968	7,000,000
Do	67-XM-C	5½	[4] 7	do	42,700,000
Do	67-XM-D	5½	18	Dec. 31, 1967	59,000,000
Do	67-XM-E	5½	[4] 6	Nov. 1, 1968	2,800,000
Do	67-XM-F	5½	[4] 7	June 30, 1968	17,200,000
Total					1,629,968,173

[1] Interest capitalized.
[2] Increase.
[3] 2 years from date of note.
[4] Number of annual payments.
[5] To be determined.
[6] 58 monthly payments.
[7] 6 months after delivery.
[8] 3 separate schedules, each with 14 semiannual installments, beginning May 15, 1968, May 15, 1969, and Feb. 15, 1970.
[9] 5 separate schedules, each with 14 semiannual installments, beginning June 15, 1967, Sept. 15, 1967, May 15, 1968, May 15, 1969, and Feb. 15, 1970.

OUTSTANDING GUARANTEES AND INSURANCE

Mr. PASSMAN. Would you furnish for the record the countries where guarantees and insurance are in effect and the amount in each country?

Mr. LINDER. Yes, sir.

(The information follows:)

Guarantees and insurance,[1] as of Dec. 31, 1966

[In thousands of dollars]

Country	Short-term insurance (FCIA)	Medium-term guarantees	Medium-term insurance (FCIA)	Total
Africa:				
Algeria	46			46
Angola	164	179	167	510
Burundi	(2)			(2)
Cameroon	18	706		724
Canary Islands	224			224
Central African Republic	50			50
Chad	1			1
Congo, Republic of (Brazzaville)	5			5
Congo, Republic of the (Kinshasa)	(2)		543	543
Dahomey	16			16
Ethiopia	53	47	151	251
Gabon	11			11
French Somaliland	26			26
Gambia, The	2			2
Ghana	4	539		543
Guinea	1	327	446	774
Ivory Coast	131	6,918	1,643	8,692
Kenya	73		94	167
Lesotho (formerly Basutoland)	(2)			(2)
Liberia	611	1,528	86	2,225
Libya	133	124	98	355
Malagasy Republic	179	269		448
Maruitania	(2)			(2)
Mauritius	13	68		81
Morocco	190		43	233
Mozambique (Portuguese East Africa)	116	26		142
Niger	25			25
Nigeria	666	201	679	1,546
Rhodesia (ineligible)		26		26
Senegal	8			8
Sierra Leone	40		22	62
Somali Republic	17		23	40
South Africa, Republic of	4,438	1,511	572	6,521
Spanish Guinea	(2)			(2)
Sudan	127	105	22	254
Tanzania	49			49
Togo	53			53
Tunisia	68	1,261	669	1,998
Uganda	57	409		466
United Arab Republic (Egypt)	32	629	1,127	1,788
Upper Volta	44			44
Zambia	342			342
Total Africa	8,033	14,873	6,385	29,291
Asia:				
Aden and South Arabian Federation	15		51	66
Afghanistan	3	391		394
Bahrein	75			75
Burma	15			15
Cambodia	(2)			(2)
Ceylon	9	201	299	509
China [3]				
China (Taiwan)	1,014	5,380	290	6,684
Hong Kong	802		39	841
India	390	300	302	992
Indonesia	462			462
Iran	978	16,822	6,653	24,453
Iraq	150	1,830	199	2,179
Israel	764	11,465		12,229
Japan	5,236	163,267	2,125	170,628
Jordan	32	675	391	1,098
Korea, South		381		381
Kuwait	1,154		190	1,344
Lebanon	915	127	1,221	2,263
Malaysia, Federation of	671		128	799
Maldive Islands	9			9
Muscat and Oman	(2)			(2)
Pakistan	172	421		593
Philippines	2,736	[4] 10,152	6,880	19,768
Qatar	77			77
Ryukyu Islands (Okinawa)	295		29	324
Saudi Arabia	1,527	1,506	4,589	7,622

See footnotes at end of table.

Guarantees and insurance,[1] *as of Dec. 31, 1966*—Continued

[In thousands of dollars]

Country	Short-term insurance (FCIA)	Medium-term guarantees	Medium-term insurance (FCIA)	Total
Asia—Continued				
Singapore	142	463		605
Syrian Arab Republic	34	1,626	497	2,157
Thailand	947	1,348	848	3,143
Trucial Oman	46			46
Turkey	12			12
Vietnam, South	13			13
Total, Asia	18,695	216,355	24,731	259,781
Canada	1,198	34,678	1,164	37,040
Europe:				
Austria	593	[1] 493	125	1,211
Belgium	1,761	69		1,830
Cyprus	33	66	6	105
Denmark	1,085	515	542	2,142
Finland	760	4,499	53	5,312
France	4,742	3,612	1,891	10,245
Germany (West)	12,889	1,124	978	14,991
Germany—Note sold with recourse				
Gibraltar	7			7
Greece	1,478	2,968	1,465	5,911
Iceland	274	106	129	509
Ireland	204	4,935	248	5,387
Italy	7,525	2,381	711	10,617
Italy—Note sold with recourse				
Luxembourg	4			4
Madeira Island	7			7
Malta	128			128
Monaco	2			2
Netherlands	5,612		488	6,100
Norway	1,335	215	151	1,701
Poland				
Portugal	564	4,925	269	5,758
Rumania		20,000		20,000
Spain	3,160	11,668	1,013	15,841
Spain—Note sold with recourse				
Sweden	1,790	6,289	3,378	11,457
Switzerland	2,229	7	25	2,261
United Kingdom	5,062	2,390	1,535	8,987
Yugoslavia	16	58,796	677	59,489
Various countries (EURATOM)				
Total Europe	51,260	125,058	13,684	190,002
Latin America:				
Argentina	1,503	5,555	6,090	13,148
Bahamas	745	278	299	1,322
Barbados (British West Indies)	326	165	2	493
Bermuda	497	351		848
Bolivia	2	1,746	632	2,380
Brazil	4,736	350	216	5,302
British Honduras	97	26		123
British West Indies	399		19	418
Chile	4,958	13,556	11,471	29,985
Colombia	2,236	8,733	8,920	19,889
Costa Rica	1,780	2,196	999	4,975
Cuba [3]				

See footnotes at end of table.

Guarantees and insurance,[1] as of Dec. 31, 1966—Continued

[In thousands of dollars]

Country	Short-term insurance (FCIA)	Medium-term guarantees	Medium-term insurance (FCIA)	Total
Latin America—Continued				
Dominican Republic	2,118	1,529	1,254	4,901
Ecuador	6,460	2,111	2,272	10,843
El Salvador	2,634	1,531	2,396	6,561
French Guiana	28			28
French West Indies	2,143	29	87	2,259
Guatemala	2,553	3,369	4,731	10,653
Guyana	213	99		312
Haiti	30			30
Honduras	1,321	2,129	1,799	5,249
Jamaica	1,316	8	58	1,382
Mexico	13,960	80,495	31,166	125,621
Netherlands Antilles (Curacao)	1,185	35	24	1,244
Nicaragua	2,219	2,707	4,505	9,431
Panama	2,973	1,947	1,070	5,990
Paraguay	152	257	213	622
Peru	6,542	10,188	7,386	24,116
St. Pierre and Miquelon	2			2
Surinam (Netherlands Guiana)	303	181		484
Trinidad and Tobago	1,520		5	1,525
Uruguay		1,690	462	2,152
Venezuela	12,939	25,180	12,546	50,665
Total, Latin America	77,890	166,441	98,622	342,953
Oceania:				
Australia	5,336	12,844	1,008	19,188
British Pacific Islands	14		64	78
French Pacific Island	116		31	147
New Guinea, Territory of	17		5	22
New Zealand	1,230	614	503	2,347
Total, Oceania	6,713	13,458	1,611	21,782
Miscellaneous countries special guaranteed loans				
Total, all areas	163,789	570,863	146,197	880,849

[1] Represents total guarantees and insurance exposure for each country (i.e. outstanding shipments and balance to be shipped as applicable).
[2] Less than $500.
[3] Prior to establishment of.

LATIN AMERICA LOANS

Mr. PASSMAN. Would you furnish for the record a list of the outstanding long-term loans in Latin America?

Mr. LINDER. Yes, sir.

(The information follows:)

Latin America—Long term capital loans, Dec. 31, 1966

Country and obligor	U.S. products and services financed	Outstanding balance	Undisbursed balance	Loan No.	Authorized date
ARGENTINA					
Soc. Mixta Siderurgia Argentina	2 steel mill equipment	$46,656,948.96		626	Mar. 10, 1955
Serv. Elect. Del Gran Buenos Aires	1 steam electric unit	3,500,000.00		1056-A	Jan. 22, 1959
"Ipako" Ind. Petro. Koppers	2 facil. for prod. of polyethylene	3,698,433.00		1056-B	Feb. 26, 1959
Acinfer, S.A.	2 expansion of iron foundry			1056-C	Mar. 12, 1959
Banco Indust'l. De La Repub. Agen.	Equip. for economic development	3,206,727.00		1056-D	Apr. 2, 1959
Socie. Indus. Argen. Tubos De Acero	4 equip. for pipe mill	1,539,000.00		1056-E	Apr. 9, 1959
Siam Di Tella Electromecanica	4 equip. prod. elec. motors and pump	2,250,000.00		1056-F	Do.
Cia. Gen. Papelera De. B.A.	2 expansion of paper plant	91,000.00		1056-G	May 7, 1959
Celulosa Argentina, S.A.		486,158.00		1056-H	Do.
Loma Negra S.A. Cia. Indust'l. Argen.	2 expansion of cement plant	1,197,000.00		1056-I	June 25, 195
S.A. Cementos Minetti Hijos	2 expansion of cement plant	625,271.96		1056-K	Do.
Cia. Swift De La Plata, S.A.	4 expan. meat pack. and related plant	2,916,394.62		1056-L	Oct. 8, 1959
Acindar Ind. Argentina Aceros, S.A.	Expansion of steel mill	2,150,400.00		1056-O	May 5, 1960
Duranor S.A.I.C.	2 synthetic phenol plant	600,000.00		1056-P	May 19, 1960
Dalmine-Siderca S.A.I.C.	2 facil. for seamless steel tubing	784,147.93		1056-Q	June 9, 1960
Soc. Ind. Argentina Tubos Acero	4 equip. for pipe production	1,507,500.00		1056-S	Dec. 1, 1960
Ledesma Soc. Anonima Agr. Ind.	2 bagasse pulp and paper mill	7,220,730.00		1056-T	Dec. 22, 1960
Siam Di Tella Automotores, S.A.	2 automotive mfg. facilities	747,735.09		1056-U	Jan. 12, 1961
Pablo Maspero, E. Hijos	3 facilities to produce bolts, etc.	341,244.00		1056-V	Apr. 6, 1961
Serv. Elect. Del Gran, Buenos Aires	1 elec. power—I.G.E.	10,630,946.00		1056-X	July 20, 1961
Minus advances by participants		2,424,296.00			
Net, EIB		8,206,650.00			
Government of Argentina	Transportation equipment	55,954,118.30	$21,481.70	826-A	Nov. 5, 1956
Somisa	2 steel mill equip.	5,229,963.90		1341	Nov. 10, 1960
Govt. of Argentina	Highway development program	14,430,816.00		1409	Dec. 30, 1960
Banco Ind. De La Republica	Appropriate to purpose	200,000.00		1411	Do.
Dalmine-Siderca S.A.I.C.	2 thermo-elec. powerplant	2,527,000.00		2065	Nov. 21, 1962
Minus advances by participants		139,481.00			
Net EIB		2,387,519.00			
Industrias Kaiser Argentina	2 equip. for prod. of auto parts	1,134,363.60		2150	Feb. 27, 1964
Estable, metalugicos Santa Rosa	2 expand steel producing facilities	4,490,790.49	6,359,209.51	2222	Feb. 4, 1965
Soc. Mixta Siderurgia Argentina	2 expand steel plant	403,206.23	9,596,793.77	2227	Feb. 18, 1965
Neumaticos Goodyear S.A.	2 expansion of tire producing facilities	1,494,755.00		2232	Apr. 1, 1965
Ducilo S.A.	1 expand plant—nylon textile prod.	1,327,847.16	1,172,152.84	2260	July 8, 1965
Dalmine Siderca S.A.I.Y.C.	2 equip. for pipe producing plant		1,625,000.00	2285	Dec. 2, 1965
Aerolineas Argentinas	2 jet aircraft	19,139,021.96	10,300,978.04	2286	Dec. 9, 1965

Minus advances by participants		2,870,853.29	1,545,146.71		
Net EIB		16,268,168.67	8,755,831.33		
Country total		191,046,888.91	27,530,469.15		
BAHAMAS					
Government of Bahamas	1 Nassau Harbor project		9,000,000.00	2362	Sept. 22, 1966
Do	Expansion of telecommunications		4,000,000.00	2372	Oct. 10, 1966
Country total			13,000,000.00		
BOLIVIA					
Corp. Boliviana de Fomento	1 equip. for petroleum development	4,471,100.00		315	Mar. 6, 1942
Do	1 highway construction	8,950,588.20		315	Mar. 6, 1942
Do	do	15,935,286.90		467	Oct. 28, 1949
Do	2 highway construction	4,561,764.57		645	Mar. 31, 1955
Country total		33,918,739.67			
BRAZIL					
Cia. Vale Do Rio Doce, S.A	1 railway equip	1,182,942.32		358	Jan. 27, 1945.
Cia. Sid Nac—Banco Do Brasil	1 steel mill equip	11,348,355.50		481	July 20, 1950.
Cia. Paulista De Forca E Luz	1 expan. of power facilities	14,998,160.00		523-A	June 5, 1952.
Cia. Forca E Luz Do Parana	1 expan. of power facilities	2,176,135.00		523-B	Do.
Cia. Brasileira Energia Elet	1 expan. of power facilities	1,557,485.00		523-C	Do.
Cia. Forca E Luz Minas Gerais	1 expan. of power facilities	773,750.00		523-D	Do.
Cia. Forca E Luz De Nordeste	1 expan. of power facilities	234,650.00		523-E	Do.
Energia Electrica Bahia	1 expan. of power facilities	410,765.00		523-F	Do.
Cia. Central Brasileira Forca	1 expan. of power facilities	361,420.00		523-G	Do.
Cia. Bras. De Estireno Et Al	4 styrene plant—prod. of plastic			544	June 3, 1953.
Rede Ferroviaria Federal, S.A	2 railroad equip	2,450,428.60	49,575.46	764	Jan. 5, 1956.
Minus advances by participants					
Net EIB		2,450,428.60	49,575.46		
Cia. Sid. Nac.-Banco do Brasil	2 steel mill equip	21,000,000.06		770	Feb. 1, 1956
Metal Leve, S.A. Ind. E. Com	3 plant for auto bearings	61,620.18		781	Mar. 22, 1956
Centrais Elet. de Minas Gerais	2 hydroelectric power facilities	6,175,000.00		807	July 13, 1956
Rede Ferroviaria Federal, S.A	1 railroad improvements	57,637,380.98	54,926.77	810	July 19, 1956
Banco Nac. do Desenvolvimento	Equip. for port improvements	2,425,888.64	474,145.98	811-A	Apr. 11, 1957
Cia. Docas de Santos	2 equip. for port improvements	504,600.00		811-B	Apr. 15, 1957
Adm. do Porto Rio de Janeiro	2 equip. for port improvements	1,650,458.59	1,088,321.41	811-C	Do.
Banco Nac. do Desenvolvimento	Equip. for port improvements	10,067,244.51	407,043.18	811-D	June 1, 1959
Cia. Hidro-Elet. Sao Francisco	2 expansion of power facilities	8,644,411.45		812	July 19, 1956
Cia. Urbanizadora Nova Capital	Equip. for const. of Brasilia	4,159,981.42		914	Apr. 26, 1957
Braseixos-Rockwell, S.A	2 equip. to prod. axles and parts	443,144.94		973	Dec. 31, 1957
Cia. Paulista Forca e Luz	1 expansion power facilities	4,523,215.00		1041	Oct. 8, 1958
Cia. Bras. de Energia Eletrica	1 expansion power facilities	2,304,300.00		1042	Do.

Latin America—Long term capital loans, Dec. 31, 1966—Continued

Country and obligor	U.S. products and services financed	Outstanding balance	Undisbursed balance	Loan No.	Authorized date
Cia. Vale do Rio Doce, S.A.	1 expansion iron ore prod	6,189,876.84		1057	Dec. 31, 1958
S.A. Empresa de Viacao-Varig	2 aircraft—Boeing Airplane Co	515,357.58		1129	Feb. 4, 1960
Cia. Paulista Estradas de Ferro	Railway equip	3,949,332.84		524-902	June 9, 1960
Centrais Elec. de Minas Gerais	2 hydroelectric power project	813,132.00		1388	Dec. 22, 1960
Cia. Siderurgica Nacional	1 expand steel facilities	718,930.35	5,281,069.65	2247	May 27, 1965
Govt. of Brazil	Diesel elec. locomotives		17,000,000.00	2283	Dec. 2, 1965
Minus advances by participants			1,652,755.00		
Net EIB			15,347,245.00		
Willys Overland Do Brasil, S.A.	Expand auto mfg. facilities	525,032.70	1,799,967.30	2305	Apr. 7, 1966
Metal Leve, S.A.	3 equip to produce wrist pins		340,000.00	2330	June 17, 1966
Cia. Brasileira De Estireno	1 styrene monomer plant		1,258,000.00	2350	Aug. 4, 1966
Country total		167,802,999.50	26,100,294.75		
CHILE					
Corp. De Fomento Produccion	1 railway and construction equip	229,000.00		465	Oct. 26, 1949
Do	1 steel mill equipment	44,771,008.80		374-502	Aug. 9, 1951
Anglo-Lautaro Nitrate Corp	Nitrate production equip	10,917,616.00		808	July 19, 1956
Cia. Salitrera Tarapaca	Nitrate production equip	1,968,934.20		809	July 19, 1956
Manufacturas De Cobre, S.A.	Copper processing plant	599,662.48		1111	Nov. 25, 1959
Banco Central De Chile	Mach. and equip. for various industries	1,230,877.87		1176	June 9, 1960
Cia. Chilena De Electricidad	4 expan. of thermo power facil	38,822,113.48		1299	Oct. 6, 1960
Chilean State Rwys	1 rehabilitation railways	14,156,394.32		1340	Nov. 10, 1960
Manufacturera Metales, S.A.	2 Expansion of facilities man. metal. prod	613,946.37		1991	Mar. 22, 1962
Cia Minera Andina	Copper mine		45,625,000.00	2024	June 7, 1962
Manufacturas De Cobre, S.A.	Aluminum foil mill	373,798.61		2104	June 13, 1963
Corp. Fomento Produccion	Elec. equip. for airports	1,268,188.34		2139	Dec. 31, 1963
Banco Central De Chile	Various U.S. mchry. equip. services	12,470,204.81	1,279,795.19	2152	Mar. 5, 1964
Cia. De Acero Del Pacifico	Expansion of steel mill	4,024,736.00	2,684,000.00	2164	Apr. 23, 1964
Rayon Said Industrias Quimicas	4 spinning plant	705,855.32	123,709.68	2183	July 9, 1964
Minus advances by participants		82,532.67			
Net EIB		623,322.65	123,709.68		
Bosques Ind. Madereras	2 construction of sawmill	2,777,177.67	51,368.25	2187	July 30, 1964
Comandari, S.A.	4 expand spinning mill	1,133,136.90		2196	Aug. 24, 1964
Minus advances by participants		128,566.19			
Net EIB		1,004,570.71			
Soc. Inmobiliaria la Republica	4 air condition. and elevator equip	41,283.68		2218	Dec. 21, 1964

Laja-Crown S. A. specialty papers	Equipment for production paper prod	3,600,000.00		2221	Feb. 4, 1965
CIA. de Acero del Pacifico (CAP)	1 expand steel facilities			2381	Nov. 23, 1966
Soc. Minera el Teniente	1 expand copper prod. facilities			2382	Do
CIA. Minera Andina	1 Development of copper mining			2383	Do.
Compania de Productos de Acero	2 EST., expand of plant to produce pipe		2,500,000.00	2393	Dec. 22, 1966
Country total		139,492,835.99	52,263,873.12		
COLOMBIA					
Empresas Publicas de Medellin	1 Hydroelectric plant	185,714.10		518	Mar. 27, 1952
Papeles Grace Colombianos, S.A	4 paper mill equipment	1,424,991.00		995	Mar. 6, 1958
Hospital Militar Central	1 hospital equipment	731,073.48		1209	July 14, 1960
CIA. Quimica Ind. Quin., S.A	4 Chemical fertilizer plant			1980	Mar. 5, 1962
Cementos del Caribe	Electric equipment for cement plant	2,156,651.47		2070	Dec. 13, 1962
Republic of Colombia	Agric. and irrigation equipment	1,994,947.20	5,052.80	2140	Dec. 31, 1963
Instituto Aprove Aguas Fomento	1 Hydroelec. distribution system	10,503,440.13	6,996,559.87	2161	Apr. 8, 1964
Ing. Riopaila LTDA	4 expansion of sugar mill	2,990,617.33		2185	Apr. 23, 1964
Empresas Publicas Barramquilla	1 water supply system		2,275,000.00	2205	Sept. 24, 1964
Empresa Siderurgica, S.A	Expand steel making facilities	1,522,149.66	2,427,850.34	2234	Apr. 8, 1965
Republic of Columbia, Caja	Agric. and irrigation equipment	3,350,993.81	49,006.19	2292	Jan. 17, 1966
County total		24,860,578.18	11,753,469.20		
COSTA RICA					
Republic of Costa Rica	Inter-American Hwy. Construction	2,046,525.64		330	Apr. 22, 1942
Do	Inter-American Hwy. Construction	5,663,394.50	8,283,625.50	754	Nov. 3, 1955
Soc. Italiana Colonizzazione	1 agricultural development			892	Feb. 14, 1957
Republic of Costa Rica	Inter-Amer. Hgwy. Construction	2,100,000.00		1151	Apr. 15, 1960
Natl. Water S. & S. Authority	1 equip. etc., for water supply	543,336.46	3,956,663.54	1684	July 18, 1961
Ind. Firestone de Costa Rica	Plant produce tires and tubes		3,200,000.00	2308	Apr. 27, 1966
Country total		10,353,256.60	15,440,289.04		
CUBA					
Cuban Electric Co	Expansion of power facilities	19,536,832.00		493	Mar. 29, 1951
Minus advances by participants		800,000.00			
Net EIB		18,736,832.00			
Compania Cubana Primadera, S.A	Equipment for wallboard plant	1,500,000.00		791	May 3, 1956
Minus advances by participants		300,000.00			
Net EIB		1,200,000.00			
Cuban Telephone Co	Expansion of telephone system	17,470,000.00		960	Oct. 31, 1957
Minus advances by participants		1,180,000.00			
Net EIB		16,290,000.00			
Country total		36,226,832.00			

Latin America—Long term capital loans, Dec. 31, 1966—Continued

Country and obligor	U.S. products and services financed	Outstanding balance	Undisbursed balance	Loan No.	Authorized date
DOMINICAN REPUBLIC					
Corp. Dominicana Electricidad	2 thermal power projects	2,690,176.97		1986-A	June 21, 1962
Minus advances by participants		143,250.00			
Net EIB		2,546,926.97			
Corp. Fomento de Rep. Dominicana	2 Equip.-private enterprise	587,304.25	412,695.75	1986-B	Dec. 13, 1962
Govt. of the Dominican Republic	Highway maintenance equip	2,906,664.05	1,093,335.95	1986-C	Dec. 28, 1962
Corp. Dominicana de Electricidad	2 thermoelectric powerplant	6,356,378.02	1,643,621.98	2199	Aug. 31, 1964
Minus advances by participants		590,250.00			
Net EIB		5,766,128.02	1,643,621.98		
Refineria Dominicana Pro. Coop	Equip. for petroleum refinery		5,250,000.00	2226	Feb. 18, 1965
Corp. Dominicana de Electricidad	1 equip. for elec. power generation		8,859,000.00	2331	June 17, 1966
Minus advances by participants			726,562.00		
Net EIB			8,132,438.00		
Country total		11,807,023.29	16,532,091.68		
ECUADOR					
Municipality of Quito	1 water supply system	102,285.00		328	Apr. 22, 1942
Do	1 water supply system	893,567.00		328-A	June 24, 1954
Republic of Ecuador	Highway construction	1,447,927.39		343	Dec. 18, 1942
Do	Highway construction	1,191,443.58		432	Oct. 8, 1947
Do	Highway construction	1,522,669.41		432-A	Sept. 16, 1953
Do	Highway construction	124,007.61		432-B	Jan. 10, 1957
Do	Highway maintenance	471,476.84		471-A	Dec. 14, 1949
Do	Railway equipment	430,041.18		471-B	Do.
Do	Water supply system	167,367.55		471-D	June 14, 1951
Do	Water supply and sewer system	31,148.82		471-F	July 31, 1952
Do	Latacunga water supply system	217,513.89		471-G	Nov. 1, 1956
Do	Airport improvements	833,331.80		500	July 19, 1951
Do	do	105,749.22		500-A	Jan. 10, 1957
Do	do	339,300.09		741	Sept. 15, 1955
Do	Equip. for airport	139,702.44		1594	May 24, 1961
Ministry of Agriculture and Animal Husbandry	1 livestock for farmers	500,000.00		2057	Oct. 4, 1962
Republic of Ecuador	Equip. for airports	521,110.39	170,139.61	2090	Apr. 11, 1963
Instituto Ecuatoriano Elec	1 electric power generation, etc	286,300.43	7,713,699.57	2200	Sept. 3, 1964
Caja Nac. Del. Seguro Social	1 equip. for 4 hospitals		5,500,000.00	2265	Aug. 5, 1965
Papelera Nacional, S.A	2 pulp and paper mill		800,000.00	2278	Nov. 10, 1965

Country total		9,324,942.64	14,183,839.18		
EL SALVADOR					
Com. Ejec. Del Puerto Acajutla	1 port facilities	377,812.61		1412	Jan. 5, 1961
Republic of El Salvador	Equip. for intl. airport	1,921,453.38	286,879.82	1605	June 1, 1961
Do	Maintenance equip. for highway		2,533,320.00	2280	Nov. 19, 1965
Country total		2,299,265.99	2,820,199.82		
GUATEMALA					
Republic of Guatemala	Transportation and communications	4,490,643.62	2,446,356.38	1253	Sept. 22, 1966
Do	Inter-American highway constr	1,017,356.00	2,982,644.00	1375	Dec. 16, 1960
Banco de Guatemala	Various financial bks.-develop	161,018.58		1115	Dec. 4, 1959
Republic of Guatemala	Equip for port improvement		4,550,000.00	2175	Sept. 15, 1966
Country total		5,669,018.20	9,979,000.38		
HAITI					
Soc. Haitiano, Am. Dev. Agricole	1 dev rubber, tropical products	2,450,000.00		295	May 1, 1941
Republic of Haiti	Irrigation, agricultural devel	26,982,375.00		457	Dec. 29, 1948
Country total		29,432,375.00			
HONDURAS					
Republic of Honduras	Constr. Inter-American Highway	889,665.52		879	Jan. 17, 1957
Government of Honduras	Agric. farm equipment		420,000.00	2254	June 16, 1965
Country total		889,665.52	420,000.00		
JAMAICA					
Development Finance Corp., unallotted	2 project development	272,100.00	4,227,900.00	2084-A	Mar. 14, 1963
Caribbean Steel Co., Ltd	1 construction of steel plant	475,000.00		2084-B	Sept. 24, 1964
Goodyear Jamaica Ltd	Facilities to produce tires, etc		3,000,000.00	2317	May 23, 1966
Country total		747,100.00	7,227,900.00		
MEXICO					
Nacional Financiera, S.A	1 electric power project	1,425,000.00		379	Mar. 21, 1945
Do	1 coal mine equipment	130,004.63		427-L	Apr. 5, 1950
Do	1 Anzalduas Dam	849,987.48		487-B	Dec. 15, 1950
Do	1 rehabilitation of national railways	4,652,000.00		487-I	Oct. 11, 1956
Cia. Ind. Elec. Mexicana, S.A	Electric power equipment	758,333.30		783	Mar. 29, 1956
Empaques de Carton Titan	4 equipment for paper products	198,484.94		786	Apr. 5, 1956
Cia. Fundidora de Monterrey	Steel mill equipment	39,658,939.05		801	June 28, 1956

Latin America—Long term capital loans, Dec. 31, 1966—Continued

Country and obligor	U.S. products and services financed	Outstanding balance	Undisbursed balance	Loan No.	Authorized date
MEXICO—continued					
Nacional Financiera, S.A.	1 steel mill equipment—Altos Hornos	8, 520, 000. 00		887	Feb. 7, 1957
Do	1 rehabilitation national railways	6, 994, 100. 00		975	Jan. 9, 1958
Minus advances by participants:		6, 994, 100. 00			
Net EIB		890, 445. 00		1001	Apr. 3, 1958
Ingenio el Potrero, S.A.	2 expansion of sugar mill	890, 445. 00			
Minus advances by participants:		1, 249, 885. 00		1014	June 5, 1958
Net EIB		673, 995. 20		1024	July 28, 1958
Nacional Financiera, S.A.	Purchase of sulfur plant	466, 672. 00		1083	July 9, 1959
Do	1 rehabiliation national railways	8, 956, 851. 49		1100	Sept. 17, 1959
Cia Indl. Electrica Mexicana	2 expand power facilities	2, 958, 534. 03		1156	Apr. 29, 1960
Nacional Financiera, S.A.	1 rehabilitation national railways	2, 624, 242. 36		1157	Apr. 29, 1960
Do	1 dredging equipment	13, 191, 587. 00		1206	July 14, 1960
Do	1 freight car components	2, 666, 660. 00		1374	Dec. 16, 1960
Do	1 power projects	7, 357, 680. 46		1423	Jan. 12, 1961
Tubacero S.A.	4 expansion of pipe mill facilities	3, 959, 439. 00		1592	May 24, 1961
Nacional Financiera, S.A.	1 railway rehabilitation program				
Aluminio S.A. de C.V.	4 equip. to construct. alum. smelt				
Minus advances by participants		3, 959, 439. 00			
Net EIB		10, 433, 506. 21		2018	May 17, 1962
Nacional Financiera, S.A.	1 national railways program				
Minus advances by participants		10, 433, 506. 21			
Net EIB				2094	Apr. 18, 1963
Cia. General de Aceptaciones, S.A.	Subject to allocations	16, 242, 889. 28	7, 110. 72	2099	May 20, 1963
Nacional Financiera, S.A.	1 expansion of steel prod. plant	6, 000, 000. 00		2100	May 27, 1963
Industria del Alcali, S.A.	3 facilities, prod. salt and soda	1, 292, 369. 88	457, 630. 12	2126	Oct. 18, 1963
Nacional Financiera, S.A.	1 equip. for nuclear powerplant	1, 511, 399. 61		2128	Oct. 30, 1963
Do	1 road construction equipment	2, 905, 386. 00		2130	Nov. 7, 1963
Fabricas Auto-Mex., S.A.	Auto engine mfg. facilities	1, 312, 484. 55		2143	Jan. 9, 1964
Cementos Hidalgo S.C.L.	2 modernize cement mfg. facility	723, 694. 67		2144	Jan. 22, 1964
Nacional Financiera, S.A.	1 equipment for education progr	3, 500, 000. 00		2145	Jan. 30, 1964
Spicer-Perfect Circle, S.A.	Equip. for increase auto prod	1, 559, 536. 24		2146	Feb. 7, 1964
Ingenio el Potrero	Equip. expand sugar mill				

Aeronaves de Mexico	2 jet aircraft	3, 510, 809. 13		2154	Mar. 5, 1964
Minus advances by participants		1, 519, 727. 62			
Minus guaranteed participations		1, 991, 081. 51			
Net EIB					
Quimica Retzloff Inter-Americana	Construction of chemical plant	300, 000. 00		2159	Mar. 26, 1964
Cementos Sinaloa, S.A	4 cement plant	1, 303, 120. 00		2160	Apr. 2, 1964
Ing, Zapoapita, S.A	4 expansion of sugar mill	1, 154, 653. 50	1, 426. 50	2162	Apr. 23, 1964
Nac. Financiera, S.A	1 Rehabilitation, railways	21, 881, 477. 37	1, 518, 522. 63	2163	Do.
Productora de Papel, SA	4 Equip. for bagasse pulp mill	1, 757, 712. 18	398, 537. 82	2174	June 11, 1964
Vehiculos Automotores Mexicanos	Facilities, mfg. auto engines	3, 116, 796. 04	573, 203. 96	2178	June 25, 1964
Cia. Fundidora de Monterrey	Expansion steel mill	13, 734, 451. 56	14, 265, 548. 44	2193	Aug. 13, 1964
Nac. Financiera, S.A	1 La Anistad dam, hydroelectric	6, 805, 760. 67	16, 944, 239. 33	2198	Aug. 27, 1964
Cia. Azucarera los Mocais	4 expansion of sugar mill	4, 595, 141. 80	376, 158. 20	2204	Sept. 10, 1964
Eaton Manufacturera, S.A	Facility manuf. automotive parts	1, 250, 000. 00		2243	Apr. 29, 1965
Nacional Financiera, S. A	1 rehabilitation—National railways	9, 722, 615. 68	3, 277, 384. 32	2256	June 28, 1965
Alumex, S.A	Facilities to prod. alum sheet	1, 738, 033. 47	61, 966. 53	2262	July 22, 1965
Oplex, S.A	4 Expand Plant—Prod. plasticized goods			2296	Feb. 10, 1966
Cia. Minera Autlan, S.A	4 mining and process. manganese ore		5, 000, 000. 00	2297	Do.
Petroleos Mexicanos	Plant for mfg. lubricants and wax	1, 016, 091. 91	20, 173, 908. 09	2298	Feb. 21, 1966
Fabricas—Auto—Mex., S.A	Expand auto prod. facilities		6, 800, 000. 00	2314	May 18, 1966
Nacional Financiera, S.A	1 Telecommunications		1, 750, 000. 00	2315	Do.
Productos Corning De Mexico	Television bulb mfg	764, 000. 00		2343	July 7, 1966
Nacional Financiera, S.A	1 Rehabilitation—Nat. railways		10, 000, 000. 00	2355	Sept. 1, 1966
Hules Mexicanos, S.A	4 Synthetic rubber mfg plant		1, 275, 000. 00	2364	Sept. 22, 1966
Aeronaves De Mexico, S.A	1 One-flight simulator		2, 146, 800. 00	2370	Oct. 6, 1966
Do	1 Jet aircraft	14, 075, 636. 00	42, 424, 364. 00	2371	Do.
Minus advances by participants		2, 815, 127. 20	8, 484, 872. 80		
Net EIB		11, 260, 508. 80	33, 939, 491. 20		
Nacional Financiera, S.A	1 Navigation equip. for airports		3, 000, 000. 00	2376	Nov. 4, 1966
Do	1 Dredging equipment		1, 800, 000. 00	2379	Nov. 9, 1966
Minus advances by participants			180, 000. 00		
Net EIB			1, 620, 000. 00		
Country total		234, 064, 470. 36	123, 586, 927. 86		
NICARAGUA					
Republic of Nicaragua	Const. of Inter-American highway	954, 408. 58	253, 919. 62	870	Dec. 12, 1956
Empresa Nac. De Luz y Fuerza	1 Expansion of power system	188, 428. 58		1074	Apr. 2, 1959
Banco Nacional De Nicaragua	Agricultural investments	800, 000. 00		1099	Sept. 3, 1959
Republic of Nicaragua	Highway construction	799, 700. 52		1615	June 8, 1961
Instituto Nac. Comercio—(INCEI)	1 Equip. and services—Grain storage		1, 227, 812. 50	2136	Dec. 5, 1963
Republic of Nicaragua	Highway maintenance and constr	1, 720, 585. 07	1, 129, 414. 93	2269	Aug. 19, 1965
Country total		4, 463, 122. 75	2, 611, 147. 05		

Latin America—Long term capital loans, Dec. 31, 1966—Continued

Country and obligor	U.S. products and services financed	Outstanding balance	Undisbursed balance	Loan No.	Authorized date
PANAMA					
Republic of Panama	Const. of Inter-Amer. highway	9,834,229.79		924	June 14, 1957
Do	Refuse collection equip	77,549.71		1963	Jan. 11, 1962
Do	Highway equipment	417,711.38		2013	Apr. 26, 1962
CIA. Panamena Fuerza y Luz	Expand facilities of utilities	7,350,000.00		2138	Dec. 24, 1963
Republic of Panama	Interamerican highway	850,000.00	2,650,000.00	2192	Aug. 6, 1964
Country total		18,529,490.88	2,650,000.00		
PARAGUAY					
Republic of Paraguay (total)	1 Ascuncion water supply system	6,954,782.45		570	Sept. 2, 1954
PERU					
Cerro De Pasco Corp	4 Zinc refinery and power equipment	962,500.00		483	Aug. 3, 1950
Southern Peru Copper Corp	Copper mining and refining equip	9,816,665.78		547	Nov. 4, 1954
Marcona Mining Co	Iron ore beneficiation plant	4,200,000.00		963	Nov. 14, 1957
Banco Industrial Del Peru	1 mach. equip. constr. mtls. and services	161,520.00		1177	Jun 9, 1960
Republic of Peru	Equip. for highway construction	5,173,987.47	826,012.29	1221	July 21, 1960
Marcona Mining Co	Const. of iron ore plant	3,900,000.00		1509	Mar. 23, 1961
Peruvian Corp., Ltd	1 diesel loco. and spare parts	1,125,000.00		1695	July 27, 1961
Ind. Quimicas Basicas	2 equip. to produce fertilizer, etc	140,000.00		1807	Sept. 28, 1961
Republic of Peru	Water and sewer facilities	5,351,303.73	1,148,696.27	1971	Feb. 1, 1962
Marcona Mining Co	Expansion iron ore facilities	2,400,000.00		1973	Feb. 12, 1962
Metalurgica Peruana	Metallurgical plant	1,420,000.00		2012	Apr. 26, 1962
Marcona Mining Co	Expansion iron ore facilities	500,000.00		2082	Feb. 21, 1963
Peruvian Corp	1 diesel locomotives and parts	2,894,627.00		2083	Mar. 7, 1963
Corp. Peruana Del Santa	1 hydroelectric plant	4,399,859.30	300,140.70	2109	June 27, 1963
Republic of Peru	Road construction equip	1,733,383.91	16,616.09	2119	Sept. 12, 1963
Do	Cargo and port handling equip	1,033,505.35	278,994.65	2121	Sept. 26, 1963
Do	Livestock etc., agric. program	1,527,984.54	2,015.46	2153	Mar. 5, 1964
Do	Pomacocha-Tarapoto Highway	8,856,021.81	14,143,978.19	2155	Mar. 10, 1964
Marcona Mining Corp	Expansion, iron ore facilities	13,800,000.00		2208	Oct. 8, 1964
Minus advances by participants		768,363.02			
Net EIB		13,031,636.98			
Republic of Peru	Road equipment, for use of copoop		1,000,000.00	2271	Sept. 23, 1965
Do	Vehicles and communication equip	1,274,864.02	725,135.98	2312	May 9, 1966
Corp. Peruana Aeropuertos	1 construction and improve., airport		5,700,000.00	2380	Nov. 17, 1966
Country total		69,902,859.89	24,141,589.63		

TRINIDAD AND TOBAGO					
Govt. of Trinidad and Tobago	Sewage system	6,428,570.00		1866	Oct. 25, 1961
Do	Equipment and services, telephone system	3,773,030.00		2135	Dec. 5, 1963
Do	Expand telephone system	1,498,914.93	2,501,085.07	2284	Dec. 2, 1965
Country total		11,700,514.93	2,501,085.07		
URUGUAY					
Republic of Uruguay	Hydroelectric development			331	Apr. 22, 1942
Do	Water supply	1,529,526.99	192,348.01	1763	Aug. 31, 1961
St. Hermanos, Uruguay	2 coffee mfg. plants	22,561.24		1992	Mar. 22, 1962
Banco Republic Oriental	Unallotted-assist industrial firms	800,000.00	4,200,000.00	2067	Nov. 29, 1962
Country total		2,352,088.23	4,392,348.01		
VENEZUELA					
Hotel Tamanaco, C. A	3 goods and services for hotel co	667,319.30		365-A	Apr. 2, 1948
C. A. La Electricidad de Caracas	Expand power distr. facilities	10,589,000.00	2,695,000.00	1085	July 16, 1959
Minus, advances by participants		10,589,000.00	2,695,000.00		
Net EIB		10,589,000.00	2,695,000.00		
Ind. Integradas S. A. (INSA)	2 equip.—Plant mfg. consumer goods	1,197,101.74		1431	Jan. 19, 1961
Republic of Venezuela	Unallotted appropriate to purpose		7,500,000.00	1620	June 9, 1961
Corp. Venezolana de Fomento	Equip.—private enterprises	1,431,495.39	6,068,504.61	1620-A	Aug. 24, 1961
Banco Agricola y —Pecuario	Finance agric. equip.—Farmers	1,000,000.00	1,500,000.00	1620-B	June 28, 1962
Republic of Venezuela	Water supply system	6,374,238.13		1620-C	July 26, 1962
Tablopan De Venezuela	2 construction of Bagasse plant	906,250.00		1626	June 15, 1961
Cia. Venezolana De Pulpa y Papel	2 pulp bleaching plant	164,501.36		2095	Apr. 18, 1963
Republic of Venezuela	Highway suspension bridge	18,281,485.28	368,514.72	2111	Aug. 23, 1963
Corp. Venezolana De Guayana	1 modernize steel mill facilities	829,923.83	8,170,076.17	2142	Jan. 6, 1964
Papeles Venezolanos, C.A	Expansion of paper mfg. facilities	2,156,862.70		2168	May 7, 1964
Alumino del Caroni, S.A	2 plant for fabricating aluminum	2,131,734.01	10,368,265.99	2251	June 10, 1965
Aerovias Venezolanas, S.A	4 jet aircraft		6,443,965.00	2345	July 14, 1966
Minus advances by participants			644,397.00		
Net EIB			5,799,568.00		
Siderurgica Venezolana, S.A	Expansion of steel facilities		2,000,000.00	2369	Oct. 6, 1966
C. A. Venezolana de Desarrollo	0 various; subj to allocations		1,000,000.00	2397	Dec. 29, 1966
Country total		45,729,911.74	45,469,929.49		
Total, all areas		1,057,568,762.72	402,604,453.43		

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Mr. PASSMAN. What percentage of your business by years in the last 5 years has been with Latin American countries?

Mr. LINDER. I would have to guess.

Mr. PASSMAN. You can supply that information for the record.

Mr. LINDER. I would be glad to.

(The information follows:)

Authorizations in Latin America as percent of total authorizations

Fiscal year:	*Percent*
1962	25.3
1963	26.3
1964	34.0
1965	35.2
1966	31.4
1967 (6 months)	21.2

HIGHWAY LOANS TO BOLIVIA

Mr. PASSMAN. Would you furnish for the record a brief summary of the Bank's experience on road construction loans to Bolivia, including, one, the date the loans were made, and amounts disbursed; two, a history of delinquencies or defaults along with any refinancing.

Mr. LINDER. Certainly, that is exactly what I was referring to a few moments ago.

(The information follows:)

BOLIVIAN ROAD CONSTRUCTION LOANS

The Bank has extended four credits to the Corporation Boliviana de Fomento, all guaranteed by the Government of Bolivia. The first of these credits was authorized to finance petroleum development and the other three credits were authorized to finance highway construction. The status of these credits as of December 31, 1966, was as follows:

Credit No.	Date of authorization	Amount authorized	Disbursements	Repayments
314	Mar. 6, 1942	$10,320,000	$10,320,000	$1,369,412
315	do	8,500,000	8,500,000	4,028,900
467	Oct. 28, 1949	18,400,000	18,400,000	2,464,713
645	Mar. 31, 1955	4,700,000	4,700,000	138,236
Total		41,920,000	41,920,000	8,001,261

Payments were last received under Credits 314, 315, and 467 in July 1959 and under Credit 645 in June 1958. In 1966, however, the Government of Bolivia entered into discussions with the Bank about resuming payments. As a result, it was agreed that the principal balances outstanding under these four credits would be consolidated into a new payment schedule calling for repayment of the principal in 43 semiannual installments beginning April 1, 1967.

LOANS AND PARTICIPATIONS SOLD ABROAD

Mr. PASSMAN. Would you furnish for the record the amounts of Export-Import Bank loans sold abroad during the past 5 years?

Mr. LINDER. Yes, sir.

(The information follows:)

Foreign purchasers of participations in Eximbank Loans

July 1, 1961, through Dec. 31, 1966

Country of purchase	*Amount sold (in thousands)*
Fiscal 1962: Switzerland	$1,021.9
Fiscal 1963:	
Austria	9,189.1
Belgium	6,817.2
Bermuda	250.0
Canada	4,479.2
Finland	2,000.0
France	10,870.5
Germany	6,825.0
Israel	9,951.2
Italy	3,059.1
Luxembourg	9,754.8
Norway	7,000.0
Sweden	250.0
Switzerland	7,271.7
United Kingdom	14,403.6
Uruguay	200.0
Subtotal	92,321.4
Fiscal 1964:	
Canada	1,500.0
Israel	2,285.0
Italy	56,179.7
Luxembourg	500.0
Sweden	100.0
Fiscal 1964—Continued	
United Kingdom	1,837.0
Subtotal	62,401.7
Fiscal 1965:	
Israel	4,000.0
Italy	29,326.0
Switzerland	30,571.6
Subtotal	63,897.6
Fiscal 1966:	
Israel	3,000.0
Italy	23,780.1
Mexico	16.4
Switzerland	17,463.1
Subtotal	44,259.6
Fiscal 1967 (6 mos.):	
Italy	149,126.1
Germany	250,000.0
New Zealand	25,000.0
Subtotal	424,126.1
Grand total	688,028.3

Mr. PASSMAN. Could you tell the committee at this time——

Mr. LINDER. Our participations in loans, I assume you mean?

Mr. PASSMAN. That is right. How about during the last complete fiscal year?

Mr. LINDER. Yes, surely.

Mr. PASSMAN. Do you have that information now?

Mr. LINDER. During the past fiscal year?

Mr. PASSMAN. The last complete year that you have.

Mr. LINDER. I do not know that I have it readily available in fiscal 1966. I would doubt there was very much in 1966. I would guess not more than $20 million during the last fiscal year.

Mr. PASSMAN. What percentage and what would be the dollar amount of participation certificates held by foreign corporations, foreign countries or foreign individuals?

Mr. LINDER. You mean the amount of Eximbank obligations, our participation certificates.

Mr. PASSMAN. That is right, held by foreign buyers.

Participation certificates, Dec. 31, 1966

[Millions of dollars]

Participation certificates payable	$1,408.7
Amount held abroad	276.3
As percent of total amount payable	19.6

PARTICIPATION CERTIFICATE MATURITIES

Mr. PASSMAN. They have to hold them to maturity date. You have no special arrangement with them, do you?

Mr. LINDER. Some of them we may sell on various kinds of arrangements.

Mr. PASSMAN. If it is 10 years, they could not use that as a demand payment instrument?

Mr. LINDER. No, we could never make it a demand payment instrument. But we might do as we have done on some of our domestic sales, whereupon 1 month's notice after 2 years you may come to us and ask for your money, even though it is a 10-year obligation. Or we may say that you may come to us at the end of 5 years, but you cannot come to us before.

Mr. PASSMAN. That is the point I was making. If you have a lot of your money out on demand notes and circumstances should change and they decided we were going to devalue the dollar and they wanted gold, you could get into trouble.

That is the only reason I am asking the question. If it is a 10-year maturity date that is it, you do not get paid before that time if the instrument calls for a 10-year payment.

Mr. LINDER. Whatever it is, we will tell you.

(The information follows:)

Participations certificates held abroad as of Dec. 31, 1966

[Millions of dollars]

Final due date	Next "put" date	Outstanding balance held abroad
May 1, 1970	May 1, 1967	$2.0
Mar. 15, 1973	Sept. 15, 1967	2.8
May 31, 1971	None	21.5
Dec. 21, 1973	July 31, 1968	75.0
Dec. 21, 1973	July 31, 1969	75.0
Dec. 21, 1973	July 31, 1970	100.0
		276.3

PROVISO PERMITTING THE FINANCING OF EXPORTS TO COMMUNIST COUNTRIES

Mr. PASSMAN. I note that the Budget proposes to eliminate the proviso which prohibits the extension of credit to Communist countries, is that correct?

Mr. LINDER. I do not think there is such a prohibition, sir. I think there is a requirement that the President must determine it is in the national interest before we can extend any credit to a country which we call Communist.

Mr. PASSMAN. But you are proposing or the Budget is proposing, with your concurrence, that even the Presidential determination proviso be stricken?

Mr. LINDER. Yes, the Budget has proposed that and I do not want to disagree with the Bureau of the Budget, but it seems to me that it would not be inappropriate for the present situation to remain as it is. That is to say, to have the President continue to make the determination.

Mr. PASSMAN. That is certainly a fair statement on your part. Each of these is determined on its own merits?

Mr. LINDER. That is correct. The President makes the determination.

Mr. PASSMAN. A separate determination?

Mr. LINDER. He has made many separate ones, and he has made some general ones.

Mr. PASSMAN. What do you call a general determination?

STEPS TAKEN BEFORE FINAL APPROVAL OF EXPORTS

Mr. LINDER. He made a determination fairly recently that it is in the national interest for the Bank to assist exports of peaceful goods in general to several countries for which he had previously determined that we could assist exports of agricultural products only. We then notify the Congress immediately when the Bank acts under such a Presidential determination.

Mr. SHRIVER. Whom do you notify?

Mr. LINDER. Which committees? We notify the President of the Senate and the Speaker of the House, and we send copies of the letter to the staffs of the Senate Banking and Currency Committee and the House Appropriations Committee.

Mr. SHRIVER. Is that what you mean by notifying the Congress, just a few in the Congress?

Mr. LINDER. Yes, sir. The letter also appears in the Congressional Record.

Mr. PASSMAN. You notify the Speaker and the President Pro Tem of the Senate.

Mr. CONTE. Don't you notify the chairman of this committee?

Mr. PASSMAN. No, I do not remember getting any notification.

Mr. LINDER. It may well be that your very able staff notifies each member of the committee.

Mr. SHRIVER. No.

Mr. PASSMAN. Mr. Linder——

Mr. LINDER. I assure you, sir, we have adhered to the law, whatever it is.

Mr. PASSMAN. As to this general determination, did I understand you to say that if this is 10 countries that you are selling agricultural commodities to and the President included them for other commodities that you need no further determination, you just block them all in and start financing.

Mr. LINDER. In some determinations the President has included a number of countries. There were not 10 but four or five.

Mr. PASSMAN. Four, two, three or even six countries?

Mr. LINDER. That is correct.

Mr. PASSMAN. It really is a general determination?

Mr. LINDER. In respect of some of those countries, yes. He did make a general determination in favor of medium-term credits, but not long-term credits.

MEDIUM-TERM CREDITS

Mr. PASSMAN. What is medium-term credit?

Mr. LINDER. Medium-term credits, as we use the term, have an approximate terminal maturity of 5 or 6 or 7 years, not longer than that, after the plant has been erected.

EFFECTS OF CONGRESSIONAL LIMITATION

Mr. PASSMAN. If the presidential determination is deleted, what effect would this have on your operation?

Mr. LINDER. I do not know that it would have any effect, sir, as compared to the present situation, because the President has in the past made the determination when there was a consensus in the executive branch of Government that it was a desirable piece of business.

Mr. PASSMAN. Suppose it was deleted, what effect would it have on your operation?

Mr. LINDER. You mean we would have to ask the permission of the Congress each time?

Mr. PASSMAN. Yes.

Mr. LINDER. It would make operations very, very difficult.

Mr. PASSMAN. In what way?

Mr. LINDER. Just mechanically.

I think we would have to go to you and say, do you approve of our selling $100,000 worth of nuts and bolts to Czechoslovakia. I do not know which committee we would go to. I do not think that we could get a law passed each time. I think that administratively it would be extremely difficult.

Mr. PASSMAN. What if we stopped it altogether?

Mr. LINDER. Mr. Chairman, it would not be in the national interest to stop it altogether.

Mr. PASSMAN. Some people do happen to think so. I share their convictions.

Mr. LINDER. I respect your opinion, sir, but I do not agree with it.

Mr. PASSMAN. Well, not now.

COMMUNIST COUNTRIES DECLARED ELIGIBLE FOR EXPORT FINANCING

Mr. CONTE. Mr. Chairman, I am wondering, so we can have a complete record, could we show which countries the President has determined that it would be in the national interest to give them a loan or guarantee or whatever it is.

Mr. LINDER. He has limited our participation in financing exports to the Soviet Union to agricultural products only.

Mr. PASSMAN. We can sell the Soviet Union agricultural products and finance them?

Mr. LINDER. Yes.

(Discussion off the record.)

Mr. LINDER. It was in February 1964 that the determination for the Soviet Union was actually made by the President. In June 1964 he authorized our participation in financing exports of all products and services to Rumania. For many years we have not, as you know, regarded Yugoslavia in the same category as the other Eastern countries. In October 1966 the President declared Bulgaria, Czechoslovakia, Hungary, and Poland as eligible for all products and services.

Mr. PASSMAN. Do you have any receivables for any of those countries?

Mr. LINDER. Yes, we do. We certainly had receivables on Yugoslavia. We now have receivables on Rumania.

Mr. PASSMAN. I am talking about prior to this presidential determination, how many countries actually owed us money from previous loans?

Mr. LINDER. We had loans receivable from Poland and Yugoslavia. As far as I know those are the only two.

Mr. PASSMAN. Are any of the installments on the loans delinquent?

Mr. LINDER. No.

Mr. PASSMAN. Do you have any applications pending at this time from these Communist countries?

Mr. LINDER. We have a normal small amount of business. It amounts to transactions of $100,000 here and $100,000 there to Yugoslavia. We have had talks with Rumania, or they talked with us, about financing a glass plant; we have heard more than rumors, but not a direct approach, from Czechoslovakia with respect to Boeing and Douglas planes. We have heard that Bulgaria may want to buy some soybean meal, but they have not come to us. We have had specific orders from Hungary within the last few months for soybeans and for cotton. I think that covers the waterfront.

Mr. PASSMAN. I think we sell cotton with a 6½-cent pound subsidy to meet the world market price.

Mr. LINDER. You would have to discuss that with Agriculture.

Mr. PASSMAN. I thought maybe you had all the answers. We do have certain witnesses that appear before this committee that have answers to all questions.

Mr. LINDER. I have enough to do to answer my own.

Mr. PASSMAN. Have you observed any substantial increase in requests for loans since the Presidential statement?

Mr. LINDER. Not a great deal. We hear a lot of rumors but we do not see a great deal of tangible business.

Mr. PASSMAN. We are not soliciting business, are we?

Mr. LINDER. I am not, certainly. I do not think anybody is soliciting. Such trade as we do, as you know, is screened first by the Export Control of the Department of Commerce. We cannot finance any export that they do not approve of. We think the sales help U.S. business and help our balance of payments.

These countries have never defaulted. If we do not do the business, I am perfectly convinced our European friends are going to do the business. We have seen hundreds of millions of dollars of business done by Canada on agricultural products. We might have had this business.

As I say, the Eastern countries are going to buy. The business is not going to be enormous. I think there is, generally speaking, an expectation that it is going to be larger than in fact it will turn out to be. But if you want to do business, you have got to extend credit; not because the buyers are poor, but because even the very rich want credit. If you want to do business in Germany or France or Japan—we do business in Japan every day—you must recognize that these countries want credit just as badly as the Czechs will want credit.

Mr. PASSMAN. Are any of them giving us long-term credit?

Mr. LINDER. I do not doubt at all, sir, that when American distributors of Japanese products buy they get credit from the Japanese.

Mr. PASSMAN. I am talking about Government-to-Government loans. None of them are giving us long-term loans.

Mr. LINDER. I didn't mean to imply that they were.

Mr. PASSMAN. I didn't say you did. I asked you the question.

Mr. LINDER. I do not know of any.

Mr. PASSMAN. You do not know of any loans made by other countries to us?

Mr. LINDER. No Eastern country, certainly.

Mr. PASSMAN. Certainly we are not borrowing money. We are borrowing indirectly, as you know.

Mr. LINDER. From Germany?

Mr. PASSMAN. We borrow from a lot of them, too. We are going through the IMF.

TRADE WITH COMMUNIST NATIONS

Mr. Linder, isn't it true, and regardless of how I may feel and a lot of other individuals feel, that commerce is flowing quite freely between all Communist nations and non-Communist nations with the exception of North Korea, North Vietnam, Red China, and Cuba; do you know of any other exception?

Mr. LINDER. I think there is some restriction on East Germany.

Mr. PASSMAN. East Germany, yes. That is five.

Mr. LINDER. Albania.

Mr. PASSMAN. That is six.

Mr. LINDER. That is correct, and Communist China. I do not recall whether you mentioned that.

Mr. PASSMAN. Some of the so-called free nations are doing business with Red China every day.

Mr. LINDER. That is right.

Mr. PASSMAN. Even the United States and Russia are buying and selling from each other every day, every week, every month, and every year, and that has been true ever since the end of World War II, has it not?

Mr. LINDER. I think that is true.

Mr. PASSMAN. That is also true of a lot of these other Communist nations. We buy and we sell.

COMMUNIST EXPORTS TO THE E.E.C.

Mr. LINDER. A very small amount. I have a little news article which appeared in this morning's paper. Dateline March 18, Brussels, which is the head of the European Community, as you know. They figure that the European Community imported goods worth $1.48 billion from the Communist countries in 1965. In 1958 they only imported about $700 million. So the trade has doubled in that 7 years. Their exports to the six were $700 million in 1958 and just about $1.5 billion in 1965. I would guess that our own trade with the East does not amount to more than 10 percent of that.

Mr. PASSMAN. I do not know the amounts, but I think with the exception of those six nations that we are buying from all the other nations of the world and selling to them.

Mr. LINDER. Yes, but very, very little.

U.S. IMPORTS FROM THE U.S.S.R.

Mr. PASSMAN. I think maybe our imports from Russia were close to $200 million last year.

Mr. LINDER. I doubt it, since in 1965 U.S. exports from all of Eastern Europe were only $138 million.

Mr. PASSMAN. And our exports to Russia last year?

Mr. LINDER. Again I don't have at hand figures for Russia alone, but in 1965 U.S. exports to all of Eastern Europe were just about the same as imports. I can probably get you the figures for trade with Russia.

Mr. PASSMAN. Would you mind putting complete information in the record?

Mr. MIDDLETON. Yes, sir.

(The information follows:)

U.S. TRADE WITH THE SOVIET UNION IN 1966

Exports: $42 million.
Imports: $49 million.

(Discussion off the record.)

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Mr. Linder, the limitation on your administrative expenses for fiscal 1968 is $4,190,000?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. That is an increase of $56,000 above the original limitation for fiscal year 1967 of $4,134,000.

Mr. LINDER. It is, sir.

Mr. PASSMAN. What is your percentage increase in your lending operation?

Mr. LINDER. I suppose that our lending operation is up about just the same. I think it is up about 2 percent.

Mr. PASSMAN. What is this percentage increase?

Mr. LINDER. This cannot be over 2 percent, either. It has—wait a minute, now.

Mr. PASSMAN. Put it in the record.

Mr. LINDER. It is only $87,000. It is about 2 percent.

FISCAL YEAR 1967 EXPENDITURES

Mr. PASSMAN. Do you have an estimate as to your 1967 administrative expense expenditures?

Mr. LINDER. Yes, sir; $4,103,000.

Mr. PASSMAN. So you are going to spend $30,000 less than the amount that we authorized originally last year.

Mr. LINDER. We are actually spending $159,000 less than the Congress allowed us last year. You will recall that the original limitation of $4,134,000 was increased in October.

PROPOSED INCREASE IN ENTERTAINMENT ALLOWANCE

Mr. PASSMAN. I note you are requesting a $5,000 increase in your entertainment allowance.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Each member of this committee speaks for himself. As far as I am concerned, it is a very moderate increase and I am going to vote to give it to you. I think you have a very marvelous record as far as your administrative expense is concerned. When you apply the percentage of the administrative to the total amount you earn, it again makes a very good record.

BANK PERSONNEL

On page 10 of your submission, I note your 1967 estimate of budgeted positions shows an increase of five over last year's presentation. Is that correct, sir?

Mr. LINDER. Yes, sir.

UNFILLED POSITIONS

Mr. PASSMAN. How many unfilled positions do you have?

Mr. LILLEY. Our head count of people actually on hand is 297 at present. We have a head count ceiling of 315. The budget figure is larger, but we are limited by the ceiling.

Mr. PASSMAN. So, you are 18 under.

Mr. LILLEY. That is correct.

Mr. PASSMAN. You are asking for an increase over fiscal year 1967 of 5. That would be on the head count or out of the authorization outstanding?

Mr. LILLEY. I assume it was over the budget figure for the prior year.

Mr. PASSMAN. Then, of course, you would have to fill about 23 positions.

Mr. LILLEY. At the moment, the limiting factor is the ceiling.

Mr. PASSMAN. I understand. You operate within a ceiling, but you want an increase of five for fiscal 1968 over the ceiling that you had for fiscal 1967.

Mr. LILLEY. Yes, sir.

Mr. PASSMAN. But you have 18 unfilled positions, have you not?

Mr. LILLEY. That is correct, sir.

Mr. PASSMAN. Why do you need an increase of five?

Mr. LINDER. We have a lot of people coming aboard, sir. We were up to a high of 299 in September. We now have firm commitments for six new employees, and we have a real likelihood of appointing as many as 15 additional people in the next 8 to 10 weeks, according to our personnel men. We have stepped up our recruiting efforts. While our business is up very little in 1968 from 1967, 1967 shows a large increase from 1966, something like 50 or 60 percent. Our personnel is up very slightly from 1966. We are running like the devil to keep even.

Mr. PASSMAN. Mr. Linder, are we dealing with need or dealing with the fact that you have not been able to hire qualified personnel?

RECRUITING PROBLEMS

Mr. LINDER. We are dealing with both. There is no question about the fact that both are involved. One is need, and the other is the fact that we have a particularly difficult time, as I think I have explained to you before, Mr. Chairman, or explained to the committee before,

because we are a bank. As you know, if a man feels he wants to be dedicated to his country, there are a number of things he can do in Government which he cannot do in private life, but you certainly can be a banker in private life at more profit than you can in the civil service. Therefore, it is very difficult for us to recruit the kind of people that we would like to recruit.

Mr. ROONEY. Jobs can be obtained in poverty work without any experience or background, and they have a better average grade in that outfit than yours, as set forth here on page 98. That may be interesting to you.

Mr. LINDER. It is interesting to me, but, unfortunately, we have a tradition, Mr. Rooney, and the tradition has always been one of economy. We have to get through the Bureau of the Budget, too. We find very few supergrades in the Bank, which we deplore, but there it is.

Mr. PASSMAN. Are you losing key personnel because you are not upgrading your positions?

Mr. LINDER. I do not think we are losing many key people.

Tom, you are more familiar with this than I am. I think that is a fair statement.

Mr. PASSMAN. Are you failing to attract the proper personnel?

Mr. LILLEY. This is the real problem.

Mr. PASSMAN. Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

You have, of course, asked some of the questions I had in mind, so I shall not prolong this unduly.

ADVISORY COMMITTEE

I notice in your justifications, the yellow booklet, the members of the advisory committee are listed, and then you mention another advisory committee. What is the function of the advisory committee on page b?

Mr. LINDER. They are general consultants. Our law requires that we shall have an advisory committee representative of banking, industry, commerce, labor, and agriculture, a representative group of people with whom the management of the Bank can confer at intervals. They know what we are doing in a general way and what our philosophy of operation is.

There is another statute which does not refer to the Bank, a statute which goes back to the time the World Bank was created, if I remember correctly, called a National Advisory Council on International Monetary and Financial Policies. That Council is headed by the Secretary of the Treasury and it includes him, the Secretary of State, the Secretary of Commerce, the Chairman of the Federal Reserve Board, and the Chairman ex officio of the Bank. Those five people are in the National Advisory Council.

Mr. SHRIVER. How do they fit into the picture?

Mr. LINDER. They fit into the picture this way: All of our direct loans go to the National Advisory Council staff for review. They see our memorandums, why we are making the loan, what the circumstances are, what the collateral is, what the security is, who the guarantors may be, and so on.

While our Board of Directors takes the ultimate responsibility for our loans, the National Advisory Council approves each one of our

transactions. In much the same way, the U.S. Executive Director of the World Bank or the Monetary Fund does not act in his capacity as the voter of U.S. stock in those institutions without having his decisions approved by the National Advisory Council.

Mr. SHRIVER. I note one of the members of the Advisory Council is Dr. James A. McCain, president of Kansas State University, a very fine administrator and educator. I know he is making a contribution.

Mr. LINDER. He is. One of the reasons we had him serve is that he has very close contact with agriculture, and his university does a great deal abroad. He has been on our advisory committee for a number of years. Our act calls for agriculture to be represented.

Mr. SHRIVER. Does the group meet regularly?

Mr. LINDER. They meet at the call of the chairman, either two or three times a year. When they meet, they meet for at least a day and sometimes a day and a half or 2 days in constant session. I also inform them from time to time by letter about various bank matters.

Mr. CONTE. This is a very distinguished group you have. I notice you have a Mr. Goldfinger.

Mr. LINDER. Yes, sir, representing labor.

NUMBER OF EMPLOYEES

Mr. SHRIVER. Are any of your employees stationed overseas?

Mr. LINDER. No, sir.

Mr. SHRIVER. I am trying to reconcile the statement on page 9 and the one on page 12. You have a personnel summary on page 12 which shows requested number of permanent positions, 328; and that is the same for each year, 1967 and 1968. Then on page 9 it shows 3,171 for 1968, 3,114 for 1967.

Mr. LINDER. That is dollars on page 9.

Mr. SHRIVER. So, you are not asking for any additional people?

Mr. LINDER. We actually estimate we will be up to 328 permanent positions, and I think that is substantially the number.

Mr. SIMPSON. We have the two reimbursable positions, making it 330.

TRADE WITH COMMUNIST COUNTRIES

Mr. SHRIVER. You were discussing with the chairman the matter of trading with the Communists, and you gave your viewpoint. Would the fact that some of these countries are supplying war equipment to North Vietnam make any difference in your view?

Mr. LINDER. I think, sir, if we took all the countries that are trading with North Vietnam, no matter how small their trade may be, out of our list of those people who were eligible to get credit in connection with business which they did with the United States, we would have very few customers.

Have you a list of the countries which trade with North Vietnam? A very large percentage of the countries of the world do business with Cuba, as you know.

Mr. SHRIVER. But we are fighting a war over there, and our boys are getting killed every day fighting the Communists.

Mr. LINDER. I could not agree with you more.

Mr. SHRIVER. I take it that it would not make any difference to your viewpoint as expressed a while ago.

Mr. LINDER. The North Vietnamese are going to buy from other Communist countries. It seems to me we ought to get our share of the business done by the West with those countries, that is all. We are not going to prevent shipments to North Vietnam by refusing to trade with Eastern Europe, nor are we going to increase the amount of such shipments if we do trade with them. We are not going to trade with them except on a quid pro quo basis.

Mr. SHRIVER. I am strictly referring to those Communist countries like Yugoslavia, Rumania, and Poland. You are not suggesting that the North Vietnamese and Vietcong are not using equipment made in those countries?

Mr. LINDER. I am not suggesting they are not using equipment made everyplace, but I do not know. All I am saying is that our trade with Poland, when we have something to sell, will not stimulate the sale of more things to North Vietnam by Poland, and our failure to trade will not prevent North Vietnam from being able to buy either from Poland or anybody else.

Sir, let me make myself clear. This is a position which I think should be argued and can be argued probably much more effectively and persuasively by representatives of the State Department and maybe representatives of the Commerce Department. All I am saying is that from our point of view as a bank we are interested in seeing how much we can do to improve the balance of payments of the United States, if we have a good credit risk. I can understand a different point of view, but I believe on balance it would be wise for us to continue to sell to Hungary unless the President made a determination that it was unwise to sell to Hungary.

Mr. PASSMAN. What would be our position if we sold to a Communist nation and subsequently we found the commodities they had purchased from us had been shipped to North Vietnam? Would we continue doing business with them, or would we cut off the credit then and there? I am talking about food or medicine or any type of American commodity that actually wound up in North Vietnam.

Mr. LINDER. All I am saying to you is that our biggest customer in this country is Canada. You know the amount of wheat that Canada has sold to Communist China. You know that Communist China has unquestionably provided food for North Vietnam.

Mr. PASSMAN. But if we should sell to one of these Communist countries in Europe and subsequently this commodity was unloaded in North Vietnam, would that in itself be sufficient reason for us to stop selling then and there?

Mr. LINDER. I believe that we have been able to avoid this problem. But as for merely trading with a country which in turn trades with, say, Red China, we would have to stop selling to Canada if we took the view, that this is not permissible.

Mr. PASSMAN. You have answered my question.

Mr. LINDER. And I do not believe we can afford to stop that.

Mr. SHRIVER. Of course, Canadian boys are not getting killed over there.

Mr. LINDER. I agree, sir, but I am saying this country cannot survive adequately without an export business, and practically all of our export business is going to countries which are selling material to the Communist bloc.

Mr. SHRIVER. I think I understand your viewpoint.

FIAT LOAN

Last fall when we had a bill before the Congress, there was quite a little discussion about an Export-Import loan to the Fiat Co. of Italy. What are the facts of that application?

Mr. LINDER. The facts are that our credit will be extended, I assume, unless we are prevented from doing it, to an organization called Istituto Mobiliare Italiano, which in turn will lend a certain amount of money to the Fiat Co. These amounts of money will be used to purchase machine tools in the United States to be used in connection with the construction of an automobile plant in Russia which the Fiat Co. has undertaken to build.

The President announced this. It could have been announced, I may say, as a loan to Italy, because we are not dealing with the Russians. We are dealing with the Italians. He stated quite frankly, and I think appropriately, and I state the same thing, that this is where eventually our money is really being used.

The Joint Chiefs of Staff have approved that loan. We believe—again, this is not the business of the Bank—but I think the administration as a whole believes it is in our interest to see an automobile industry created in Russia. We believe it will cause a diversion of some of their energies to the kinds of things we are interested in seeing them do, rather than the kinds of things they have been doing. In other words, more attention to civilian demands and less emphasis on military demands.

I do not remember the precise cost of the plant, but the several hundred million dollars in the Italian contract with the Russians will include some $50 million in purchase of American tools if we make the loan. All those tools will be approved for export by the Department of Commerce Export Control Office. The Italians will pay us in an appreciably shorter period of time, some 3 years less time, I believe, than the Russians, in turn, will pay the Italians. We are extending credit with a terminal date of 5 years after, I think, 1969; and the Russians are getting credits from the Italians for 8½ years after 1970 or 1971.

Mr. SHRIVER. Is that application pending now?

Mr. LINDER. We have not yet reviewed a formal application but we have discussed this with the Italians and indicated that, unless prohibited from doing so, we would look with favor upon such an application. The borrower is one of the largest financial institutions in Italy with whom we have done a great deal of business, and very satisfactory business. They have paid us off fully on a number of occasions, and have cleaned up their obligations. While I have been with the Bank, they have paid several hundred million dollars.

That is, I think, a full description of that application. We charge the Italians one-half of 1 percent commitment fee, and we will charge them 6 percent interest on the note, and they know that.

Mr. CONTE. That is a pretty good deal, financially.

Mr. LINDER. I think so, sir.

GUARANTEES

Mr. SHRIVER. On page 5 of your statement you say:

Future years should produce even more significant payments on exports under the Bank's continuing loan, guarantee, and insurance programs.

Reference is made to guarantees. What principal types of guarantees? Commodities? All kinds?

Mr. LINDER. Any kind, except they are generally only on what is known as medium-term credits.

Mr. SHRIVER. Five or six or seven years?

Mr. LINDER. Generally speaking, it is 5 years or fewer. These guarantees for the most part are done under a program under which an exporter like Allis-Chalmers Co., just to name a name, goes to the First National Bank of Chicago and says, "I want to sell to Pedro Lopez down in Cordoba in the Argentine. I have been doing business with Pedro for years. I have too much money in the Argentine and I cannot afford to finance any more. But he wants 4-year terms on agricultural implements, and he will pay 20 percent down, and he has always met his obligations. You talk to your correspondents in Buenos Aires and see what they say."

The First National Bank checks him and finds he is a reliable fellow. They say, "This is all right, but 4 years is a long time. We would be prepared to take the nearby maturities, but we will have to talk to the Export-Import Bank."

They get in touch with us and the deal we make is very simply this: If the buyer will put up 10 or 20 percent cash by delivery, and if the seller will take at his own risk without any guarantee from 10 percent to as much as 30 percent of the financed portion, the commercial bank might be prepared to finance the balance of the transaction under an Eximbank guarantee. Under this guarantee between 30 and 50 percent of the commercial risk is taken by the First National Bank of Chicago. We guarantee the bank against the later maturities on the commercial risk; that is, the other 50 to 70 percent, and all of the political risk. Political risk means war, insurrection, riot, or failure to transfer, by which I mean that the buyer pays pesos and the central bank will not make dollars available. But the First National Bank of Chicago agrees to hold that paper and carry it, and all Eximbank has done is to extend that bank our guarantee. We do not extend our guarantee automatically. We look at the transaction, obviously, through our own checking.

Very frequently Pedro will be guaranteed by a bank in Buenos Aires, which we know. We have very extensive credit files. That describes the guarantee program.

Mr. SHRIVER. That is a very good explanation. I know some of us have gone through this before, but I think it well to have this explanation for the record.

CREDIT SITUATION

You mention on page 6 the tight money situation of the last year. Has this eased?

Mr. LINDER. Yes, sir, it has somewhat, as evidenced by the fact that there was a point at which I think we would have had great difficulty borrowing money at 6 percent, last September or August. It has eased, but it has not eased to anything like what the money situation was, let us say, 2 years ago.

PROPOSED LEGISLATION TO INCREASE AUTHORIZATION

Mr. SHRIVER. In the request for legislation by Mr. Patman and Mrs. Sullivan, your request here does not include an increase in limitation based upon those bills.

Mr. LINDER. I am sorry, I do not quite follow you.

Mr. SHRIVER. You mentioned in your statement some bills that had been introduced on limitations.

Mr. LINDER. Yes, sir. We have two kinds of limitations. One is a global limitation in our basic statute. Our total amount of commitments at any time outstanding cannot exceed $9 billion calculated as provided in that act.

Mr. SHRIVER. I understand that.

Mr. LINDER. Another limitation is the one your committee puts on us, of the total amount we can authorize in any one year. We are asking you for a limitation not dissimilar to the one you have given us for 1967. But if you gave us that and we used it all, we would be over the global ceiling of $9 billion. That is why we should have the other legislation that you refer to.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. Mr. Chairman, I have no questions at this time. When I first sat down here shortly after 2 o'clock, I looked at page 95 of the committee print and found that in the fiscal year beginning in 1962, there has never been a 15-cent cut in this appropriation for the Export-Import Bank. Furthermore, that in the year 1962, there was an increase from the requested amount of $1,175 million to $1,300 million. So, for these reasons and for the fact that, as you must know, I have been acquainted for many years with the operations of the Bank by virtue of my service on the deficiencies subcommittee, I have no questions, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Rooney. You are just backing up what I have said. I am glad to have your support when we examine the Export-Import Bank. You have actually stated my position very well and just about seconded the motion I made at the end of my interrogation.

Mr. Conte?

Mr. CONTE. Again, it is a pleasure to welcome Mr. Linder and the members of the Bank here. As I have said in the past, and repeat today, the Bank and you as its president have an outstanding record of accomplishment of which we can all be proud. This is one of the few agencies that comes up before this committee or any committee of the Congress and shows a profit.

Mr. ROONEY. It has had a Republican at the head of it, too—Samuel Waugh. He was a good man.

Mr. LINDER. He was head of the Bank just before me.

LOSS RATIO

Mr. CONTE. Last year you pointed out that of $21 billion loaned or guaranteed by the Bank over a 30-year period, there is approximately $100 million which represents questionable outlays and assuming we lose all of that amount, the resulting loss ratio of the Bank would be

one-half of 1 percent. Is there any change in that projected loss ratio?

Mr. LINDER. No, I would say that the approximate figure I used last year would not be substantially changed. But I must emphasize that this is a very rough calculation.

RESERVE FOR LOSSES

Mr. CONTE. You now have approximately $1.1 billion set aside as a retained income reserve for contingencies and defaults. In light of the history of having a comparatively very small amount of default or potential failures totaling $100 million as of last year or 1 percent of the existing reserve at that time, do you feel that the size of the present reserve is an appropriate amount or should it perhaps be diminished?

Mr. LINDER. It so happens I dealt with that very question in a speech before the annual meeting of the Bankers' Association for Foreign Trade in Boca Raton last April 26. If I may I shall reply to your question by inserting that portion of my speech in the record:

"We also hear that Eximbank must be too conservative because it has earnings, pays dividends to the Treasury, and has accumulated a reserve of a billion dollars. It is of course an insufficient answer merely to quote our statute: "Net earnings of the Bank after reasonable provision for possible losses shall be used for payment of dividends on capital stock." The real issue is whether our present "provision for possible losses"—our accumulated reserves—has passed the "reasonable" level.

"Again, this is a matter of judgment. As the chairman of one of the congressional committees is fond of reminding me, we will never really know the adequacy of our reserves until the Bank is liquidated. But some figures may be helpful.

"As of this time the Bank has total commitments of over $6.5 billion—some $2.2 billion in so-called "C" and "D" markets, the high-risk countries. At least $20 million of our loans are in protracted default. There are others we could place in this category. In the last 5 years, we have had to refund $263 million of maturities to avoid further defaults.

"For example: in one country we are owed $275 million. Last year $38 million of principal on this country's loans came due. Of this, we were paid $24 million. We refunded the difference, calling for repayment over the next 7 years.

"In a second country we are owed $718 million. Last year $47 million of principal was due. We received $9 million and refunded $38 million.

"In a third country there is owned to us $192 million. Last year $24 million of principal came due. We were paid $6 million and refunded $18 million.

"Eximbank's share of the total official extended debt of these countries is also significant. In the first country, over 15 percent, in the second over 33 percent, and in the third over 23 percent of the total official external debt is owed to the Export-Import Bank—not to the U.S. Government as a whole, but to Eximbank alone.

"These are not figures which we can ignore. To add substantially to the debt burden of these three countries—or any country similarly situated—could well jeopardize that country's ability to service not

only new debt but its existing foreign obligations to others as well as ourselves.

"These few statistics, I think, clearly justify our present level of reserves—not a lower one. They represent less than 15 percent of our total commitments, and 37 percent of this exposure is in high-risk markets. As we expand our commitments—and we hope and expect to do so in the near future—we may need every dollar set aside for contingencies."

I should add that my conclusion last spring—that our reserves could not be said to be either excessive or inadequate—has since been reinforced by the substantial increase in our business which we only partially foresaw at that time. We now expect to have a rapid buildup of our exposure without a proportional increase in our reserves. Consequently any cushion in reserves we may have enjoyed in the past—and I don't concede that there has been such a cushion—will be substantially reduced or eliminated by increases in our exposure.

PERSONNEL NEEDS

Mr. CONTE. Do you still feel a need for increases in your staff and increased travel allowance and have you taken any steps in an attempt to acquire these increases?

Mr. LINDER. The answer to both your questions is "yes." As for personnel, between January and September of 1966 we added, net, 22 people to our staff as a result of an intensive recruiting campaign. In September, however, the Bureau of the Budget imposed a hiring freeze with which I'm sure you're familiar, and that took a lot of the steam out of our efforts. But we are now getting back on the track, with some encouragement from Budget, I'm happy to say, and we hope to be close to full strength of about 320 people by July. When we come closer to that point we will be in a better position to ask for authority to continue our personnel buildup if it still seems warranted.

As for travel expense, we estimate that in fiscal 1967 this will come to $55,000 or $60,000, which is comparable to what we have had in the last 3 years. Our plans to increase the amount of travel by key Bank employees during the current fiscal year have been curtailed by a combination of the personnel freeze I just mentioned, a record volume of direct loan applications, and a long period of uncertainty last summer with regard to the $600 million increase in our program activity limitation. We were reluctant to make trips which might result in even more applications for credits at a time when we were not at all certain we would have sufficient lending authority to cover the essential loan applications we already had in hand. Now that we have what I think is ample authority for this year, once we have our personnel up to the desired level we should be able to start getting people out on trips more frequently.

Mr. CONTE. In your prepared statement you point out that of $11.4 billion disbursed in loans, principal payments have amounted to some $6.9 billion and there were outstanding loans on the books as of December 31, 1967 of $3.8 billion. Could you account for the record for the remaining $700 million?

Mr. LINDER. I'm sorry, Mr. Conte, I should have accounted for that figure in my statement. The $700 million difference you refer to represents loans authorized and disbursed by the Bank but sold to others.

DISCOUNT LOANS

Mr. CONTE. You state that the need for your new Eximbank discount program arose from increasingly tight money conditions. Has the need for that program subsided with the easing of the money market and what role would that program play in an easy money market?

Mr. LINDER. Both the need for the discount facility and its use have declined with the easing of the money market. In a market in which money is more readily available I believe we will have far fewer applications for discount loans, and this has in fact been the case. But this does not mean the program as such no longer serves a purpose. The program's mere existence, we are convinced, will make it easier for the banks to decide to make export loans than might otherwise be the case because they will know they can come to us for a discount loan if the money market should tighten again.

COMMITMENT FEE

Mr. CONTE. With respect to your requiring a commitment fee of one-half of 1 percent on the undisbursed amount of direct loans what kind of yearly revenues do you project from this fee? If the cost of money to the Bank continues to decrease will you still feel this fee to be an appropriate charge?

Mr. LINDER. We are projecting commitment fee income of $4.1 million for fiscal 1967 and $7 million for fiscal 1968. As I indicated in my statement, the cost of money to the Bank was only one factor in our decision to institute such a fee, the other major consideration being that such a fee is generally charged by financial institutions, and specifically those involved in international lending. I might add that we also could not ignore the fact that for the first time we were having to keep a close watch on our commitments to make sure we did not exceed the statutory ceilings imposed on both our annual authorizations and our total commitments outstanding. The commitment fee helps us avoid making authorizations which will not in fact be of benefit to ourselves and the borrower.

In view of all these factors, I believe the commitment fee will continue to be appropriate even with a decrease in the cost of money to the Bank. But as you know, Mr. Conte, the Bank likes to maintain its flexibility and so I would not want to say that we will in all circumstances continue this charge.

JET AIRCRAFT

Mr. CONTE. You point out that you received unanticipated applications last year, in large measure for jet aircraft. Can you elaborate on this, off the record if it is necessary?

Mr. LINDER. There is no need to go off the record. It was these unanticipated applications, as well as the institution of the discount program, which caused us to ask the Congress last fall for the $600 million increase in our ceiling on authorizations for fiscal 1967. As my statement notes, and as my letter of October 11, 1966, to the chairman also pointed out, our estimate of authorizations in fiscal 1967 for jet aircraft alone rose from around $100 million to some $900

million. The increase was due principally to two causes. First, the volume of orders for aircraft exports rose substantially over what we foresaw. Second, the tight money market caused many borrowers whose needs would normally be met by commercial banks to come to Eximbank.

A good deal of the increase in aircraft applications was due to the unveiling of the so-called "jumbo jets," the Boeing 747, which will carry upwards of 400 or 500 passengers. There was not much talk about this plane a year ago, yet by midsummer foreign airlines were trying to reserve places in Boeing's order books. Naturally, they did not want to commit themselves to Boeing without knowing they could get financing. They came to Eximbank because, as I said, the commercial money markets were extremely tight at that time, and because even without tight money, the size of the orders for these planes, which cost $20 or $25 million apiece, is such that even the large commercial banks find it difficult to finance them. In addition, deliveries of the 747 will not begin until 1969 or 1970, which is a long leadtime for a commercial bank commitment.

But even the orders for the more standard jets—principally the Boeing 707's and 727's, and the Douglas DC–8's and DC–9's—are up over what we originally expected, as are the applications to Eximbank to finance them. Credits which in less stringent times have been offered by commercial banks to finance many of these sales simply were not available. This was also the case with a number of other direct loan applications, outside the aircraft field, which we had not anticipated but which ended up with us.

COMMUNIST COUNTRY ACTIVITY

Mr. CONTE. Would you set forth the Bank's transactions, if any, involving Communist countries during the last year? Are there any pending applications involving Communist countries?

Mr. LINDER. In fiscal 1966 the Bank authorized guarantees of $50 million for exports to Yugoslavia and $600,000 for exports to Rumania. In the first 8 months of fiscal 1967 we authorized guarantees of $16.7 million for agricultural exports to Hungary, $6.7 million for exports to Yugoslavia, and some $300,000 for exports to Bulgaria. At the present time we have very few actual applications in hand from U.S. exporters and these are in small amounts. As I believe I indicated earlier, we have had a few additional inquiries which might result in applications, but these are of course highly tentative.

ACTIVITIES WITH INDONESIA

Mr. CONTE. For my own edification, and this has nothing to do with the budget, I was in Indonesia this fall. I had been there in 1960 or 1961 and saw the fantastic thing that happened there, how Sukarno had run the country almost into bankruptcy. What a moving sight to see all these buildings stopped cold, halfway in construction. Now Suharto, Nasution, and the rest are trying to stabilize the country?

What are the plans of the Export-Import Bank with relation to Indonesia?

Mr. LINDER. We have more money than I would like to have in Indonesia. Our annual report makes clear we have not received any payments of interest or principal since the 1st of January.

I might say that ever since I have been in the Bank, we have never agreed to a refunding or rescheduling of any debts to any debtor country except when all other creditors have been willing to do the same thing, that is, the British, Germans, French, Japanese, and so forth. They have been with us. We have all agreed to extend the Indonesians a moratorium in order to give this new government a chance. Although this not not finally signed, sealed, and delivered, because I think we are still discussing the interest rate that will be charged on the loans that are postponed, the probabilities are that we will give them a moratorium for 2 or 3 years, and then hope to have them start repaying again.

We are also doing our utmost, to the extent we can, to get the Soviet Union, which is the other large creditor, to offer similar relief. The Indonesians owe about $2 billion externally, $1 billion of which goes to the West, using round figures, and $1 billion to the Russians. While we cannot negotiate with the Russians directly on this because they do not want to talk to us directly, we have every reason to believe that the Indonesians are trying very hard and some good reason to believe they will be successful in getting a satisfactory composition of their debt to the Russians.

If that can be done, we are reasonably hopeful that the Indonesians will work themselves out. In the past they have owed us a great deal more money than they presently owe us. Their loans are down from the peak. At one point they owed us at least $140 million. Their present debt to us is about $80.7 million, which is still no inconsiderable amount of money.

I really believe that this country is rich enough and has people enough to prosper. It is an empire extending over 3,000 miles, as you know, with great resources of oil, rubber, tin. It can, if it is willing to get its house in order, meet these obligations.

So, if you assume a decent political situation there, I think that in due course we will get our money.

Mr. CONTE. I was really pleased to see what was happening there. With the intentions of the new leaders they have there, and the Legislature that passed some favorable tax laws and investment laws for outside corporations to get back in there, the potential looks bright.

Mr. LINDER. Yes; it is.

Mr. CONTE. Thank you.

Mr. PASSMAN. I think this comment is in order. Did you see in the paper recently that it would appear that while they are negotiating for loans they want to go heavy on the military equipment side.

Mr. LINDER. The Indonesians?

Mr. PASSMAN. Yes.

Mr. LINDER. I do not follow what you mean, go heavier.

Mr. PASSMAN. They want to buy military equipment. That is one of the first things that they indicated they wanted a loan for. Our Government is trying to persuade them against that.

Mr. LINDER. I had not seen that. They had not approached us.

Mr. CONTE. When I was there, the leaders wanted uniforms for their military. They thought it was demoralizing to have an Army without uniforms. They were interested in some food and also some small parts to put some of the equipment back in business again that was lying for dormant.

Mr. PASSMAN. I am sure that is the way it will be.

This item was in the paper yesterday, stating we were already having to indicate to them that we could not support their request for substantial loans to buy additional military equipment. Mr. Cohelan.

Mr. COHELAN. Thank you, Mr. Chairman.

NUMBER OF EMPLOYEES

Mr. Linder, in the budget for the 1968 estimates your positions total 330. Then I notice that you have some temporary employment positions this year scheduled at 309. Can someone explain to me what the difference is? What do you use the temporary positions for?

Mr. LINDER. I think Mr. Lilley will have to take that question.

Mr. SIMPSON. I can answer on the 309. That is the average throughout the year for all employees, not temporary. We will have 330 at the end of the year and the 309 is because of the lapses during the year that part of the time will not be filled. That is your average.

Mr. COHELAN. It says positions other than permanent, temporary employment. My question is what is the function of the temporary?

Mr. SIMPSON. We use some summer help, and then there are trainees for future employment.

Mr. COHELAN. I see. On an average over the year you have somewhat more than 330 employees.

Mr. LINDER. No; we have more than the 309 employees.

Mr. COHELAN. But the sum of your personnel for the year—the permanent positions and whatever the average over the year for the temporary positions, isn't that right. That would add up to more than 330, would it not?

Mr. SIMPSON. 330 is our overall total. We might at one time during the year have more, although we never have had, but we could hope that if we did exceed this total that we would stay within our overall dollars. At the end of the year we have to be down to 330.

Mr. COHELAN. It has been level over the years.

Mr. SIMPSON. We have been trying to get the number up but we have not been able to.

AVERAGE TERM OF SERVICE

Mr. COHELAN. I would like to ask you a bit about your turnover. I have examined carefully here your grades and positions, and your supergrades. You have already, sir, commented on your problems. What is the average length of service of an employee?

Mr. LINDER. I cannot tell you. All I can tell you is that of our key employees—our really senior employees in the supergrades—I do not recall any single one who has left in six and a half years. I do not think there have been any more than two or three grade 13, 14, and 15's that have left. The turnover is not there. What the turnover is in the really more junior positions I could not say.

Mr. LILLEY. Mr. Chairman, I could comment on that. We have compared our typical accession and separation rates with other agencies in the Washington area. We are quite comparable.

Mr. COHELAN. What is the rate?

Mr. LILLEY. The average accessions rate for the Bank during 1966 was 2.3 percent. Average accessions for the Federal Government in the Washington area was 2.6 percent.

Mr. COHELAN. You are pretty much on a par.

Mr. LILLEY. That is right. Separations for the Bank were 2 percent and for the Federal Government in Washington were 2.1 percent.

Mr. LINDER. All you really mean is six people.

RECRUITING OF PERSONNEL

Mr. COHELAN. I notice everybody in the Bank is under civil service. When you go out to recruit some of your staff, where do you get them? Do you get them out of the civil service or do you acquire them from outside?

Mr. LINDER. We do both. Our personnel people are under certain obligations to go to the Civil Service Commission first to see if there are any available people who will meet our requirements. But we are also trying to recruit young people who come into the civil service. For example, we send people up to the Harvard Business School. We keep contacts in a variety of ways with some of the commercial banks and some of the investment bankers in the hope of attracting promising young people.

Our stenographic and clerical help I cannot comment on personally, but I know various devices are used. For example, I heard today they are running a campaign in Maine at the moment in the hope of attracting people. Those are clerical positions which are not key positions in the Bank. The thing that bothers me is the problem of recruiting what are in effect professional people, even though they may not hold law degrees or engineering degrees. Men who are competent lending officers, men who could be lending officers in commercial banks.

BANK LOAN OFFICERS

Mr. COHELAN. I notice you have six loan officers in the budget estimate here. Where do you get your loan officers?

Mr. LINDER. There are various grades of loan officers. You may call a man a loan officer who is just starting. He may have graduated from a good business school with a degree beyond his bachelor's degree. He may have advanced business training and then decide that he wants to go into this kind of work. He may be dubbed a loan officer but he may only be a GS–8 or 10 to start with.

Mr. COHELAN. I take it, then, you have a mix of on-the-job training and then you try to induce into the service competent people in international finance or international trade.

Mr. LINDER. That is right. We have economists, lending officers, engineers, and lawyers as professionals. Our lawyers again are more likely to be recruited from outside. But if a man has had 2 or 3 years, if he has gone to a good law school, good grades, he is good material for our legal department.

LOAN TERMS

Mr. COHELAN. I do not recall your mentioning this, but tell me is there any place that I can find the data on the maturity of loans as between short-term and long-term credits?

Mr. LINDER. Not in this presentation, but I can give it to you.

(The information follows:)

SHORT, MEDIUM, AND LONG TERM LOANS

Generally speaking, Eximbank considers short term loans to be those having a final maturity of 180 days or less, medium term loans to be those having a final matuity of from 181 days to five years, and long term loans to be those having a final maturity of over five years. However, the Bank sometimes treats loans of as long as one year as if they were short-term loans, and loans of as long as seven or eight years as if they were medium term loans.

Mr. COHELAN. What is your Bank requirement or what is your criteria for long-term credits over 5 years?

Mr. LINDER. In the first place, the life of the product is one of the criteria. For example, although we may think a jet aircraft will last 15 years, to be prudent we may say that it will be used over only 7, 8, 9 or 10 years. This is one criterion. Another criterion would be how quickly this particular piece of equipment can be amortized at the normal going rate. At what rate can it appropriately be depreciated? What sort of return is it going to earn for the borrower? We want to lend for as short a period of time as we can consistent with not doing something that is very unsound or participating in a transaction that is very unsound for the borrower. It is a bad banker who asks someone to repay in 3 years that which he should not repay in less than five. It is a foolish banker who gives 7 years when the borrower can perfectly well repay in five. We try to be sensible.

Mr. COHELAN. In terms of your present portfolio are you providing something for the record in terms of percent of long-term as opposed to short-term credits.

Mr. LINDER. Yes. Let me say this to you: Practically all of our short-term credits, by which I mean 180 days or less, are in the form of the insurance. Eximbank itself does not extend the credit. Practically all of our assistance on medium terms—up to 5 years—is the form of guarantees or insurance. We do not have this paper in our portfolio. The paper in our own portfolio generally has longer terms. The medium-term paper I described a few moments ago to Mr. Shriver is carried by the commercial bank with our guarantee on it. Our objective is to have this paper carried by private sources rather than by the Government, with the Government guaranteeing it rather than financing it.

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

Mr. COHELAN. Yes, Mr. Chairman.

CONTINGENT LIABILITIES

Mr. PASSMAN. Your securities that you sell the banks with a recourse, do you keep a running balance as to what that contingent liability may be?

Mr. LINDER. Surely.

Mr. PASSMAN. Would you put that in the record for us?

Mr. LINDER. Surely.

(The information follows:)

Contingent liabilities at Dec. 31, 1966

	Millions
Loans sold with recourse	$194.6
Medium-term guarantees	570.8
FCIA medium-term insurance	146.2
FCIA short-term insurance	538.9
Total contingent liabilities	1,450.5

SALES WITHOUT RECOURSE

Mr. PASSMAN. Also, if it is available, the amount that you have sold without recourse.

Mr. LINDER. Surely.

(The information follows:)

Sales of loans, nonrecourse

	Thousands
Fiscal year 1966	$39,508.5
Fiscal year 1967 (8 months)	0
Total	39,508.5

TYPES OF LOANS

Mr. COHELAN. Mr. Linder, in page 3, footnotes to page 2, you have an analysis of loan authorizations, equipment and services loans, export loans, commodity loans, discount loans, and emergency loans.

Mr. LINDER. Yes, sir.

Mr. COHELAN. There are two questions I have. Could you differentiate those categories for me and explain to me why there were no exporter loans in 1967 and 1968?

Mr. LINDER. I will answer the last question first. The reason is the very reason I referred to a moment ago, and that is that we are doing our utmost not to make medium-term loans directly. We are trying to make them through our guarantee process. Therefore, while a fairly large amount of exporter loans, which are medium-term loans, was normal for the Bank 5 years ago, it is not normal for the Bank today.

Commodity loans are what the word suggests. They are loans to finance commodity exports which we make because for one reason or another we could not get the banks to carry them, probably because there was not enough return for the commercial banks. Nevertheless, we wanted to sell the cotton. So we may, for example, have made a rather attractive deal for the Japanese to buy that cotton at an interest rate which did not attract the First National City Bank even with our guarantee. So we may have had that loan on our own books. The year before we might have gotten the First National City Bank to make the loan and we would have been the guarantor.

Our long-term loans I think you understand. They are made primarily either for expansion or origination of plants and other capital projects abroad, to the extent that American goods and services go into them. For instance a plant to manufacture paper products is set up in Spain, if you will, and it costs $10 million, of which $5 million

represents Spanish costs and $5 million represents machinery, equipment, and services from American firms. In that particular case, we will say that the plant is owned by International Paper, an American company, one of the ones to which the chairman referred earlier. We might be prepared to lend $5 million, enough to pay for the American items. How long will we lend it for? Probably we will give them a grace period of perhaps 2 years while they are building the plant. During that period we will not expect replayment but we will receive interest. We will review their detailed plans and decide whether that plant will earn money, based on projected sales and the company's financial position, we will make a determination that the loan ought to be repaid in 7 years after a 2-year period of grace.

We will therefore make the loan repayable on the basis of 14 equal semiannual installments after a 2-year period of grace. The loan is not disbursed the moment that we authorize it. It may take 2 years to disburse it. We pay the bill in the United States for items bought here. We do not give the borrower the money. We do not set up a credit balance on our books whereby they can draw a check to us. We say you submit a bill from the paper machinery manufacturing company for one big roller, for example, that costs $287,000, and is part of an equipment list which we have received when the borrower undertook the loan. We will pay that bill. That gets debited to the $5 million loan account.

Sometimes a business looks very profitable but we can't be sure that it will be. If it is very profitable, we fould like to get the benefit of some of that great profit—not in terms of making a great deal of money—but in terms of accelerating the repayment and recovering our loan. We make a loan with a maturity of 15 years with the provision that if the annual dividends return more than 10 percent to the equity holders, all amounts paid out beyond that shall be divided between prepayments on our loan and dividends to the stockholders. So we may be paid out in 5 or 6 or 7 years on what was a 15-year loan. The number of combinations is infinite.

Mr. COHELAN. Do you have much of that in your portfolio?

Mr. LINDER. Yes, a good deal.

EMERGENCY LOANS

Mr. COHELAN. How about the emergency loans?

Mr. LINDER. Those are the kind of loans we made to Canada, Italy, and the United Kingdom a few years ago when they were in real balance-of-payments difficulty. They were big customers of the United States, as all those countries are, and we knew perfectly well that if their difficulty persisted, it would cause great disruption in international markets.

In the case of the United Kingdom, the Federal Reserve Bank made a large loan, the International Monetary Fund made a loan, and we established a credit of $250 million. The British did not draw a nickel. They paid us a commitment fee of three-quarters of 1 percent. We kept the loan alive 2 years, and then they decided not to request renewal.

The mere existence of that credit and the other credits that were provided gave people enough courage to hold sterling, and the British

were over the difficult short period. They got their house back in order and they have repaid all these credits that have been put out. That is an emergency loan.

FINANCING COMMODITY LOANS

Mr. COHELAN. Coming back to the matter of financing commodity loans, can you elaborate a little bit on why one would not go to conventional banking sources? To put it another way, in the illustration you gave as an example, a New York bank may decide they do not want to underwrite it.

Mr. LINDER. They cannot do it. They cannot get the money.

Mr. COHELAN. Why do we do it if they do not want to do it?

Mr. LINDER. We want to do it because we want to sell the cotton.

Mr. COHELAN. But you also get repayment.

Mr. LINDER. Surely.

Mr. COHELAN. You earn a return on this overall transaction?

Mr. LINDER. Certainly.

Mr. COHELAN. But I cannot get it through my head why the bank would turn that kind of deal down.

Mr. LINDER. I will tell you why that might be. The First National City Bank and the Chase National Bank might each have too much already at risk in Japan. We too have to keep our house in order, and I would not lend $2 billion of my $9 million to Japan, no matter how attractive the proposal, because that amount would be a disproportionately large part of my portfolio. The First National City Bank may very well say that the maximum amount of exposure they want in Japan is $150 million. They already have that much in Japan. Let us say they get an average rate of interest on that, just picking a figure out of the air, of 7½ percent or 6 percent. The Chase is in the same position. The Japanese have used up their credit in the private market, or if they haven't used them, they know there is something else they are going to need tomorrow morning. They know we want to sell cotton and the Mexicans want to sell cotton. They can get credit from us or the Mexicans. The Mexican cotton is not as good as ours because it is not cleaned as well as ours, but the price may be a little better. But the interest rate is a litle higher because the money is worth more in Mexico. The Japanese make a balance between these various factors. We figure pretty darn carefully and sharpen the pencils very hard, because this is a 1 year loan and it is always repaid, to figure out how low an interest rate we can offer on that.

When we have a standard lending rate of 5½ percent, we might very well lend that money at 4⅜ percent for 1 year, because the real objective from our point of view is to sell the cotton and have it be U.S. cotton that is sold. If they went into the market to buy from the Anderson Clayton Co., the Anderson Clayton Co. may want cash or 90 days. The Chase National Bank is not available. We go to the Chase National Bank and say to them, do you want our deal outright? They say no. Do you want our deal with our guarantee? Sometimes they say yes, if they are not filled up, that is. We have placed a number of loans in that manner. More frequently they will say no, because we figured the interest rate so fine that it just is not attractive

to them as compared to their regular lending rate. By reason of the combination of the U.S. price, plus the quality of the cotton, plus the interest rate that we have, we have gained $75 million worth of cotton business for the United States that would not otherwise have been there.

LONG TERM LOANS

As for a long term loan, the Japanese might want a nuclear powerplant. There is not any long term money which would finance a nuclear powerplant in the private market. The commercial banks cannot lend money for 15 years. The investment bankers cannot afford to do it at the present time without charging 8½ percent interest, and even then would probably do very little of it because there is not that much of a market for Japanese securities. The British, the Germans and the French and we are competing to sell that plant. The British will offer the money at 6 or 6½, we will offer at 6 percent. General Electric will come to us, or Westinghouse will come to us, anticipating a sizable contract. We want the export and we work out an arrangement with a good guarantee. The money is generally pretty safe. We get the Japan Development Bank to guarantee our loan. It is a wholly-owned Japanese institution. The utility that is buying, the Tokyo Electric, is a good company which has made money over the years and would, if in the United States, be entitled to credit in the private market. It is a secure loan in effect guaranteed by the Japanese Government, but there is no other way of financing the U.S. sale than through Eximbank. The British have a device for financing these exports and the Japanese themselves have an Export-Import Bank. They named it after us. They follow much the same pattern we do when they try to sell in Thailand.

Mr. COHELAN. I understand.

COOLEY LOANS

Tell me, do you have any participation or does the Bank participate in any of the Cooley Loan operation?

Mr. LINDER. No, we gave it up. W turned it over to AID. When ever they make a Cooley Loan and we make a dollar loan, we get the Cooley Loan subordinated to the dollar loan on the theory that it is more important to get the dollars back.

DETERMINATIONS TO TRADE WITH COMMUNIST COUNTRIES

Mr. COHELAN. My last question. On these presidential determination countries, you are going to put in the record, are you not, the percent of your total portfolio of what these loans are. My general question would be——

Mr. LINDER. I can tell you now. It is de minimis.

Mr. COHELAN. It is a very small amount. I think the survey of current business has done some work on this. In terms of exports, what are your total exports?

Mr. LINDER. Total U.S. exports are on the order of $29 billion.

Mr. COHELAN. The percentage on these Presidential determination countries would be a very small portion.

Mr. LINDER. Very small.

Mr. COHELAN. That is all I have, Mr. Chairman.

Mr. PASSMAN. When we figure our total exports, we include all for-

eign aid whether it is loans or grants, with the exception of military, as an export to get that total.

Mr. LINDER. Yes.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

As a new member of this committee, your statement and your answers to the questions posed to you this afternoon have been most informative to me. Really, most of the questions I have would be repetitious at this point. However, I do want to make one observation and I am sorry to disagree with you. I would like to go on record in saying that I am opposed to trade with Communist countries. I do not care how small it might be. I feel it is not a valid argument to say if we do not carry on this business other countries will. To me this is an empty excuse. Also, when you say "then there could be no trade with Canada" is beside the point and going far afield to justify buying and selling with Communist countries.

I am sure the reasons you stated are in good faith. You term these as good business but to me they are frightening when at the same time our men are being killed on the battlefields of Vietnam.

Mr. LINDER. May I say this, Mrs. Reid: I understand your point of view. As has frequently been said, honest men can differ, and I hope that an honest lady and what I hope to be an honest man can differ. When I referred to Canada, I was not merely stretching a point. I was only pointing out that if our reason for not trading with the country is because it in turn trades with the North Vietnamese or the North Koreans, then we would have to cease trading with a very long list of countries.

Mrs. REID. That is not exactly the point.

Mr. LINDER. I did not say it was. You recall that the problem was whether any of our goods would find their way to North Vietnam. I said some of Canada's exports do. If what you are concerned with is that goods will find their way from the West to North Vietnam, then we should deny our goods to Canada as well, sell them to Canada only with a provision that they may not resell.

Actually, I wanted to make this point into the record. Except for commodities like wheat or cotton and so on, all of our direct loans fall either in the medium or longer term ranges. Whenever we sell in the medium- or long-term ranges, we are invariably selling capital equipment of one kind or another. That material is very unlikely to leave the country to which it goes or leave the buyer. The reason I say that is that we know what its ultimate use is. We do not know what the ultimate use of cotton is, but we do know what the ultimate use of a lathe is because it is bought, for example, by a company in Lima, Peru. If the order include enough lathes to require a loan from the Export-Import Bank, then this company has shown us its balance sheet, has given us audited financial statements, and has disclosed what products it is making. We know what the lathes are going to be used for. We estimate the period needed by the company to earn enough to pay for them. It is very unlikely that these goods will find their way out of that plant and around the world into either Russia or North Vietnam.

I could not make the same statement in respect to cotton or soybeans. I did want to correct a point which may not have been quite clear. We do really know who the utimate user is of anything we sell on medium term or longer term credits.

Mrs. REID. I have no further questions.

Mr. PASSMAN. I feel just like Mrs. Reid. It has been on my mind ever since this exchange earlier this afternoon. We have given some of the nations you read into the record, and I mean given in grant aid, billions of dollars of our wealth, helping them recover, and to establish a sound economy. It would appear to me the least they could do for us would be to cooperate and help bring this thing to a conclusion. I do not see how you are every going to win the war or stop the war if our allies are selling or giving equipment, food, or medical supplies to our enemy, North Vietnam.

To me it is inconceivable that these nations are not cooperating with us. I asked the question of the military assistance witnesses last year about our allies in Europe as to whether they have a single combat soldier in Vietnam. They do not. So this is a pretty sad story. They won't help us with their men and with their resources but rather are selling or giving to the enemy, keeping him in position to continue fighting with us and killing our boys over there.

I see your point of view, Mr. Linder, but I also see your point of view, Mrs. Reid, and I certainly have to take the position that you take, that there should be some way to convince our allies that you just cannot do this and remain on a friendly basis with us.

Are there any other questions?

Mr. SHRIVER. Mr. Chairman, I particularly directed my questions to the Communist countries that we are extending credit to which are buying sinews of war and killing our boys. Every day I get many letters, as I am sure many other Congressmen do, on this very point. I recall when I was out in the Pacific during World War II that the Japanese used some equipment that came from this country, from the scrap iron we sold them. I remember my thoughts at the time, and I am wondering what our boys think about the extension of credit to countries which are supplying the missiles and the equipment that are being used against them.

Mr. LINDER. Mr. Shriver, I do not want to continue this, for you know my point of view. As I said, the Joint Chiefs of Staff have given specific approval to the sale of these machine tools.

Mr. SHRIVER. I understand that.

Mr. LINDER. I have to substitute their judgment for my own.

Mr. SHRIVER. And the position of the administration generally on this.

Mr. LINDER. Yes. I can give you what my own opinion is, but I really think the determination ought to be made by the President.

Mr. PASSMAN. To me, it is unpardonable. This is not an indictment of you. If the military officials approve of it, the Executive approves of it, and you have the loan application and a Presidential determination, you have no alternative.

Mr. LINDER. That is correct.

Mr. PASSMAN. But I have an alternative, and that is to say I don't like it, and to vote against it.

As usual, Mr. Linder, you are a very excellent witness. I think it is always good to have an agency with a record like yours which can come before the committee and justify your program. For my vote, you have justified it again this year. As long as your record is as good

as it is, I am also going to continue to recommend that you get this small amount for your administrative expenses.

Mr. LINDER. Thank you very much, Mr. Chairman.

TUESDAY, MARCH 21, 1967.

DEPARTMENT OF THE ARMY

RYUKYU ISLANDS

WITNESSES

THADDEUS HOLT, DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS
LT. GEN. FERDINAND T. UNGER, HIGH COMMISSIONER OF THE RYUKYU ISLANDS
RICHARD L. SNEIDER, COUNTRY DIRECTOR FOR JAPAN, BUREAU OF FAR EASTERN AFFAIRS, DEPARTMENT OF STATE
COL. JAMES TAYLOR, JR., DIRECTOR OF CIVIL AFFAIRS, OFFICE, DEPUTY CHIEF OF STAFF FOR OPERATIONS
EDWARD W. O'FLAHERTY, CIVIL AFFAIRS DIRECTORATE, OFFICE, DEPUTY CHIEF OF STAFF FOR OPERATIONS
WILLIAM C. BURNS, COMPTROLLER, U.S. CIVIL ADMINISTRATION OF THE RYUKYU ISLANDS
EDWARD FREIMUTH, OFFICE OF DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS
EDWARD J. MCLAUGHLIN, CIVIL AFFAIRS DIRECTORATE, OFFICE DEPUTY CHIEF OF STAFF FOR OPERATIONS
WILLIAM SEEFELDT, JR., CIVIL AFFAIRS DIRECTORATE, OFFICE, DEPUTY CHIEF OF STAFF FOR OPERATIONS
COL. JAMES W. CAIN, CHIEF, MILITARY PERSONNEL AND SPECIAL FUNDS DIVISION, OFFICE, COMPTROLLER OF THE ARMY
JOSEPH D. LUBIN, MILITARY PERSONNEL AND SPECIAL FUNDS DIVISION, OFFICE, COMPTROLLER OF THE ARMY

ADMINISTRATION, RYUKYU ISLAND

Program and financing

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activities:			
	1. Administration	2,770	2,948	2,956
	2. Aid to the Ryukyuan economy	11,997	12,000	12,000
10	Total obligations	14,767	14,948	14,956
	Financing:			
25	Unobligated balance lapsing	6		
	New obligational authority	14,773	14,948	14,956
	New obligational authority:			
40	Appropriation	14,773	14,893	14,956
44	Proposed supplemental for civilian pay act increases		55	
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	14,767	14,948	14,956
72	Obligated balance, start of year	4,687	8,411	9,152
74	Obligated balance, end of year	−8,411	−9,152	−1,279
77	Adjustments in expired accounts	−110		
90	Expenditures excluding pay increase supplemental	10,932	14,154	14,827
91	Expenditures from civilian pay act supplemental		53	2

Object classification

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Personnel compensation:			
11.1	Permanent positions	1,723	1,828	1,842
11.3	Positions other than permanent	21	22	18
11.4	Special personal service payments	66	106	108
11.5	Other personnel compensation	50	47	47
11.7	Military personnel	352	360	346
	Total personnel compensation	2,212	2,362	2,361
12.0	Personnel benefits	164	199	201
21.0	Travel and transportation of persons	286	396	409
22.0	Transportation of things	36	38	50
23.0	Rent, communications, and utilities	34	35	35
24.0	Printing and reproduction	25	27	27
25.1	Other services	1,320	1,740	1,876
26.0	Supplies and materials	81	113	114
31.0	Equipment	69	18	20
41.0	Grants, subsidies, and contributions	10,540	10,020	9,863
99.0	Total obligations	14,767	14,948	14,956

Personnel summary

	1966 actual	1967 estimate	1968 estimate
Total number of permanent positions	397	397	410
Full-time equivalent of other positions	10	8	8
Average number of all employees	396	390	393
Average GS grade	9.1	9.0	9.1
Average GS salary	$9,617	$9,917	$10,032
Average salary of ungraded positions	$1,636	$1,918	$1,957

Construction of Power Systems, Ryukyu Islands

Program and financing

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activities:			
10	Loans to Ryukyu Electric Power Corporation (obligations) (object class 33.0)		3,500	4,000
	Financing:			
21	Unobligated balance available, start of year	−7,500	−7,500	−4,000
24	Unobligated balance available, end of year	7,500	4,000	
	New obligational authority			
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)		3,500	4,000
72	Obligated balance, start of year	1,297	888	
74	Obligated balance, end of year	−888		
90	Expenditures	408	4,388	4,000

Mr. Passman. The committee will come to order.

We will consider this afternoon the request from the Department of the Army for funds for administration of the Ryukyu Islands. We have as witnesses the Honorable Thaddeus Holt, Deputy Under Secretary of the Army for International Affairs, and Lt. Gen. Ferdinand T. Unger, High Commissioner of the Ryukyu Islands, and other distinguished witnesses.

It is my understanding that the Secretary will make a statement, followed by one from the General. You may proceed, Mr. Secretary, in your own way.

STATEMENT OF THE UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS

Mr. HOLT. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, it is a privilege to appear again before you in support of the Army's budget request for administration of the Ryukyu Islands.

The United States is administering the Ryukyu Islands under the provisions of article 3 of the Treaty of Peace with Japan which establishes our right to exercise full administrative, legislative, and jurisdictional authority in the area. Our reason for continuing the exercise of this authority is a military one. The military importance of our bases on Okinawa has often been recognized by Congress, the President, and others. In reporting on Public Law 86-629, the legislation dealing with the Ryukyu Islands on which this appropriation request is based, the House Armed Services Committee said in 1960:

> The interest of the United States in the Ryukyu Islands is indicated by strategic military considerations of the highest importance. (H. Rept. 1517, 86th Cong., 2d sess., Apr. 14, 1960.)

These considerations were restated by the President in 1962, when he said:

> Our bases in the Ryukyu Islands help us to assure our allies in the great arc from Japan through southeast Asia not only of our willingness but also of our ability to come to their assistance in case of need.

After meeting in 1965, President Johnson and Prime Minister Sato, of Japan, joined in issuing a communique which "recognized the importance of United States military installations on the Ryukyu Islands * * * for the security of the Far East."

From the time of the Korean conflict until today, our Ryukyuan bases have been extremely valuable and have served a variety of purposes.

The President stated in 1962 that the United States recognizes the Ryukyu Islands to be part of the Japanese homeland and looks forward to the time that free world security will permit their restoration to full Japanese sovereignty. However, in light of the military circumstances facing us today, the conclusion that we must remain in the Ryukyu Islands and continue our responsibility for administration is inescapable.

Foreign administration—even the most benign—is seldom popular for any long period. In the Ryukyus, almost a million people in an area less than half the size of Delaware have lived under American administration for 21 years. The United States can be proud of the fact that over these years we have enjoyed the reasonable acquiescence of the Ryukyuan people in our bases and our administration. In large part this is because of the improved conditions which we have brought about in the islands; for by-and-large the Ryukyuan people have benefited from our presence, both because of our direct aid and because our presence affords employment for approximately 53,000 Ryukyuans. It is U.S. policy, as stated by Congress in legislation

enacted in 1960, that such benefits should continue to accrue to the Ryukyuan people. Section 1 of this legislation provides that—

> Every effort shall be made to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and to promote their economic and cultural advancement, during such time as the United States continues to retain authority over the Ryukyu Islands.

Despite the improvements which have been made in the past, there continue to be programs for economic and cultural development which are needed for overall Ryukyuan development. To assist the United States in advancing the Ryukyus to the level of comparable areas of Japan, one of the goals set forth by the President in 1962, considerable direct aid is now also being provided by the Japanese Government. However, there are any number of needs which remain unfilled, and over the years, Congress has recognized this requirements for additional direct contribution to insure continued Ryukyuan development.

This year, we have a program which will contribute to raising the level of the Ryukyuan economic and social structure. On behalf of the Secretary of the Army, I urge your favorable consideration of this request.

With the committee's permission, the High Commissioner of the Ryukyu Islands will present the details of the Administration Ryukyu Islands, Army budget program needed in fiscal year 1967 and fiscal year 1968 for Ryukyuan economic development. We have a new High Commissioner since we were last before you, Lt. Gen. Ferdinand T. Unger. It gives me great pleasure to present him to you.

Mr. PASSMAN. Thank you, Mr. Secretary.

BIOGRAPHY OF LT. GEN. FERDINAND T. UNGER

General, we will be very pleased to hear from you at this time, and would you insert your biography in the record at this point since this is your first appearance before the committee.

(The biography of General Unger follows:)

BIOGRAPHY OF LT. GEN. FERDINAND T. UNGER

Born in Pittsburgh, Pa., on Oct. 28, 1913, Lieutenant General Unger attended the University of Pittsburgh for a year before entering the U.S. Military Academy, at West Point, N.Y., from which he was graduated in 1937. Later, he attended the army's Command and General Staff College, at Fort Leavenworth, Kan., from which he was graduated in 1944, then studied at Columbia University in New York City in 1946, attended the Armed Forces Staff College at Norfolk, Va., graduating in 1948, and in 1957 entered the National War College in Washington, D.C., from which he was graduated in 1958.

General Unger has had more than 29 years of active service in the Army. After being commissioned as a 2nd Lieutenant in 1937, he advanced through grades to reach the rank of Lieutenant General in 1966. After serving at various military camps in the United States from 1937 through 1944, he saw service as Commander, 718th Field Artillery Battalion, 63rd Infantry Division, in France and Germany, 1945–1947, and with 1st Corps Artillery in Korea, 1953–1954. He was then assigned to the staff of the army's Artillery School, at Fort Sill, Okla., where he served as director, department of tactics and combined arms, until 1957.

Upon graduation from the National War College in 1958, he was assigned as Executive Officer, Supreme Allied Command, SHAPE, Paris, and in 1960, took over as Commander, 72nd Artillery Group and 3rd Infantry Division Artillery, in Germany. In 1961, he returned to the United States to the post of Chief of Staff, Third U.S. Army, Fort McPherson, Ga. In 1962, he was named as Director

for Operations, Joint Chiefs of Staff, in Washington, a post he held until 1964 when he was made Commanding General, 7th Infantry Divison, U.S. Army, Pacific.

General Unger reported to Fort Monroe, Va., in September 1965 and was assigned as Deputy Chief of Staff for Individual Training at Headquarters, U.S. Continental Army Command. In this position, General Unger had staff responsibility for the operation of all Army service schools and training centers in the Continental United States.

General Unger was installed as High Commissioner of the Ryukyu Islands on November 3, 1966.

General Unger holds the Legion of Merit with Cluster and the Croix de Guerre with Star.

In 1942, General Unger married Emily Bayly Bucher and the couple have two sons, James T. and Charles K. Unger.

General UNGER. Mr. Chairman, I have a 22-page statement, but I assure you I can cut this to one-half in the interest of time.

Mr. PASSMAN. You proceed in your own way, General. We are very happy to have you with us.

General UNGER. Thank you, sir.

STATEMENT OF THE HIGH COMMISSIONER OF THE RYUKYU ISLANDS

Mr. Chairman, members of the committee, I am pleased to appear in support of our budget request for fiscal year 1968. Although I have been in the Ryukyus only a few months, I am convinced of the economic and psychological importance of our assistance to the people in the Ryukyus. The Okinawans are very appreciative of the efforts of the United States and recognize the cooperation received from Japan in helping them to achieve levels of health, education, and welfare benefits that exist in comparable areas of Japan. Health, education, and welfare are the key social programs that directly affect all local inhabitants, and thus, of course, affect their attitudes toward the continued presence of the United States in the islands more than 21 years after cessation of hostilities.

The Okinawans have welcomed the response of the Japanese Government to help achieve the aforementioned goals. Also, they look forward to the success of the amendment to Public Law 86–629 which, when enacted will increase the level of authorization for our assistance to the Ryukyuan people from $12 to $25 million and allow the administration to request increased appropriations for fiscal year 1967 and fiscal year 1968 under this new increased authorization.

Mr. Chairman, I recognize the fact that there is a very large fiscal year 1968 budget before the Congress, and that our request represents a very small part of the total budget picture. However, as the senior U.S. representative in the Ryukyu Islands—and also as a fellow taxpayer—I have devoted many long hours since I arrived on Okinawa last November to reviewing and studying the local fiscal and economic situation. I wanted to satisfy myself before appearing before you that there is a real need for increasing our aid to the Ryukyuan people. I have done so, and I have also satisfied myself that our proposed aid programs are most important, in support of our military commitments and operations in the Far East and Southeast Asia.

As Mr. Holt has already said, the only reason that the United States is in the Ryukyus is because of the military base we maintain there. My primary mission is to insure the continuation of the operational effectiveness of this base.

After 21 years of our administration, the people of the Ryukyu Islands look forward to becoming an integral part of the Japanese nation once again. With the social and economic progress, there has been reasonable acquiescence to our administration and presence there. One of the benefits accompanying our presence is U.S. direct aid. Because our contribution is of benefit to all the Ryukyuan people, it makes a powerful contribution to maintenance of good relations between our forces and the Ryukyuans.

Last year's hearings brought out certain basic facts and considerations that I believe should be summarized again for the record.

First, I would like to repeat the goals of our long range plan for the economic and social development of the Ryukyus. They are to insure that—

1. The public sector contributes all it can to optimize economic development, and to promote cultural advancement; and
2. The levels of public health, education, and welfare services advance toward levels obtained in comparable areas of Japan and reach them, to the extent possible, by the end of fiscal year 1971.

These goals are those announced by President Kennedy in March 1962, except that he gave no specific timetable. Since our long-range plan revealed in 1965 that the goals for the public health, education, and welfare programs were being achieved much too slowly, the United States decided to invite Japan to join us, in an effort to attain the goals by the end of fiscal year 1971.

The Japanese Government aid program was $8 million in fiscal year 1966, $16.1 million in fiscal year 1967, and next year, they have agreed to another substantial increase to $25.8 million. In addition, to help repair the damage done by two destructive typhoons in Okinawa last September, Japan is providing $3.9 million for disaster rehabilitation assistance—$1 million this fiscal year and $2.9 million in fiscal year 1968.

Another important consideration brought out last year is that, by virtue of its separate status, the Government of the Ryukyu Islands must provide and pay the costs for many central or national government functions and services in addition to what constitutes normal costs of local government—that is prefectural government (equivalent to State government in the United States). Examples of functions normally paid for by the central government are the internal revenue department, immigration and customs services, postal system, court system, prisons, compulsory education costs, the University of the Ryukyus, national highways, and considerable health and welfare assistance to the sick, poor, aged, and other needy persons.

It was also pointed out last year that the increased external funding by the United States and Japan in support of the public health, education, and welfare activities will release much-needed funds to the Government of the Ryukyu Islands for adequate operation of its other functions and services. This increased funding has curtailed the past criticisms which were heard in Okinawa concerning the lack of an adequate local budget to meet the major needs of the inhabitants.

If I may go off the record, I would like to discuss briefly an important aspect that was mentioned last year, one that bears directly on the accomplishment of my mission.

(Discussion off the record.)

MAJOR PROJECTS AND ACTIVITIES PROPOSED

General UNGER. Next, I would like to discuss the major projects and activities which we would finance with the proposed U.S. assistance program. Since our program for the use of Japanese aid is developed concurrently with the U.S. aid budget, the picture would not be complete unless we view the two programs side by side, as we did last year. Table I, appended to my statement, has been prepared for this purpose, and I recommend that it be inserted in the record.

(The table follows:)

TABLE I.—*Proposed United States/Japan aid program budgets, fiscal year 1968 (Japanese fiscal year 1967)*

[In thousands]

U.S. project	Budget activity item	Fiscal year 1967					Fiscal year 1968				
		U.S. ARIA			Japan	Total external aid	U.S. ARIA			Japan	Total external aid
		Under current authorization	Increase under proposed authorization	Total proposed			Under current authorization	Increase under proposed authorization	Total proposed		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Total program	12,000	5,310	17,310	[1] 16,114	33,424	12,000	7,500	19,500	[2] 25,839	45,339
8731	Reimbursement for Government services	1,200		1,200		1,200	1,200		1,200		1,200
	1. Public safety	800		800		800	800		800		800
	2. Public health and sanitation	400		400		400	400		400		400
8732	Contribution to Government projects:										
	1. Education	4,195	4,175	8,370	7,726	16,096	4,100	6,100	10,200	11,124	21,324
	a. Teachers compensation	1,000	4,000	5,000	5,288	10,288	1,000	5,600	6,600	8,219	14,819
	b. Construction	1,800		1,800	1,265	3,065	1,800	200	2,000	1,346	3,346
	c. Equipment and supplies	1,035		1,035	1,060	2,095	1,160		1,160	1,176	2,336
	d. University of Ryukyus	325	175	500	23	523	55	300	355	48	403
	e. Other	35		35	90	125	85		85	335	420
	2. Social welfare	560		560	1,162	1,722	883		883	2,932	3,815
	a. Capital—GRI retirement	395		395	389	784	618		618	556	1,174
	b. Capital-medical insurance	165		165	167	332	265		265	250	515
	c. Daily life security				285	285				1,253	1,253
	d. Old age welfare pension									466	466
	e. Other				321	321				407	407
	3. Public health and medical	950		950	1,590	2,540	595		595	1,707	2,302

	a. Disease control	450		450	60	510	450		540	72	522
	b. Health and medical facilities and equipment	500		500	626	1,126	145		145	408	553
	c. Treatment of patients				904	904				1,227	1,227
	4. Public safety	50		50		50	60		60	282	342
	a. Public safety facilities and equipment	50		50		50	60		60		60
	b. Judicial building									278	278
	c. Emigration promotion									4	4
	5. Public works	2,865	935	3,800	1,840	5,640	2,850	1,200	4,050	3,890	7,940
	a. Roads and bridges (nonfarm)	450	550	1,000	205	1,205	1,200	450	1,650	450	2,100
	b. Piers and harbors	275	75	350	195	545				503	503
	c. Seawalls	100	100	200		200					
	d. Municipal housing	320		320	251	571	200	100	300	262	562
	e. Airfield improvement	400		400		400	250	150	400		400
	f. Sewer system	1,220	210	1,430		1,430	1,200	400	1,600		1,600
	g. Rural electrification	100		100	102	202		100	100	102	202
	h. T.V. for Sakishima Islands				604	604				1,382	1,382
	i. Telephone circuits, Sakishima Islands				28	28				354	354
	j. Weather facilities and equipment				227	227				506	506
	k. Other				228	228				331	331
	6. Economic development	100	200	300	2,994	3,294	75	200	275	4,910	5,185
	a. Agricultural land development	100	200	300	250	550	75	200	275	385	660
	b. Farm roads and farm walls				571	571				577	577
	c. Capital for CBC				1,139	1,139				1,139	1,139
	d. People's finance corporation				250	250				250	250
	e. Sugar industry promotion									833	833
	f. Trust fund bureau fund									833	833
	g. Fishing ports				206	206				250	250
	h. Other				578	578				643	643
8733	Transportation of commodities	5		5		5	5		5		5
8734	Technical education and training	1,074		1,074	350	1,424	1,302		1,302	482	1,784
8735	Technical cooperation	1,001		1,001	452	1,453	930		930	512	1,442
	Grand total	12,000	5,310	17,310	[1] 16,114	33,424	12,000	7,500	19,500	[2] 25,839	45,339

[1] Excludes disaster rehabilitation of $1,000,000.

[2] Excludes disaster rehabilitation of $2,900,000.

General UNGER. Mr. Chairman, I would like to give the committee a brief description of how we determine the total amount of external assistance needed from the United States and Japan. Our long range plan gives us a general indication of the total budget requirements of the Government of the Ryukyu Islands, taking into consideration the estimated capacity of the economy and the Government of the Ryukyu Islands to assimilate the program. The Government of the Ryukyu Islands has no authority for deficit financing. Therefore, the difference between its anticipated revenues and its indicated budgetary requirements becomes a guide for outside funding assistance. Then, using current funding priorities and the funding patterns of previous aid programs, we build the two proposed programs, project by project, using the long range plan as our basic guidance. Also, we obtain through informal discussions with the Japanese Government its preliminary thoughts on the approximate level of aid and certain specific projects or areas which it would like to fund.

Table I is what we developed in terms of needed external assistance. Table I is arranged by U.S. budget projects in column (1). Key budget activities and items are shown in column (2). Columns (3) through (7) show the United States and Japanese aid programs for fiscal year 1967; columns (8) through (12), the programs for fiscal year 1968. Columns (3) and (8) show the U.S. proposals for financing under the current $12 million ceiling. Columns (4) and (9) show the supplemental estimates to be submitted under the proposed authorization of $25 million. Columns (5) and (10) show, respectively, the total fiscal year 1967 and fiscal year 1968 U.S. proposals. Columns (6) and (11) show the programs already approved by the Japanese Government.

Before discussing the details of table I, I would like, first, to summarize for you our general application of the funds under consideration, that is, the principal direction into which we would channel them in accordance with our funding priorities. We would continue the fiscal year 1967 level of general support to the local government's public safety, and public health and sanitation programs. Highest funding priority is given, as in fiscal year 1967, to education, social welfare, and public health and medical activities. A high priority is also given to the important technical education and training, and technical cooperation activities. Also, considerable emphasis is placed on the continuation of vital public works and economic development projects.

Looking at project No. 8731, on page 1, of table I, this project includes funds to reimburse the Ryukyuan Government for public safety, public health, and sanitation services performed on behalf of and because of the presence of our military forces and their dependents. While the total costs of these services continue to rise, the funds requested here are the same as for the past 3 fiscal years. When considered in conjunction with proposed increases in U.S. funding in other program areas, which will release GRI funds for other needed purposes, we consider the $1.2 million level to be adequate in fiscal year 1968.

The next subproject is 8732, contributions to projects and activities of the Ryukyuan Government. Activities 1, 2, and 3 are the three significant social programs for which we are proposing increases in the

United States and Japanese aid in order to reduce the gaps that exist between the Ryukyus and comparable areas of Japan in levels of achievement.

The lag in the education program results from the many unqualified elementary school teachers; the overcrowding of classrooms due to shortage of classrooms and teachers; inadequate library, gymnasium, and other needed training facilities; and limited opportunity for students to enter high school due to inadequate school plant and equipment.

As you can see in the first three items listed under education, the United States and Japan are making a substantial effort to help the Government of the Ryukyu Islands to improve its education program. This will allow the Government of the Ryukyu Islands to fund at adequate levels not only this program, but other programs from its own revenues released by American and Japanese external assistance.

In item 1a, "Teachers' compensation," Japan will continue to contribute 50 percent of the cost for teachers of the first nine grades, which is the policy in Japan. The proposed amount of $6.6 million from the United States provides payment for one-third of the teacher costs for all 12 grades. Of this amount, $5.6 million is contingent upon the fiscal year 1968 supplemental appropriation shown in column (9). Similarly, as shown in column (4), $4 million of the fiscal year 1967 supplemental appropriation would be applied toward this budget requirement.

Under item 1b, "School construction," another large increment is programed for fiscal year 1968. While the formulation of the fiscal year 1968 budget of the Government of the Ryukyu Islands will not be completed until April or May, preliminary estimates indicate that about $5.5 million will go into the school construction program—$2.2 million from the revenues of the Government of the Ryukyu Islands, $2 million of U.S. funds, and $1.3 million of Japanese funds. As is the case in the current year, the proposed U.S. contribution is primarily for the construction of Government high schools and special schools, while the Japanese funds will be used for the compulsory schools, grades one through nine.

Mr. Chairman, I am especially pleased to report to the committee on the great success of the new Trade and Vocational Institute and the Commercial Institute. These were built with fiscal year 1965 U.S. appropriations and equipped with fiscal year 1966 U.S. funds. For example, since its opening last April, the Trade and Vocational Institute has averaged 1,000 visitors per month. Prominent visiting educators from abroad have been most enthusiastic in their praise of these schools. Long before the first school year was completed in early March 1967 Ryukyuan businessmen and industrialists were already competing for the skills that became available from the first classes. I brought along several copies of a Japanese language poster which we distributed throughout the Ryukyus to publicize the official opening of the two schools. English translations of the captions are included on the poster.

The machine shop equipment, the typewriters, the adding machines, and most of the other general purpose equipment are of U.S. manufacture. Some specialized tools and equipment, such as radio and television equipment, is of Japanese manufacture, since this is what the student is being trained to repair.

The curriculums of these schools have so perfectly suited the needs of the Okinawans that there is a great demand for additional capacity. Our fiscal year 1968 budget will provide for a new commercial high school in central Okinawa which will accommodate 1,200 students. The present Trade and Vocational Institute will be expanded to accommodate about 200 more students, and the expansion will include facilities to house 160 students from outlying islands. Also, to provide this type of training in the southern Miyako group of islands, shop facilities will be added to its two high schools.

In item 1C, "Equipment and supplies," the United States and Japanese assistance programs would continue at about the same levels as in fiscal year 1967, but the scope of the Japanese input is different from ours. We will provide vocational educational equipment for high schools and the expanding special school facilities which I mentioned a few moments ago. In addition, we will provide about 78,000 desk-chair sets for all types of schools and certain special classroom, and science laboratory furniture for high schools. Japan's assistance will provide audiovisual equipment, science equipment, and home economics equipment, all of the same type as utilized in Japanese schools. Also, Japan will provide free textbooks for the first nine grades.

The second activity of project 8732 is social welfare. As in fiscal year 1967, for items 2a and 2b, the United States and Japan propose to continue to assist the local government in furthering its relatively new government employees retirement program and its medical insurance program. The Japanese appropriation has provided a large increase in item 2c and a large contribution to item 2d. For item 2c, the "Daily life security"—or public assistance program, as we call it—the Japanese have increased their funding from 20 percent of the cost in fiscal year 1967 to 80 percent in fiscal year 1968. This program will provide $5.24 per month to the 26,000 poor and needy persons of the Ryukyus. Item 2d, the "old-age welfare pension" results from a new Ryukyuan law which goes into effect on July 1, 1967. The monthly old-age benefit payment will amount to $4.16, of which Japan will finance about two-thirds, or $2.78.

Activity 3 covers public health and medical services. This is in addition to the $400,000 general assistance contribution in item 2 of project 8731 at the top of the page.

In item 3a, "Disease control," the funds are to be utilized for purchase of drugs, medical supplies, and equipment which are necessary to the control of infectious diseases, such as tuberculosis, encephalitis, filariasis, trachoma, poliomyelitis, and Hansen's Disease.

In item 3b, "Health and medical facilities and equipment," the decrease in U.S. funds from $500,000 in fiscal year 1967 to $145,000 in fiscal year 1968 is occasioned by several nonrecurring projects in fiscal year 1967. The two large ones included $200,000 for hospital equipment and $100,000 for health centers. For the two leprosaria, new female nurses' dormitories were financed with fiscal year 1965 and fiscal year 1967 funds. In fiscal year 1968, we have included funds to replace the badly deteriorated quarters of the male staff.

Mr. Chairman, as a matter of interest to the committee, and to you in particular, Dr. Brubaker, the Medical Director of the Leprosarium at Carville, La., returned to Okinawa in November 1966 to assist in

implementing his previous recommendations: (1) to educate the public on modern concepts concerning the treatment of leprosy, starting with physicians; (2) to upgrade physicians' acumen in early recognition of the disease; and (3) to increase the capability of the leprosaria in laboratory techniques. We continue to maintain contact with him and are getting laboratory support in our most difficult cases. Also, Mr. McCullough, who is the health educator at Carville, visited in Okinawa in February 1967 to provide assistance in this field. He and I had an interesting and educational visit to the Airaku Leprosarium.

Under item 3c, the Japanese Government will increase its program for treatment of TB patients in Japan, from 750 this year to 900 patients in fiscal year 1968.

The next activity is No. 4, "Public safety." The U.S. funds are proposed for the installation of four additional traffic lights, six American manufactured police patrol sedans with radios, and 14 light-duty motorcycles. Japan's contribution is for a new government of the Ryukyu Islands judical building.

In activity 5, "Public works," we propose to increase substantially the U.S. assistance for item 5a, "Roads and bridges," from $1 million in fiscal year 1967, which includes a proposed supplemental of $550,000, to $1.65 million in fiscal year 1968. In addition, as I will cover later, we plan to utilize $530,000 from the USCAR general fund, which will increase the fiscal year 1968 total to $2.18 million for roads and bridges.

Mr. Chairman, you and the other members of the committee who have visited Okinawa in the past 2 years have experienced the traffic jams on Highway 1, the Army's main supply road on the west coast. This traffic situation is getting progressively worse. The stepped-up military movement activity connected with the Vietnam supply activities plus a marked increase in the number of locally owned vehicles has placed an unsupportable burden on Highway 1.

The Government of the Ryukyu Islands and the civil administration recognized several years ago that a bypass road for the extremely busy 6 miles of Highway 1 from the Naha port area north is required in order to relieve the congestion. Accordingly, plans have been made and designs are now under development to construct this bypass road. Construction will begin in fiscal year 1968, and the target date for completion is January 1972. The Ryukyuan Government will purchase the necessary additional land required for the right-of-way. Because of the military use of the highway, and the need to divert traffic from Highway 1, we plan to provide a high priority for the funding of construction with U.S. funds, including the USCAR general fund. Current estimates indicate that this road construction may cost as much as $10 million. To make possible the increased funding for this high priority project in fiscal year 1968, we have had to eliminate the budgeting of U.S. funds for piers and harbors, item 5b, and seawalls, item 5c. These reductions have been partially offset by increased Japanese funding for item 5b.

In item 5d, "Municipal housing," the United States and Japan would continue assistance at about the fiscal year 1967 level. This assistance, coupled with Ryukyuan funds, will permit another joint project of 500 apartment units to get underway.

Under item 5e, we propose to continue in fiscal year 1968 the program of airfield improvement, initiated in fiscal year 1967, to meet safety and operations standards established by the Federal Aviation Agency. At the Miyako and Ishigaki airports, the improvements consist of installing runway lighting systems. On Kume Island, we plan to widen and surface the runway with asphalt, and provide a parking apron. For fiscal year 1967, our basic budget for airfield improvement in column (3) was $190,000 and the proposed supplemental in column (4) was $210,000. Since last year, the urgency of the total airfield improvement program became evident; which caused us to fund the entire $400,000 from the current authorization. To make room for this, we adjusted item 5f, the sewer system, by deferring a $210,000 portion to the supplemental fiscal year 1967 budget in column (4).

In column (10), for fiscal year 1968, we include funds for another annual increment of the integrated Okinawa sewer system which is targeted for completion by 1972, and which, by 1975, will serve an estimated 55,000 military and 600,000 local inhabitants. The $1.6 million budgeted in fiscal year 1968 is for construction of the second sewage treatment plant, to be located in the Sukiran area. The first treatment plant is now under construction in the Naha area, using funds budgeted in fiscal year 1966 and fiscal year 1967. Also, in fiscal year 1968, we have budgeted an additional $2 million from the USCAR general fund for the sewer system, thus increasing the fiscal year 1968 sewer budget to $3.6 million. In addition to the treatment plant, these funds will provide planned increments of interceptor and gravity sewers in the Naha and Koza areas, as well as necessary pumping stations and other sewage disposal facilities.

In Item 5g, "Rural electrification," we would continue the United States and Japanese programs to provide electricity to the remote areas.

Items 5h and 5i are special projects funded by the Japanese Government—the completion of television stations for the two southern island groups, Miyako and Yaeyama, and the initiation of a project to provide ultra high frequency telephone circuits from Okinawa to those islands. Item 5j, "Weather station facilities," exclusively funded by the Japanese, provides stations which supplement the Japanese weather net. Item 5k includes several minor Japanese projects.

The last budget activity under project 8732 is economic development. It is in these activities that the Government of Japan provides large amounts which round out the total program for the government of the Ryukyu Islands. Actually, activities 5 and 6, are closely related and the projects under both headings contribute to economic growth.

The United States and Japanese programs include continued assistance to item 6a, "Agricultural land development." Under item 6b, the Japanese will continue their assistance in building farm roads and protection walls. In item 6c, Japan will contribute another capital increment of $1 million to the Ryukyuan Government's Central Bank for Agriculture, Forestry, and Fisheries (listed in table I as "Capital for CBC") plus $139,000 for fishing vessel construction. Through fiscal

year 1968, Japan will have contributed $5.4 million to the CBC. Also, in item 6d, Japan will contribute capital of $250,000 to the People's Finance Corporation.

Item 6e is a new item for the Japanese assistance program. The cost of production of Ryukyuan sugar is much higher than elsewhere in the world; but Japan has traditionally subsidized the Ryukyuan sugar industry. This has been done in two ways. First, Japan exempts the Ryukyus from the extremely high Japanese tariff of $115 per metric ton. Second, Japan is currently purchasing Ryukyuan sugar at the high price of $218 per metric ton, as compared to the estimated average world price of $50 per ton. For the 1967 crop, the Ryukyuan sugar producers requested Japan to raise the sugar purchase price to $222 per ton. However, Japan decided to maintain the current price, and, to satisfy the Ryukyuans, Japan decided to grant the difference in the form of aid to the economy in fiscal year 1968. This difference amounts to $833,000.

Item 6f is also a new item, resulting from a new Ryukyuan law effective in fiscal year 1967. This law allows reserves of such special accounts as the unemployment compensation insurance fund and the postal savings account to be loaned for special purposes, such as the financing of additional capital facilities for the Telephone & Telegraph Public Corp. Since the trust fund bureau law is about the same as a Japanese law, Japan will also contribute capital of $833,000 to help the government of the Ryukyu Islands initiate the program.

Japan also will provide needed assistance for dredging and other improvement of fishing ports, and miscellaneous other economic development projects.

Project 8733 contains the customary $5,000 needed for the transportation of donated welfare supplies from the United States.

In project 8734, "Technical education and training," the programs of both the United States and Japan provide small increases in funding levels over fiscal year 1967. The proposed increases in this request are necessary to accommodate expanded workloads and increased costs, particularly in the scholarship and on-the-job training programs of the United States. For example, there will be an increase in fiscal year 1968 of 90 full-year students.

The technical cooperation activities in project 8735 are budgeted at about the same levels as in fiscal year 1967. In the proposed U.S. program, small increases in six activities will be more than offset by the elimination in fiscal year 1968 of the public works survey and the survey of the Ryukyuan economy. It is planned to use the USCAR general fund to continue these surveys which will require larger funding than we originally anticipated.

USCAR GENERAL FUND

Table II, appended to my statement, shows the proposed budget of the USCAR general fund, which I recommend be inserted in the record.

(The table follows:)

TABLE II.—*Proposed general fund budget, fiscal year 1968*

[In thousands]

Section/line	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
A. Beginning cash	$1,843	$1,947	$2,273
B. Revenues:			
1. Petroleum operations	7,191	7,500	8,000
2. Corporation earnings	6,096	5,092	4,691
3. Other	185	286	175
Total	13,472	12,878	12,866
C. Expenditures:			
1. Corporation reinvestment	6,096	5,092	4,691
2. Petroleum revenue to GRI	3,000	3,300	3,500
3. Capital contribution for island water system	4,000	1,250	2,200
4. Construction of island sewer system	0	2,000	2,000
5. Assistance to municipalities	2,00	200	200
6. Disaster relief	2	200	200
7. Ether economic development, public works	0	0	680
8. Fixed assets, POL facilities	70	510	570
Total	13,368	12,552	14,041
D. Ending cash	1,947	2,273	1,098

General UNGER. Section A shows the beginning cash, section B the revenues expected to be received during the year, section C the expenditure programs, and section D the ending cash.

Last year, the committee was advised of our estimate that the earnings from the import, markup, and sale of petroleum products in line B–1 would increase from $6.5 million in fiscal year 1966 to $7.17 million in fiscal year 1967. Actually, we earned over $7 million in fiscal year 1966 and will reach an estimated $7.5 million in fiscal year 1967, and $8 million in fiscal year 1968, because of increased sales. Line B–2 is the other principal source of income; however, since the needs of each corporation for capital are in excess of its revenues, these funds are reinvested, as shown in line C–1, in accordance with our long range plans for power, water, and loans for economic development. Line C–2 shows that we will turn over to the Government of the Ryukyu Islands $3.5 million in fiscal year 1968 from earnings on the petroleum import activity to supplement its general revenue program. In keeping with our increases in income from year to year from such sources, we have made it our policy to increase the amount transferred to the Government of the Ryukyu Islands.

Lines C–3 and C–4 reflect the two major public works projects that currently receive support from the fund: the water and sewer projects. Through fiscal year 1968, the general fund will have contributed $17.85 million to the water system, and $4 million to the sewer system.

Line C–5 reflects a relatively small but highly important program to the people in the remote towns and villages. It is used by me on a selected project basis to assist in financing small worthy projects, such as rural electrification and simple drainage and water systems. The municipalities contribute a portion of the funds and the villagers contribute their labor.

(Discussion off the record.)

General UNGER. Now, back on the record.

Line C–6 is a reserve for disaster relief. In fiscal year 1967, we have committed the entire fund for emergency assistance as a result of two typhoons last September which caused extensive damage. The Japanese Government is contributing a total of $3.9 million over 2 fiscal years for long-term disaster rehabilitation assistance, principally for making loans to homeowners to replace their former homes with typhoon-resistant housing.

Line C–7 is a new program for other economic development and public works projects. Earlier, I mentioned that we planned to use $530,000 to supplement the appropriated funds for the bypass road for Highway 1; also, that we planned to use $150,000 from the fund to continue the public works and economic surveys financed in previous years from our appropriation. These are the projects in this program for fiscal year 1968.

ADMINISTRATIVE ACTIVITIES

Table III, appended to my statement, shows a summary of project series 8710, administrative activities, which I recommend be inserted in the record.

(The table follows:)

TABLE III.—*Project 8710—Proposed administrative activities, ARIA, fiscal year 1968 and fiscal year 1967 supplemental appropriation request*

[In thousands]

Project	Budget activity	Fiscal year 1967			Fiscal year 1968 estimate	Fiscal year 1968 over fiscal year 1967, increase (+) or decrease (−)
		Appropriation (original estimate)	Proposed adjustments (including supplemental)	Revised estimate		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
8711	Pay of personnel	$2,468	+$93	$2,561	$2,562	+$1
8712	Travel of civilian employees	125	−15	110	119	+9
8713	Information materials and services	150	−10	140	140	0
8714	Operating expenses	150	−13	137	135	−2
	Total 8710	2,893	+55	2,948	2,956	+8

General UNGER. The activities comprise four subprojects as shown in columns (1) and (2). Fiscal year 1967 is shown in three columns: the original appropriation estimate in column 3, the proposed adjustments in column 4, and the revised estimate in column 5. For project 8711, pay of personnel, our revised requirement is actually $93,000 higher than our original estimate because of the military and civilian pay increases granted last year. However, because of our total savings of $38,000 in the last three projects, we have been able to reduce our supplemental budget request for fiscal year 1967 to $55,000.

In keeping with the President's hold-the-line policies related to the large Vietnam war costs, I request no increase in U.S. spaces and an increase of only 13 local national spaces in fiscal year 1968. Because of estimated delays in filling vacancies in fiscal year 1968, the

total amount requested for pay of personnel is about the same as in fiscal year 1967.

In project 8712, travel, our current obligations are running at a higher rate than $110,000; therefore, we may have to arbitrarily curtail travel later this year. Our fiscal year 1968 budget proposal provides for restoration of $9,000 of the fiscal year 1967 reduction which we voluntarily effected to help meet the pay increases.

There are no significant changes for fiscal year 1968 in the requirements for information materials and for operating expenses. We have held these to the fiscal year 1967 levels.

COMPARISON OF UNITED STATES AND JAPANESE AID 1963–68

This completes the summation of the requested fiscal year 1968 U.S. program. It seems proper here to refer to a question which has been asked before: "Are we not trying to keep up with or stay ahead of Japan in the aid business?" The answer to that is quite clearly, "No." Our policy is to accept useful and usable aid from Japan as long as it does not interfere with the U.S. administration or the effective operation of the military base. Table IV, appended to my statement, shows the direct assistance provided the Ryukyus by both the United States and Japan for the past several years.

(The table follows:)

TABLE IV.—*United States and Japanese aid appropriations, fiscal years 1963 through 1968*

[In millions]

Fiscal year	United States	Japan
1963	$6.9	$2.8
1964	7.9	5.0
1965	12.0	5.2
1966	12.0	8.0
1967	[1] 17.3	[2] 16.1
1968	19.5	[3] 25.8

[1] Proposed.
[2] Excludes disaster rehabilitation of $1,000,000.
[3] Excludes disaster rehabilitation of $2,900,000.

(Discussion off the record.)

STANDARD OF LIVING: RYUKYUS VS. JAPAN

Appended to my statement is a fact paper entitled "Standard of Living: Ryukyus versus Japan" which I recommend go into the record. The fact paper and its tables A and B show certain key economic and social comparisons between the Ryukyus and Japan, based upon the latest Japanese statistics available to us.

(The information follows:)

STANDARD OF LIVING: RYUKYUS VERSUS JAPAN

PAST HISTORY

Before World War II Okinawa was the poorest prefecture of Japan. Per capita income of Okinawa averaged about $25 per year during the 1934–1936 years; whereas in mainland Japan, annual per capita income averaged about $60 during the same period. However, despite the poor economic state of prewar Okinawa, the GOJ central government provided hospitals and welfare facilities which were adequate for that time and comparable to those in other prefectures in Japan.

CURRENT PLANS

Currently (1963) Okinawa still ranks with the poorer prefectures of Japan as indicated in the Table A attached.

Sections I, II and III compare the per capita national income, disposable income and consumption expenditures in the Ryukyus with the average in all Japan, with Tokyo, and with *eleven prefectures that are physically closest to Okinawa*. FY 1963 is the latest year available and was obtained from GOJ. As you can see, the Ryukyus rank ahead of Kagoshima in national income and behind the other eleven prefectures.

Section IV of the table compares the Ryukyus with the Japanese national average for which we do have statistics through FY 1966.

Section V compares FY 1965 price levels against the Tokyo consumer price index which is 100. We have the figures for the 12 prefectures in this case. In FY 65, prices in the Ryukyus were slightly higher than in Japan.

Concerning the three program areas of public health, education, and welfare, with which the Governments of the U.S., Japan and the Ryukyu Islands are concerned about the serious gaps between the Ryukyus and Japan, Table B, attached hereto, has certain key indicators which illustrate the differences.

FUTURE PLANS

As pointed out in the opening statement, one of the primary goals of the Long Range Plan is to raise the levels of public health, educational and welfare services by FY 1971 to levels obtained in comparable areas of Japan.

TABLE A.—*Comparison of income and cost of living, Ryukyus and Japanese prefectures*

	National income, per capita [1]			Disposable income, per capita [2]			Consumption expenditures, per capita [3]		
	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963
All Japan:									
Old series	$357	$419	$460	$289	$337	$377	$229	$263	$299
New series	387	454	503	317	369	417	261	301	344
1. Tokyo	697	802	893	512	596	688	366	425	488
2. Tokushima	284	323	361	275	310	346	200	225	253
3. Kagawa	331	384	436	311	363	410	196	232	285
4. Ehime	308	354	397	285	328	372	209	242	284
5. Kochi	295	338	378	285	330	366	192	232	292
6. Fukuoka	393	451	488	340	396	446	241	273	329
7. Saga	266	306	351	258	301	350	203	234	265
8. Nagasaki	272	303	338	254	294	336	189	213	242
9. Kumamoto	248	292	353	239	283	336	176	196	221
10. Oita	259	301	349	249	284	337	183	220	266
11. Miyazaki	244	275	333	237	264	309	187	204	244
12. Kagoshima	203	240	285	201	234	286	173	193	229
Ryukyu Islands	237	261	299	236	255	285	172	194	215

	Comparison of income, Ryukyu Islands with Japanese averages					
	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966
National income, per capita: [1]						
All Japan:						
Old series	$357	$419	$460	$528	$587	----------
New series [4]	387	454	503	577	646	$709
Ryukyu Islands	237	261	299	322	364	426
Disposable income, per capita: [2]						
All Japan:						
Old series	289	337	477	431	488	----------
New series [4]	317	369	417	478	540	602
Ryukyu Islands	236	255	285	304	344	402
Consumption expenditures, per capita: [3]						
All Japan:						
Old series	229	263	299	342	384	----------
New series [4]	261	301	344	407	444	496
Ryukyu Islands	172	194	215	237	261	296

[1] Aggregate earnings of all factors of production.
[2] Disposable income is personal income less taxes.
[3] Consumption expenditures are disposable income less savings.
[4] All Japan data revised April 1966 in conformance with International Monetary Fund standards and revised 1960 population census data. Similar revisions will be undertaken for individual prefectures and Ryukyu Islands.

Comparison of consumer price levels, fiscal year 1965

[Tokyo=100.0]	*Percent*
All Japan	95. 1
1. Tokyo	100. 0
2. Tokushima	98. 1
3. Kagawa	97. 5
4. Ehime	96. 4
5. Kochi	97. 2
6. Fukuoka	98. 4
7. Saga	96. 2
8. Nagasaki	97. 5
9. Oita	95. 0
10. Kumamoto	97. 0
11. Miyazaki	93. 1
12. Kagoshima	96. 1
Naha, Okinawa	100. 9

TABLE B.—*Comparative data on health, education, and welfare for the Ryukyu Islands and Japan*

	Ryukyus, fiscal year 1966	All Japan, Japanese fiscal year 1965
I. Public Health:		
Doctors:		
Number	374	109,369
Population served per doctor	2,524	899
Dentists:		
Number	109	35,558
Population served per dentist	8,660	2,764
Nurses (clinical and public health):		
Number	1,003	[1] 220,000
Population served per nurse	941	[1] 447
Hospital beds: [2]		
Total beds	3,812	873,652
Number per 100,000 population	404	889
TB beds	1,087	220,757
Number per 100,000 population	115	225
NP beds	491	172,900
Number per 100,000 population	52	176
Birth rate per 1,000 population	20.1	18.5
Life expectancy (years):		
Male	[3] 68.0	[3] 67.2
Female	[3] 74.7	[3] 72.3
Death rate per 1,000 population	5.2	7.1
II. Education:		
1. Per capita school expenditures:		
Kindergarten	25.39	73.15
Elementary school	52.93	116.67
Junior high school	74.50	119.49
Special school	764.79	856.53
Senior high school (day)	117.84	176.67
Senior high school (night)	75.83	161.60
2. Pupils per classroom:		
Elementary	40.1	34.4
Junior high school	44.6	39.7
Senior high school (day)	45.7	----------
Senior high school (night)	41.8	----------
3. School building area per pupil (excluding gymnasium and auditorium)	----------	----------
	Fiscal year 1965	
Ryukyu Islands:		
Primary school	2.40[m²]	2.48[m²] 4.89[m²]
Junior high school	2.43	2.61 4.76
Senior high school	3.43	3.38 5.10
III. Welfare programs:		
1. Social insurance:		
a. Public service personnel retirement annuity	[4]	[5]
b. Medical insurance program	[4]	[5]
c. Unemployment insurance	[4]	[5]
d. Workmen's accident compensation insurance	[4]	[5]
e. Workmen's annuity	[4]	[5]
f. Old age and survivors (national pension)	[7]	[5]
g. GRI Employees' Mutual Aid Association	[8]	[5]
2. Public assistance (daily life security):		
Total (per family per month) [1]	$32.60	$45.42
Livelihood (food and clothing)	30.39	41.90
Housing	1.70	2.67
Educational	.51	.85

[1] Estimated.
[2] Includes government and private hospitals. In Ryukyus, only hospitals with 30 or more beds are considered; in Japan, hospitals with 20 or more beds are counted.
[3] 1960.
[4] Payments to Ryukyuan and Japanese households of similar economic status residing in towns and villages. Amount based on a typical 4-member rural household receiving assistance. Excludes surplus agricultural commodities (Public Law 480, title III program).
[5] In operation.
[6] Fiscal years 1969–70.
[7] Fiscal years 1970–71.
[8] Fiscal year 1971.

PROPOSED SUPPLEMENTALS, FISCAL YEAR 1967 AND FISCAL YEAR 1968

Mr. Chairman, as a convenience to the committee and as was done last year, I have prepared and appended to my statement a separate summary statement in support of the $5.3 million and $7.5 million sup-

plemental requests for fiscal year 1967 and fiscal year 1968, respectively, which requests are to be submitted when the authorizing act is amended.

(The information follows:)

PROPOSED SUPPLEMENTAL ARIA, FISCAL YEARS 1967 AND 1968; APPROPRIATION REQUESTS UNDER INCREASED AUTHORIZATION IN PUBLIC LAW (H.R. 4903)

The sums of $5,310,000 and $7,500,000 are requested in fiscal years 1967 and 1968, respecively, as supplemental appropriations for aid to the Ryukyuan economy, Project 8730, of the appropriation "Administration, Ryukyu Islands, Army." These would increase the total aid program to $17,310,000 in fiscal year 1967 and $19,500,000 in fiscal year 1968. The additional amounts proposed are for activities shown on the accompanying table.

The funding policies and priorities for $17,310,000 U.S. and $16,100,000 Japanese aid program for fiscal year 1967 and $19,500,000 U.S. and $25,800,000 Japanese aid program proposals are discussed in detail above.

Proposed supplemental ARIA fiscal year 1967 and 1968 appropriation requests under increased authorization in public law (H.R. 4903)

[In thousands]

Budget activity	Fiscal year 1967			Fiscal year 1968		
	Initial program	Increase	Total	Initial program	Increase	Total
1. Education	$4,195	$4,175	$8,370	$4,100	$6,100	$10,200
(a) Teachers' salaries	1,000	4,000	5,000	1,000	5,600	6,600
(b) Public school construction	1,800	----	1,800	1,800	200	2,000
(c) University of the Ryukyus	325	175	500	55	300	355
(d) Other	1,070	----	1,070	1,245	----	1,245
2. Public works projects	1,645	725	2,370	1,650	800	2,450
(a) Roads and bridges	450	550	1,000	1,200	450	1,650
(b) Seawalls	100	100	200	----	----	----
(c) Piers and harbors	275	75	350	----	----	----
(d) Municipal housing	320	----	320	200	100	300
(e) Airfield improvement	400	----	400	250	150	400
(f) Rural electrification	100	----	100	----	100	100
3. Economic development: Agricultural land development	100	200	300	75	200	275
4. Construction of sewerage systems	1,220	210	1,430	1,200	400	1,600
5. All other activities	4,840	0	4,840	4,975	0	4,975
Total projects, 8730	12,000	5,310	17,310	12,000	7,500	19,500

Mr. Chairman, I would like to conclude by thanking the committee for hearing the justification in support of our budget requests. I will be pleased to answer any questions and to provide the committee with any additional data it may desire.

Mr. PASSMAN. Thank you very much, General, and Mr. Secretary. You are requesting $14,956,000 for fiscal 1968, an increase of $63,000 over the regular appropriation for fiscal 1967; is that correct?

General UNGER. Yes, sir.

U.S. APPROPRIATIONS COMPARED WITH RYUKYUAN IMPORTS FROM JAPAN

Mr. PASSMAN. I would like to insert in the record at this point the appropriation by year beginning with fiscal 1956–67, inclusive, followed by a table of aid given by Japan for fiscal 1956 through fiscal

1967, inclusive, followed by a table of the amount of imports from Japan to the Ryukyus, fiscal 1956 to fiscal 1967, inclusive.

(The information follows:)

	U.S. appropriation			Government of Japan contribution	Ryukyuan imports from Japan
	Aid	Administrative	Total		
Fiscal year:					
1956	$1,790,000	$1,210,000	$3,000,000	0	$46,100,000
1957	1,070,000	1,280,000	2,350,000	0	59,400,000
1958	1,070,000	1,405,000	2,475,000	0	67,500,000
1959	1,300,000	1,560,400	2,860,400	0	76,700,000
1960	3,649,000	1,633,000	5,282,000	$125,000	93,800,000
1961	4,367,000	1,722,000	6,089,000	172,000	101,500,000
1962	5,367,000	1,722,000	7,089,000	570,000	117,400,000
1963	6,950,000	2,004,150	8,954,150	2,774,000	135,700,000
1964	7,860,000	2,140,000	10,000,000	5,027,000	136,900,000
1965	12,000,000	2,441,000	14,441,000	5,208,000	151,300,000
1966	12,000,000	2,773,000	14,773,000	7,964,000	196,200,000
1967	12,000,000	2,893,000	14,893,000	16,114,000	208,300,000

Mr. PASSMAN. General Unger, because there has been a lot said today and in prior years about the aid that Japan has given the Ryukyus, I think it is good to have a look at the tremendous market that Japan is enjoying in the Ryukyus and I think that may have a lot to do with why the Japanese are giving aid to the Ryukyus.

At this time may the record show the amount of imports from Japan to the Ryukyus for the last complete year. Do you have the figure?

General UNGER. Yes; we have it. Generally speaking, the imports into the Ryukyus ran about $270 million, Mr. Chairman, the great majority of which came from Japan.

Mr. PASSMAN. That is what I know. I think we should establish why there is a little trickle of aid from Japan to the Ryukyus. I would start an aid program in Ryukyus if I could do that kind of business with them.

What was the amount?

General UNGER. The total imports into the Ryukyus amounted to $267.7 million in fiscal year 1966.

Mr. PASSMAN. What was the amount of aid that Japan gave that year?

General UNGER. For 1966 it was $8 million.

Mr. PASSMAN. About 3 percent on the dollar.

General UNGER. I did not give you how much of this $267.7 million total imports came from Japan yet.

Mr. PASSMAN. That is the question.

General UNGER. The answer is $196.2 million. So you would roughly say $196 million out of $267 million; 73 percent.

PER CAPITA INCOME—RYUKYUS AND JAPAN

Mr. PASSMAN. Would you also insert a table showing the per capita income of the people on the Ryukyus in fiscal 1956 and the same thing through 1967?

General UNGER. I have that in my fact paper which is inserted as part of the record.

(The information follows:)

Per capita income—Ryukyus and Japan, 1956–67

[In constant prices—1960=100]

	Ryukyus	Japan		Ryukyus	Japan
Year:			Year:		
1956	$163.1	$248.6	1962	$226.5	$424.1
1957	171.6	264.7	1963	283.5	441.0
1958	176.1	291.8	1964	292.1	473.5
1959	186.6	300.1	1965	324.6	500.7
1960	204.4	331.7	1966 estimated	364.7	508.4
1961	210.2	383.1	1967 estimated	355.1	510.9

PROJECTED COST TO COMPLETE CURRENT PROGRAM

Mr. PASSMAN. General Unger, I note in the statement on page 1 of the justifications that the Ryukyus are still plagued with limited social welfare benefits, shortage of education and health services, inadequate public works, and shortage of technically trained personnel. What is the population of the Ryukyu Islands, total?

General UNGER. 945,000, Mr. Chairman, approximately.

Mr. PASSMAN. Thank you, sir.

Now, since the almost identical statement first appeared in the fiscal year 1965 justifications and the Congress has appropriated approximately $36 million for these purposes since that time, what is your best estimate, both in cost and in time, as to when we will have eliminated these so-called shortages?

General UNGER. Mr. Chairman, we have in the Ryukyu Islands a long-range plan which is developed by the U.S. Civil Administration and the government of the Ryukyu Islands together. This plan carries us forward 5 years. In answer to your question, the goals of that plan are to achieve, particularly in the areas you mentioned, health, education, and welfare, the levels achieved in comparable areas of Japan. We hope by fiscal year 1971 to achieve those levels. That is the time angle.

The money angle, I believe we inserted in the record last year an indication of what we felt was a reasonable amount of aid to be contributed by the United States throughout that planning cycle. And to answer you very quickly, that aid ran up to, in 1968, as shown here, $19.5 million; in 1969, $21.1 million; in 1970, $21.9 million, and in 1971, $24.5 million.

Mr. PASSMAN. Those are your projections?

General UNGER. Those are our projections, Mr. Chairman.

Mr. PASSMAN. I notice, General, the aggregate will be in the neighborhood of $70 million to $80 million.

General UNGER. Beyond this year, yes; that is right.

Mr. PASSMAN. Beyond fiscal 1968?

General UNGER. That is correct, sir, $67.5 million.

IMPROVEMENTS TO RYUKYUAN PUBLIC FACILITIES

Mr. PASSMAN. It was my privilege to visit the Ryukyu Islands for the first time in 1949. I recall entering the courtroom which had a wooden door with only one hinge and a few wooden benches. The judge sat on a cane-bottom chair with a little table in front of him.

Do any of you remember that famous courtroom?

Mr. O'FLAHERTY. Yes, sir.

Mr. PASSMAN. Subsequently I have visited the Ryukyus many times. They now have a beautiful court building, fully air conditioned, with courtroom chambers quite similar to those in our country. Would that be a statement of fact?

Mr. O'FLAHERTY. I believe so.

Mr. PASSMAN. And if I remember correctly, a lot of the schools in those days didn't have any doors at all. You went into a little shack where you had just benches and a blackboard and it was quite similar to what we had in this country about 75 years ago. Do you remember those days in the Ryukyu Islands?

Mr. O'FLAHERTY. Yes, Mr. Chairman.

Mr. PASSMAN. Today you have many modern school buildings, do you not, and modern teaching techniques?

General UNGER. Yes, sir; that is correct.

Mr. PASSMAN. Since we are using Japan in making the case for this money, let's see if we can't actually pin it down. How do the facilities I just described in 1949 compare with the facilities that you had in Japan in 1949, since we have to have some standard by which we are going to compare this?

General UNGER. If I were to answer that, Mr. Chairman, I would be speculating.

Mr. PASSMAN. All right. We wouldn't want you to speculate. But that was the poorest prefecture in Japan at the time.

General UNGER. Yes, sir.

Mr. PASSMAN. I just think it is not quite fair to the Ryukyus, or maybe to your administration, to make your case today comparing what they have today with what Japan may be furnishing. You have to go back and compare the starting place with today's situation. Do you agree that is correct?

General UNGER. Yes, sir. You start with the starting place and carry it up to the present day to see what levels of progress have been made in Japan versus those that have been made in the Ryukyus.

Mr. PASSMAN. I know. But you started from an altogether different point. Now, we are trying to compare what they should have today to what they have in Japan, and there was no comparison back when I first started handling this program.

(Discussion off the record.)

AID TO THE RYUKYUAN ECONOMY

Mr. PASSMAN. General, I note Project 8730 is entitled "Aid to Ryukyuan economy." Is this another way of saying foreign aid to the Ryukyu Islands, in effect?

General UNGER. 8730, the $12 million program. Is this another way of saying foreign aid, sir?

Mr. PASSMAN. Yes.

General UNGER. Yes, it is.

Mr. PASSMAN. That is fair enough.

General UNGER. Yes, sir.

INCREASED AUTHORIZATION

Mr. PASSMAN. The President's budget indicates that you propose to request an amendment to Public Law 86–629 to increase the authorization for aid to the Ryukyus to $25 million annually. Is that correct?

General UNGER. That is correct, sir.

Mr. PASSMAN. That would be nearly nine times the amount that we were giving when I first became chairman of this giveaway committee.

FISCAL YEAR 1967 ARIA SUPPLEMENTAL APPROPRIATION

If this request is approved by the Congress, do you anticipate requesting a supplemental appropriation for fiscal 1967, General?

General UNGER. We would request the supplemental, if and when the Price Act is raised, to $5.3 million.

Mr. PASSMAN. Applicable to fiscal 1967?

General UNGER. That is correct, sir; $5.3 million.

Mr. PASSMAN. Why the rush? There is no program on the face of the earth that has increased like this aid program for the Ryukyus. Why do you have to jump in and get a piece of it for fiscal 1967 when you testified and justified these funds last year to carry you through fiscal 1967? There is no assurance you are going to get the Price Act increased. So why plan programs? Couldn't it wait until fiscal 1968?

General UNGER. Well, sir, this figure of $5.3 million was included in our formulation of the long-range plan over a year ago and it was so published when the President issued his fiscal year 1967 budget in January, 1966. Basically, the reason is, again, going back to the long-range plan, which is based on the idea and following suggestions of our President, to reach the levels that are obtained in comparable areas of Japan in the fields of health, education, and welfare. And it was in order to reach them by a reasonable period of time, which is fiscal year 1971, that it was felt that certain amounts of external aid were needed.

Mr. PASSMAN. Aren't they getting external aid now, General?

General UNGER. That is correct, sir. They are getting aid from us and from Japan, sir.

Mr. PASSMAN. And, of course, we all know that there is only about 90 days left in fiscal year 1967. I am interested because you made a statement that the Constitution of the Ryukyus provides that they cannot have deficit financing. They have to operate on a cash basis.

General UNGER. That is correct, sir; no deficit financing is authorized.

Mr. PASSMAN. I wonder what in the world would happen to us if we tried to operate on such a system. We haven't balanced the budget in this country but six times in the last 38 years.

PREWAR ECONOMIC DATA

Mr. CONTE. Will you yield?

I wonder if, together with the table that you have as regards the comparison of income and cost of living in the Ryukyus and those of Japan, we can get some figures prior to the United States taking over the Ryukyuan Islands?

General UNGER. We will certainly try to do that.

Mr. BURNS. I think that is in the record of last year. We will check it and supply it, that is, the per capita income estimated in last year's record.

Mr. CONTE. Per capita and also the disposable income per capita.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. That information is very important. I appreciate the gentleman asking for it. I had requested information as to the several conditions that you have to associate with the economy back to 1956 and I am wondering if we shouldn't have the per capita income for each of those years, fiscal year 1956 through 1967 inclusive for the Ryukyu Islands and then a comparable chart showing the per capita income for Japan for those same years.

Off the record.

(Discussion off the record.)

General UNGER. We will supply it.

(The information follows:)

The information on per capita income 1956-67 is provided on page 100. No records are available on pre-war disposable per capita income. The average estimated per capita annual income during the period 1934–1936 was $188 for Japan and $119 for the Okinawa Prefecture.

Mr. CONTE. I also want to see what the per capita income was when it was under the jurisdiction of Japan, which would take it prior to 1945.

Mr. PASSMAN. I think that information would be very valuable to the committee.

General UNGER. We will do our utmost to obtain the information.

(The information appears above.)

Mr. PASSMAN. Off the record.

(Discussion off the record.)

FISCAL YEAR 1968 SUPPLEMENTAL APPROPRIATION

Mr. PASSMAN. Now, if the law should be amended increasing the ceiling and you request and get a supplemental applicable to fiscal 1967, will you also request a supplemental appropriation for fiscal 1968?

General UNGER. Yes, sir.

Mr. PASSMAN. In what amount?

General UNGER. $7.5 million, an increase of $7.5 million making the total $19.5 million.

Mr. PASSMAN. And what would happen if you did not get the increase?

General UNGER. Well, sir, off the record, please?

Mr. PASSMAN. You can take it off the record later, if it is necessary for it to be off the record.

General UNGER. Yes, sir. On the record: Naturally, there would be that number of projects, a number of projects in the amount of money specified that would go begging.

Mr. PASSMAN. What projects, General?

General UNGER. Now, generally speaking, in the two supplementals we are asking for, the $5.3 million for 1967 and the $7.5 million for 1968, 75 percent of those two supplementals would be for education, 75 percent of the money.

LONG-RANGE PLAN

Mr. PASSMAN. When did you formulate a plan to be put into effect if you should get the new authorization?

General UNGER. I am not sure I understand.

Mr. PASSMAN. When was the plan formulated, when did you start the plan that would utilize these additional funds?

General UNGER. This plan, I know, for fiscal year 1967 was started over a year ago and the plan for 1968 was started prior to my arrival in the Ryukyus, and I arrived there in November. Now, how much ahead of that I am not certain.

Mr. BURNS. We first started the development of the long-range plan, sir, in the winter of 1964. Our first tentative plan was approved in March 1965 and its first revision was in February of 1966, as a basis for the fiscal years 1967 and 1968 U.S. budgets and the Japanese budgets.

Mr. PASSMAN. Approved by whom?

Mr. BURNS. Locally, sir.

Mr. PASSMAN. In the Ryukyus?

General UNGER. Approved by the U.S. Civil Administration, by the High Commissioner.

NUMBER OF U.S. PERSONNEL

Mr. PASSMAN. What is the total number of civilian personnel, American personnel, living in the Ryukyu Islands?

General UNGER. The number of American personnel?

Mr. PASSMAN. Yes.

General UNGER. Yes. I would say employees or Americans there on their own businesses and visitors, I would say it runs, in round figures, 3,600. And they have dependents of about 5,700 there.

Mr. PASSMAN. Now, could you put all of them together, military and civilians, all foreigners on the islands?

General UNGER. U.S. military and civilians——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. What is the number of U.S. people?

General UNGER. 87,000 is the U.S. community. That means U.S. military, their dependents; U.S. civilians and their dependents.

Mr. PASSMAN. Of course, they spend a substantial amount of money, do they not, on the islands?

General UNGER. That is correct, sir. We figure that the amount of money that is contributed by our military and civilian people there, amounts to 41 percent of their pay—that is 41 percent—is spent right there.

Mr. SHRIVER. Mr. Chairman.

Mr. PASSMAN. Yes, I yield.

FISCAL YEAR 1967 SUPPLEMENTAL APPROPRIATION

Mr. SHRIVER. I hate to interrupt this line but I don't think you ever answered the chairman's question. At least, I didn't understand it. The question as to what would happen if the increase wasn't authorized.

General UNGER. Or granted?

Mr. SHRIVER. For the balance of this fiscal year which ends June 30 of this year, what would happen?

General UNGER. I answered it in one way, and——

Mr. PASSMAN. Yes.

General UNGER (continuing). Then I was going to go off the record and answer it in another way.

Mr. SHRIVER. I just didn't understand your answer.

General UNGER. The way I did answer it on the record was that there will be, generally speaking, $5.3 million worth of projects that would go begging. In other words, the tab for $5.3 million worth of projects would have to be picked up by the Government of the Ryukyu Islands in later years from other revenues. So therefore, $5.3 million of projects they had planned to use in fiscal year 1967, assuming we got this increase, would not be funded.

Mr. SHRIVER. You mean we did not appropriate sufficiently last year when we met?

General UNGER. No, sir, not necessarily. The whole budget picture——

Mr. SHRIVER. I think we appropriated the full request.

General UNGER. You did appropriate the full authorization.

Mr. SHRIVER. So the projects would go begging?

General UNGER. Yes, sir. There would be projects not only in the fields that I am talking about, health, education, and welfare, all of the projects that a normal government runs——

Mr. SHRIVER. Then you didn't ask for enough last year.

General UNGER. Well, sir, you could say that but maybe the long-range plan wasn't developed to the point where they had a good justification for asking for more. I can't answer that.

Mr. PASSMAN. I wouldn't want to answer it for you, but I think the answer would be that you just had not formulated any plans. You are coming up with plans that 3 years ago you had not—I am speaking of you, meaning the Ryukyu Islands Administration—even dreamed of. We thought we had every kind of program known to man underway. The money you are going to spend under the increased authorization will be for projects that hadn't even been thought of 4 or 5 years ago. Is that a fair statement?

General UNGER. Well, sir, not fair——

Mr. PASSMAN. What part of it is not fair?

AUTHORIZATION CEILING

General UNGER. I would say the part, sir, in answer to the question why was not more than $12 million asked for was because there was a limitation, the ceiling, the Price Act precluded anything more than the $12 million.

Mr. SHRIVER. The what?

General UNGER. The Price Act, Public Law 86-629, which is the ceiling——

Mr. SHRIVER. But you could have asked the authorizing committee.

General UNGER. That is correct.

Mr. SHRIVER. Last year we didn't start the hearings here until this had been through the authorizing committee.

Mr. PASSMAN. Aren't you presently asking for a supplemental appropriation on the assumption that you will get the increased authorization applicable to 1967, and we only have a little over 90 days to go before we start the new fiscal year?

General UNGER. That is correct.

PROJECTS AFFECTED BY SUPPLEMENTAL REQUEST

Mr. PASSMAN. What would happen, specifically, if you didn't get the increased authorization and you didn't get the supplemental appropriation, what current plans would you have to modify, what plans presently in effect, or programs or projects?

General UNGER. These are the projects that are planned to use the $5.3 million.

Mr. PASSMAN. Are they blackboard projects at this time?

General UNGER. They are public works, economic development, education, public health, and public safety.

Mr. PASSMAN. Are these blackboard projects at this time?

Mr. BURNS. Yes, sir.

General UNGER. Yes, sir.

Mr. BURNS. They are in the budget.

General UNGER. Yes, sir, they are.

Mr. PASSMAN. They are blackboard projects?

General UNGER. Yes.

Mr. PASSMAN. This is not an extension of any project presently underway?

General UNGER. Let me get the definition of what you mean by blackboard projects.

Mr. PASSMAN. Blackboard projects are some projects you will start if you get the money; if you don't, however——

General UNGER. No, sir. Some of these are blackboard, some are not. For instance the pay of teachers, they are going to be paid whether or not we get an appropriation of $5.3 million. If we don't get it they are going to be paid by the Government of Ryukyu Islands from their own revenues and that means, in order for the Government of the Ryukyu Islands to pay them, certain other projects for which they had planned to expend their money will not be undertaken.

Mr. PASSMAN. Ryukyus projects?

General UNGER. That is correct.

Mr. PASSMAN. But not U.S. projects?

General UNGER. Not U.S. projects.

Mr. PASSMAN. If we don't give you this supplemental appropriation, the Ryukyus Government will provide the funds to pay for these increases——

General UNGER. The Ryukyus will pay some of these things that have to go, that have to be done, such as the pay of teachers which takes care of 75 percent of the moneys we are asking for.

RYUKYU TAX REVENUES

Mr. PASSMAN. Will you insert in the record a table showing the amount of taxes, income taxes and other taxes, that can be identified, from 1956 through 1967 inclusive?

General UNGER. Yes, sir.

(The information follows:)

Taxes collected in Ryukyu Islands internal revenue for fiscal years 1956 through 1967

[In thousands of dollars]

	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967 (estimate)
1. Income taxes	$4,420	$5,223	$5,555	$5,970	$7,054	$8,575	$10,412	$13,236	$17,021	$18,802	$23,962	$22,372
(a) Personal income tax	3,267	3,671	3,463	3,385	4,316	5,714	6,774	9,055	11,470	12,453	17,248	14,583
(b) Corporation income tax	1,153	1,552	2,092	2,585	2,738	2,861	3,638	4,181	5,551	6,349	6,714	7,789
2. Excise taxes	8,881	10,419	10,457	11,279	12,822	12,463	14,425	16,081	17,559	19,295	23,722	30,513
3. Other receipts	2,308	2,515	2,081	2,255	1,784	1,010	1,249	1,573	1,684	1,945	2,058	2,602
Total	15,609	18,157	18,093	19,504	21,660	22,048	26,086	30,890	36,264	40,042	49,742	55,487

RYUKYUANS EMPLOYED BY THE UNITED STATES

Mr. PASSMAN. I yield to Mr. Conte.

Mr. CONTE. So that we have a complete record, I think when we are talking about this aid to the Ryukyuans we can't overlook for a moment that 53,000 Ryukyuans are employed by U.S. forces.

General UNGER. That is correct.

Mr. CONTE. This certainly is a part of a foreign aid program, in a sense, if we weren't there——

General UNGER. Yes.

Mr. CONTE (continuing) they might be going along without jobs.

Could you give us a figure on the 53,000 that are now employed, a salary figure? The Army ought to be able to produce that.

Mr. LONG. Will you yield on that point?

Mr. CONTE. Yes.

Mr. LONG. To what extent can you call it aid unless we are paying more than the services are really worth to us; to the extent services are being given in return for what we are paying, it wouldn't be aid.

Mr. CONTE. First of all, the chairman brought out that 41 percent of the salary of our own people is spent in the Ryukyus. So that is a form of aid.

Mr. LONG. No; I can't agree.

Mr. CONTE. Secondly, you have 53,000 that are employed that wouldn't be employed.

Mr. PASSMAN. Wouldn't be employed if the U.S. forces were not there; jobs that did not exist and would not exist were it not for the U.S. people.

Mr. LONG. I don't understand that as a definition of aid.

General UNGER. This is an ecomonic benefit.

Mr. CONTE. Let's not play on words, let's call it an economic benefit. I will settle for that.

General UNGER. All right.

Mr. CONTE. In 1966 you employed 263 Ryukyuans at $514,592. What is the average per capita income in the Ryukyus?

General UNGER. The average per capita income for fiscal year 1966 per annum was $426.

Mr. CONTE. You divide $514,592 by 263 employees and it comes to $1,957 per employee. I believe that could be interpreted as substantial assistance.

Mr. PASSMAN. In addition to that, you have to take into account——

Mr. LONG. It is a benefit.

RYUKYUAN LIVING COST

Mr. PASSMAN (continuing). The 1967 per capita income as to what it will purchase in their economy, too. Don't you have to associate that with local prices to get the true meaning of what $426 amounts to?

General UNGER. Yes. We can insert for the record the rising cost of living over the past several years with a base point, say, 10 years ago or 8 years ago.

(The information follows:)

Consumer Price Index—Ryukyus and Japan

[Calendar year 1960=100]

	Ryukyus	Japan
1956	96.2	89.0
1957	96.6	92.4
1958	98.2	95.4
1959	97.5	94.7
1960	98.8	97.0
1961	101.3	101.0
1962	103.2	106.8
1963	105.2	111.8
1964	109.3	116.2
1965	111.0	120.9
1966 estimate	114.4	128.3
1967 estimate	122.8	133.3

Mr. PASSMAN. The $426 per capita GNP would be worth much more in the Ryukyu Islands than it would be in the United States.

General UNGER. Can you answer that? I am not so sure, sir.

PLANNED ELECTRIC POWER EXPANSION

Mr. PASSMAN. There is a lot of doubt being expressed in this examination today. We thought we would try to help get this program back down to earth because it is in orbit, the way I see it. I wouldn't have felt that way generally if it had not been for so many new programs and the fact that we have gone from $3 million up to $12 million. We thought that was a fair ceiling. Now we are proposing to raise it to $25 million, and we don't see any stopping point.

Is it true that the President's budget also indicates that you propose to obligate, in fiscal year 1967, $3,500,000 of the balance of the $7.5 million that the Congress appropriated for construction of the KIN powerplant in fiscal 1960?

Mr. HOLT. May I speak to that one, Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. HOLT. A good deal has happened on the powerplant situation since we were here a year ago and I think it would help clarify the situation if I can review it for the committee.

As we advised you last year, there will be a need to augment the electric power facilities in the near future. This reflects the increased consumption both by the military bases and the local economy. As you will recall, both are supplied from the same source, which is the Ryukyus Electric Power Corp., the REPC, one of the General Fund corporations that General Unger discussed.

Eventually we will need a major augmentation in the form of a substantially new permanent steamplant. The consulting engineers are desiging a plant like this now. This takes about 3 years, and because of the increased demand for power resulting from Vietnam operations we are going to need new sources of power out there before the new plant can be ready.

Now, the quickest way to get new power, generally speaking, is by gas turbine units. The chairman will recall that last year we asked the approval of this committee and of the Senate Appropriations Committee for their approval of our drawing on this unused borrowing authority left from the financing of the KIN plant to purchase such turbines. That is what the item which the chairman referred to in the President's budget has reference to.

This committee approved our request.

Mr. CONTE. How much was that?

Mr. PASSMAN. About $7,500,000.

Mr. CONTE. The year has gone by. Can we have a figure?

Mr. PASSMAN. My question had to do with the proposed use of $3.5 million in fiscal year 1967 out of $7.5 million that remains unobligated from an appropriation we made in 1960.

Mr. HOLT. Right. As I was saying, this committee approved our using it but the Senate committee asked us to investigate further whether we could procure these units as part of a package deal for procuring the big steamplant as well. They deferred their approval pending our doing so.

Meanwhile, as these power demands continued to grow at a faster rate than we anticipated, last fall the Army Engineers found that they would be able to purchase a power barge from the city of Jacksonville, Fla. It wasn't clear at first whether it would be available to be used in Okinawa or whether it would be needed in Saigon but we were able to establish that the need in Okinawa was greater. That barge is being rehabilitated down in Jacksonville right now. It will be loaned or rented to the REPC by the Army Engineers. We expect it to be towed out by a tug to Okinawa and be on the line operating by September which is in time to meet the rest of the needs for this year. The advantage of these barges, of course, is that if you eventually find that you have some better source of power, you can tow them somewhere else. They are mobile and they are used all over the world by the military.

So tentatively it does appear that the fact that the Army Engineers were able to make this barge available this year, may make it possible for the REPC to finance these gas turbines, additional turbines, which will be needed in 1968 and 1969 out of its own funds and hence it may not be necessary to borrow against this unused $7.5 million.

Mr. PASSMAN. $3.5 million?

Mr. HOLT. Well, the total available was $7.5 million.

Mr. PASSMAN. Yes. But what is the status of the $3.5 million?

Mr. HOLT. That would have been the first increment that we thought last year we would have to have in order to put these turbines on the line by next fall and now it looks as if this barge will be able to fill that need and make that borrowing unnecessary.

FINANCING RENTAL OF POWER BARGE

Mr. PASSMAN. Will it be financed out of this appropriation? Will it be financed out of the Ryukyus Government appropriations, or will it be financed out of the Defense Department appropriation?

Mr. HOLT. The eventual large power expansion?

Mr. PASSMAN. The barge that you plan to rent.

Mr. HOLT. The barge, I believe, will be rented—I am not sure that it has been worked out finally, but it should be rented—I should expect, out of the funds, out of the profits of the REPC.

Mr. PASSMAN. Then it will not be financed by any U.S. appropriation?

Mr. HOLT. I hope that is the case; yes.

Mr. PASSMAN. Then what plans do you have to utilize the $3.5 million or the $7.5 million, if any?

Mr. HOLT. Again I have to say tentatively, because we are in the middle of an intensive review now——

Mr. PASSMAN. What are your tentative plans?

Mr. HOLT. Tentatively, it looks as if we may not have to call on that remaining amount at all.

Mr. PASSMAN. Will the committee at the proper time be informed as to your plans?

Mr. HOLT. The committee will be, indeed. I would beg the chairman's indulgence just to go on for a moment and fill in the electric-power picture because it is a complicated picture.

Mr. PASSMAN. Maybe I could assist you a bit. Aren't you now entering into negotiations for a $38,500,000 powerplant for the Ryukyu Islands?

SUMMARY OF ELECTRIC POWER SITUATION

Mr. HOLT. Well, as we told you last year, we described the expected future need as being a large steamplant totaling 240,000 kilowatts which was estimated to cost about $38.5 million. And as we discussed last year, from the outset it has been the Department's hope to be able to finance the construction of this plant privately just as an American utility corporation would finance its expansion. To that end we invited a number of companies who we thought might be interested in such a project to submit proposals as to how they might finance and construct such a plant.

Three of them showed interest and submitted proposals. Late last spring we formed a committee of engineers and other specialists in the Department to examine these proposals. With all of them at that time we ran up against one basic snag which was that they had to have some kind of a Government guarantee of their investment. We anticipated this problem and our own investigations with the Eximbank and with private banking funds we consulted the people at the Treasury who know about these things and the universal indication was that such a guarantee would be necessary.

The reason is that over half of the power is consumed by the military forces. Although the civilian consumption is steadily growing, about half of the consumption is going to continue to be by the U.S. military. Of course, a lot of the civilian consumption reflects the prosperity due to the presence of the military bases. In view of this heavy dependence of a rather large system on this single customer, in effect, not only the private sources of capital but even the Eximbank were reluctant to lend a sum of money of this magnitude when the repayment depends on this continued consumption of a substantial amount by the bases.

They all wanted a Government guarantee of some kind. Now, one form that such a guarantee might take, that frequently came up, was the idea of a long-term contract by the Armed Forces to buy a minimum amount of power over a certain number of years. In analyzing that we found two problems, at least two. One is that the law limits the maximum time for such a contract to 10 years. This means that to use such a contract as full security for a private project you have got one way or another to amortize the investment in the space of 10 years whereas normally it would be 25 or 30 years for a major capital item such as a powerplant.

This means very high payments in that near-term 10-year period which would in turn be reflected in quite high rates to the Armed Forces and to the local consumers.

Our second difficulty with this approach was that we submitted these proposals last summer to the Comptroller General and he raised some serious legal questions as to the legitimacy of this approach with respect to the civilian portion of the power since this is one system that serves both the military and the civilians.

Well, because of these difficulties it looked to us, last summer, as if it might be wise to go ahead and turn to Congress for assistance either in the form of authority for a loan, like the KIN powerplant or for authority to guarantee obligations of the REPC so that we could get private financing at a reasonable cost.

Before doing this we made one more effort to give these three interested private firms a chance to see if they could come up with satisfactory proposals in the light of these rulings we had from the Comptroller General. We asked each of them to come in. We discussed the problem with them. We sent out a supplemental letter inviting proposals. They submitted additional proposals. They were examined in great detail. We got even more information from them where necessary; we brought in the chief engineer from Okinawa to work with our Washington people on it. We had hoped, frankly, to have this finished by the new year so that we could come back to you early in this session but there were still so many uncertainties and difficulties that we have just finished this work very recently.

REVISED ESTIMATE OF PLANT COST

One useful consequence of this work has been that we have found that our original estimates seem to have been too high. Instead of a 240-megawatt plant it looks like, we should build now only a 160-megawatt plant and that the cost, instead of being $40 million, may be more like $25 million.

Our studies indicate right now that the very best way to proceed, in fact, is going to be to ask the Congress for assistance, probably in the form of authority to guarantee the bonds or other obligations of the REPC. These private firms tried very hard, they put a lot of effort into the matter. But on balance it seems to us that the most advantageous

procedure to the Government now is not to try to squeeze within one of these proposals but rather ask the Congress help in clearing away this principal stumbling block, let the Engineers complete their designs and then proceed in a normal and orderly manner.

I hasten to add that we are consulting right now with the Bureau of the Budget on this matter. We will let the committee know as soon as we have worked out with the Bureau of the Budget the best way to proceed. We have the assurance from the Bureau of the Budget that there is no objection to our giving you this full review of the sort of tentative stage of things right now, I should say more than tentative, close to final, I think. But, of course, we can't precommit the Executive to the exact course until we have the Bureau of the Budget's clearance as to what we plan to do.

Mr. PASSMAN. Thank you.

Mr. SHRIVER. Are you going to leave that?

Mr. PASSMAN. No. I am going to go right back to it. We haven't gotten any specific answers; there has been just a nice elaboration.

What are you going to do with the $3.5 million presently unobligated, unencumbered from the $7.5 million?

Mr. HOLT. Subject to finishing these present consultations with the Bureau of the Budget, I would anticipate that we will withdraw our request for your authority to use it to procure interim power.

HISTORY OF POWER DEVELOPMENT

Mr. PASSMAN. What is our total investment in the new KIN powerplant in Okinawa?

Mr. MCLAUGHLIN. About $15.2 million.

Mr. PASSMAN. I remember the original appropriation. It was deleted from the bill on a point of order in the House, but the Senate subsequently restored the appropriation on a loan basis. How about the barges in Okinawa, the old barges that you used prior to the KIN plant?

General UNGER. The *Jacona* and *Impedance* are still there.

Mr. PASSMAN. If I remember correctly, they were manufactured in Japan, and there was some question whether you could operate them economically or not. Are they still in use or have they been scrapped?

General UNGER. We have the Machinato plant which is still there, a steamplant, sir. That is still there, and it is one of our basic sources of power.

Mr. ROONEY. What happened to the barges that you asked about?

General UNGER. We have two barges, one the *Impedance*, and the other the *Jacona*.

Mr. PASSMAN. I believe you answered that they are still in use.

General UNGER. Yes.

Mr. PASSMAN. You had two barges, and there was some question as to whether it would be economical to operate them.

General UNGER. When you asked about the Japanese plant I thought you referred to the Machinato steamplant in which a lot of Japanese equipment is used.

Mr. MCLAUGHLIN. They furnished the turbines, and so on.

General UNGER. Is that Japanese?

Mr. MCLAUGHLIN. Yes. That is a land-based plant.

Mr. PASSMAN. What has developed that has caused this tremendous increase in power demand in the Ryukyu Islands?

General UNGER. Well, there is much new industry there, there has been an increase in the amount of industrial activity associated with the military forces on the island. Even though the military force numbers have not changed very much, the type of forces has changed. Instead of having a preponderance in the combat type, we have the preponderance in the support type. For instance, we have the Second Logistical Command there which is a big industrial complex. Now, on the civilian side they also have, together with their new industries, they have found lots of new uses for electricity.

CIVILIAN POWER CONSUMPTION

Mr. PASSMAN. That is my question. Of the total amount of power generated from all sources—the barges, the new plant, the steamplant—what percentage is used by the local people, business and residential, as against the military?

General UNGER. Right today in fiscal year 1967 I would say that 55 to 58 percent is military and the difference is civilian, 42 percent.

Mr. PASSMAN. 42 percent. How does that compare with 5 years ago?

General UNGER. Five years ago, going back to 1961, they had 300 versus 110, as you can see. So it would be about 25 percent was——

Mr. PASSMAN. Military?

General UNGER. No; 25 percent for the civilians, 5 years ago. These are all ballpark figures.

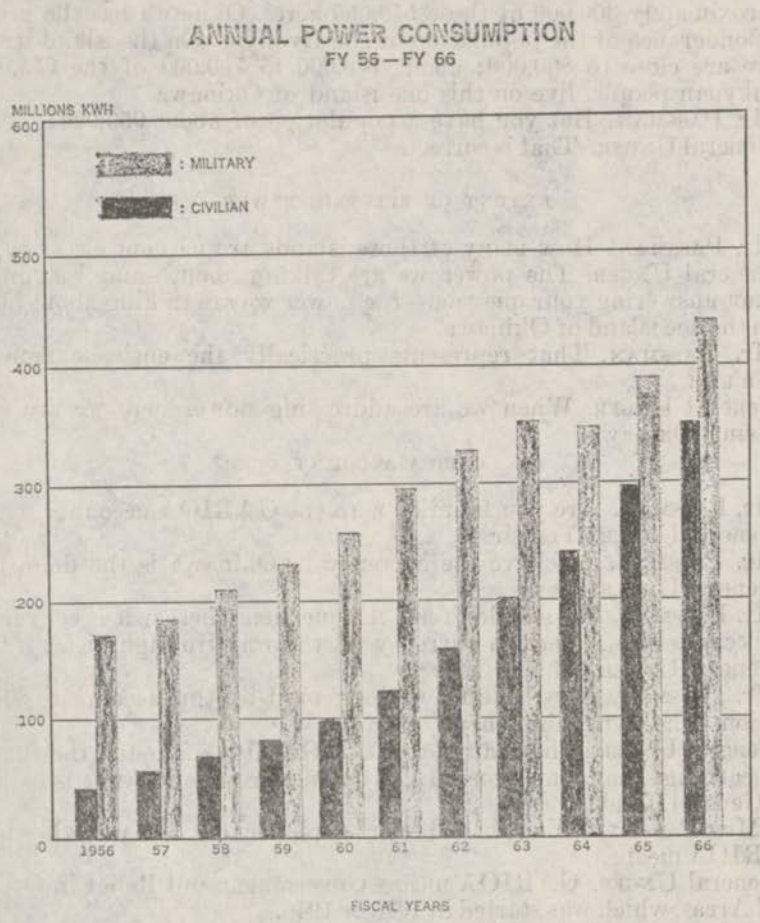
Mr. PASSMAN. The percentages have been greater for civilian use than the military?

General UNGER. The civilian is going up each year, as the yellow line which you see here keeps going up.

Mr. PASSMAN. Would you make available one copy of that for the committee?

General UNGER. Yes.

(The chart follows:)



The above chart shows the records of power consumption on Okinawa during the past 11 years. It should be noted that the rate of increase in power consumption by the civilian communities has been phenomenal, rising from 40 million KWH recorded in FY 1956 to approximately 352 million KWH in FY 1966. That is, power consumption by the civilian communitities showed an increase of almost 9 times during the past ten years. The average increase per year during the same period is 24.2 per cent. The average annual increase rate of power consumption by the U.S. military was 9.7 per cent. The average increase rate per year both by the civilian communities and the U.S. military during the past 10 years was 14.0 per cent.

AREA AND POPULATION OF RYUKYUS

Mrs. REID. Would you yield for just a moment?

Mr. PASSMAN. Yes.

Mrs. REID. I would like to know the actual size of the Ryukyus.

General UNGER. The Ryukyus consist of 72 islands; 48 of them are inhabited. The land area is about 550,000 acres.

Mr. PASSMAN. You have some farms in my State that are that big.

General UNGER. The largest island, of course, is Okinawa. It has approximately 300,000 of those 550,000 acres. Okinawa has the great preponderance of the population of the Ryukyus. On the island itself there are close to 800,000; about 740,000 to 750,000 of the 945,000 Ryukyuan people, live on this one island of Okinawa.

Mr. PASSMAN. But you have a population of about 950,000?

General UNGER. That is correct.

EXTENT OF ELECTRIC POWER

Mr. PASSMAN. How many of those islands are without electricity?

General UNGER. The power we are talking about—and I know I am not answering your question—the power we are talking about here is on the one island of Okinawa.

Mr. PASSMAN. That represents practically the entire complex; doesn't it?

General UNGER. When we are addressing power here we are addressing Okinawa.

GARIOA ACCOUNT

Mr. PASSMAN. Are you familiar with the GARIOA account?

General UNGER. Yes, sir.

Mr. PASSMAN. I believe the currency in Okinawa is the dollar.

General UNGER. Yes.

Mr. PASSMAN. We shouldn't ask the question whether it is convertible because it is American currency all the way through; isn't it?

General UNGER. That is correct.

Mr. PASSMAN. Now, I think we have built up this account to $104 million. Who owns this money?

General UNGER. This started out, this GARIOA account, the funds and earnings that come from GARIOA now repose in what is called the General Fund.

Mr. PASSMAN. You had better explain for the record what GARIOA means.

General UNGER. GARIOA means Government and Relief in Occupied Areas, which was started in 1945 or 1946.

Mr. PASSMAN. Primarily, the funds were generated from the gifts of agricultural commodities. You turn it into an account that is controlled jointly by the recipient and the donor. Is that stated correctly?

General UNGER. Fairly.

Mr. PASSMAN. We usually refer to it now as counterpart funds.

General UNGER. That is correct.

Mr. PASSMAN. But this account actually was built up from commodities that we gave to the Ryukyuan Government.

General UNGER. Initially they were given, and then later on they were sold.

Mr. PASSMAN. I mean we gave them to the Ryukyuan Government, and they, in turn, sold them to the local people.

General UNGER. After a few years.

Mr. PASSMAN. And it went into this special account.

General UNGER. That is correct.

Mr. PASSMAN. And it has built up on account of the interest that has been accruing in the account.

General UNGER. That is correct.

Mr. PASSMAN. What good are we getting out of this $400 million account that was generated from our gifts?

General UNGER. I don't know that it is $400 million. It might well be.

Mr. PASSMAN. I mean $104 million.

General UNGER. $104 million; yes.

Mr. PASSMAN. Yes.

General UNGER. The $104 million, if that is the exact figure, and I am not sure——

Mr. PASSMAN. I am looking at the books. $104,071,000 is your estimate for fiscal 1968.

INCREASE IN THE USCAR GENERAL FUND

General UNGER. Let me see that, if I may. I will wait for the number here to be shown to me, Mr. Chairman. But all of these moneys currently reside in what is called the USCAR general fund. This is a fund which the Comptroller General of the United States indicated was held for the people of the Ryukyus.

Mr. PASSMAN. To be used for what purpose?

General UNGER. To be used for different purposes than those for which U.S. military appropriations are made. It is for their own development, economic development, for social, health, education, and welfare——

Mr. PASSMAN. But, General, this account is increasing by leaps and bounds. In 1966 the account actually was only $90 million and in 1967 it had gone up to $97 million. You have almost sufficient income from this one account that was generated from our prior gifts to take care of your present aid request.

General UNGER. Most of those funds, the dollars we are talking about repose in three corporations, the Ryukyuan Development Loan Corporation, the Electric Power Corporation, and finally the Ryukyu Domestic Water Corporation. Most of these funds consist of assets of those three corporations. Now, each year as we get earnings from the activities of these organizations, I indicated in my statement in my total to——

Mr. PASSMAN. Excuse me, General. Let's take a brief recess so the members can answer to their names on the floor.

(Short recess.)

DEMONSTRATION BY OKINAWAN TEACHERS

Mr. PASSMAN. General, I noted in the press recently that members of the Okinawa Teachers Association took part in a demonstration that forced postponement of the opening session of the Ryukyuan Legislature in February. Are any of these teachers recipients of the $1 million that we have been contributing annually to supplement their salaries?

General UNGER. Yes, sir; they all are.

RYUKYUAN VERSUS JAPANESE PER CAPITA INCOME

Mr. PASSMAN. How does the per capita income of the Ryukyuans compare with the per capita income of the poorest prefecture in Japan?

General UNGER. The average of Japan is about $709 per capita income per year. The Ryukyus in fiscal year 1966 was $426.

Mr. PASSMAN. You are using the average?

General UNGER. Yes, sir.

Mr. PASSMAN. Rather than the poorest?

General UNGER. Yes, sir.

Mr. PASSMAN. You can look up data on the poorest prefecture and put it in the record. Compare what $426 would buy in Japan as against what it would buy in the Ryukyus.

(The information requested follows:)

The following table compares Kagoshima Prefecture, which has the lowest per capita income in Japan, with the Ryukyus. FY 1964 is the latest year for which the Japanese Government has prefectural statistics. Kagoshima data for FY 1965 and FY 1966 are unofficial USCAR estimates.

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966
Per capita income:						
Kagoshima	$203.0	$240.0	$285.0	$321.0	$357.0	$392.0
Ryukyu Islands	237.0	261.0	299.0	322.0	364.0	426.0
Per capita disposable income:						
Kagoshima	201.0	234.0	286.0	322.0	357.0	392.0
Ryukyu Islands	236.0	255.0	285.0	304.0	344.0	402.0
Per capita consumption expenditures:						
Kagoshima	173.0	193.0	229.0	268.0	295.0	322.0
Ryukyu Islands	172.0	194.0	215.0	237.0	261.0	296.0
Consumer Price Index (fiscal year 1961=100.0):						
Kagoshima	100.0	105.9	114.3	120.8	128.5	139.5
Ryukyu Islands	100.0	101.8	103.8	107.8	109.6	112.2

Mr. PASSMAN. Some people are living on $70 a year. It depends on what you can buy with it.

Mr. CONTE. How about the per capita income of Pago Pago, Samoa?

Mr. PASSMAN. You might insert that in the record at this point.

(The information follows:)

The average annual cash income per capita for American Samoa was:

Calendar year:	*U.S. dollars*
1963	285
1964	353
1965	416

ADMINISTRATIVE ACTIVITY

Mr. PASSMAN. The first activity is the administrative activity for which you are requesting $2,956,000, a net increase of $8,000 above the fiscal 1967 allocation, including the proposed supplemental of $55,000?

General UNGER. That is correct.

Mr. PASSMAN. That means you are absorbing a part of the Pay Act increase out of your 1967 regular appropriation.

General UNGER. 1967–68. Our table III indicates the breakout of the $2,956,000 which we are requesting on Project 8710. It shows as you indicated an $8,000 increase.

The biggest increase in there has been brought about by the increased pay.

Mr. PASSMAN. Are you absorbing a part of the Pay Act costs out of your current-year appropriation?

General UNGER. May I ask the question?

Mr. PASSMAN. Yes.

Mr. SEEFELDT. Yes; we are absorbing it.

INCREASED BUDGET FOR PAYMENTS FOR REIMBURSABLE DETAILS

Mr. PASSMAN. Thank you very much. I notice you have increased substantially the funds budgeted for payments to other agencies for reimbursable details. That is since 1966.

Would you comment briefly on this item and furnish for the record a list of such positions and the salaries of each?

General UNGER. We will furnish that.

(The information follows:)

The "payment to other agencies for reimbursable details" is for those approved permanent positions which have been filled on a reimbursable basis by persons from other agencies possessing skills not generally found in the Army. The heads of several executive departments and agencies have accepted a proposal of the Secretary of the Army that their agencies provide USCAR, on a reimbursable basis, with available career personnel in their fields of specialization. The positions filled on reimbursable details, the agency providing the personnel, and the annual salary rates for FY 1967 follows:

Civil Administrator—D/State	$25,890
Chief, Liaison Dept—D/State	17,721
International Relations Officer, Liaison Dept—D/State	11,685
International Relations Officer, Liaison Dept—D/State	10,481
Chief, Public Affairs Dept—USIA	23,013
Chief, Labor Dept—D/Labor	19,290

Since this budget was prepared, an additional position, Labor Standards Advisor, $16,152, has been filled on reimbursable detail by a highly qualified Labor Department employee. This action in no way increases the current request since the position is one of the requested permanent positions, however, it will result in an increase in the FY 1967 "payments for reimbursable detail" with a corresponding increase in lapse.

ADDITIONAL PERSONNEL REQUESTED

Mr. PASSMAN. Would you comment briefly on your request for 13 local nationals?

General UNGER. We have increased the number of local nationals by 13. This is brought about by a Department of the Army manpower team survey of what was needed. They survey also indicated a needed increase in the Department of the Army civilians. We did not increase our U.S. civilians.

Mr. PASSMAN. What is the differential between an American civilian and an Okinawan individual doing the same work?

Mr. SEEFELDT. The comparative average salary is approximately $2,000 for a Ryukyuan and $9,000 to $10,000 for an American. A ratio of approximately 5 to 1.

Mr. PASSMAN. How many new U.S. civilian positions did the manpower survey team recommend?

General UNGER. They recommended 11 Department of the Army civilians.

Mr. PASSMAN. But you are not requesting them?

General UNGER. No, sir; we have not.

INCREASE IN TRAVEL FUNDS REQUESTED

Mr. PASSMAN. General, you are asking for an increase in your travel funds. Your travel obligation in 1964 was $94,858; 1965, $96,977; 1966, $101,796. What do you estimate your travel will be for fiscal 1967?

General UNGER. We have indicated an estimate of $110,000, sir.

Mr. PASSMAN. What are you requesting for fiscal 1968?

General UNGER. $119,000.

Mr. PASSMAN. Why would you need that much of an increase; if you break the average out it would be less than that, would it not?

You are jumping $9,000 in 1 year.

General UNGER. It could very well be. But the reason for the increased travel is brought about by the increased planning and work with Japan in the development of the long-range plan and the programs we are trying to develop for the Ryukyuans.

RYUKYU TRAVEL UNIT IN JAPAN

Mr. PASSMAN. General, would you comment briefly on your request for $20,000 for administrative support, which includes funds for compensation of three Japanese nationals employed by the Ryukyu travel unit in Japan?

Mr. SEEFELDT. This $20,000 figure is one that has been level for the past several years. It represents reimbursements that we make to the U.S. Embassy, Tokyo, and the U.S. Army, Ryukyu Islands, for services rendered.

Included in that amount is a sum for the payment of salaries of three Japanese who work for the Ryukyu travel unit in Japan.

Mr. PASSMAN. To promote travel from Japan into the Ryukyus?

Mr. SEEFELDT. No; they review travel applications of individuals wishing to visit the Ryukyus.

Mr. PASSMAN. American applications or all applications?

Mr. SEEFELDT. Japanese applications.

Mr. PASSMAN. Why would we be paying the Japanese who work in the Japanese travel agency to process applications for travel to the Ryukyu Islands?

Mr. SEEFELDT. This is related to immigration control. They search and provide information on applicants.

Mr. PASSMAN. This could be better explained.

General UNGER. It is a visa to enter the Ryukyus.

Mr. PASSMAN. There would not be any justification if you were just processing applications unless security is tied in. The Japanese want these people to go?

General UNGER. It is the immigration type of thing, exit and entry permits, which is my responsibility.

TOURISTS FROM JAPAN

Mr. PASSMAN. Thank you.

Do you have any idea of the number of Japanese who visit the Ryukyus annually?

General UNGER. We have that, sir.

(The information follows:)

Approximately 45,000 Japanese tourists visited the Ryukyus in FY 1965 and 56,000 in FY 1966. A further increase is expected in FY 1967.

Mr. PASSMAN. Could you give us a rough estimate? I have been there when there were so many Japanese walking around you had to walk out on the street and that tourism brings in a lot of additional money. I think they are just dripping with wealth over there.

General UNGER. Ball park figures, I would say 100,000 during the past year.

Mr. PASSMAN. What is the average stay of a Japanese tourist there on a vacation?

General UNGER. We will have to supply that.

(The information follows:)

The average stay of visitors to the Ryukyus is 5 days.

Mr. PASSMAN. That tourism would help very substantially the economy of the Ryukyuans.

General UNGER. We have some figures on what the Japanese visitors have spent in the islands.

Mr. PASSMAN. That makes a substantial contribution to the economy, does it not?

General UNGER. Yes, sir.

Mr. PASSMAN. This would be an interesting story if we had time to put it all together.

General UNGER. We have been trying to put it together, too.

Mr. PASSMAN. But you always want new projects. That takes American money. I would support you if you could get it out of the Ryukyuan economy. I would be one of the best supporters you could find.

AID TO THE RYUKYUAN ECONOMY

The major portion of the request for fiscal 1968 is $12 million for aid to the Ryukyuan economy; is that correct?

General UNGER. Yes, sir.

Mr. PASSMAN. Would you prepare that in simplified form? You have some beautiful statistics in the justifications, but would you give us an abbreviated summary?

General UNGER. Yes, sir.

(The information follows:)

Summary of FY 1968 request for aid to the Ryukyuan economy

Reimbursement for government services	$1,200,000
1. Public safety services	800,000
2. Public health and sanitation services	400,000
Contribution to government projects	8,563,000
1. Educational programs	4,100,000
2. Social welfare programs	883,000
3. Public health and medical program	595,000
4. Public safety facilities	60,000
5. Public works and economic development	1,725,000
6. Construction of sewer system	1,200,000
Transportation of commodities	5,000
Technical education and training	1,302,000
Technical cooperation	930,000
Total	$12,000,000

TOTAL AID—ALL U.S. SOURCES

Mr. PASSMAN. What is the total amount of aid that the Ryukyus receive from all sources, this appropriation, Public Law 480, and the General Fund?

General UNGER. We will provide that for the record, too.

Mr. PASSMAN. Will you do that in a summary manner, also?

General UNGER. Yes, sir.

(The information follows:)

Sources of United States aid to Ryukyus, FY 1968

Administration, Ryukyu Islands, Army	$19,500,000
Current authorization	12,000,000
Proposed under revised authorization	7,500,000
General fund	14,041,000
Economic aid programs	3,080,000
Investments in USCAR corporations	7,461,000
From POL revenues	3,500,000
Public Law 480—Food for peace	4,400,000
Title I, sales for long-term credits	2,000,000
Title II, relief assistance	2,400,000
Total, grants and loans	37,941,000

Mr. PASSMAN. By that we mean all U.S. sources.

General UNGER. All U.S. sources.

RYUKYUAN GOVERNMENT REVENUES

Mr. PASSMAN. How much money does the Ryukyuan Government contribute toward the economy and social development programs in the island, General?

General UNGER. The fiscal year 1968 budget will be about $113 million. I show here U.S. appropriated aid of $15 million and GOJ aid of $21 million. That leaves about $76.6 million coming from GRI revenues for that $113 million budget.

SCHOOL ENROLLMENT

Mr. PASSMAN. What is the total number of children enrolled in the public schools; also the colleges? And what is the per capita cost of educating them during the last school year and the first year in college?

General UNGER. We will provide that for the record.

(The information follows:)

	School year, 1966–67
Enrollment:	
Elementary school	148,948
Junior high	81,449
Senior high	45,744
University of Ryukyus	3,157
Total	279,298
Per capita cost of education (fiscal year 1965):	
Senior high	$118
University of Ryukyus	$486

FACILITIES FOR TREATMENT OF HANSEN'S DISEASE

Mr. PASSMAN. As you know, General, I am interested in the facilities you have for the care and treatment of victims of Hansen's disease.

General UNGER. Yes, sir.

Mr. PASSMAN. I have said many times that but for the grace of God I could be the next victim. These people are members of the human family just like any other group of people. But for some reason or another, it is considered a stigma when a person develops Hansen's disease. On my several trips to that part of the world I have made it a policy to visit with these victims. On an island off China I spend a day every year with these individuals. Have you noticed any success in your educational program to have these people understand this disease so that they are accepted as members of the family when the disease is arrested?

General UNGER. In the short period of time I have been there I have not personally noticed this, nor can I recall anyone telling me that there has been a change in the general attitude toward this type of disease. As I indicated to you earlier and during my prepared statement, Dr. Brubaker, when he was over there, contributed. I hope to see the results of his visit in the future, as first the physicians and then the general public start understanding the type of disease that Hansen's disease is and the treatment for it. It is not really the social outcast type of thing that it was in Biblical times.

Mr. PASSMAN. Of course, the point of contact is so low that a man and his wife could live together for years and one would never contract the disease from the other. Is that the way you understand it?

General UNGER. Yes, sir.

Mr. PASSMAN. I observed the absence of publicity on my several trips to Okinawa when I met with the leaders of the Leprosarium and visited with them. I made it a point during a press interview to discuss Hansen's disease and for some reason it was given the silent treatment. I note you are requesting only $75,000 for this purpose, which is a decrease of $50,000 below fiscal 1967.

Have you provided all the needed facilities and you do not need additional money?

General UNGER. As I indicated in my statement, the 1967 figure included some nonrecurring projects which had been completed, sir. What we are asking for in the 1968 figure is the provision of badly deteriorated buildings for the male staff. We had already taken care of new buildings in 1967 and 1965 for the female staff.

Mr. PASSMAN. Have you provided good cooking facilities for them? The kitchen equipment was pretty shoddy the last time I visited these institutions.

General UNGER. I know that the Government of Ryukyu Islands does contribute considerable toward the operation of these two Leprosaria. My understanding of the contributions we have made have been by way of provision of medicines, capital for improvements. I cannot respond to you specifically about the cooking facilities.

Mr. PASSMAN. Aren't you including this with all other health facilities? You have a very substantial amount for those programs. Is this a part of it?

General UNGER. Yes, we do.

Mr. PASSMAN. On a per capita basis, how does your contribution to the Leprosaria compare with your contribution to other hospitals?

General UNGER. Very well.

Mr. PASSMAN. That is good enough.

ROADS AND BRIDGES

General, I notice the estimate of $1,200,000 for roads and bridges is for the first increment for improving the road network in central Okinawa. What is the total cost of this project when you project it to completion?

General UNGER. For the bypass road for which we are asking moneys in this fiscal year 1968 budget we expect that project will ultimately require $10 million in construction funds.

AIRFIELD IMPROVEMENT

Mr. PASSMAN. Last year you requested $190,000 for the improvement of five civil airfields. The Congress approved this allocation. I observe that you allocated $400,000 for this program, is that correct?

General UNGER. That is right, sir.

Mr. PASSMAN. Where did you get the other $210,000?

REPROGRAMING IN FISCAL YEAR 1967

Mr. BURNS. We had to reprogram from sewer construction funds for that.

Mr. PASSMAN. But you allocated $400,000. And you cannot get $400,000 out of $190,000. Where did you get the other 210,000?

General UNGER. What we did was allocate $210,000 from the sewer program.

Mr. PASSMAN. How will that affect the sewer program?

General UNGER. It was switched to the fiscal year 1967 supplemental.

Mr. PASSMAN. But if you do not get the supplemental appropriation, then what have you done to the sewer system?

General UNGER. Then that means we will not progress as quickly on the sewer system as we planned.

Mr. PASSMAN. Which is more important, the sewer system or the civil airfields?

General UNGER. It is a kind of tossup. The airfields, really, are the main means of communication in the islands, and they are part of the economic development of the islands. On the other hand, the sewers are part and parcel of health and sanitation.

Mr. PASSMAN. What is the number of arrivals and departures at each of the airports that you allocated the funds to?

General UNGER. I can provide that for the record.

I would say last year our arrivals were about 100,000 people total intraisland.

(The information follows:)

Number of passengers (second quarter, fiscal year 1967)

Route:	
Naha-Miyako	13,650
Miyako-Ishigaki	5,606
Ishigaki-Yonaguni	2,176
Naha-Ishigaki	7,207
Naha-Kumejima	4,992
Total	33,631

Mr. PASSMAN. We may differ on what is foreign aid and what is not. Do you have any difficulty firming up a project, establishing the cost-benefit ratio so as to make it firm? That is not too difficult a job, is it?

You firm up a project. You arrive at the cost before you present it, do you not, to the Congress?

General UNGER. Yes, sir.

Mr. PASSMAN. Yours is submitted on a factual basis and not on an illustrative basis.

General UNGER. Yes, sir.

Mr. PASSMAN. And your money with few exceptions is always spent on the projects that you testify you need the money for?

General UNGER. Yes, sir.

Mr. PASSMAN. Do you find that difficult?

General UNGER. No, sir.

Mr. PASSMAN. That is a business-like way of handling things, is it not?

General UNGER. That is correct.

Mr. PASSMAN. Aren't you doing the same type of projects on the Ryukyu Islands that the United States is doing all over the world under the AID program?

General UNGER. If I may get off the record.

Mr. PASSMAN. Let it get on the record. If it is the same kind of project on the Ryukyus as in Timbuktu——

General UNGER. It could well be.

Mr. PASSMAN. Do you like the idea of planning the project, establishing the need, and the cost?

General UNGER. That is right.

Mr. PASSMAN. And the cost-benefit ratio in presenting it to the Congress?

General UNGER. Yes, sir.

Mr. PASSMAN. You like this system?

General UNGER. Yes, sir.

Mr. PASSMAN. And it has worked out satisfactorily?

General UNGER. Yes, sir.

Mr. PASSMAN. And you do not have any difficulty operating on that basis, do you?

General UNGER. I do not know of any.

Mr. PASSMAN. How about the supporting witnesses? Does it sound like a good deal to you?

Mr. BURNS I do not know any reason why not.

Mr. PASSMAN. You like it that way because it is a business-like way of doing things, would you say that is so?

Mr. BURNS. Yes, sir, definitely.

Mr. PASSMAN. You are familiar with what we mean, by the term "illustrative?" AID can testify for funds for a hospital in Brazil and then build a summer resort in Morocco with the funds and still be within the law. You wouldn't want your program to be that loose?

General UNGER. I assure you ours is not loose.

Mr. PASSMAN. How would you like to be, when you resign from the Army, the AID Administrator? I would like to work with you.

SEWER CONSTRUCTION

General, since fiscal 1964 we have allocated $5,015,000 for construction of the sewer system. I note that you are requesting an additional $1,200,000 for fiscal 1968; is that correct?

General UNGER. That is correct. We are also using $2 million from the general fund.

Mr. PASSMAN. Is your estimate of last year $8.3 million as the total U.S. contribution still holding firm?

General UNGER. I will have to ask for some help on that.

Mr. BURNS. Yes, sir, $8.3 million.

Mr. PASSMAN. That is still holding firm?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. Could you furnish for the record some indication as to when this project first appeared on the blackboard and how long you studied the project before you presented it to the Congress?

General UNGER. I have here a table that shows the master sewer plan or the cost of it. It starts in fiscal 1964 and it runs out in fiscal 1971 for a total of nearly $27 million.

The first time that we got some ARIA funds; that is, appropriated funds, was in fiscal 1964, according to this paper. That was a quarter of a million.

Mr. PASSMAN. Your original plan costs are holding firm?

General UNGER. It is my understanding it is.

Mr. PASSMAN. Over how many years?

General UNGER. It is going to run through the end of fiscal 1971. That is 8 years.

Mr. PASSMAN. That will complete this particular project?

General UNGER. Yes, sir.

INCREASE IN TECHNICAL EDUCATION AND TRAINING PROGRAM

Mr. PASSMAN. Thank you very much. Last year you requested $985,000 to finance 752 individuals under the "Technical education and training project" for fiscal 1967. What is your current program, General?

General UNGER. We have increased that. It has gone up and it is because of increases in both the number of students and the cost per student.

Mr. PASSMAN. Where did you get the extra money?

General UNGER. This is the one we are asking for, sir. This is for fiscal 1968.

Mr. PASSMAN. Have you planned for a greater expenditure than $985,000?

General UNGER. I show here fiscal year 1968——

Mr. PASSMAN. What about fiscal 1967?

General UNGER. Fiscal 1967 I show $801,000. For 1968, $965,000.

Mr. PASSMAN. How about referring to page 34 of your justification.

General UNGER. Yes, sir.

Mr. PASSMAN. It would appear there is a discrepancy between the amounts here.

General UNGER. Mr. Chairman, the figure I gave you was for only one of the projects included in the overall project amount. The num-

ber of students and people taken care of in 1967 was 802 and the cost, $1,074,000. The 1968 comparable figure——

Mr. PASSMAN. What did you request for fiscal 1967?

General UNGER. I presume it was that same figure. The difference is reprograming.

Mr. MCFALL. If you will yield, Mr. Chairman, for a question on this reprograming, does this come up to the committee?

Mr. PASSMAN. No. Their basic legislation is broad enough to permit them to reprogram.

Mr. O'FLAHERTY. Mr. Chairman, may I add that the bulk of the amount of money reprogramed for technical education and training derived from a very similar type of program which is called technical cooperation.

Mr. PASSMAN. In other words, you merely changed the name. It is in the same area?

General UNGER. Yes, sir.

Mr. PASSMAN. Don't foul up a good program by practicing the AID habits. They get their money on an illustrative basis. What you said earlier would get you two extra stars if you get it out of the record. I have always known that and they know it, too, but they do not like to admit it.

INCREASE IN THE RYUKYUAN SCHOLARSHIP PROGRAM

Last year the justification stated that the cost of the scholarship program should level off beginning in fiscal 1968. However, I note that the estimate for fiscal 1968 is increased $164,000 above fiscal 1967. Is that a typographical error? Did you transpose those figures?

General UNGER. No, it is not. It is not only the new input of 90 students, but it is an increase in the individual cost.

Mr. PASSMAN. You said last year it would be leveling off. It looks like it is leveling up.

General UNGER. Evidently it has. All I can say is that they indicated to me that the cost per student had gone up this year.

Mr. SEEFELDT. If I may, sir, the wording in last year's appropriation request intended to convey that beginning with fiscal 1968 there would be a leveling off. The reason that successive budgets for 1965, 1966, 1967, and 1968 have increased is that in fiscal year 1965 we undertook a program of undergraduate training for Ryukyuans in the United States. Each year since 1965 we have had a carryover, or an input and carryover, from the previous year without graduating students to reduce the number of trainees. Beginning with 1969 our input will be balanced, we expect, by an output of graduating seniors.

THIRD COUNTRY TRAINING

Mr. PASSMAN. General, what is the basis for the increase of $3,000 above the fiscal 1967 program for the Third Country Training project?

Mr. BURNS. There is an increase in travel costs on the Third Country training.

Mr. PASSMAN. I ask you the question specifically because there has been no increase in the number of participants.

Mr. BURNS. Six trainees are going to the Asian labor leadership school in the Philippines.

Mr. PASSMAN. You are increasing the cost?

Mr. SEEFELDT. Yes, instead of 156 students going to Taiwan as in fiscal year 1967; in 1968, 150 students will go there and six will attend the Asian Labor Education Center in the Philippines.

Mr. PASSMAN. Couldn't you reduce it slightly and stay within the allocation?

Mr. SEEFELDT. No, sir. Comparative unit costs for training outside of Taiwan are much higher. The cost for each student sent to Taiwan is only $25. We could never fund the other six out of that.

Mr. PASSMAN. But you switched the countries to which you sent them subsequent to the passage of the appropriation bill, did you not?

Mr. SEEFELDT. No, sir, this is in 1968.

Mr. PASSMAN. This is fiscal 1968?

Mr. SEEFELDT. Yes, sir.

Mr. PASSMAN. You have six additional students going?

General UNGER. Six of the 156 are going.

Mr. PASSMAN. What is the increase per student for the transfer over last year?

Mr. SEEFELDT. Approximately $500.

Mr. PASSMAN. For the total?

Mr. SEEFELDT. No, sir, for each of the six additional students, $500 apiece.

Mr. PASSMAN. You are asking for $3,000.

Mr. SEEFELDT. Yes, sir.

Mr. PASSMAN. What is the cost from Okinawa to the Philippines, round trip?

Mr. SEEFELDT. I will have to supply that for the record.

(The information follows.)

The round trip fare from Okinawa to the Philippines is $48.00 by MATS or $165.50 by commercial economy class flight.

Mr. PASSMAN. How many trips do they make a year?

STUDENT ATTENDANCE AT LABOR LEADERSHIP CONFERENCE

General UNGER. As I understand it, from what Mr. Seefeldt has given, the increase of $3,000 will be used for the six students who are going to this conference.

Mr. PASSMAN. That is different, then?

General UNGER. That is $500 apiece.

Mr. PASSMAN. Then you are going to send them to a conference?

General UNGER. Yes, sir.

Mr. PASSMAN. What conference?

General UNGER. Mr. Burns.

Mr. BURNS. The Asian Labor Education Center on leadership in the Philippines.

Mr. PASSMAN. It is a labor meeting?

Mr. BURNS. Labor leadership.

Mr. PASSMAN. You are giving each of these participants $500 to go to this conference. What are they going to do at the conference?

Mr. BURNS. I will have to supply it for the record. It is training.

(The information follows:)

The training at the Asian Labor Education Center involves study in the principles of free and democratic trade unionism. The Asian Labor Education Center is an integral part of the University of the Philippines. Established under an AID project, the Center provides training which is unique in this area. It services both in-country trade union groups and regional participants numbering approximately 150 per year. These students are drawn from eleven countries of the Far East and South Asia. The students represent 17 different trade unions in these countries. About 750 students have graduated since the regional portion of the Center was opened in 1960. The Center also conducts a research project on trade union practices, labor laws and industrial relations in which students enrolled in the school participate.

Mr. BURNS. Here is a brief statement on it. The Chinese Government provides all training expenses within Taiwan including a per diem of 360 new Taiwan dollars, which is U.S. $9, for travel and training expenses in Taiwan. USCAR provides the international travel for which we have to reimburse. In addition, to training in Taiwan, four to six trainees are sent to the Asian Labor Leadership Institute at the University of the Philippines through arrangement with the Agency for International Development of the Department of State.

REIMBURSEMENT TO AID

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

Mr. BURNS. That is right. The increase of $3,000 is for reimbursement to the Agency for International Development for the training of these six participants.

Mr. PASSMAN. In other words, you reimburse AID?

Mr. BURNS. That is right.

Mr. PASSMAN. What is your total reimbursement to this agency for services they render to the Ryukyu Islands?

Mr. BURNS. This is the only one.

Mr. PASSMAN. This is a new program?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. This will be the first year?

Mr. BURNS. That is right.

Mr. PASSMAN. That is interesting. I yield to the gentleman from California.

(Discussion off the record.)

FISCAL YEAR 1967 SUPPLEMENTAL

General UNGER. If we do not get the $5.3 million it will be just $5.3 million of budgeted projects in fiscal year 1967 that the government of the Ryukyu Islands will not be able to fund.

Mr. PASSMAN. Projects that they want, projects you never heard of, this country never heard of, this committee never heard of.

General UNGER. No, sir.

Mr. PASSMAN. Four or five years ago; that is, because we have a list of all of your requests. These are extensions on some and some are new projects, aren't they?

General UNGER. Extension on some, and some new ones, and we do know about them, the United States Civil Administration does.

Mr. PASSMAN. You didn't know about them 5 or 6 years ago.

General UNGER. Oh.

Mr. PASSMAN. I am talking about projects. We never get through bringing in new projects.

General UNGER. No, sir.

Mr. PASSMAN. You have literally thousands of them, I think, in the foreign aid program, projects, and subprojects.

Mr. CONTE. Will you yield?

Mr. PASSMAN. Yes.

Mr. CONTE. I think we had this in the record once before but I think it is well to get it in this part of the record again. You requested before this committee last year $14,893,000. Is that right?

General UNGER. That is correct.

Mr. CONTE. What did this committee give you?

General UNGER. We got the full amount.

Mr. PASSMAN. Every dime of it.

Mr. CONTE. The full amount. Why didn't you know at that time or your predecessor know at that time that he needed another $5 million?

Mr. HOLT. May I take that one?

General UNGER. Yes.

Mr. HOLT. Last year we did propose this same supplemental, after the authorization should be raised. The House passed the request for increased authorization, the Senate did not. Now, we have submitted that request for increase in the authorization again. This same $5.3 million supplemental is still in our 1967 budget. It is only part of it, the only part of it left now since the basic budget was passed.

Mr. CONTE. Right.

Mr. HOLT. Contingent on passage by the Congress of the increase in the authorized ceiling in time to complete what has always been the total program for fiscal 1967. It is a supplemental now not because of sudden new conditions but because of the limitation on the authorization ceiling.

Mr. CONTE. But I can't understand how you can come in and ask for a supplemental when you don't even have an authorization.

General UNGER. This is all predicated on the assumption that the Price Act authorization would be raised. I indicated that in my statement.

Mr. HOLT. The supplemental is not in a formal sense before the committee.

Mr. PASSMAN. Mr. Conte asked a good question. After all, you don't even have an authorization for the supplemental appropriation request.

Mr. HOLT. That is correct.

General UNGER. That is correct.

Mr. PASSMAN. You don't even know that you will get one.

Mr. HOLT. Yes.

General UNGER. Yes.

STATUS OF NEW AUTHORIZATION

Mr. PASSMAN. What is the stage of the legislation in the House and in the Senate at this time? Do you have any report?

General UNGER. We are waiting to be called by the Price subcommittee for hearings.

Mr. PASSMAN. Bills have been introduced?

Mr. HOLT. Bills have been introduced and I believe that it has been assigned, though I am not sure, to a subcommittee on the House side and I am hoping for hearings very soon.

Mr. PASSMAN. Well, if this authorization to increase the ceiling from $12 million to $25 million does not pass in fiscal 1967 you would have no need for these funds.

General UNGER. That is right; we wouldn't have any basis for asking for it.

Mr. PASSMAN. So you would have to have legislation enacted before you could use the $5.3 million?

General UNGER. Before we can ask for the $5.3 million, but we did ask for the $5.3 million last year.

Mr. PASSMAN. I see. If you don't get the $5.3 million, we are still going to get along in the Ryukyu Islands; aren't we?

General UNGER. Sure.

SELECTION OF THIRD COUNTRY TRAINEES

Mr. PASSMAN. That is a very fair response. Now, getting back to the record on the $3,000. Who selects the six individuals that you will send to the Philippines for this conference?

General UNGER. I would presume that the Government of the Ryukyu Islands would do it. Now, who in the Government of the Ryukyu Islands I do not know.

Mr. PASSMAN. With your approval, sir? It is with our money. Wouldn't it be with your approval?

General UNGER. It could or it could not. USCAR's approval, yes.

Mr. PASSMAN. Who initiated the request, the AID agency or your agency, to send these people to this meeting.

General UNGER. I have a feeling that the Educational Department of the Government of the Ryukyu Islands initiated the request.

Mr. PASSMAN. How did AID get in on it?

General UNGER. This was just a place where they could go to school, and we would have to reimburse them for it.

Mr. PASSMAN. This is for transportation only? The AID agency finance them while they are at the conference?

General UNGER. We have to reimburse AID for the schooling that they received. Isn't that correct?

Mr. PASSMAN. All right. Now, this $3,000 is the total expense that our Government will be asked to bear for the six people?

General UNGER. For the six people, yes.

Mr. PASSMAN. Including the conference?

General UNGER. Including the schooling to which I referred earlier as the conference, including the schooling and the transportation. Is that right?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. When did you hear about this project, General?

General UNGER. When I was getting ready to come back to the United States, sir, going through the projects in the budget with all of my people.

Mr. PASSMAN. That is when you found out that the AID agency wanted $3,000 for six people that they wanted you to send, through the Ryukyu Government, to the Philippine university?

General UNGER. That is when I first heard of it.

Mr. PASSMAN. It would be nice if they let you pass judgment on some of these things before working it all out and telling you what you had to reimburse them for, wouldn't it?

General UNGER. Well, sir, they had developed the budget before I arrived in Okinawa.

Mr. PASSMAN. You didn't know anything about it. You looked at your notes the other day before coming to Washington.

Why don't you veto this and see what happens?

INCREASED ON-THE-JOB TRAINING COSTS

Last year it cost $90,000 for 231 participants in the on-the-job training project, or approximately $390 per student. This year the costs go up to $571 which is an increase of $181 per student. How do you account for this terrific increase in 1 year?

General UNGER. Can you account for it or shall we go off the record on that? Mr. Chairman, may we supply that for the record?

Mr. PASSMAN. You may supply it. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Very well. You may supply it.

(The information follows:)

There are two reasons for the increased cost per student. First, the trainees received a pay increase effective 1 July 1966 which was in line with pay increases to Ryukyuan employees of the military base. Second, there is a higher ratio of 3 and 4 year apprentices who receive higher pay rates.

SPECIAL ACTIVITIES

Mr. PASSMAN. You have a special activities program in which you are asking $10,000; is that correct, sir?

General UNGER. It is in this technical education and training. This is for the exchange of professors, is it not? I believe that is for the exchange professors between the University of the Ryukyus and the universities in the United States, sir.

Mr. PASSMAN. Exchange?

General UNGER. They exchange professors, sir, and they take their families with them just as professors from the United States do when they come to the Ryukyus.

Mr. PASSMAN. Are you able to budget the transportation cost in advance of knowing whether or not there will be any exchange?

General UNGER. We are able to budget in advance in order that we can start making negotiations to contract and get the people we would like to have.

Mr. PASSMAN. I think that is a fair answer.

INCREASE IN ASSISTANCE TO THE UNIVERSITY OF THE RYUKYUS FOR TECHNICAL COOPERATION

General, in view of the fact that the Ryukyuan Government assumed full control of the university on July 1, 1966, why is it necessary to increase assistance to the university by $10,000, for a new estimate of $150,000 for fiscal 1968?

General UNGER. I know that the Government of the Ryukyu Islands assumed the operational control of the university at the date you indi-

cated. However, that comes under the heading of "Technical Cooperation."

Mr. O'FLAHERTY. That is right; page 40.

Mr. PASSMAN. Do you have it? If not, you can insert it in the record.

General UNGER. All right. We will insert it for the record.

(The information follows:)

The University of the Ryukyus will continue to need special consultants on short-term or extended assignments to meet specific needs in its expanding curriculum. The Government of the Ryukyn Islands needs continued USCAR participation in the future development of the University's overall programs including the provision of special consultants. The $150,000 estimate in FY 1968 represents a costing of the program on this new basis. A greater number of educators covering a wider range of subjects, but staying for a shorter period of time is expected.

INCREASE IN ENGLISH LANGUAGE CENTER PROGRAM

Mr. PASSMAN. What is the necessity for the increase of $34,000 for the English language center? Your estimate is $105,000.

General UNGER. This is one of the most popular places on the island and it is probably the best laboratory for teaching the English language. It's workload has increased considerably since the year 1964 when there were only 264 students enrolled until now in 1967 there are nearly 1,700 enrolled. More people are getting to use it, and it is to our interest that they do. We use this laboratory to teach students who are going to the United States, teach them the language so they have a fluency with the language that will permit them to take advantage of education in the States. Also, we use this for teaching some of the governmental leaders in giving them a better command of the language so they can work with us better in the preparation of plans and programs. This is a very useful tool.

Mr. PASSMAN. It may be. I was only discussing the increase. It looks as if we get an increase everywhere.

General UNGER. It probably will continue to increase, this particular one, Mr. Chairman.

Mr. PASSMAN. Of course, all projects are good according to the witnesses testifying. I have never heard of a bad one. We are doing a lot of these on borrowed money, however, you know.

(Discussion off the record.)

INITIATION OF PROJECT REQUESTS

Mr. PASSMAN. Finally, General, many of these projects that you are requesting funds for are projects that the Ryukyuans themselves feel should be started. Is that correct?

General UNGER. Many of them perhaps are, but the development of the long-range plan and the specific budgets, say, for this year, is done under the aegis of the U.S. civil administration. The Government of the Ryukyu Islands contributes to it. We develop the programs together. But a particular project does not get into the budget unless we, the U.S. civil administration, endorse it.

Mr. PASSMAN. I understand that. But you don't have people out looking for projects on the Ryukyu Islands. The Ryukyuans know more about what they want, what they need, than we do; is that correct?

General UNGER. That is correct.

Mr. PASSMAN. A lot of these projects are initiated by the Ryukyuans and presented to you for consideration.

General UNGER. Yes, sir.

Mr. PASSMAN. What if they demand a project that you don't think is good?

General UNGER. I would say we probably would go out and investigate it and, based on what we determine from that investigation, we will either endorse it or eliminate it.

Mr. PASSMAN. What happens to our prestige if we say, "You want it, but we don't think it is good," and out it goes. Are we hurt?

General UNGER. If they feel strongly about it, it depends on what the dollar cost is, we may give in even though in some cases we would say, "No, we don't think this really helps the overall picture." But if they feel strongly enough about it and support it and justify it we would put it in. Is that correct?

Mr. BURNS. If they want to pay for it out of their own revenues.

Mr. PASSMAN. You wouldn't have anything to do with it if they want to pay for it out of their own revenues.

Mr. BURNS. Yes. Our High Commissioner has the power——

Mr. PASSMAN. You don't control where they spend all of their money, do you?

Mr. BURNS. We review their entire budget and offer advice. The High Commissioner has the power to veto any project.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. MCFALL. May I ask a question off the record?

Mr. PASSMAN. Yes.

(Discussion off the record.)

Mr. PASSMAN. Mr. Shriver.

ELECTRIC POWER

Mr. SHRIVER. I am not clear, Mr. Holt, on the powerplant discussion that we had earlier. I know that this has been a matter that was before the committee a number of years ago and Mr. Conte has some books in front of him on it. I think maybe he wants to ask you a question or two.

Mr. CONTE. I think the record is a bit garbled up. I think we ought to have some clear history of this. But before we do, I notice that back in 1959 I said to General Gailey:

> General, you mentioned that $22.7 million is a sufficient amount of money to supply the necessary power for the islands, is that right?

And General Gailey replied, "Yes." This is on page 159 of the hearings of the 86th Congress, first session, House Appropriations Subcommittee on the Ryukyuan Island budget. Let me read further:

> Mr. CONTE. On page 4 of your statement, you have the following statement: "On this basis the demand would not again exceed the capacity until 1967." What do you mean by that language?
>
> General GAILEY. It is estimated that by 1967 if we continue to have an increase out there now we might have to increase the plant. That is about nine years from now.
>
> Mr. CONTE. You are not looking too far ahead with your program?
>
> General GAILEY. We think so. We think for nine or ten years is far enough.

Then in the interim they came in here for more money for the powerplant in 1964.

Mr. HOLT. Excuse me. That was for the 1959 fiscal year?

Mr. CONTE. No, it was for fiscal year 1960. Then in the 1964 hearings on page 284 we had another general, General Caraway, who was then High Commissioner, and I questioned him about the powerplant and he said at that time that they had an authorization for $18 million appropriated to the Army for a loan of the Ryukyuan Electric Power Corp. The question was asked: "What has been done with the $18 million?" The answer was: "To begin with we cannot start drawing down that $18 million until we have used all the money available to REPC, which is $4.5 million. Actually, the powerplant comes to $12.5 million. We can start drawing up to the top amount of $12.5 million for the total amount of the plant. We cannot touch the rest of the $18 million authorized."

Now I am all confused here. In 1959 we were building a new powerplant and in 1964 we had more money in this budget for another powerplant. Going back to my original 1959 hearings, fiscal 1960, it was stated that there would be enough power for at least 9 years. Can you give us some kind of a chronology here of just exactly what has happened, where we are today, and where we stand with these four new gas turbines that have been introduced into the hearings today?

Mr. SHRIVER. Could you put this in the record?

Mr. HOLT. Easily. I welcome the opportunity.

(The information follows:)

THE POWER SITUATION ON OKINAWA

SUMMARY

The military bases and the civil economy on Okinawa depend for their power on the Ryukyu Electric Power Corporation (REPC), an instrumentality of the U.S. Civil Administration. Over half of REPC's output is bought by the armed forces.

The Viet Nam buildup and the growth of the economy make it necessary to add a new generating plant to the Okinawa system. This could be funded in the following ways:

1. By direct appropriation to the Army (MCA) to construct a new plant and feed its output to the REPC integrated system. This would be inconsistent with the present policy of centralizing Okinawa power production in REPC on a business basis.

2. By a direct grant to REPC to fund construction of a new plant. This would likewise be inconsistent with the policy of keeping REPC on a business basis.

3. By appropriation for loan to REPC. This was the method followed for the last major augmentation of REPC's capacity.

4. By REPC borrowing in the private money market. This is not feasible without legislation authorizing a government guarantee of such a loan, because of the fact that most of the power is sold to the armed forces.

5. By some form of package arrangement with a private entrepreneur or consortium for both construction and financing. Without legislation authorizing a government guarantee, this approach presents legal difficulties and would require fast amortization with associated high rates.

At present, in the light of exhaustive investigation of these alternatives, the best solution appears to be legislation authorizing a guarantee of REPC's borrowing to permit approach (4) (or, if appropriate, approach (5)) to be employed. The question is being explored with the Bureau of the Budget.

Details as to this matter follow.

DISCUSSION

1. *The Army Interest*

Under Article 3 of the Peace Treaty with Japan, the United States administers the Ryukyu Islands. By Executive Order 10713, the Department of Defense is

the executive agent for the United States; and under the delegation of authority by the Secretary of Defense, the Department of the Army is responsible for administration of and jurisdiction over Ryukyuan affairs.

2. *Growth of the Okinawa Integrated Power System*

The pre-war electric power plant in the Ryukyus consisted mainly of a 2,500 KW generator which furnished power for Naha, the capital city of Okinawa. This plant was destroyed in the Battle of Okinawa.

With the end of the war and the establishment of United States administrative authority over the Ryukyu Islands, the military services brought in mobile diesel generators (300 KW to 1,000 KW capacity) to furnish power for military installations including troop and dependent housing areas. Somewhat later a steam power plant and transmission lines were constructed at Machinato, north of Naha, with funds from the appropriation "Government and Relief in Occupied Areas" (GARIOA) to meet not only the requirements of the military forces but also the growing demand from the local economy. Various assets were added from time to time from the service inventories, from FY 1958 and FY 1960 appropriations and from the funds of the Ryukyu Electric Power Corporation (REPC). All these assets have been connected into an integrated power system which serves both the military base installations and large segments of the civilian population.

The principal power generation units and transmission lines currently in the integrated system, their ownership, funding source, and approximate acquisition value are as follows:

Date of acquisition	Description	Ownership	Source of funds	Acquisition cost (millions)
1945–46	World War II diesel units, 18-MW total capacity.	Army-Air Force	Military appropriations	$3.2
1952–53	Steam electric station at Machinato, 4 11.5-MW units with transmission lines and ancillary facilities.	REPC	GARIOA grant-in-aid appropriations.[1]	7.0
1955	Power barge *Jacona*, 20-MW capacity.	Navy	Navy appropriations	4.0
1956	Power barge *Impedance*, 30-MW capacity.	Army	Army appropriations	6.1
1958	Transmission line, Henoko to Nago.	REPC	Public Law 85-170 grant-in-aid appropriations.	1.5
1962	Powertrain, 4-MW capacity (not operating).	Army	Army appropriations	1.2
1964	9 FM diesel peaking units, 22-MW capacity.	REPC	REPC earnings	2.3
1965	Kin steam powerplant, 4 22-MW units.	REPC	Public Law 86-383 appropriations for loan ($10,500,000); REPC earnings ($4,700,000).	15.2

[1] GARIOA—Government and relief in occupied areas.

From the above schedule, it may be noted that the Congress has twice (since the GARIOA Appropriation) appropriated funds for electric power facilities on Okinawa, i.e. $1.5 million for transmission lines in FY 1958 and $18 million for a loan to construct the Kin Plant in FY 1960 (only $10.5 million was actually drawn down). The Congress declined to appropriate funds for power generation facilities in FY 1958 and FY 1959.

3. *Organization and Ownership of the Ryukyu Electric Power Corporation (REPC)*

(*a*) *Nature of REPC.*—The United States Civil Administration of the Ryukyu Islands (USCAR) chartered and established the REPC on 26 February 1954 to acquire, maintain and operate electric power systems in the Ruykyus for the generation, transmission, distribution and sale of power for the use and benefit of the Ryukyuan people, for agricultural and industrial development, and for other purposes. The REPC is wholly owned by USCAR.

The general management and control of the business affairs and property of the Corporation is vested in a Board of Directors, which is empowered to exercise all the powers that may be exercised or performed by the Corporation under the charter and applicable laws and ordinances. The Board of Directors is composed

of five members appointed by the Civil Administrator, who also designates the Chairman of the Board. In addition, the Civil Administrator designates the President and Vice President of the Corporation. These positions have become full-time and are compensated at rates determined by the Civil Administrator. The President, Vice President, and all other officials are Ryukyuan.

The charter of the Corporation provides *inter alia* that, subject to approval of the Civil Administrator, the Corporation may borrow money for any of its purposes, and is authorized to issue notes, debentures, bonds or other obligations.

(*b*) *REPC as a Trust for the Ryukyuan people.*—Under rulings of the Comptroller General, the REPC is regarded as an asset held in trust by USCAR for the benefit of the Ryukyuan people. In opinion B–114950, dated 17 August 1953, the Comptroller General held that while the funds generated by assets procured through the appropriation "Government and Relief in Occupied Areas ("GARIOA") are available to the United States Civil Administration of the Ryukyu Islands (USCAR), which is an agency of the United States, they are available to it solely because it exercises the function of a local government of the Ryukyus *and that the funds are intended and used for the benefit of, and are in the nature of a trust account held for the Ryukyuan people. . . .*" [*Added*]. The trust concept embodied in this opinion has been applied not only to the funds generated by the employment of the GARIOA assets in activities of a business type, but to the assets themselves (as well as to assets produced by direct grant-in-aid appropriation since GARIOA). Hence, in the case of the REPC, the GARIOA-procured assets (i.e., the Machinato power plant and the transmission lines), the earnings of these assets, and the facilities procured through these earnings,—in a word, the net worth of the corporation,—all are considered to be held in trust for the Ryukyuan people.

The exact status of the Ryukyu Electric Power Corporation, and its entitlement to a return on its plant asset costs, are set forth in a letter to the Associate General Counsel of the United States General Accounting Office, 23 January 1959 (Encl. 1). The Congress recognized the existence of the USCAR corporation, including REPC, in Sec. 3(a) and (b) of PL 86–629.

(*c*) *REPC the Sole Producer of Power on Okinawa.*—Prior to 1 July 1965, the island-wide integrated power system was operated by the Army, with the REPC holding title to the power generating and transmission facilities constructed with GARIOA funds. These REPC-owned facilities were leased to the Army in return for power which REPC sold to the local economy. Thus the REPC was, in a sense, a middleman. It did not produce power, but sold Army-produced power to consumers on the local economy.

On 1 July 1965, the REPC took over from the Army the operating functions and responsibilities for the integrated system, thus placing on a business basis the production and sale of power in Okinawa, including producing power for the Armed Forces. Continuation of this policy requires that additional generating facilities be procured to the maximum extent possible by the REPC, financed from its own resources or borrowing.

4. *Current Facilities Requirements*

The maximum demands on the Okinawa integrated system for the next ten years, including a comparison between military and civil demands, have been estimated as follows:

Projection, maximum military and local economy demands

Calendar year	Ryukyuan economy [1]		Military		Total megawatts
	Megawatts	Percent	Megawatts	Percent	
1967	102	46.3	118	53.7	220
1968	112	44.8	138	55.2	250
1969	122	43.5	158	56.5	280
1970	143	46.1	167	53.9	310
1971	163	45.8	177	52.1	340
1972	174	48.0	188	52.0	362
1973	184	47.9	200	52.1	384
1974	194	48.0	210	52.0	404
1975	202	47.8	220	52.2	422
1976	211	48.9	229	52.1	440

[1] Includes military off-base housing (9.6 percent of total in 1967).

To meet the 1967 demand there are currently in the system generating units of 223 MW, which have a firm capacity of 193 MW. ("Firm capacity" refers to the capacity with the largest single unit—in this case 30 megawatts—out of service for maintenance or unscheduled outage.) By reference to the above table, it will be seen that in 1967 without additional capacity there would be a firm capacity deficit of 27 MW (220 minus 193). This deficit would grow by 30 MW each year through 1971, and by 18 MW to 22 MW each year thereafter, unless additional facilities were provided. These projections have been revised upward to take account of increased demands resulting from support of operations in Viet Nam.

The basic requirement should be met by building a substantial steam plant, of 160 megawatts capacity. (It was earlier considered that a 240 megawatt plant would be more desirable, but later studies show that a 160 megawatt plant will be the most economically feasible.) Such a plant is being designed now; it could not be built and in operation until 1970 at the earliest. Smaller units will therefore be needed to take care of requirements until the large plant can come into operation. (Such units will continue to be useful thereafter, for peaking purposes and to replace old equipment.)

5. The request for approval to use the $7.5 million balance in the PL 86-383 loan authorization

In April 1966 when approval was requested of the Chairman of the Congressional Appropriations Committees to use the $7.5 million balance in the PL 86-383 appropriation, there were clear indications that these funds would be required for the procurement of gas turbine units to help supply the 1968 and 1969 power demands. (In the appendix to the budget for FY 1968, page 388, it was indicated that $3.5 million of the $7.5 million would be obligated in FY 1967 and the balance of $4 million in FY 1968, subject of course to the approval of the appropriations committees). Had the $7.5 million been made available in 1966, it was planned to devote the major portion of earnings of the corporation in the years 1967 to 1970 to the cost of the main thermal plant.

The House Committee on Appropriations informally approved the request to use the $7.5 million balance. The Senate Appropriations Committee deferred approval and indicated that the Department should study the feasibility of financing the gas turbine units along with the main thermal plant.

The course of action proposed by the Senate Committee was undertaken. However, the procurement lead times involved indicated that funds could not be secured to purchase the gas turbine units on time to meet the 1967 and 1968 power deficit, even if it were feasible to have the units supplied by private industry.

Additionally, by October 1966, the demand for power increased in view of the Viet Nam buildup. Therefore, it was determined and agreed that the Army would purchase, rehabilitate and have on line, on a rental basis to REPC, the power barge "Inductance" to meet the more immediate needs of 1967.

Moreover the decision was made to see what actions could be taken to expedite procurement of gas turbine units. It was determined that the procurement could be met from the earnings of REPC, i.e., the earnings for FY 1967, 1968 and 1969 could be programmed to procure the gas turbine units (rather than to be accumulated for contribution to the cost of the main thermal plant.) It must be emphasized that the conclusion as to the adequacy of funds being available for such purchase is tentative and that the total earnings to be made available are subject to the findings of an REPC rate study now in progress.

6. Present plans

In summary, then, present plans call for meeting ths power demands through 1971 by addition of these units:

1967: The 30 MW power barge "Inductance" to be leased by the Army to the REPC.

1968: Two 15 MW gas turbines to be procured by the REPC, using retained earnings and possibly some short-term capital to be borrowed in the Ryukyus.

1969: Two 15 MW gas turbine units to be procured by the REPC, using the corporation's retained earnings.

1970/1971: Two 80 MW steam turbine units, to be financed by a loan to the REPC.

Except for the power barge "Inductance," which is now in the Army inventory, it is planned to employ competitive bidding procedures in supplying the units described above, assuming procurement financing and time-phasing permit.

7. *Efforts to secure plant augmentation through private industry*

There has been a thorough canvassing of private industry to determine whether any American firm or consortium would be willing and able to finance and to build the required facilities. To describe these efforts:

(a) Beginning in the summer of 1965, intensive inquiries have been made in the private money market as to the feasibility of a direct loan to the REPC to finance the needed construction. The invariable answer has been that financing would be available if and only if the borrowing were supported by a guarantee of the U.S. Government. This is so because of the heavy dependence of REPC on sales to a single customer, the United States armed forces, and the uncertainty in the minds of investors as to whether the armed forces on Okinawa will continue at their present level for the 25 or 30 years normally required to amortize such a loan. Exhaustive inquiry and investigation, including consultation with the Treasury Department, AID, and the Export-Import Bank, have made it clear that no such guarantee is obtainable under present law and policy.

(b) In a letter dated 7 January 1966, some fifteen firms, including firms in the electrical, oil, and construction industries, were advised of the power requirements on Okinawa and asked for an expression of interest in meeting the requirements for a thermal plant.

(c) In response to the above letters four firms made affirmative replies. One group offered to invest if a government guarantee would be made available to protect their investment. Two firms proposed to finance and construct the needed facilities if the government would furnish security in the form of a ten-year, minimum power take-off contract or its equivalent. A fourth company proposed to take over the entire electric power operation on Okinawa but did not offer to invest. All of these proposals were explored in depth and it was found that (1) there was no government guarantee or lending facility which could be applied to the investment proposed; (2) the minimum power take-off contracts or their equivalent, as security for an investment, would be legally inappropriate, according to the U.S. Comptroller General, inasmuch as the plant proposed to be financed would serve the local economy consumers as well as the military forces; and (3) the transfer of the entire operation to a private entrepreneur without investment would create insoluble problems both economic and political.

(d) As noted above, at the hearings on the ARIA FY 1967 budget before the Senate Committee on Appropriations on September 22, 1966, Okinawa power requirements were discussed in the context of the request for approval of using the $7.5 million borrowing authority for the purchase of gas turbines. The Committee urged that the Department first determine what private industry could do in meeting the entire power requirement, including the gas turbines.

(e) A second major approach to private industry was made in a letter dated 24 October 1966. This letter was sent to the three firms who had previously expressed a feasible interest. The letter of 24 October 1966 had been preceded by separate meetings with representatives of each firm, in which were discussed the legal deficiencies inherent in the initial proposals, the possibility of including interim power units along with the thermal plant as a single package, and other matters relating to the power problem.

(f) On 21 November 1966, the three firms submitted revised proposals. Two of these proposals involved some degree of reliance on Japanese equipment. The three proposals were intensively reviewed. They were found still to contain investment security provisions considered to be legally or otherwise questionable. Moreover, all three proposals depend on amortization of the investment over a ten-year period. This would increase the cost of power over the ten-year period, and would in turn result in a higher rate to consumers, including the U.S. military, over that period.

(g) It has therefore been indicated from the information available to the Department that the proposals from private industry for financing, constructing and providing power generating facilities are less economical than an arrangement for a U.S. Government guarantee to raise adequate capital and let a contract to construct the required facilities.

(k) An additional advantage of this approach is that it will allow the use of competitive bidding procedures if time phasing permits. Such a procedure of course provides the maximum assurance of getting the most for the dollar both for the U.S. taxpayer (who pays rates through Army O&M appropriations) and the Ryukyuan consumer.

8. Concept of a government guarantee

The Army is exploring with the Bureau of the Budget the feasibility of a request to the Congress to authorize a loan guarantee which would enable REPC to borrow funds in the commercial money markets. This course of action is an alternative to a request to the Congress for another appropriation for a loan of the PL 86–383 type. It has been selected primarily for two reasons:

(a) It would not involve, except as a contingency, a draw-down of federal funds.

(b) It would enable the REPC to provide for plant expansion through the medium normally employed in the industry, i.e., borrowed capital procured through commercial sources.

If the Bureau of the Budget approves the foregoing plan, the Department will submit proposed legislation to that effect in the near future, together with a detailed justification of such legislation.

Encl. 1.

DEPARTMENT OF THE ARMY,
OFFICE OF THE ASSISTANT SECRETARY,
Washington, D.C., January 23, 1959.

Mr. R. E. RAMSEY,
Associate General Counsel, U.S. General Accounting Office, Washington, D.C.

DEAR MR. RAMSEY: Your letter of 21 November 1958 requests an expression of the Department of the Army views relative to (1) the authority of the United States Civil Administration of the Ryukyu Islands (USCAR) to establish the Ryukyu Electric Power Corporation (REPC) and other corporations, and (2) the propriety of using Army Appropriations to pay REPC a rental for the Machinato Power Plant which provides, in effect, a 5 per cent return on the cost of the plant. Your request is made in the light of section 304 of the Corporation Control Act (31 U.S.C. 869) and section 601 of the Economy Act of 1932, as amended, (31 U.S.C. 686). My views, expressed below, address themselves to these matters.

The present authority of USCAR in the Ryukyu Islands is derived from Article III of the Treaty with Japan, dated 28 April 1952 (TIAS) which provides, in pertinent part, that ". . . The United States will have the right to exercise all and any powers of administration, legislation and jurisdiction over the territory and inhabitants of these islands, including their territorial waters." This is the basic authority under which the Executive has undertaken the administration of the Ryukyus.

The President, by Executive Order 10713, dated 5 June 1957, provided for the administration of the Ryukyu Islands under a Civil Administration. The Order vests in the Secretary of Defense, whose designee for the purpose is the Secretary of the Army, the authority to exercise the powers granted by the Treaty through such Civil Administration, which exercises local governmental powers as set forth in the Order, including the promulgation of laws, ordinances, and regulations. The Order continues in force and effect proclamations, ordinances, and directives issued by the then existing civil administration and its predecessor military government agencies. Further, the Executive Order recognizes that Congress may from time to time enact legislation concerning the government of the Ryukyus and that the administration of the Islands must conform to such laws.

Corporations such as REPC are a normal tool of government; being particularly useful when a government operates a business-type activity. USCAR is authorized to exercise governmental powers. Further, Congress has been fully apprised of the existence and nature of corporations such as REPC. (For example, see Hearings of House Subcommittee of Committee on Appropriations: 83rd Cong., 1st Session, part 1, pp. 33–34; 83rd Cong., 2nd Session, part 2, pp. 144–145; 84th Cong., 2nd Session, part 1, pp. 77–79). Congressional recognition has been most recently evidenced in the appropriation of $1,513,000 in Fiscal Year 1958 for extension of REPC's transmission system and of $600,000 in Fiscal Year 1959 for construction of water facilities to be held in trust and operated for the benefit of the Ryukyuan people by a Water Corporation recently chartered by USCAR.

Thus, it is my view that a Treaty specifically authorizing the United States to exercise over a defined territory and the inhabitants thereof the powers of a local government, one of the incidents of which is the authority to create corporate bodies, furnishes to the duly constituted agency, through which the

United States acts, sufficient authority to create corporations when necessary and desirable to accomplish its mission. This view is supported by the recognition Congress has given to such corporations. The "instrumentality" status of such corporations stems from their complete control by USCAR. The Corporation Control Act is directed at control of activities of corporations created to act as agencies or instrumentalities of the United States and corporations whose assets are beneficially owned in whole or in part by the United States. The beneficial ownership of the assets of the USCAR corporations is in the Ryukyuan people, and their creation stems, not from U.S. Congressional legislation, but from ordinances issued by USCAR in its local governmental capacity pursuant to the Treaty and the Executive Order. Hence, it has not been the view of the Army, and apparently not of the Congress, that the Corporation Control Act was directed at such entities as the USCAR corporations.

The concept of USCAR's status as an agency exercising the powers of local government has been further refined and expressed as that of a trustee for the Ryukyuan people to control various funds and facilities created as a result of appropriations by the Congress for the benefit of the Ryukyuan people. Such appropriations have been made under the headings, "Government and Relief in Occupied Areas" (GARIOA), "Administration of the Ryukyu Islands" (ARI), "Construction of Power Systems, Ryukyu Islands", and "Construction of Water System, Ryukyu Islands." In this respect the Comptroller General, in a decision dated 17 August 1953 (B–114950) concerning proceeds realized from the sale of GARIOA commodities, stated in part: ". . . it appears clear that while all of the funds involved are available to the United States Civil Administration of the Ryukyus (USCAR) which is an agency of the United States, they are available to it solely because it exercises the functions of a local government of the Ryukyus and that the funds are intended and used for the benefit of, and are in the nature of a trust account held for, the Ryukyuan people and are not available to supplement funds appropriated by the Congress for general purposes of the United States or military purposes of the Army. Under the circumstances, the said assets do not appear to be foreign credits 'owned to or owned by the United States Treasury' within the means of Section 1415 of the Supplemental Appropriation Act, 1953, 66 Stat. 662, and that provision appears inapplicable to said assets."

The provision for a reasonable return on the cost of the facilities is customary in an arms length transaction in leases such as the one with REPC. Congress has been fully apprised of the details of the 5 per cent return on depreciated assets in the Army lease of the Machinato Power Plant from REPC. Further, the fact that USCAR and its corporations hold assets and facilities, in effect, in trust for the Ryukyuan people distinguishes transactions with such corporations from those which are made under the Economy Act. An application of the actual cost limitations of the Economy Act would amount to a failure to recognize the trustee concept under which REPC holds the facilities.

Perhaps it will be helpful to you to recite that Public Law 85–170 and prior appropriation acts (Public Law 219, 84th Congress for FY 1956, and Public Law 814, 84th Congress for FY 1957) enable the Army to make expenditures for the purpose of economic rehabilitation of the Ryukyu Islands in such manner as to be consistent with the general objectives of Titles II and III of the Mutual Security Act of 1954, as amended, and in the manner authorized by sections 505(a) and 522(e) thereof. Section 505(a) provides that assistance may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment as may be determined to be best suited to achievement of the purposes of mutual security.

In the light of the foregoing, it is the view of the Department of the Army that REPC and other corporations so constituted are legitimate functions of an agency exercising all powers of administration, legislation and jurisdiction over a defined territory and its inhabitants; that the Congress has recognized the existence of such corporations and the authority of USCAR to create same; and that, in the case of REPC, the provision for the 5 per cent return on the cost of the plant is in keeping with the status of the plant as an asset held in trust for the Ryukyuan people.

I trust that the foregoing expression of views answers fully and satisfactorily the questions raised in your letter. However, I shall be happy to furnish further information concerning any aspect of these matters if you should so desire.

Sincerely yours,

GEORGE H. RODERICK,
Assistant Secretary of the Army (FM).

Mr. CONTE. Will you also put in the record, if this is going to be by competitive bid, whether there are going to be American companies involved and who is part of the consortium. You talk about three companies. You do not mention who they are. Could you give us a case history on that? That is all.

Mr. SHRIVER. Yes, but I want to follow the regular procedure here. I wanted to ask two or three questions, some of which are covered in those.

But as I understand it, you are going to use a barge temporarily which will be in place in September and then it may be that you will come back for some authorization or some funding for this to be a project.

Mr. HOLT. That is our present thought.

OWNERSHIP OF PROPOSED POWERPLANT

Mr. CONTE. Would this new powerplant of 160 or 240 kilowatts be owned by the Government?

Mr. HOLT. It would be owned by the Ryukyu Electric Power Co. which is a general fund corporation, ultimately controlled by the High Commissioner?

FINANCING PROPOSED POWERPLANT

Mr. CONTE. Well, I like the idea that you had asked some three companies, I believe you mentioned. There would be some possibility, in time, of profits that would go I presume to American investors and the balance-of-payments situation might be improved, even if only in a small amount. It would not be public ownership, it would be American-owned, under the free enterprise system.

As I understood, you are probably not going to go that route.

Mr. HOLT. It looks very difficult to go because of the financing problem I mentioned. There has got to be, in order to make the costs reasonable, some sort of guarantee. As I say, the way we are thinking at the moment is looking for a congressional authorization of such a guarantee that would permit a straightforward financing of the expansion by the REPC.

Mr. CONTE. The matter has been discussed with the Export-Import Bank?

Mr. HOLT. It has.

Mr. CONTE. They were in here yesterday.

Mr. HOLT. Their reaction was that they would be happy to lend the money if they had a government guarantee.

Mr. CONTE. Well, the Export-Import Bank does that sort of thing, makes the guarantee.

Mr. HOLT. They said that they did not see their way clear to guarantee such a loan for the same reason we had found in exploring the private financing market; namely, the ultimate repayment depended too heavily on the sale of power to one single customer; namely, the military. And the outlook over the 25- or 30-year repayment period wasn't sufficient—for that level of purchase to continue—it wasn't enough for them to risk their money without some sort of guarantee.

REVERSION TO JAPAN

Mr. SHRIVER. I read in the March 20 New York Times an article by Robert Trumbull entitled, "U.S. To Get Plea on Okinawa Rule." The article says:

> One of Japan's most respected educators, Dr. Ohama, will leave for the United States Tuesday to plead for the return of the strategic American-administered island of Okinawa to Japanese jurisdiction.

The article says:

> Like many others, Dr. Ohama believes that a way could be worked out to return Okinawa and the rest of the Ryukyu Islands to Japanese administration without dislodging the military establishment there.

Later it says:

> One matter that Mr. Matsuoka plans to take up in Washington is a longstanding demand by Okinawans that their chief executive be popularly elected.

Later on it says:

> Lately the Sato Government has been playing down Japanese agitation for a transfer of power on the ground that it would be difficult politically to allow the Americans to keep nuclear weapons on Okinawa if the island were under Japanese jurisdiction.
>
> While agreeing that abolition of the base is unthinkable now, Dr. Ohama feels that a way must be found to mollify Japanese and Okinawan feelings by associating Japan with the administration of the islands through sharing of responsibility in the government.

This is in the paper, so it is not classified.

Mr. HOLT. Dr. Ohama has, I think, been permanently associated for some years with reversion movements. I know he was on the way. He is, as I understand it, probably the most notable and successful Okinawan in mainland Japan.

Mr. Sneider here, Chief of the Japan Office of the State Department, may be able to comment a little better on that.

Mr. SNEIDER. I would like to go off the record for part of this answer if I may, Mr. Chairman. But on the record, Dr. Ohama is paying a private visit to the United States. It is a trip of approximately 2 months, during which period he will be in Washington for about a week or a week and a half at the beginning of May.

He is the former president of Waseda University. He has been principal spokesman, as Mr. Holt said, of the Okinawan in Japan. I would like to go off the record if I may, Mr. Chairman.

Mr. PASSMAN. Yes.

(Discussion off the record.)

Mr. PASSMAN. Could we put on the record that the Japanese Government does not agree with this man?

Mr. SNEIDER. Let me put on the record that the Japanese Government has stated its opposition to the proposal for partial reversion which Dr. Ohama has advocated. They have stated that this is not a practical approach to the problem. Prime Minister Sato, if I may put into the record, stated on, I think, January 19, "The argument for partial reversion of educational rights is appealing but as far as I am concerned, rather than have educational rights reverted in part, I think it better to realize reversion of the administrative rights in a single package."

I might say that in general the attitude of the Japanese Government toward the problem of reversion is pretty much as stated in the New York Times article, although not in those explicit terms. The Japanese Government has said in official statements that the present situation is an unnatural one and they look forward at some time to reversion, but that for the present the main objective of the Japanese Government is to work for the welfare of the Ryukyu people within the present administrative structure. But they have also recognized the important function, military function, played by our bases in the Ryukyus.

U.S. ASSISTANCE TO RYUKYUAN ECONOMY

Mr. SHRIVER. Thank you. Maybe this has already been asked by the chairman, but would you provide for the record the total of U.S. assistance to the Ryukyuan economy, including wages paid to civilian employees, military spending, and economic assistance?

Mr. PASSMAN. Not in that sense. That is a good question.

General UNGER. I can give it right now.

Mr. SHRIVER. It is not necessary now.

COMPARABLE JAPANESE AID

Would you compare this with the total of Japan?

Mr. HOLT. The comparable input from Japanese sources?

Mr. SHRIVER. Yes, sir.

(The information follows:)

Estimated U.S. and Japanese expenditures in the Ryukyus, 1966

[In millions of dollars]

	Fiscal year 1966	
	United States	Japan
1. Expenditures by Government agencies and personnel	143.6	(1)
2. Direct aid	12.7	7.4
3. Capital transactions	64.6	1.9
4. Exports of goods and services to	18.6	[2] 90.0
5. Other (Japanese pensions, donations, etc.)		11.4
Total	239.5	110.7

[1] The Japanese Government has no military base or other establishment in the Ryukyus to generate this type of expenditure. Japan does have a small Government liaison office in Okinawa which generates in the economy minor expenditures of an unknown amount.

[2] Includes Japanese subsidies to Ryukyuan sugar and pineapple industries.

ENCOURAGING CAPITAL INVESTMENT IN RYUKYUS

Mr. SHRIVER. What is being done to encourage outside capital investment in the Ryukyuan Islands?

General UNGER. In the short time that I have been there, I have been asking this same question of my U.S. civil administration.

I have been trying to determine what incentive the Government of Ryukyus provides for the input of capital. I cannot give you any details as to what privilege they receive by way of taxes, either from

Japan or from the United States. We are working on that as a big project for the future.

Mr. SHRIVER. Do you have any feeling for tax relief, taxation on capital?

Mr. BURNS. They have fast amortization of new plant and equipment costs. One of their laws provides for this. There are other laws that they have which promote capital investment.

General UNGER. They really have not been getting on with it the way they should have. Why, I do not know. I think it is primarily in this field of incentive. There is not enough incentive for capital to flow into the islands. We are trying to dig down to find out why.

ELECTRIC POWER

Mr. SHRIVER. Just one final question. I believe one of you mentioned a General Accounting opinion relative to that power matter. Would you supply that for the committee or put it into the record?

Will you summarize it?

Mr. HOLT. We can supply a summary or we can supply the entire opinion.

Mr. SHRIVER. Summarize it for the record.

Mr. HOLT. Yes, sir. We can make that part of the whole paper we give you on the power chronology and the problems involved. We can give you a comprehensive picture for the record on this power problem.

Mr. SHRIVER. That would be fine.

(The information requested is contained on p. 135.)

MILITARY IMPORTANCE OF OKINAWA

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. Mr. Chairman, it seems to me that in approaching a solution of the problem with regard to the amount of funds to be appropriated in fiscal year 1968, we should consider among other things two things that I think are important. No. 1 is the map, at the first page of this brochure put out by the Deputy Chief of Staff for Military Operations, Department of the Army, which indicates how strategic is the location of Okinawa and what it means to us militarily.

Secondly, we should consider the fact that for the first time, as I understand it, over the years—if I am wrong in this, please correct me—Japan is contributing or is proposing to contribute in fiscal year 1968 more than $6 million more than we are to the Ryukyu Islands, is that correct?

General UNGER. That is right.

Mr. ROONEY. I consider both of these things highly important in arriving at the proper solution. I shall keep them in mind. Thank you.

RYUKYUAN IMPORTS FROM JAPAN

Mr. PASSMAN. Thank you, Mr. Rooney. If it is agreeable to Mr. Rooney, I would also like to restate at this point that the Japanese sell to the Ryukyuans some $177 million in products annually.

General UNGER. $196.2 million of their imports were from Japan, this was out of the $277 million total imports in 1966.

SUGAR SUBSIDY

Mr. PASSMAN. Also they have an arrangement for the purchase of all the sugar produced by the Ryukyuans.

General UNGER. Japan buys all of their sugar and pays approximately four times the world market price.

Mr. PASSMAN. How much do we pay in the United States over the world market? The sugar prices are as artificial as a $3 bill and we all know that. Do you agree?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. It is certainly advantageous to the Ryukyuans that the Japanese will take this badly needed sugar.

U.S. EXPORTS TO RYUKYUS

Mr. ROONEY. Mr. Chairman, in regard to what you say, I should like to inquire if it is not the fact that although Japan does have that $196.2 million in exports to Okinawa, the United States is second with 37.7 percent in exports to Okinawa, although they only export to us 4.8 percent? Isn't that a fact?

General UNGER. That is correct.

Mr. PASSMAN. There are a good many exports from the United States to Ryukyus that they paid for with our money, because we have a tremendous military and civilian payroll there, is that correct?

General UNGER. That is correct.

Mr. PASSMAN. That is something Japan does not have there.

U.S. INPUT TO RYUKYUAN ECONOMY

General UNGER. As asked by Mr. Shriver, what is the input of U.S. dollars from all sources direct and indirect, we figured that during fiscal year 1966 it came to $239.5 million from everything. That is contracts and all types of payments.

Mr. PASSMAN. We only get back $37 million.

Mr. Conte?

ELECTRIC POWER

Mr. CONTE. General, I wish we could place a complete picture of the electric power question in the record at this point. Otherwise, it is going to be scattered all over this record. My main interest in this budget is to see that we get the best results for our dollar. I have been hitting away on this power problem question for 9 years now. I told your predecessors in 1960 that they would have to have the foresight to look ahead to the power problems that were going to arise. If they had had that foresight you would not be in here today with this power problem again.

Does the Gilbert Pacific Co. still manage the powerplant?

Mr. MCLAUGHLIN. No, sir.

Mr. CONTE. What happened?

Mr. MCLAUGHLIN. On July 1, 1965, operations were transferred to the Ryukyu Electric Power Corp. Prior to that time Gilbert had been running the system for the Army. When they made the switch over the REPC executed a consultancy contract with Gilbert, by which Gilbert left four key personnel to help them out in the first year. That

number has now been cut down to one. There is one man there in the REPC organization who is a consultant from Gilbert.

Gilbert also does their purchasing in this country under that same contract.

Mr. CONTE. Most likely that particular item has been cut down considerably. If my memory serves me correctly, we were paying Gilbert about $75,000 a year.

Mr. MCLAUGHLIN. That is right. That is out.

Mr. CONTE. That is out of the picture entirely now?

Mr. MCLAUGHLIN. Yes, that was a fixed fee.

JAPANESE AID

Mr. CONTE. Also so the record will be complete, when you mentioned, General, that Japan is contributing $6 million more than the United States, you were not taking in petroleum operation earnings and all that, were you?

General UNGER. I believe Mr. Rooney, as he stated it, that the fiscal year 1968 direct aid from Japan is $25.8 million, and that the proposed—including the supplemental for 1968—from United States was $19.5 million. I believe the point was made that Japan plans to contribute $6 million more, assuming the supplemental is approved. I believe that was the statement you made, Mr. Rooney.

Mr. ROONEY. Yes. It is all subject to legislative authorization.

TOTAL U.S. CONTRIBUTION

Mr. CONTE. That is exactly right. As Al Smith would say, let us look at the record. You have $14,900,000 that we gave you last year.

General UNGER. $12 million of which is the aid we are talking about.

Mr. CONTE. Fourteen, plus?

General UNGER. That is correct.

Mr. CONTE. $14,893,000 is the exact figure.

General UNGER. That is correct.

Mr. CONTE. Then you go to your table II and you have petroleum operations, corporation earnings, and others, which comes to a total of $12,866,000; is that right?

General UNGER. That sounds right to me.

Mr. CONTE. I am reading your figures.

General UNGER. OK.

Mr. CONTE. You have expenditures on the same table.

General UNGER. This is the general fund you are reading from.

Mr. CONTE. Where is this $14,041,000 coming from?

Mr. BURNS. Local earnings.

General UNGER. These are earnings from the corporation and POL fund.

Mr. CONTE. Who owns that petroleum operation?

General UNGER. The United States.

Mr. CONTE. That is exactly what I am saying. You plow that money right back into the economy.

General UNGER. This is what we referred to before, the general fund, which had its genesis in the GARIOA fund.

Mr. CONTE. Where does the GARIOA fund come from?

General UNGER. It is U.S. funds.

Mr. CONTE. That is all I am saying. So that is not a true picture then. Then you have to include this figure in with the outright grant we put in?

General UNGER. I gave you the big figure. I said in fiscal year 1966 direct and indirect, U.S. spending in the economy comes to nearly a quarter of a billion dollars. That figure includes the general fund.

Mr. CONTE. Anyone reading the record when Mr. Rooney asked that question would get the impression that Japan was giving $6 million more to the Ryukyu Islands than the United States. You have to look at the entire picture including the expenditures you have on Table 2 that are funds generated out of these corporations that are plowed right back to the Ryukyu Islands.

General UNGER. That is right.

Mr. COHELAN. On an annual basis.

Mr. CONTE. Yes.

RYUKYUAN IMPORTS FROM UNITED STATES

Mr. PASSMAN. In considering the imports from the United States to the Ryukyuans, do they include the commodities shipped in from the U.S. that are consumed by our own American personnel?

General UNGER. Do we consider those imports——

Mr. PASSMAN. Mr. Rooney mentioned we sold the Ryukyuans $37 million. Does that include the commodities that are shipped in to our commissaries for use by Americans?

General UNGER. No, it does not, sir.

Mr. PASSMAN. You seem to very positive on that and you were not very positive on 50 other questions. That is what worries me. How do you know that so well? I am merely asking you that the commodities that are shipped in that are for sale in Ryukyuan stores and are bought by American personnel, none of it is included?

General UNGER. That is right.

Mr. PASSMAN. Then what is the $37 million?

Mr. O'FLAHERTY. Mr. Chairman, this figure represents those commodities which pass though Ryukyuan customs. Some of these, of course, are sold in the local market to dependents of military, obviously.

Mr. PASSMAN. Thank you, Mr. Conte. I thought you would say some of them.

Mr. O'FLAHERTY. They do not have to buy them in the local economy. It is just their choice.

Mr. PASSMAN. Thank you. Mr. Conte?

U.S. EMPLOYMENT ASSOCIATED WITH ARIA

Mr. CONTE. For the record, will you get all the employees involved in this particular part of the budget, the Ryukyuan Islands? I am talking about American employees, consultants, Ryukyuans themselves, people here in Washington in the State Department. I would like to have some overall figure, how many people are involved in this particular operation.

General UNGER. All associated with this?

Mr. CONTE. Anyone who has anything to do whether they are on the straight payroll, on a consultant basis, exchange program, or in any other way involved.

General UNGER. All right, sir.

(The information follows:)

The total employment related to administration of the ARIA appropriation in FY 1967 is as follows (permanent positions):

USCAR Department of Army Civilian Employment	131
USCAR Reimbursable Civilian Employees	6
State Department	(4)
USIA	(1)
Department of Labor	(1)
Department of Army Civilian Employment—CONUS	10
USCAR Local National Employees	250
USCAR Reimbursable Military Positions	30
Japanese MLC Employees (RTU, Japan)	3
Total	430

Mr. CONTE. I have no further questions.

Mr. ROONEY. Mr. Cohelan?

Mr. COHELAN. Thank you, Mr. Chairman.

General, are you making any preparations for 1970 in relation to the possible review of the Japanese Treaty?

General UNGER. Specifically, no.

(Discussion off the record.)

KAYSEN REPORT

Mr. COHELAN. Back on the record.

The Kaysen report was published several years ago. I asked this question last year and I ask you again, can you now or later on supply for the record the extent to which you have implemented the recommendations made by the Kaysen report?

General UNGER. The Kaysen Task Force report was in the fall of 1961. This followed the President's meeting with Prime Minister Ikeda. In March 1962 the President stated that he recognized the fact that the Ryukyus were part of the Japanese homeland and he looked forward to the day when the security situation in the Far East would permit their return. Another part of the pronouncement was to the effect that the United States and Japan in a cooperative effort were going to attempt to achieve for the Ryukyus the levels that are currently obtained in comparable areas of Japan in the fields that I have been talking about all afternoon, without setting a time on it.

Mr. COHELAN. I think that is pretty well taken care of in previous testimony. In the Kaysen report he also gave some emphasis to public administration, public health, and things of this kind. I really was directing my question and attention more to that side of it.

General UNGER. We will supply that for the record.

Mr. COHELAN. I think it would also tend to support to some extent your request, because I think great progress has been made.

General UNGER. Yes, sir.

(The information follows:)

PROGRESS IN SELECTED AREAS OF KAYSEN REPORT

On 19 March 1962, the President set forth the purposes to be accomplished as a result of recommendations of an interdepartmental Task Force (The Kaysen Report). Those objectives referred to by Mr. Cohelan above and below, and the accomplishments in these areas to date are as follows:

a. Objective

Provide new programs to raise the levels of compensation of Ryukyuan employees of the U.S. Forces and Government of the Ryukyu Islands and the levels of public health, educational and welfare services so that over a period of years they reach those obtaining in comparable areas of Japan.

Progress

1. Since 1962, the average hourly wage rate for local nationals employed by U.S. Forces in Okinawa has increased by 56% from $0.34 to $0.53. In addition a separation pay plan was initiated in FY 1965 and in FY 1966 medical insurance and accident compensation insurance were provided. The average monthly base pay and cash benefits of Government of the Ryukyu Islands employees increased from 1962 to 1965 by 46%. ($65.48 to $95.54.)

2. Comparative data in the fields of public health, education and welfare for the Ryukyu Islands and Japan were provided with General Unger's statement. Some comparative prior year data showing the trend in the Ryukyus follow:

(a) Public health

	1962	1966
Doctors:		
Number	340	374
Population served per doctor	2,594	2,524
Dentists:		
Number	90	109
Population served per dentist	9,800	8,660
Nurses:		
Number	706	1,003
Population served per nurse	1,249	941
Hospital beds:		
Total beds	2,509	3,812
Number per 100,000	284	404
TB beds	730	1,087
Number per 100,000	82	115
NP beds	121	491
Number per 100,000	13	52

(b) School building area per pupil (excluding gymnasium and auditorium)

[In square meters]

	1964	1966
Primary school	2.28	2.48
Junior high school	2.25	2.61
Senior high school	3.67	3.38

(c) Welfare insurance programs

	1962	1966
Public service personnel retirement annuity	None	In operation.
Medical insurance program	do	Do.
Unemployment insurance	do	Do.
Workmen's accident compensation insurance	do	Do.
Workmen's annuity	do	Fiscal year 1969–70.
Old age and survivors (national pension)	do	Fiscal year 1970–71.
GRI Employees' Mutual Aid Association	do	Fiscal year 1971.

b. Objective

Provide a steady increase of loan funds available for development of the Ryukyuan economy.

Progress

1. Steps were initiated leading to a P.L. 480 agreement for sale of surplus U.S. agricultural commodities on a long-term dollar credit basis. Loan funds realized by the RDLC from these transactions amounted to $900,000 in FY 1963, $3,100,000 in FY 1964, $3,758,000 in FY 1965 and $227,000 in FY 1966.

2. A grant of $1 million to the Central Bank for Agriculture, Forestry and Fisheries (CBC) was included in the FY 1963 budget request. Only $365,000 of that amount could be made available as a result of reductions in the amount appropriated. No subsequent U.S. appropriation has been made. Capital contributions of approximately $3 million and $2 million were made by Japan and the Government of the Ryukyu Islands, respectively, during the period FY 1963–66.

c. Objective

Carrying on continuous review of governmental functions in the Ryukyu Islands to determine functions that can be delegated to the Government of the Ryukyu Islands.

Progress

The United States Civil Administration has taken the opportunity on many occasions to encourage the Government of the Ryukyu Islands to assume greater responsibility thereby permitting the transfer of more functions. Illustrative of such a successful transfer was the reorganization in 1965 of the Joint Foreign Investment Board, consisting of Ryukyuan and American members, into an all-Ryukyuan Foreign Investment Board. The number of ordinances and other High Commissioner legislation has been reduced from 145 in effect two years ago to 89 by the end of 1966. In his annual message to the Ryukyuan legislature in February 1967, the High Commissioner informed that body that he was prepared to recind another 29 items of High Commissioner legislation as soon as the Ryukyuan legislature established requisite machinery to handle these functions.

d. Objective

Eliminating all controls on individuals which are not essential to the maintenance of the security of the United States military installations in the Ryukyus or of the islands themselves.

Progress

1. Beginning in August 1964, the High Commissioner approved a series of changes in administration to expedite the processing of travel requests without lessening in any way the security of the U.S. military base. Those steps included:

(a) Operating procedures for processing of travel requests were greatly simplifed and past delays have been reduced significantly.

(b) Transit entry procedures were liberalized by authorizing the Ryukyu Travel Unit in Tokyo, Japan, and U.S. Consular offices abroad to act as agents for the High Commissioner for issuing to most aliens a full 72-hour stop-over in Okinawa.

(c) Student travel was facilitated by lowering the cost of multiple travel documents.

(d) During 1966 there were 79,178 exit applications and 76,042 entry applications with denials in only thirty cases. In 1964, a much smaller number of applications resulted in 106 denials.

2. On May 9, 1966, pursuant to an agreement worked out between the United States and the Government of Japan, a Ryukyuan student who desires to secure a Japanese passport in Okinawa, rather than first travelling to the mainland of Japan, will be able to do so when appropriate Japanese law is enacted.

3. To meet expressed desires of Ryukyuans and the Japanese to change the flag identifying Ryukyuan vessels, arrangements toward satisfying their desire were made and announced at the March 1967, Consultative Committee meeting.

4. The GRI Judiciary, in FY 1965, assumed and has satisfactorily discharged increased criminal jurisdiction in cases where Ryukyuans are defendants. As a result, the trial of Ryukyuans in the Civil Administration criminal courts has been all but eliminated. The Civil Administration courts still handle those cases in which the members of U.S. Forces or civilian components and their dependents are defendants.

TRADE BALANCE

Mr. COHELAN. Turning from that to the economy, General, we have been referring to the commodity trade and the trade balance. The trade balance—while the size of the pie seems to be increasing, the trade imbalance seems to be increasing. We have gone from $118 million in 1963 to $217 million. In other words, the gap is growing as between imports and exports.

General UNGER. Yes.

FOREIGN CAPITAL INVESTMENT

Mr. COHELAN. This really follows on Mr. Shriver's question about the development of institutions—economic institutions—in the islands, preferably on the basis of private capital. I notice, as Mr. Rooney and others have pointed out, that one of the trading partners, the great trading partners are both Japan and the United States. Specifically turning to imports from Japan, what about the possibility of Japanese capital coming into the Ryukyus? To what extent is there Japanese capital?

General UNGER. There is Japanese capital in there. We can provide it for the record.

Mr. COHELAN. If you can, I wish you would supply it for the record.

General UNGER. Yes.

(The information follows:)

FOREIGN INVESTMENTS

A primary objective of the United States Civil Administration in the Ryukyus and the Government of the Ryukyu Islands is to assist the Ryukyuan people in achieving the maximum utilization of all resources available to them to develop a sound and viable economy which will decrease reliance upon imports, expand earnings from exports, and support an adequate standard of living for all the people of the Ryukyu Islands. The entrance of foreign investments is welcomed, alone, or with Ryukyuan capital participation to accomplish this objective and to provide an adequate return to the investors. In addition to the free remittance of capital and profits through the use of United States dollars as the currency of the Ryukyu Islands and other incentives now provided, the United States Civil Administration and the Government of the Ryukyu Islands will endeavor to bring about continued improvement in the investment climate, to induce private enterprise, both foreign and domestic, to participate in the industrialization of the Ryukyuan economy. Foreign investments licensed by the Government of the Ryukyu Islands as of 30 June 1966 follow:

	Number of investors	Amount of investments
United States	90	$10,860,000
Japan	77	6,400,000
Others	013	2,406,000
Total	270	19,666,000

Mr. COHELAN. I suppose we would learn something from the response that will also be included in the record about the general structure of incentives to attract capital?

General UNGER. Yes.

Mr. COHELAN. As I remember from last year, I think they have quite a few rigidities in the system.

General UNGER. That is correct.

PROGRESS OF PUBLIC ADMINISTRATION

Mr. COHELAN. It is very late in the afternoon and I do not want to go into all these questions that I have, but they are mostly a review and more or less progress report on the following general categories. If you would in the course of supplying this for the record, make some reference to it, I would appreciate it. I would like to know of the quality of criminal administration and also in the military sector. I would like to know what kind of progress you are making, what kind of problems you have. As I recall, there were some problems.

Do we have any serious conflicts, irritations, problems, et cetera, and in what form does this present itself? I would like to know something about your public administration areas—those that may show possible progress and improvement in public administration. I would like you, at this time, if you can, tell me a little about the system of revenue and taxation. How do they raise their revenue over there?

RYUKYUAN INTERNAL REVENUE

General UNGER. They raise their revenues primarily from both personal income taxes and from corporate income taxes. Generally speaking the structure of the percentage income tax ranges from 10 percent to about 71 percent. There is a great effort on the part of the people in the Ryukyus to try to equate their system to that which is in Japan. Last year there was a reduction in personal income tax. This was an effort to bring it in line with the tax structure—I am still speaking of individual tax—in line with that which obtains in Japan. To my knowledge we do not expect a comparable decrease this year.

We asked this specific question: How does this hurt us if the Ryukyuans did put themselves on the same footing as the Japanese? We figured that in 1966 there were 138,000 Ryukyuans who paid personal income tax. If they had been on the same footing with the Japanese individual income tax structure, only 44,000 of those people would have paid tax. In the corporate structure, I believe they start out at 35 percent of the net profit. Then there are all sorts of commodities that are taxed, such as cigarettes. There is a 100 percent tax on beer, there is 180 percent on liquor. There is a whole range of these commodity taxes.

EVALUATION OF ENFORCEMENT OF TAX COLLECTION

Mr. COHELAN. By any reasonable international standard—I withdraw that—by any reasonable standard, how would we evaluate their enforcement of their internal revenue collection?

Mr. BURNS. In the past they were rather immature in revenue collection since they never had the job before. We in USCAR have had people who have assisted and advised the GRI tax department and still do—we still have several left—in better methods of tax enforcement and tax collection. They have improved greatly over the past 3 or 4 years and will continue to improve.

Mr. COHELAN. What you are saying is that they are getting better but it is still not very good, is that right?

Mr. BURNS. No, we feel it is very good now.

Mr. COHELAN. How about smuggling? Do they have a smuggling problem?

Mr. FREIMUTH. It is minimal.

Mr. COHELAN. There are a lot of islands out there. Do they have customs? How does it compare with the Philippines?

General UNGER. From his answer and from what I understand smuggling is like in the Philippines, there is no comparison.

IMMIGRATION

Mr. COHELAN. What is the present state of migration departures?

General UNGER. I think we have something on that. Could we supply that for the record?

(The information follows:)

RYUKYUAN EMIGRATION

During the past year, a total of 235 Ryukyuans have emigrated to South America. 126 of the emigrants went to Argentina, 105 to Brazil, and four to Peru.

MEDICAL EDUCATION

Mr. COHELAN. This is my last question, General.

What is being done about medical education and the training of doctors?

General UNGER. This is a problem. We hope eventually, and this is not an immediate thing—not next year—to get a medical school at the university. This is for the future. In the meantime, what we would like to do is to insure that those Ryukyuans who do get an education and get their medical degree stay in the islands. Additionally, we have a program that is just now starting to be implemented. This has to do with an intern program which we are going to run at the Okinawa Central Hospital. The staff for this is being provided by the University of Hawaii. It is just getting going. It will be going on the 1st of April.

Mr. COHELAN. Isn't there any training done in Japan?

General UNGER. They do a lot of training in Japan.

Mr. COHELAN. There is an input of doctors?

General UNGER. That is correct.

Then to get them to stay in Ryukyus is a real problem.

Mr. COHELAN. How about in the United States, do we train any here?

General UNGER. We train in the United States, too. One of the papers I had gives the medical degrees.

Mr. BURNS. The University of Hawaii is presently under contract to provide teaching in the Ryukyus.

General UNGER. No, the number of students.

Mr. COHELAN. If you can provide that for the record, that will more than satisfy me. I would like to get some figures of what progress we are making, if any, in getting them plowed back into the system.

(The information follows:)

P8734—TRAINING OF MEDICAL PERSONNEL

Since 1961 funds have been budgeted for training of medical and paramedical personnel of the Ryukyus in an effort to improve the quality of medical care throughout the Ryukyu Islands. In the past six years, six physicians, 15 nurses and 18 technicians have received training in the U.S. Mainland and Hawaii. As a result of this program, the quality of medical care has shown marked improvement.

Current plan.—Financial plan fiscal year 1964–fiscal year 1968:

Training medical personnel

1964	$9,564
1965	15,746
1966	21,778
1967	35,000
1968	35,000

In fiscal year 1968, the following training is planned:

No. and location	*Amount*
4 CONUS (clinical technicians)	$12,750
16 U.S. Army Hospital, Ryukyu Islands (mainly nurses)	7,686
28 East-West Center, Hawaii (nurses, sanitation technicians)	12,570
6 Other medical centers in the Pacific (physicians, nurses and technicians)	2,000
Total (54)	35,000

Future plan.—In the future, it is planned to continue the program with emphasis on training of paramedical personnel. A local postgraduate training program will be available for physicians.

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

Mr. PASSMAN. Mrs. Reid?

TOTAL U.S. AID SINCE 1947

Mrs. REID. Thank you, Mr. Chairman.

General, this may already be in the record, but what is the total amount of U.S. aid given to the Ryukyu Islands since we have been there? Do you have that figure? If you do not, I would appreciate it if you would supply this for the record.

General UNGER. We will provide that for the record, Mrs. Reid.

(The information follows:)

Total U.S. aid provided to the Ryukyus from all sources, FY 1947–FY 1967, amounted to $306,340,000.

U.S. EMPLOYMENT OF RYUKYUANS

Mrs. REID. I would like to reemphasize the point which Mr. Conte mentioned, the fact that there are some 53,000 Ryukyuans employed there by the United States.

General UNGER. That is right, by reason of our presence there.

Mrs. REID. I think this is something for which you should be commended. This is certainly the best kind of aid, and I think you can call it that, which we can give.

General UNGER. Yes.

ISLAND LIVING STANDARD

Mrs. REID. I hesitate to belabor the point since we have discussed this at some length this afternoon, but I would just like to make one observation. It does not seem logical to me, and I would like to preface this by saying I certainly understand the importance of these islands in our relationship to the Far East, and I understand your position, General—but it does not seem logical to assume that the people on these islands who are used to island living would need or should have or should be promised the same level of economy which you might find in Japan. I am certainly not opposed to anyone improving his standard of living.

We have been talking about prestige or image, if you will, and to me it does not increase our prestige or our image to continue to pay out more and more money to bring the Ryukyans up to a standard of living which is really beyond a level of economy which they would ever expect.

General UNGER. I think I would like to qualify that a little bit. I am sorry I ever used the term "prestige" this afternoon. That word came out and I would like to withdraw it.

Mrs. REID. Say "image."

General UNGER. At one time I wanted to use "image" in just one little context, but it has been applied to a great many things I have said.

However, to respond to the matter of our undertaking to increase the standard of living of these people, I again go back and qualify that by saying in the first instance the undertaking was made by our President when he met with Prime Minister Ikeda in 1961, but he qualified the undertaking, too. He referred to "comparable areas of Japan." Now, the comparable areas of Japan in our view are about 10 or 11 prefectures of the 47 Japanese prefectures. These 10 just happen to be geographically closest to Okinawa. They are located in the lower islands of the main group of islands of Japan and are on island people too.

The only undertaking that was made was to raise the level of the public health, education, and welfare of the Ryukyuan people to that which exists in these comparable areas; namely, these 10 or 11 prefectures, which are really the poorest prefectures of Japan. This is the undertaking.

Mrs. REID. I appreciate your explanation. Thank you.

DESIRE OF EDUCATED RYUKYUANS TO REMAIN ON THE ISLANDS

I was formerly a member of the Interior Committee and made quite an extensive trip through the trust territory a little over a year ago. These are similar islands. I was extremely interested in talking with students throughout the trust territory concerning their desire to stay in the islands after completing their education, which I think is very important. Throughout the trust territory I found this to be quite prevalent, that students did want to stay and use their education to help their own people. I think if you can do this in the Ryukyus you are performing a fine service.

NEED TO DEVELOP LOCAL INTEREST IN FISHING

Do you find that the people in these islands—and I found this not to be true throughout most of the trust territory—that the people in these islands are eager to make use of their natural surroundings such as the fact that they are surrounded by water abundant with fish.

General UNGER. In the matter of fishing we have found that we have had to lend more or less encouragement to show them new methods of fishing and to take advantage of some of the marine products in and around the Ryukyus. The resources really have not been tapped.

Mrs. REID. It seems to me this is something which could be developed.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Do you yield?

Mrs. REID. I would be happy to yield to Mr. Rooney.

Mr. ROONEY. You made reference to teaching the people of the Ryukyus to fish. I noted in going through your documents here this afternoon that reference is made to teaching them to fish, I forgot what sort of fish it was, it wasn't tuna, by a purse seine method.

General UNGER. Yes.

Mr. ROONEY. Now, the purse seine is quite expensive, is it not? If so, who pays for the purse seines that they use?

General UNGER. There are some funds in the budget that do contribute to their knowledge of the purse seine method. Also there are some funds in there for the use of a particular ship to teach them——

Mr. ROONEY. For 7 weeks, as I recall.

General UNGER. Yes.

Mr. ROONEY. You are bringing my recollection back again.

General UNGER. Yes, for a ship.

JAPANESE AID TO RYUKYUAN SHIPBUILDING

Mr. BURNS. Actually the Japanese aid program each year contributes a substantial sum for the Ryukyuan shipbuilding industry through the Central Bank for Agriculture, Forestry and Fisheries.

Mr. ROONEY. Shipbuilding?

Mr. BURNS. Ryukyuan shipbuilding and fishing industry.

Mr. ROONEY. How extensive is their shipbuilding?

Mr. BURNS. $160,000 is the Japanese contribution for 1968, sir.

Mr. ROONEY. To do what?

Mr. BURNS. To augment the capital of the fishing vessel construction special account which the Government of the Ryukyu Islands uses to subsidize the fishing industry by granting long-term, low-interest loans for fishing vessel construction.

Mr. ROONEY. I am afraid we are getting confused here between shipbuilding and fishing. I was concerned with fishing and now I am amazed to find out that you are in the shipbuilding business.

To get back to my original question, does anybody here know what it costs for a purse seine outfit to teach these people?

General UNGER. I do not, but we can provide that.

(The following information was furnished:)

Purse seine equipment, nets, power skiff and power blocks, cost from $50,000 to $100,000.

Mr. ROONEY. I know that in fishing for tuna they run into quite a bit of money.

General UNGER. Yes, sir. I do not have any knowledge of that except what I have read here.

Mr. SHRIVER. May I ask a question?

Mr. PASSMAN. Yes.

REQUIREMENTS FOR STUDENTS TO RETURN TO THE RYUKYUS

Mr. SHRIVER. Is there any requirement of those that you send out of the islands for education that they must return to the islands?

General UNGER. I should be able to answer that.

Colonel TAYLOR. Those that come to the United States have to return, they are here on a visa for a certain period of time.

Mr. SHRIVER. You mentioned sending them to other places.

Colonel TAYLOR. To Hawaii.

Mr. SHRIVER. So there is a requirement.

Colonel TAYLOR. They do go back.

Mr. SHRIVER. As we have in our exchange program.

Mr. ROONEY. They are supposed to go back as they do in the other areas.

Mr. SHRIVER. But some of them do not.

Mr. ROONEY. Very often they do not go back.

Mr. BURNS. Some from Japan do not go back, particularly the medical graduates.

Mr. ROONEY. That is right. That prevails all over the world.

Mr. BURNS. Yes, sir.

SUMMARY OF AID

Mr. PASSMAN. May we summarize briefly:

Japan sells to the Ryukyu Islands approximately $196 million a year in commodities.

General UNGER. Yes, sir.

Mr. PASSMAN. There are approximately 100,000 Japanese who go to the Ryukyus for vacations and sightseeing annually.

General UNGER. I gave that as a rough figure.

Mr. PASSMAN. Yes, a rough figure.

But Japan returns to the Ryukyus approximately $25 million using the most recent figures in the way of aid and assistance annually?

General UNGER. Direct aid, yes, sir.

Mr. PASSMAN. And the United States, if we use the amount of money that is actually released or spent on the islands, including our direct aid, it would be in the neighborhood of a quarter of a billion dollars, is that correct?

General UNGER. That is correct, sir, $240 million.

Mr. PASSMAN. But they in turn, then, spend about $37 million of that with the United States annually, is that correct?

General UNGER. That is part of the export-import picture, yes.

Mr. PASSMAN. I just want to know if I am making a statement of fact, now. Is that your understanding?

Colonel TAYLOR. Imports, yes, sir.

Mr. PASSMAN. Imports, all right.

Now if we want to go to the record based upon statistics that I did not write, out of your own justifications, it would appear that the gross national product of the Ryukyu Islanders amounted to $70 per year in prewar years. As late as 1959, the per capita income was $175 per year. Your estimate for fiscal 1968 is up to $581 a year.

I would like to discuss with some of the intellectuals out there why they would want to go back to this standard or anywhere near it, when with our assistance they have gone from $70 up to $581, repeating if I may, from $175 up to $581 since 1959.

I just thought we would like to summarize the situation and make your job a little easier, and to state the facts for these people who want reversion to Japan.

Off the record.

(Discussion off the record.)

LEFTIST INFLUENCE

Mr. ROONEY. On the record.

I shall ask one parting question. Isn't it the fact that the record will show that there have been incidents of difficulties with the Okinawan people as the result of their being stirred up by Japanese Communists now and then over the years?

General UNGER. There has been a lot of——

Mr. ROONEY. Didn't you have a Communist mayor?

General UNGER. We had a Communist mayor in Naha by the name of Senaga.

There is some leftist influence. In the legislature we have 32 seats, one seat is held by a member from the Okinawa Peoples Party, which really has an ideology of communism. There are two seats held by the Okinawa Socialist Party. Again they are very leftist-leaning and they are very close to the OPP. So that is three out of 32 I would say.

So how much Communist influence is there? There is some, but whether it is a great deal I would not wish to say at this point, sir.

Mr. ROONEY. Thank you, General.

Mr. PASSMAN. They do quite a bit of demonstrating. That is quite characteristic of those people out there. They like to parade, talk, and demonstrate, do they not?

General UNGER. That is correct.

Mr. PASSMAN. That is what I thought.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. A little demonstration here and there, which you say is quite characteristic of those people, that is nothing to get excited about, is it?

General UNGER. No, sir.

Mr. PASSMAN. Did you say no?

General UNGER. Yes, sir.

Mr. PASSMAN. Thank you, gentlemen.

WEDNESDAY, MARCH 22, 1967.

MIGRANTS AND REFUGEES, DEPARTMENT OF STATE

WITNESSES

JAMES WINE, SPECIAL ASSISTANT TO THE SECRETARY OF STATE FOR REFUGEE AND MIGRATION AFFAIRS
ELMER M. FALK, DIRECTOR, OFFICE OF REFUGEE AND MIGRATION AFFAIRS
CLEMENT J. SOBOTKA, DEPUTY DIRECTOR, OFFICE OF REFUGEE AND MIGRATION AFFAIRS
RICHARD W. MURRAY, DIRECTOR, BUDGET PLANNING AND PRESENTATION
JOHN T. ABERNETHY, DEPUTY TO SPECIAL ASSISTANT TO THE SECRETARY FOR REFUGEE AND MIGRATION AFFAIRS

Program and financing

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activities:			
	1. Contributions to Intergovernmental Committee for European Migration	4,444	3,350	2,500
	2. Contributions to program of United Nations High Commissioner for Refugees	650	400	600
	3. Refugees from European Communist countries	1,050	750	750
	4. Refugees from Communist China	617	400	400
	5. Tibetan refugees	550	100	100
	6. Cuban refugees	377	539	619
	7. Administration	621	624	641
	8. Contribution to the International Committee of the Red Cross		50	50
	9. 1966 program funds obligated in 1967	−578	578	
10	Total obligations	7,731	6,791	5,660
	Financing:			
16	Comparative transfers from other accounts	−99	−163	
21	Unobligated balance available, start of year		−578	
22	Unobligated balance transferred from "Contingency fund, Economic Assistance," funds appropriated to the President (75 Stat. 424)	−271		
24	Unobligated balance available, end of year	578		
25	Unobligated balance lapsing	7		
	New obligational authority	7,946	6,050	5,660
	New obligational authority:			
40	Appropriation	7,575	6,050	5,660
50	Reappropriation	371		
	Relation of obligations to expenditures:			
10	Total obligations	7,731	6,791	5,660
70	Receipts and other offsets (items 11-17)	−99	−163	
71	Obligations affecting expenditures	7,632	6,628	5,660
72	Obligated balance, start of year	6,886	5,789	6,067
74	Obligated balance, end of year	−5,789	−6,067	−6,127
77	Adjustments in expired accounts	−243		
90	Expenditures	8,485	6,350	5,600

Object classification

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Personnel compensation:			
11.1	Permanent positions	368	409	429
11.3	Positions other than permanent	2	2	2
11.5	Other personnel compensation	2	2	2
	Total personnel compensation	371	413	433
12.0	Personnel benefits	54	58	59
21.0	Travel and transportation of persons	12	12	12
22.0	Transportation of things	1		1
23.0	Rent, communications, and utilities	12	16	16
25.1	Other services	2,021	2,327	1,869
25.2	Services of other agencies	154	107	107
25.3	Services of Working capital fund	3	3	3
26.0	Supplies and materials	2	2	3
31.0	Equipment	7	3	7
41.0	Grants, subsidies, and contributions	5,094	3,850	3,150
99.0	Total obligations	7,731	6,791	5,660

Personnel summary

	1966 actual	1967 estimate	1968 estimate
Total number of permanent positions	39	44	44
Average number of all employees	40	41	42
Average GS grade	9.3	8.2	8.2
Average GS salary	$11,258	$11,999	$12,031
Average grade and salary established by the Foreign Service Act of 1946 (22 U.S.C. 801-1158):			
Average grade:			
Foreign Service officer	4.7	5.0	5.0
Foreign Service reserve	3.0	2.0	2.0
Foreign Service staff	8.8	8.4	8.4
Average salary:			
Foreign Service officer	$12,944	$12,640	$12,936
Foreign Service reserve	$18,065	$21,678	$21,902
Foreign Service staff	$5,894	$6,075	$6,263
Average salary in foreign countries (local rates)	$3,600	$3,780	$3,969

Mr. PASSMAN. The committee will come to order. We shall continue our hearings on the budget request for another spigot of foreign assistance this afternoon, the request for the Migration and Refugee Program of the State Department.

We have as witnesses Ambassador James Wine, and Mr. Elmer M. Falk.

Mr. Wine, I believe you are the new Director in charge of migration and refugee assistance, succeeding Mr. Schwartz; is that right?

Mr. WINE. Yes, sir.

Mr. PASSMAN. I believe this is your first appearance before our committee. We have talked to you before and we know something about your great record in Government. We have heard much about some of the plans that you have that will make a better program, a tighter program, one that will accomplish more for less money.

Speaking for myself, I am very pleased to know that you are handling the program and I certainly like the plans that you have and I question whether you could have serious opposition to them at any level. So we will cooperate as best we can, and you will find this committee very cooperative when you commence talking about saving

money and getting more for the dollar. If you have a statement you would like to make, Mr. Ambassador, we would be very glad to hear from you.

Mr. WINE. Mr. Chairman, I appreciate very much your personal remarks. Being able to meet together in a climate of mutual respect, I think, always augurs the very best kind of cooperation and I am hopeful that the best possible kind of service for the citizens of the United States will ensue.

Mr. PASSMAN. Thank you, Mr. Ambassador. I think I should read into the record at this point that I have been a Member of Congress 21 years, on the Committee on Appropriations 19, on this subcommittee 15, and it has been my honor to chair this committee for 13 years. This is one of the few times, a witness has appeared before the committee asking for a lower amount of money than he had the previous year. So I think it would be quite appropriate to insert in the record at this point that your estimate for the program for fiscal 1968 is $5,660,000 which is a reduction of $390,000 below the amount that you had appropriated last year. It looks very good to us, sir. Pardon me for my interruption. I wanted to get that fact in the record.

Mr. WINE: That is all right, sir.

Mr. Chairman, if I may, with the permission of the Chair and the committee, I do have a statement that encompasses most of the things that we think it is our responsibility to call to the attention of the committee. With your further indulgence, if I may read it, I would be very grateful.

Mr. PASSMAN. You proceed in your own way, Mr. Ambassador.

GENERAL STATEMENT

Mr. WINE. Mr. Chairman, it is my privilege to present to the Committee the Department of State appropriation request for migration and refugee assistance for fiscal year 1968 in the amount of $5,660,000.

This is my first appearance before the committee. My name is James Wine, Special Assistant to the Secretary of State for Refugee and Migration Affairs. I come from Kentucky where I lived and was educated, having obtained A.B. and LL.B degrees from the University of Kentucky. After serving in the U.S. Army overseas more than 3 years during World War II, I engaged in private law practice and served in judicial capacities in Kentucky. I left the practice of law to become vice president of Park College and later was associated with the National Council of Churches. I joined the Department of State in 1961. Having served as U.S. Ambassador to Luxembourg, I was subsequently appointed Ambassador to the Republic of the Ivory Coast and was appointed to this present position in September 1966.

1966 REFUGEE ASSISTANCE PROGRAM

Mr. Chairman, before considering the details of our appropriation request, with your permission I should like to make some general comments and refer to the present refugee policy of the United States. In 1966 the U.S. Government expended about $115 million on refugee assistance either through programs carried out directly by the United States or through our participation in intergovernmental programs. These funds were utilized in behalf of many of the over 7 million

refugees in various parts of the world today, including those from Cuba entering the United States, refugees in Vietnam, Laos, in the Middle East, a number of countries in Africa, as well as the refugees specifically identified by this appropriation request. As this committee knows, this assistance is in several forms. Food, medical treatment and hospital care, education, vocational training—assistance in travel and resettlement.

COOPERATION WITH CONGRESS

I believe it is very important to note that the Congress and the executive branch have worked hand in hand over the years to insure that United States humanitarian and political concern for refugees has been met both by material assistance and by opening our doors to admit refugees to this country. The act which authorizes our State Department programs, the Migration and Refugee Assistance Act of 1962, was sent to the Congress by President Kennedy. President Johnson has supported refugee assistance through programs of material aid as well as through revisions in the Immigration and Nationality Act which permit the entry of up to 10,200 refugees into this country each year and he has authorized the admission to the United States of refugees from Cuba for those who seek to leave that country.

SPECIAL STUDY OF REFUGEE PROBLEMS

During 1966, special attention was devoted by the U.S. Government to the farflung and complex problems of refugees. The executive branch made a special study of refugee problems and the organizations concerned with them and the Congress continued to demonstrate its concern through studies and through participation in international meetings.

RESPONSIBILITIES OF THE SPECIAL ASSISTANT

The appointment of a Special Assistant for Refugee and Migration Affairs carried with it a delegation of authority from the Secretary of State. Under his broad responsibilities is the assumption of leadership and the provision of guidance for assuring that refugee programs best serve the humanitarian and foreign policy objectives of the United States, along with guidance on the allocation of available U.S. resources to these problems under appropriate priorities. What I have just said is a very succinct statement of the responsibilities which were delegated to me upon the assumption of this new office

These responsibilities are carried out within the framework of U.S. policy, that is, first, we recognize that these problems have an impact upon broad U.S. foreign policy aims, in addition to their specific significance in relation to the countries and areas concerned in each separate problem. In general, the neglect or deterioration of refugee problems is adverse to U.S. interests. The United States must carefully appraise each refugee problem to determine its significance in relation to general and specific U.S. interests and to what extent, if any, the United States should become involved in its solution. Apart from specific U.S. interests in relation to each refugee problem, the basic overall U.S. position with respect to such problems is to seek their effective solution—with or without U.S. involvment—in support

of any of the following inherently related broad U.S. objectives: (1) to maintain and strengthen the peace; (2) to preclude further Communist aggrandizement; (3) to promote in all areas the growth of collective and individual freedom and personal dignity; (4) to promote the overall stability and modernization of developing countries; (5) to fulfill the traditional role of humanitarian concern of the American people for the persecuted and distressed; and (6) to adhere to the principle of the freedom of the individual to go where he wishes. Mr. Chairman, it seems to me that these objectives simply stated serve as the very root or the base or the framework within which these entire programs operate.

COOPERATION WITH GOVERNMENTAL AND INTERNATIONAL AGENCIES

I would like to point out to you and to the committee the new concept within the Department of State as to the broad responsibilities which we are now conducting: Discharging these responsibilities and in the furtherance of U.S. policy, my office works in close cooperation with other U.S. Government agencies dealing with refugees—for example, the Department of Health, Education, and Welfare on Cuban refugee matters; with the Immigration and Naturalization Service concerning the admission of refugees to this country; and with the Agency for International Development with regard to refugees in Vietnam, Africa, and other parts of the world having to do with feeding, ministering to the ailing, and to a limited extent education. We directly assist in determining refugee needs and requirements which can be met under Food for Freedom. We collaborate on a continuing basis with the United Nations High Commissioner for Refugees, the Inter-governmental Committee for European Migration, and to a lesser extent with the International Committee of the Red Cross, the League of Red Cross Societies, and similar bodies. Our activities in this connection consist of advising and assisting those organizations with relation to their projects and administration of their programs. We inform ourselves of the activities of international regional groups such as the OAS and the OAU with regard to matters concerning refugees and human rights. We are actively engaged in helping others to carry out programs intended to ease population and food problems.

ASSISTANCE FROM PRIVATE VOLUNTARY AGENCIES

Aside from Government operations, the other major source of American assistance to refugees are private voluntary agencies whose help has been invaluable. The American people have contributed over $1 billion to assist refugees through these organizations. My office has established close liaison with these agencies to keep them currently informed about Government policies and programs and to help coordinate private effort with those of the Government. We hold joint meetings frequently and are in day-to-day contact. The cooperation shown by the voluntary agencies has been a major source of strength in dealing with refugee problems.

ESTABLISHMENT OF PROCEDURES

I believe the Chair and the committee would find this next statement of interest:

Another major area of endeavor in my office has been the establishment of procedures for maintaining current facts and statistics concerning refugee problems and for evaluating proposed U.S. courses of action in terms of our interests in relation to these facts. We are hopeful that out of these efforts will come an ability not only to move promptly and swiftly toward the solution of refugee problems when they occur, but also to anticipate refugee problems and if possible to reduce or alleviate their impact. The extent to which we can succeed in this endeavor will equip us to function with maximum efficiency. This is an exceptionally difficult task.

Many refugee problems occur suddenly and unexpectedly in varying proportions in a fashion which makes planning on an annual basis difficult. On the other hand, there are times when it is possible to detect an incipient refugee problem at an early stage and to anticipate its probable course. When this can be done it is sometimes feasible to make plans for or to take action in advance which will either prevent or alleviate the problem or to move in quickly with assistance or other action leading to an early solution of the problem.

1968 APPROPRIATION REQUEST

In this context we come to the substance of our discussion today, our appropriation request for $5,660,000 for 1968. This represents a net decrease of $390,000 below our appropriation of $6,050,000 in 1967. This conservative request was arrived at after consideration of the total requirements of the President's budget for fiscal year 1968 and with particular reference to other refugee activities. This administration has earnestly sought to reduce wherever possible all of its appropriation requests, including those for refugees, in order to provide increased resources for the costs of the war in Vietnam and for urgent domestic purposes.

Mr. Chairman, as you know, these programs are the ones which the Department has carried on for a number of years, originally under the authority of the Mutual Security Act and now under the authority of the Migration and Refugee Assistance Act of 1962 (Public Law 87–510) and of Public Law 89–230 which authorizes our contribution to the International Committee of the Red Cross. I should like to discuss each of these segments of the total program briefly.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION (ICEM)

For 1968 we are requesting a contribution to ICEM of $2,500,000 which is a reduction of $850,000 below our estimated contribution for 1967. The Department, consistent with expressed U.S. policy, considers it quite important that we continue to support the worthwhile activities of the Migration Committee, particularly in terms of its ability to facilitate the continuing flow of refugees, primarily from Eastern Europe, to new homes in other parts of the world. This transportation service not only augments the efforts of the United States and other governments, of international organizations and of private voluntary agencies to assist these refugees; it also helps to ease the burdens of countries of asylum in Western Europe, thereby encouraging those countries to admit more refugees who come over the borders.

ICEM ACTIVITIES

There follows a general description of some of ICEM's activities and an indication as to what we think their business is going to consist of during the year 1968 based on the best possible estimates that we are able to assemble.

ICEM arranges air and sea transportation for both national migrants and for refugees and is able to insure their movement even if normal transportation facilities are either inadequate or unavailable. Prior to and after the trips, ICEM provides services which include preselection, processing for emigration, medical examinations, embarkation assistance, and arrangements for reception and placement in countries of immigration. ICEM has moved almost 1,500,000 persons since its inception in 1951. In recent years the trend of annual movements has been slowly downward, due to a reduction in the numbers of national migrants leaving Europe during a period of prosperity and demand for manpower. At the same time, the proportion of refugees to the total moved by ICEM has been increasing. Total ICEM movements in 1963 were 64,480; in 1964, 69,466; in 1965, 66,865; and in 1966, 53,611. We estimate a total of 60,800 for 1967 and approximately the same number in 1968. However, in view of a slackening in industrial demand for manpower in Europe and several reports of a possible dramatic increase in the flow of new refugees from certain countries in Eastern Europe, these estimated movements may prove to be too low.

REDUCTION IN PROPOSED 1968 CONTRIBUTION TO ICEM

We have made a substantial reduction in our proposed contribution to ICEM for 1968. This has been done in order to permit some savings from our refugee programs to apply toward other high priority purposes in the overall U.S. budget. The United States has constantly encouraged other governments which benefit from the ICEM program to increase their contributions and we feel that some of the more affluent important governments may do so in 1968. If this should occur, and if the present trend in the repayments of loans to refugees and migrants continues, we believe that ICEM will be able to operate effectively, although perhaps on a reduced scale in 1968. The ICEM Council at its May session is expected to authorize its Executive Committee to undertake a thorough review of ICEM's operational and administrative activities. This expected action is an indication of a strong desire on the part of member governments to improve an already effective organization in order to insure that it can meet current and future needs in the migration field in an efficient and economic manner.

UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (UNHCR)

The continuing pressures of situations around the world which create more refugees have resulted in a steady increase in the overall size of the UNHCR program for 1967 and 1968. Our original estimates that the size of the UNHCR program for 1967 would total $3.9 million were made in the summer of 1966. It has now developed that the program will be closer to $5 million.

Although there are some increases in almost all phases of the UNHCR program, by far the bulk of the expansion results from greater needs and more projects for refugee situations in Africa. The greatest increase in 1967 relates to refugees from the Sudan in the Central African Republic and in Uganda and Angolan refugees in Zambia and the Congo. The UNHCR is the sole agency working throughout Africa and many of the countries are contributing to the UNHCR as a sort of a multinational vehicle to carry on the work. There are also increases for Chinese refugees in the Far East and for Tibetan refugees in Nepal.

REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

This segment of our program provides assistance to the more recent refugees from the Soviet bloc and other refugees of special interest through the U.S. Refugee Program (USRP), which is our new name for the former U.S. Escapee Program, the words "escapee" and "refugee" having been interchanged. It is particularly interesting to point out to the chair and to the committee that although this country is making earnest efforts to build bridges and to improve our relations with the Communist countries, we cannot overlook the problems of those who object to living in a closed society and who seek greater freedom in the outside world. For this reason, it is important for us to maintain a continuing program of assistance to these refugees.

As a matter of fact, there are some of us who believe that if in fact tensions are reduced, the chances are that there will be an increased flow with perhaps some of the restrictions on movement being lessened in the process.

About 30,000 refugees from Eastern Europe seek refuge in Western Europe each year. They consist of Hungarians, Czechoslovaks, Poles, Rumanians, Bulgarians, and others. Some escape in spite of rigid border controls; others obtain exit permits for business or tourist reasons and then seek asylum in the West. Some of the refugees have limited funds; others arrive penniless. The refugees who are in need or who need help in their resettlement seek the assistance of the voluntary agencies under contract to the USRP. For this reason we are again requesting an amount of $750,000 for this program, the same level as for 1967, which will permit us to demonstrate our concern for the peoples under Communist domination.

REFUGEES FROM COMMUNIST CHINA

The committee is quite familiar with our program in Hong Kong and Macau in behalf of Chinese refugees. We are concentrating on programs which will benefit refugee children, the sick, the handicapped, and the aged. Projects for day nurseries, milk bars, conversion of surplus foods for school lunch programs, laundry equipment for leprosariums, youth centers, vocational training, clinics, medical equipment—these are the areas in which we are concentrating. We also try to introduce some new forms of assistance for which there are obvious needs as pilot or demonstration projects to encourage local participation in similar projects.

IDENTIFICATION OF UNITED STATES WITH PROJECTS

I should like to highlight a couple of things as a result of comments before the committee last year. At the request of this committee, the Department furnished a list of projects undertaken under the Far East refugee program indicating the means by which U.S. identification with the projects had been shown. At that time, there were four projects without U.S. identification because of political factors in Hong Kong at the time they were completed. The committee will be interested to know that at each of the four projects, there is now a plaque affixed in a prominent place stating in both English and Chinese that the facility was donated by the people of America as an expression of their friendship to the Chinese people. In another instance, in order to impress on Chinese refugee students that their work-assistance scholarships were financed from U.S. funds, an officer of the Consulate General presented each the the students with a letter of congratulations and two textbooks. One hundred and fifty of the students responded by sending the officer a beautiful Chinese scroll as a form of appreciation.

We believe also, Mr. Chairman, and this is not only the attitude of those who sit before you, but of the Department of State at its highest levels, that one of the most useful forms of identification has been provided by the visits of you and Mr. Shriver and others of the committee to Hong Kong and in particular by your participation in ceremonies involving the presentation of funds for the Hong Kong Leprosarium, the John F. Kennedy Memorial Center, and other programs.

DEDICATION CEREMONY FOR JOHN F. KENNEDY MEMORIAL CENTER

In that particular connection, the Chair may like to know that the dedication ceremony for the John F. Kennedy Memorial Center was held in the early part of this month. It is reported to me that it was a very successful and impressive one. I am pleased to have a photograph of the plaque which was placed on this institution which was the subject of some conversation, which I would be very pleased to share with the Chair.

This is a relatively small part of the budget calling for only $400,000. There is much to be done in the Far East. We believe that this aspect of the program is deserving of careful attention.

We consider it important to maintain this program, especially at this time of ferment in Red China, to demonstrate the continuing friendship of the American people for the Chinese people. At the present time, it is uncertain as to whether it will be possible for refugees from China to find asylum in Macau, but an appropriation of $400,000 is necessary to cover minimum costs of ongoing essential services in this area for 1968.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. WINE. I would call your attention to the last couple of items to complete this budget.

TIBETAN REFUGEES

The Tibetan refugee problem is still with us, being reduced considerably. Of the amount of money I mentioned here, I would remind the committee that 90 percent of it is spent in rupees. This particular contribution, therefore, does not affect our balance-of-payments program very much.

For 1968 we are again requesting $100,000, the same amount as the 1967 request. Progress is being made in the gradual reestablishment of the Tibetan refugees in India and elsewhere and a substantial amount of subsistence is being supplied as a result of a special campaign in Europe from private contributors who have earmarked several million dollars for Tibetan projects. The continuation of a modest U.S. program, along with other international efforts, for this group of refugees whose plight so closely demonstrates what Chinese communism can mean to Asian peoples, is clearly in American interests.

MOVEMENT OF CUBAN REFUGEES TO THE UNITED STATES

The $619,000 requested for the movement of Cuban refugees to the United States will permit the continuation of the program initiated in October, 1965 by the President. These refugees are now being admitted to the United States in a regular, orderly flow of about 44,000 per year which is somewhat less than the up to 4,000 persons per month previously projected. The $80,000 increase requested is necessary to cover the increased costs of the air flights and of other expenses related to the movements.

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

We are again asking $50,000 for the annual contribution of the United States to the International Committee of the Red Cross, which has been authorized by the Congress. The ICRC continues to demonstrate its special value to the United States not only by its participation in refugees matters, but by its invaluable help in behalf of American prisoners of war.

Mr. Chairman, in closing I should like to say that the funds requested for these programs represent a relatively small but extremely important contribution to important values of the United States as represented by our humanitarian concern for others and by our own self-interest in supporting basic human rights.

Refugee work is not an isolated humanitarian effort. It is both a cause and effect factor for many of the problems facing us today. It is intimately related to such questions as food and population, the attainment of human rights, the tensions created by artificial boundaries—or, in short, the quest for world peace. To ignore this relationship is to ignore our real responsibility. By our assistance to refugees, we give tangible evidence in a practical way, of the sincerity of our principles and of our determination to carry them out.

I will be very pleased to answer any questions which you may wish to put to me.

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

JUSTIFICATION MATERIAL

We shall insert your justifications at this point.
(The justifications follows:)

DEPARTMENT OF STATE MIGRATION AND REFUGEE ASSISTANCE

Appropriation, 1967	$6,050,000
Estimate, 1968	5,660,000
Decrease	−390,000

	1967	1968	Increase or decrease
Program by activities:			
1. Intergovernmental Committee for European Migration	$3,350,000	$2,500,000	−$850,000
2. United Nations High Commissioner for Refugees	400,000	600,000	+200,000
3. Refugees from European Communist countries	750,000	750,000	
4. Refugees from Communist China	400,000	400,000	
5. Tibetan refugees	100,000	100,000	
6. Cuban refugees	539,000	619,000	+80,000
7. Administration	624,000	641,000	+17,000
8. Contribution to the International Committee of the Red Cross	50,000	50,000	
Subtotal	6,213,000	5,660,000	
Comparative transfer from other accounts	−163,000		+163,000
Total	6,050,000	5,660,000	−390,000

General narrative statement

1967 appropriation	$6,050,000
1968 estimate	5,660,000
Difference	−390,000

To meet United States objectives with regard to certain refugee and migration problems and programs, $5,660,000 is requested for FY 1968, of which $4,350,000 is to remain available until December 31, 1968. These United States objectives are to promote peace throughout the world and to seek the extension of individual human liberty and the right of each person to live in dignity and self-respect. We support self-determinations and encourage the development of free institutions. To realize these objectives, we must exemplify in our national behavior the freedom and humanity which we believe belongs to all men.

The existence of unresolved refugee problems is a challenge to the sincerity of our objectives. Refugee problems arise from oppression or aggression by Communist or other totalitarian regimes or from political conflict between or within nations. They usually are of international political concern because they constitute symbols of human want and loss of personal dignity, cause international controversy and threats to the peace, and impede over-all stability, especially in developing countries. It is important that we deal with these problems in a manner consistent with our national heritage and purposes and in a way which will help to bring about solutions to the broader problems from which they stem.

Our Government for many years has sought to help bring about humane and wise solutions to refugee problems. Every American President in the past three decades has attached high priority to United States leadership in helping refugees and the Congress has repeatedly authorized far-reaching programs for assistance to refugees and for their immigration into the United States. Although by working in concert with other nations and international organizations a great deal has been accomplished in helping refugees to become independent and productive citizens, refugee problems are as important as ever in relation to our national objectives. As long as unresolved refugee problems exist, the United States will continue to take all necessary action for their solution.

This request for $5,660,000 is to provide funds to the Department of State for contributions to the Intergovernmental Committee for European Migration

(ICEM), the United Nations High Command for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC); for assistance to refugees from European Communist countries, Communist China and Tibet; and for the evacuation of Cuban refugees. All of these programs are authorized under Public Law 87–510, the Migration and Refugee Assistance Act of 1962, except for the contribution to the International Committee of the Red Cross which is under the authority of Public Law 89–230. The requirements of each of these segments of the total program have been estimated as carefully as possible. However, because of the uncertain and changing character of refugee problems, it is not possible to forecast this far in advance of Calendar Year 1968 the precise and actual amounts which will be needed for each refugee problem. It may therefore be necessary, when the funds are actually obligated, to make adjustments in the estimated amounts for each item within the limits of the total appropriation in order to administer the program flexibly in terms of changing requirements.

A net decrease of $390,000 is involved in the request for 1968. The proposed reduction is necessary because of heavy demands upon other segments of the national budget such as the war in Vietnam. The United States Government is bearing almost all of the large costs of assistance to refugees in Vietnam and to Cuban refugees. These burdens make it prudent to reduce expenditures for other refugee programs, particularly where it may be possible to obtain increased participation by other governments.

Intergovernmental Committee for European Migration (ICEM)

1967 estimate	$3,350,000
1968 estimate	2,500,000
Difference	850,000

The Intergovernmental Committee for European Migration (ICEM) was organized in 1951 on United States initiative to move migrants and refugees out of Europe. In the post-war conditions in the early 1950's, there were many migrants in Europe who were unable to find employment and for whom there were opportunities of resettlement in immigration countries overseas. In addition, there were hundreds of thousands of refugees and displaced persons in first asylum countries in Europe who faced the necessity of seeking opportunities for emigration. The initial membership of ICEM was fifteen governments; there are now thirty, including twelve Latin American countries.

Prior to 1958, ICEM was preoccupied with moving the maximum possible number of migrants and refugees out of Europe and was particularly successful in moving some 160,000 Hungarian refugees in 1956–57, avoiding the necessity of their remaining in idleness in refugee camps. Since 1958, ICEM has paid more attention to the qualifications of the migrants moved rather than to numbers, in order to fill the particular requirements for professional and skilled migrants in the countries of immigration. Latin American countries, in particular, need trained immigrants who can contribute to their economic development.

The early resettlement of refugees from Eastern European countries assists in maintaining effective asylum in the Western European countries for the continuing and increasing flow of refugees. United States foreign policy interests in maintaining opportunities for asylum in Western European countries are directly served by the activities of ICEM, and continuing participation of the United States in ICEM's program is essential.

ICEM arranges air and sea transportation on migrant routes on which normal transportation facilities are either unavailable or inadequate. Special services at both ends of the movement are provided, including pre-selection, processing, medical examinations and the embarkation of refugees and migrants in Europe and arrangements for their reception and placement in the countries of immigration. ICEM is also endeavoring to assist Latin American countries in developing their individual immigration administrations and more effective immigration procedures.

To finance transportation costs, ICEM combines the contributions of the migrants and refugees, of the emigration and immigration countries and the interested voluntary agencies. The United States has constantly and successfully sought to increase the proportionate contributions of the migrants and refugees and of the other governments concerned. The United States has also

encouraged placing of an increasing number of movements on revolving loan arrangements under which the migrant-refugee makes repayment for passage costs over a period of three years.

In 1966 the United States pledged a contribution to ICEM of $4,444,000. In 1967, the program level for the United States contribution to ICEM is $3,350,000. For the 1968 United States contribution, $2,500,000 has been included in this appropriation request.

This reduced contribution is necessary because of other heavy demands upon the national budget. It is probable that the reduction in the United States contribution to ICEM will result in some scaling down of the ICEM program. However, it is reasonable to assume that if economic conditions permit, other interested and relatively affluent member governments may increase their contributions somewhat. Also, to an increasing degree, ICEM movements are being financed through loans to the refugees and migrants, the repayments of some of which may provide funds for some movements in 1968. Although we cannot anticipate that increased contributions of other governments and the income from loan repayments will be sufficient to make up the shortfall caused by the reduction in the United States contribution, it is expected that funds from these sources may permit ICEM to carry out an effective, although somewhat smaller program in 1968.

United Nations High Commissioner for Refugees (UNHCR)

1967 estimate	$400,000
1968 estimate	600,000
Difference	+200,000

The Office of the United Nations High Commissioner for Refugees was established by the United Nations General Assembly in 1951, primarily to promote the international protection of refugees within the mandate of the UNHCR as set forth by the General Assembly. In 1954 the General Assembly authorized the UNHCR to carry out an assistance program toward promoting permanent solutions to the problems of such refugees, most of whom were in Europe. Still later the General Assembly authorized the UNHCR to use his good offices in promoting solutions for problems involving refugees not within his mandate, chiefly in non-European areas.

In sub-Sahara Africa, continuing political ferment and upheaval have caused a large and continuing increase in the flow of refugees into asylum countries and have also hindered the solution of existing refugee problems. To a lesser degree, related conditions in other areas have resulted in further enlargement of the UNHCR caseload. Consequently, the UNHCR Executive Committee, at its 15th Session in May 1966, raised the ceiling of the UNHCR 1966 program from $3.9 million to $4.2 million.

At the time when the original request was made for an appropriation of $400,000 in FY 1967 for contribution to the UNHCR for CY 1967, it was expected that the UNHCR program for 1967 would total $3.9 million. At its 16th Session in November 1966, the Committee established an initial ceiling of $4.6 million for the UNHCR 1967 program. It is now evident that this amount will prove insufficient to meet total expected needs during 1967 since the UNHCR has now received additional requests from asylum countries for assistance in dealing with the continuing flow of refugees. Thus, the UNHCR is expected to place before the Executive Committee, at its 17th Session in May 1967, additional projects which if approved will entail increasing the size of the 1967 UNHCR program to about $5 million. On the basis of United States foreign policy interests and objectives inherent in the UNHCR program, it is essential that the United States maintain an adequate level of contribution.

It is therefore anticipated that if savings materialize in any of the other programs financed by the FY 1967 appropriation we will apply such savings to increase our contribution to the 1967 UNHCR program.

The UNHCR 1968 program will seek to assist refugees primarily by reestablishment through local integration. A large portion of UNHCR resources in 1968 will be directed toward resolving refugee problems in developing countries. In Europe—where the flow of refugees from Communist countries seeking asylum in other European countries is continuing—the program will continue to provide legal and reestablishment assistance to those whose needs cannot be met from other sources.

Although it is not possible at this early date to predict with accuracy what refugee developments may occur in 1968, it is expected that the 1968 program of the UNHCR will be at least as large as in 1967.

Refugees from European Communist Countries

1967 estimate	$750,000
1968 estimate	750,000
Difference	None

Since 1952, the United States has provided assistance to the more recent refugees from the Soviet bloc and other refugees of special interest through the United States Refugee Program (USRP), formerly known as the United States Escapee Program (USEP). USRP has as its prime operational purpose the resolution of the political and humanitarian problems created by the influx of refugees from the Soviet bloc countries. This is accomplished through the provision of such services as initial reception, interim care and maintenance, and permanent re-establishment, mainly by overseas resettlement, but also by local integration in the countries of asylum.

While the refugee problem in Europe is no longer as great as it was in the immediate postwar years, it is still significant both in human terms and in terms of United States foreign policy interests. A true indication of the nature of the Communist system is witnessed by the fact that those most familiar with it, the people who live in Communist countries, persist in risking their very lives to escape from it. In assisting these refugees the United States continues to demonstrate its friendship for the people under Communist domination. While the United States builds bridges wherever it can to encourage peaceful relations, we try to offer appropriate alternatives to limitations on the rights of individuals. USRP assistance is a primary means through which the United States encourages other Western nations to maintain liberal asylum policies, stimulates their financial participation in other refugee programs, and encourages them to offer haven to those still escaping.

Reversing the trend which prevailed from the time of the Hungarian Revolution until 1964, the flow of escapees to Western European countries continues to show a sustained increase. During CY 1966, USRP assisted more cases than in CY 1965, and the flow is expected to continue to increase in CY 1967 and CY 1968. In spite of this projected increase in caseload, the FY 1967 appropriation request was reduced by $300,000 from the FY 1966 program level of $1,050,000. This reduction was necessary because of other heavy pressures on our national budget and was absorbed in part by the discontinuation in CY 1967 of the arrangement whereby USRP makes a per capita payment to the Intergovernmental Committee for European Migration (ICEM) for each refugee transported.

For 1968, $750,000 is again requested for assistance to refugees from European Communist countries, in order to maintain the program at a minimum level during this period.

Refugees from Communist China

1967 estimate	$400,000
1968 estimate	400,000
Difference	None

Assistance to Chinese refugees entering Hong Kong from Communist China continues to be a matter of United States foreign policy interest. Despite great efforts on their part, the available publicly and privately-owned services of the Crown Colony have been swamped by the needs of the refugees, who with their children now make up about one-half of Hong Kong's total population. Although the rate of influx appears to have leveled off, the problem could worsen at any time depending upon political or other developments within China. The nearby small Portuguese Province of Macau has been faced with a similar problem which assumes larger relative proportions because of the more limited resources of Macau. Macau has always been a principal exit point for refugees from Red China but it is now uncertain as to whether this area will continue to be a haven for Chinese refugees.

The Far East Refugee Program (FERP) promotes United States interests by demonstrating that the historic friendship and humanitarian concern of the

American people toward the Chinese people continues. The refugee assistance activities under FERP provide one of the few effective means of counteracting the barrage of anti-American propaganda to which mainland and overseas Chinese are exposed. Refugees arriving in Hong Kong learn that, contrary to what they have been told, Americans are friendly and ready to help them. Word of this program gets to relatives of these Chinese on the mainland and in Southeast Asia, and to those who travel to Hong Kong.

The funds for the program are channelled into projects of the greatest known need where little has been done. Currently, we are concentrating on rehabilitation facilities, vocational training centers, selected projects to assist Chinese refugee students and youth, and improvement of specialized medical facilities. As in previous years, the Food For Peace Program will be continued with FERP providing augmented facilities in Hong Kong, as necessary, for the conversion of non-rice surplus foods to comply with Chinese dietary habits.

FERP appropriations were substantially increased in fiscal years 1962 and 1963 to help the Government and people of Hong Kong to cope with problems created by the heavy refugee influx of 1962. With the decrease in the number of refugees entering Hong Kong and the Colony's increasing prosperity, program requests were successively reduced from a high of $2,100,000 for 1963 to $400,000 for 1967. It has become evident, however, that Hong Kong's considerable economic progress has not kept pace with the needs of its growing population, many of whom—including large numbers of refugees—continue to live at the bare subsistence level.

An appropriation of $400,000 is requested for 1968 to continue assistance to refugees from Communist China. This represents no change over that amount requested in 1967 and is necessary to cover the minimum costs of on-going essential services associated with the 1967 program level.

Tibetan Refugees

1967 estimate	$100,000
1968 estimate	100,000
Difference	None

Since 1959, the Dalai Lama and about 60,000 of his followers have been in India and Nepal, to which they fled when they could no longer tolerate the increasingly tyrannical demands of their Chinese Communist conquerors. They found asylum in countries which have serious internal problems of their own, but with the generous help of the Indian and Nepalese Governments, of international organizations, of American and other Governments, and of numerous private voluntary agencies from many countries, the Tibetan refugees have made considerable progress toward re-establishment.

The Tibetan refugees have generally succeeded in their objective of staying together as a group and keeping alive their cultural, religious and ethnic identity. However, the refugees are scattered in groups over wide areas of India, Nepal, Sikkim and Bhutan. Included among them are many aged and infirm, monks and lamas, and children who must be supported by working members of the community. The skills they brought from Tibet are in many cases not immediately adapted to life in asylum countries, and extensive vocational training has been necessary. In addition, there are many refugees in the hills of Nepal near the Tibetan border, some of whom are in serious need.

For these reasons, the Department's hope that the Tibetan refugees would be completely resettled by the end of 1967 and that the U.S. dollar assistance program could be terminated has not been fully realized. The Department is therefore proposing for 1968 an allocation of $100,000 for the Tibetan refugees, the same amount as the 1967 request. As in prior years, the funds will be channelled through American voluntary agencies in coordination with the Indian Government-supported Central Relief Committee. The funds will be devoted almost wholly to projects which directly contribute to the establishment of the refugees on a self-supporting basis. There will be stress on vocational training, the purchase of agricultural implements, raw materials, draft animals, and other facilities required to permit the refugees to engage in farming, handicrafts, and industry. About 90% of the expenditures will be made in U.S. Government-owned rupees, not dollars, so that the expenditure of this portion of the funds will affect neither the balance of payments nor U.S. resources.

Movements of Cuban refugees to the United States

1967 estimate	$539,000
1968 estimate	619,000
Difference	+80,000

In October 1965, the President announced that Cubans who seek refuge in this country will find it and he directed the Departments of State, Justice, and Health, Education and Welfare to immediately make all the necessary arrangements to permit Cuban refugees to make an orderly entry into the United States. The program was initiated in November 1965 with the transport of 1,940 refugees from Camarioca, Cuba, to Florida by boat. An airlift was started on December 1, 1965. It is estimated that these flights will bring the Cuban refugees to the United States at a rate of 4,000 per month in FY 1968. The cost of air transportation for these 48,000 refugees in FY 1968 together with related expenses will necessitate a program level of $619,000, and this amount is requested for this purpose as part of the total Migration and Refugee Assistance appropriation for FY 1968.

Administrative expenses

1967 estimate	$624,000
1968 estimate	641,000
Difference	+17,000

In Fiscal Year 1968, the Administrative cost of Migration and Refugee Assistance programs is estimated to be $641,000, a net increase of $17,000 over FY 1967.

The original estimate for administrative expenses for FY 1967 was $450,000. Increased salaries resulting from the enactment on July 18, 1966 of the Federal Employees Salary Act of 1966 are estimated to cost an additional $11,000 in both fiscal years 1967 and 1968.

On September 6, 1966, the Department of State established the position of Special Assistant to the Secretary of State for Refugee and Migration Affairs. Subsequently, the Department proposed a transfer in the estimates from the appropriation "Salaries and Expenses" to the appropriation "Migration and Refugee Assistance" for Fiscal Year 1968. This transfer will cover the salaries and operating expenses of (1) the six positions previously budgeted under the Salaries and Expenses appropriation as the Office of Refugee and Migration Affairs in the Bureau of Security and Consular Affairs and (2) the five positions comprising the immediate staff of the Special Assistant.

The 1967 estimate shown above includes a comparative transfer of $163,000 from the appropriation "Salaries and Expenses". This amount reflects a lapse, on the average, of 24% for the salaries of the immediate staff of the Special Assistant. The 1968 estimate reflects the proposed transfer in the estimates of $180,000, representing the full year costs of the eleven positions being transferred. The increase of $17,000 represents the annualization of the salaries of the immediate staff of the Special Assistant.

Contribution to the International Committee of the Red Cross (ICRC)

1967 estimate	$50,000
1968 estimate	50,000
Difference	None

The ICRC, founded in Geneva in 1863, is the mother organization of all Red Cross Societies and the promoter of Red Cross principles. It is formally recognized in the texts of the Geneva Conventions of 1949 as the agency to supervise the application of the provisions of the Conventions, to which the United States is a party. The specific Conventions are: (1) Geneva Convention for the amelioration of the conditions of the wounded and sick in armed forces in the field; (2) Geneva Convention for the amelioration of wounded, sick, and shipwrecked members of armed forces at sea; (3) Geneva Convention relative to the treatment of prisoners of war (POWs); (4) Geneva Convention relative to the protection of civilian persons in time of war.

The ICRC has over the years been of great assistance to the United States Government, United States Armed Forces, and American civilians. Specifically

at this time, the ICRC is endeavoring to promote humane protection and welfare services for American POWs and civilians detained by North Vietnam and by the Communist Pathet Lao in Laos. The ICRC conducts many protective and relief activities in trouble spots throughout the world, such as in the conflict between India and Pakistan, Cyprus, the Congo, and for the Tibetan refugees in Nepal in which the United States has an interest. The ICRC also maintains the Central Tracing Agency in Geneva and the International Tracing Agency in Germany, both of which maintain constant searches for POWs and missing persons resulting from military actions.

The annual Administrative budget of the ICRC, exclusive of relief activities, exceeds $1,000,000. Toward this budget, some 60 governments and 56 National Red Cross Societies make annual contributions of approximately $600,000. The balance of expenditures is covered by private donations, income from invested funds and other miscellaneous sources of income.

In 1965 Congress, under Public Law 89-230, authorized to be appropriated an annual United States contribution of $50,000 toward the expenses incurred by the International Committee of the Red Cross. Contributions have been made in 1966 and 1967. In view of the expanding activities of the ICRC in the present world situation that are of importance to the United States Government and of the contributions of 59 other governments, it is considered important to United States interests that the United States Government continue to contribute $50,000 toward the expenses of the ICRC in FY 1968.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

EFFORTS TOWARD CONSOLIDATION OF MIGRATION AND REFUGEE ACTIVITIES

Mr. PASSMAN. Mr. Ambassador, what efforts are being made to consolidate all migration and refugee activities into one appropriation account? I believe this particular appropriation is for only 7 or 8 percent of the total funds spent on U.S. programs of this type. Is that correct?

Mr. WINE. Mr. Chairman, if I may——

Mr. PASSMAN. I know that is a double question. You can answer it in two parts.

Mr. WINE. The first step we have taken in the 6 months of the existence of this office was to establish a relationship with the other departments, bureaus, and agencies which presently have other parts of the program to which you refer. I mentioned in my statement that we work on a daily basis with them and do have some voice in guidance and allocation of funds but they are not the direct responsibility of this office at the present time.

We have had some informal discussions with the other bureaus and agencies toward this end. The matter was not taken up with the Bureau of the Budget as yet. I can report to you that we are moving in this direction generally but it has been a slow process.

Mr. PASSMAN. Would you know what percentage of the total cost of the migrant and refugee program that your request represents?

Mr. WINE. We can calculate it, sir. It is less than 6 percent.

Mr. PASSMAN. Less than 6 percent?

Mr. WINE. Yes, sir.

Mr. PASSMAN. Could you insert in the record at this point the total of each one of these programs, the name that they operate under, and the department that administers them?

Mr. WINE. Very well, sir.

(The information follows:)

U.S. assistance to refugees, fiscal year 1968

Program	Department administering assistance	Amount	Percent of total
Migration and refugee assistance	Department of State	$5,660,000	4.00
Cuban refugees in the United States	Department of Health, Education, and Welfare.	53,500,000	37.90
African refugee students	Department of State	2,421,350	1.72
Palestine Arab refugees	do	22,200,000	15.73
Vietnamese refugees	Agency for International Development.	27,100,000	19.20
Laotian refugees	do	7,785,000	5.51
Food-for-peace foodstuffs (Public Law 480, as amended).	do	[1] 22,500,000	15.94
Total		141,166,350	

[1] Estimated. This total does not include the $8,900,000 in Public Law 480 foodstuffs which is provided as part of the U.S. contribution to the United Nations Relief and Works Agency for Palestine Refugees in the Near East and which is included in the total above for Palestine Arab refugees.

Mr. PASSMAN. Wouldn't it bring about, possibly, a better operation if this was handled under one Director in one appropriation?

Mr. WINE. This is my judgment, Mr. Chairman.

Mr. PASSMAN. I believe last year you indicated the total cost was in the neighborhood of $111,259,700, for what is generally accepted as migration and refugee programs, and your program represented only 7.14 percent of the total appropriation. It matters not to me what subcommittee handles it, but I think it would be a better operation if we had it under one agency, one Director, inasmuch as you are dealing with identical problems, are you not?

Mr. WINE. Yes, sir.

PROGRAMS ON A CALENDAR YEAR BASIS

Mr. PASSMAN. How much money would be allocated to each program from the $4,350,000 that is to remain available until December 31st, 1968?

Mr. WINE. That would be $2,500,000 for the Intergovernmental Committee on European Migration; $600,000 for the United Nations High Commissioner for Refugees; $750,000 for the U.S. refugee program; $400,000 for the Far East program; $100,000 for the Tibetan refugee program. And that is it.

1968 EXPENDITURE BY ACTIVITY

Mr. PASSMAN. Mr. Ambassador, could you insert at this point in the record a breakdown of the planned expenditures for fiscal 1968 by item? For instance, travel, personnel, food, medicine and money.

Mr. ROONEY. Supplies and equipment contracts.

Mr. PASSMAN. Grants going to the individuals whom we refer to as refugees.

Mr. WINE. Yes, sir.

Mr. ROONEY. Mr. Chairman, do you want that furnished with regard to each of the subdivisions of the program?

Mr. PASSMAN. Yes.

Mr. ROONEY. And then an overall table?

Mr. PASSMAN. I want it, of course, on the item that this committee handles and that is the $5,660,000, broken down in different parts of the world in several accounts.

Mr. WINE. Yes, sir.

Mr. PASSMAN. If it is not too much trouble you could break it down by region. You have the European refugee program, then you move out to the Far East. We want it to be just as comprehensive as you can make it.

Mr. WINE. Very well, sir.

(The information follows:)

Refugee and migration assistance; planned expenditures, 1968

Program (activity)	Personnel	Resettlement counseling	Transport of refugees	Travel and per diem	Administrative support	Visa procurement	Care and maintenance	Supplies and equipment	Medical care	Vocational—Other education projects	U.S. contribution	Total
Intergovernmental Committee for European Migration											[1] $2,500,000	$2,500,000
United Nations High Commissioner for Refugees											[1] 600,000	600,000
U.S. Refugee program		$295,315		$20,910	$84,100	$93,375	$207,500	$500	$18,300	$30,000		750,000
Far East Refugee program		21,700			28,500		42,000	83,000	11,000	213,800		400,000
Tibetan refugees		13,000		1,500	1,100		4,000	45,400	15,000	20,000		100,000
Cuban refugees			$460,000		159,000							619,000
Administration	$492,000			13,000	126,000			10,000				641,000
International Committee of the Red Cross											[1] 50,000	50,000
Total	492,000	330,015	460,000	35,410	398,700	93,375	253,500	138,900	44,300	263,800	3,150,000	5,660,000

[1] The U.S. contributions to international organizations are commingled with the other funds of the international organizations and therefore are not susceptible of allocation by category of expenditure.

EFFORTS TO GET OTHER GOVERNMENTS TO SHARE FINANCIAL BURDEN OF ASSISTANCE

Mr. PASSMAN. What efforts have you made to get other governments to share the financial burden of assistance to refugees in Vietnam and the Cuban refugees?

Mr. WINE. With respect to Vietnam, I have met personally with representatives of certain of our friendly governments and I know that other officers of our Government have met with them. But the question is directed to me. We made an effort last fall to try to have a portion of the moneys received in a campaign in Europe allocated for Vietnam assistance. Approaches were made to several governments. This campaign was conducted under the sponsorship of the Netherlands Government. We were unsuccessful because of a general lack of sympathy for other aspects of the Vietnamese situation.

We attempted to talk with other governments about the possibility of direct contributions to Vietnamese refugees and in some instances to those who were making contributions to increase them, Australia as an example.

In addition to governments, we talked with and persuaded certain voluntary agencies of other nationalities, and to provide assistance from funds from their own nations that they represent.

Mr. PASSMAN. But not government-to-government as such?

Mr. WINE. Not government-to-government, no, sir.

DECREASE IN APPROPRIATIONS, FISCAL YEARS 1963 TO 1968, AND CONTRIBUTIONS OF OTHER COUNTRIES

Mr. PASSMAN. Mr. Ambassador, appropriations for this program have decreased from $14,947,000 in fiscal 1963 to your estimate of $5,660,000 for fiscal 1968. Have other governments been increasing their contributions or has the total funds available for these programs been reduced?

Mr. WINE. Both.

Mr. PASSMAN. Could you state for the record, insert it if you do not have the information available at this time, the amount of increase of the other nations towards this program during the period that our appropriation has been reduced?

Mr. WINE. Yes, sir; I shall furnish that information.

(The information follows:)

INCREASES IN CONTRIBUTIONS OF OTHER COUNTRIES TO REFUGEE PROGRAMS, 1963-68

The form and nature of contributions to refugees from countries around the world vary greatly and there is no way to present a comparative picture of the relative contributions, including increases, from the incomplete information which is available. Some countries contribute almost entirely through international organizations, others prefer for contributions to come from private sources, and still others make direct governmental grants. There are also combinations of these methods of contributing to refugee problems.

Tables are attached which show the contributions of governments to two international organizations, the Intergovernmental Committee for European Migration (ICEM) and to the United Nations High Commissioner for Refugees (UNHCR). These tables, however, do not show the entire picture. For example, in addition to their contributions to the programs of the UNHCR, the asylum countries have also made large additional contributions in the form of matching funds for UNHCR projects carried out within their respective territories

(e.g., housing projects). According to the UNHCR Annual Report submitted to the General Assembly in the fall of 1966, the cumulative total from 1955 to 1966 of these matching funds contributed by asylum countries was over $56 million. Most of these matching funds have been provided by asylum countries in Europe, in connection with projects in behalf of refugees from European communist countries.

Asylum countries also make substantial contributions in addition to those expended by the United States through its direct government programs, such as the United States Refugee Program in Europe. For example, the Government of the Federal Republic of Germany has stated that it has spent approximately $200 million assisting refugees from East European countries in Germany during the period 1950 to 1960, exclusive of the costs of caring for and assimilating some 3.7 million Germans who fled from the East Zone and over nine million ethnic German expellees from Eastern European countries. Also, according to a UNHCR statement made in 1964, the Government of Italy during the past twelve years was spending an average of $3,000,000 a year to aid refugees in Italy. (It is assumed that matching funds for UNHCR projects are included within the above totals.)

The Government of Hong Kong has consistently incurred large expenses on Chinese refugees from mainland China, although these expenditures are not specifically identified as refugee assistance. For calendar year 1966 these expenses are estimated at about $70,000,000 or about 21.3% of total Hong Kong Government expenditures. Specific information is not available, but assistance has been given to Chinese refugees in Hong Kong by Germany, Belgium, Norway and other countries.

A large part of the cost of supporting the Tibetan refugees has been borne by the Indian Government, but the contributions of other countries through private and government sources is shown in an attached table.

This information shows that in the main the contributions of other countries are increasing, although in some instances, the contributions remain at the same level, or decrease.

Cash contributions to ICEM by member governments, 1962–68

	1962	1963	1964	1965	1966	[1] 1967	[1] 1968
Argentina	$180,559	$77,263	$57,477	$52,054	$55,114		
Australia	2,221,707	2,204,843	2,698,130	2,841,068	3,096,379		
Austria	78,756	57,343	50,863	58,071	56,625		
Belgium	238,884	135,151	165,938	173,087	149,958		
Bolivia	3,151	3,151	2,850	2,957	3,188		
Brazil	249,955	135,175	78,696	76,268	72,716		
Canada	347,265	228,671	166,714	159,725	98,012		
Chile	22,210	22,010	20,170	19,480	21,681		
Colombia	35,180	26,590	26,043	24,290	23,331		
Costa Rica	3,401	3,501	3,600	4,257	4,788		
Denmark	22,846	22,846	20,658	36,437	23,111		
Ecuador	3,151	3,151	2,850	4,237	6,268		
France	212,444	212,444	192,100	199,341	214,901		
Germany	992,444	712,444	713,758	699,341	699,901		
Greece	642,734	753,259	812,989	582,056	449,451		
Israel	520,582	1,030,789	1,153,607	1,125,595	597,235		
Italy	1,054,953	792,772	717,157	773,571	714,181		
Luxembourg	6,151	3,151	8,850	5,957	6,188		
Malta		617,324	1,244,937	1,282,128	522,058		
Netherlands	1,035,124	833,357	987,652	989,408	842,814		
New Zealand	97,502	134,360	133,717	120,359	110,720		
Norway	17,857	29,757	41,147	30,756	18,063		
Panama	4,401	4,251	3,901	3,807	4,188		
Paraguay	3,151	3,151	2,850	2,957	3,188		
South Africa	238,822	493,650	713,921	792,521	918,794		
Spain	728,729	438,059	289,290	244,417	165,435		
Sweden		28,850	84,930	76,055	42,360		
Switzerland	96,406	96,406	91,628	93,329	96,983		
United Kingdom	212,444	569,724	310,820	255,341	214,901		
United States	5,169,514	4,774,021	4,699,934	4,553,578	3,852,062		
Uruguay				2,957	3,188		
Venezuela	74,472	75,072	66,433	63,901	65,766		
Total	14,484,795	14,522,536	15,563,610	15,355,306	13,153,548	[2]15,392,671	[3]15,300,000

[1] No estimates of 1967 and 1968 contributions are available at this time.
[2] All of this amount represents contributions from other governments except for $3,350,000 contributed by the United States.
[3] All of this amount represents contributions from other governments except $2,500,000 contributed by the United States.

Government contributions to UNHCR programs, 1963–68

	1963 [1]	1964	1965	1966	1967 [2]	1968 [3]
Algeria		$5,000	$6,000	$6,000		
Argentina		33,352				
Australia	$168,000	112,000	112,000	150,000	$150,000	
Austria	45,000	15,000	30,000	30,000	30,000	
Belgium	200,000	150,000	245,000	150,000	200,000	
Cambodia	571					
Canada	268,519	268,519	268,519	324,074	324,500	
Chile			16,000			
China, Republic of	5,000	5,000	5,000	5,000	5,000	
Cyprus	560	560	500	500		
Dahomey		500	560			
Denmark	72,390	72,390	72,390	94,107	100,000	
Finland			10,000	10,000		
France	607,652	129,621	143,364	259,242	359,142	
Gabon			1,000	1,000		
Germany, Federal Republic of	550,000	300,000	301,887	300,000	300,000	
Ghana		6,000	3,000	3,000		
Greece	91,000	10,000	10,000	10,000	10,000	
Holy See	16,000	26,000	4,000	17,500		
Iceland	3,750	5,750	5,750	5,750	5,750	
India				2,000	2,000	
Indonesia		1,200				
Iran	2,024	2,000	2,000	5,000	2,000	
Iraq				5,000		
Ireland	10,000	5,000	5,000	5,000	5,000	
Israel	7,000	5,000	5,000	5,000	5,000	
Italy	247,545	3,000	3,040	3,000	3,000	
Ivory Coast		3,060	3,060	3,060		
Japan		10,120			20,000	
Kenya		1,010	1,010	1,000	1,000	
Kuwait			5,000			
Laos		1,000	1,000			
Lebanon	22,613		722			
Liberia	5,000	5,000	5,000	5,000		
Libya			2,000	2,000	2,000	
Liechtenstein	3,472	3,472		3,472		
Luxembourg	3,000	3,000	3,000	3,000		
Malagasy Republic		615	615			
Madagascar				615		
Malawi			420	419		
Malaysia, Federation of	15,238	1,000	1,000	1,000	1,000	
Malta	1,000					
Morocco	9,960	9,960	9,960	9,960	9,960	
Netherlands	222,974	149,150	146,944	148,029	146,000	
New Zealand	28,000	28,000	28,000	28,000		
Niger		500		498		
Nigeria	5,000	5,000	5,000			
Norway	112,000	98,000	112,500	125,919	140,000	
Pakistan	10,500					
Philippines		1,250	1,250		1,250	
Portugal	2,500	2,750	3,000	4,000		
Senegal		2,000	3,540	4,080		
Sierra Leone		1,400		700		
Somalia			500			
South Africa, Republic of	12,500	12,500	5,000	5,000		
Spain				10,000		
Sweden	193,325	209,000	200,000	250,000	200,000	
Switzerland	231,480	115,741	150,463	115,740	140,000	
Tanzania			2,800	2,800		
Togo	1,020	1,020	2,040	1,633		
Trinidad and Tobago				1,000		
Tunisia	2,000	2,000	2,000	2,500	2,500	
Turkey	4,667	2,667	2,667	2,667	2,500	
Uganda			420			
United Kingdom	504,000	252,000	310,800	339,300		
United States	900,000	700,000	600,000	650,000	400,000	
Upper Volta		1,000	1,000			
Venezuela		1,000	4,000	4,000		
Vietnam	2,500	2,500	2,500			
Yugoslavia	5,000	34,333	7,500	7,500	7,500	
Total	[1] 4,592,760	2,806,940	2,868,661	3,123,975	[2] 2,575,102	[3] $3,400,000

[1] Including approximately $3,100,000 in contributions to a special program funded in 1963 to hasten the solution of the problem of residual older refugees (chiefly in Europe).

[2] Pledges made at UNGA pledging conference, Dec. 2, 1966, plus U.S. pledge of $400,000 made Jan. 31, 1967. It is estimated that the final total of contributions from governments other than the United States will be about $2,600,000.

[3] Estimate. Apart from the U.S. contribution of $600,000, other government contributions are expected to total about $2,800,000.

Contributions to Tibetan refugees, excluding U.S. sources, calendar years 1964–66

Source	1964	1965	1966
1. Australia: (a) Australian Government	$500	$500	
2. Belgium:			
Aide Aux Refugees Tibetan			$2,700
(b) Belgian Red Cross	8,400	8,400	
(c) Entre Aide et Fraternite		4,000	
3. Canada: (a) Tibetan Refugee Aid Society, Vancouver	8,160	5,400	19,000
4. India:			
(a) Indian Government	1,870,000	2,145,000	1,058,000
(b) National Christian Council (major source: WCC)	147,000	179,000	
5. New Zealand: (a) CORSO	38,000	38,000	38,000
6. Norway: (a) Norwegian Refugee Council			109,400
7. Spain: (a) Catholic Womens Association			50,000
8. Switzerland:			
(a) Swiss Aid to Tibetans	31,000	80,000	88,500
(b) Swiss Association for Technical Assistance & Swiss Aid Abroad	287,282	175,000	100,000
(c) Swiss Red Cross			21,000
9. United Kingdom:			
(a) Help the Aged	5,000	5,000	5,000
(b) Ochenden			19,100
(c) OXFAM			45,200
(d) Save the Children Fund			176,310
(e) Standing Conference of British Organizations for Aid to Refugees	247,746	275,000	
(f) Tibet Society of the United Kingdom			20,000
(g) War on Want	2,700	2,700	2,700
(h) Wings of Friendship			35,000
10. West Germany:			
(a) Lions Clubs	35,000	35,000	35,000
(b) MISEREOR			[1] 16,000
11. Intergovernmental: (a) U.N. High Commissioner for Refugees	150,000	195,000	54,000
12. International: (a) World Council of Churches			100,000
13. Private contributors:			
(a) Central Relief Committee	5,900	5,900	
(b) Tibetan Homes Foundation	4,000	3,000	
Total	2,840,688	3,156,900	1,994,910

[1] Loan.

Contributions to Intergovernmental Committee for European Migration

Mr. Passman. The estimate for the Intergovernmental Committee for European Migration is $2,500,000, a reduction of $850,000 below the estimated allocation of $3,350,000 for fiscal 1967. Are other governments increasing their allocation or have others reduced it proportionately on the same basis that we have?

Mr. Wine. Well, many of the governments have maintained a rather static level of their contributions during this period.

Mr. Passman. We are talking about the fiscal 1968 or calendar year 1967.

Mr. Wine. Well, I am talking about periods preceding that.

Mr. Passman. Yes.

Mr. Wine. We have had a steady decline, in U.S. contributions from 1961, for example, from almost $7 million to 1967, $3,350,000. During that period of time a number of the governments have remained fairly steady in their contributions. There have been some exceptional instances when there have been increases. Others have decreased.

There has been no typical pattern, really. And this is due to a number of things.

The number of refugee movements was reduced in this same period from 87,000 to the estimate in 1967 of 60,000. So that had something to do with it.

Furthermore, there were more people of affluence who had the ability to pay who were traveling. Some administrative efficiencies were occasioned by the organization itself. And it is the combination of these that accounts for the decrease in the contributions.

Mr. PASSMAN. I think you missed my point. Let me ask the question this way. What is the total budget for the Committee for European Migration for fiscal 1968 or calendar 1967? I believe you operate on a calendar year basis, do you not?

Mr. WINE. It is between $18 million and $20 million.

Mr. PASSMAN. You had a budget worked up during the meeting last November. What is the budget, if your supporting witnesses can help out?

Mr. FALK. Slightly over $20 million.

Mr. PASSMAN. How does that compare with the previous year?

Mr. WINE. Well, it is higher.

Mr. PASSMAN. What was it in the last calendar year?

Mr. WINE. 1966 it was $18 million.

Mr. PASSMAN. So they are assuming a greater percentage of the total in this European program than other contributing nations?

Mr. WINE. Yes, sir.

Mr. PASSMAN. Why should we continue contributing anything to this Intergovernmental Committee for European Migration when we take into account that most of those nations are waxing fat in wealth?

Mr. WINE. Well, this particular history of this particular entity is an interesting one.

During periods since World War II when we have had vast changes in the conditions and movements of migrants and refugees, this organization came about as a means by which they could be moved. It serves as a vehicle that can limit a lot of suffering and serves other humanitarian concerns.

It also serves a very real political objective, from the standpoint of the United States, because it is of particular interest to us that the countries of Western Europe remain what we call asylum countries. And because this organization can remove them quickly so as to ease the burden, we do contribute to a free flow of movement from the Communist areas to the free world. We consider that this is one of the objectives of our foreign policy.

Now, to your specific point, why should we contribute when many of these other governments are affluent and have plenty of resources, I would say that they do contribute. Many of them contribute very substantially. In all honesty they contribute to a great extent serving their own national interests, and their gifts or contributions will vary from year to year perhaps as their national interests vary from year to year.

The United States believes that the kind of work that this organization does is in fact in furtherance of our foreign policy. And if we were not to participate in this organization, the chances are that it would meet its demise rather quickly.

Mr. ROONEY. Particularly for the reason that we were the originators of this international organization; isn't that so?

Mr. WINE. Yes, that is correct, sir.

Mr. PASSMAN. I am not condemning the organization. I am merely asking the question: With the European nations waxing fat in wealth,

refusing to come to our aid in Vietnam, why they should not assume all the expense of this European refugee committee. Because as I refer to page 60 of the 1968 Budget in Brief, I see where our estimated expenditures are going from $137.8 billion to an estimated figure of $172.4 billion in just 2 years. And we are going to have outside witnesses coming before this committee complaining about our contribution not being more. We are doing these things on borrowed money, creating inflation, and building up an unbearable public debt. I am interested in saving money and while I am not criticizing the accomplishments of the past, I am thinking about the possibility of saving a few million dollars here and a few million there. Maybe it will catch on somewhere along the way.

We will let people who should assume the responsibility actually assume that responsibility. But you have answered the question and I am very grateful.

MANDATORY CONTRIBUTION FOR ADMINISTRATIVE EXPENSES IN 1967

What is our mandatory contribution for administrative expenses in 1967, Mr. Ambassador?

Mr. WINE. $790,000.

Mr. PASSMAN. How does that compare with the contribution of other members?

Mr. WINE. That is about 29-plus percent of the total. I do not have a breakdown of the other percentage contributions but I can obtain that.

(The information follows:)

Percentage contributions by country to ICEM administrative budget for 1967 (estimated)

Contributing countries	Assessment scale	Contributions in dollars	Contributing countries	Assessment scale	Contributions in dollars
Argentina	1.94	$51,534	New Zealand	.97	$25,766
Australia	7.50	199,228	Norway	.68	18,063
Austria	.86	22,845	Panama	.12	3,188
Belgium	2.51	66,675	Paraguay	.12	3,188
Bolivia	.12	3,188	South Africa, Republic of	1.90	50,471
Brazil	1.98	52,596	Spain	1.65	43,830
Chile	.50	13,281	Switzerland	1.90	50,471
Colombia	.50	13,281	United Kingdom	8.09	214,901
Costa Rica	.12	3,188	United States of America	29.77	790,803
Denmark	.87	23,111	Uruguay	.12	3,188
Ecuador	.12	3,188	Venezuela	.97	25,766
France			Anticipated increases in contributions	2.67	70,875
Federal Republic of Germany	8.09	214,901	Miscellaneous income and carryover	6.45	171,477
Greece	.44	11,688	Unallocated	5.51	146,276
Israel	1.20	31,877			
Italy	8.09	214,901			
Luxembourg	.12	3,188			
Malta	.12	3,188	Total, resources	100.00	2,656,376
Netherlands	4.00	106,255			

Mr. PASSMAN. More especially, by going back to the previous question, when we get ready to start a refugee program which we think is highly essential to some of the very people we are helping, they turned us down. Is that a statement of fact?

Mr. WINE. Yes, sir; we have to say that is right.

Mr. PASSMAN. I certainly do not want to be ugly about it.

Mr. WINE. No, but that is a fact.

Mr. PASSMAN. I think we are gullible in many respects.

Would you furnish for the record a table showing the number of migrants and the number of refugees handled by ICEM in the past 5 years?

Mr. WINE. Yes.

(The information follows:)

Intergovernmental Committee for European Migration movement of migrants and refugees 1963–67

	Migrants	Refugees	Total
1963	30,823	33,657	64,480
1964	32,554	37,160	69,714
1965	29,688	37,343	67,031
1966	23,090	30,521	53,611
1967 (estimated)	25,065	35,735	60,800
Total	141,220	174,416	315,636

CONTRIBUTIONS TO THE U.N. HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. Mr. Ambassador, the estimate for the U.N. High Commissioner for Refugees is $600,000. That is our part, is it not, of the total cost?

Mr. WINE. Yes, sir.

Mr. PASSMAN. And this is an increase of $200,000 above the 1967 allocation; is that correct, sir?

Mr. WINE. Yes, sir; and prior to that it was $600,000. It was reduced last year.

Mr. PASSMAN. Why are we increasing our contribution to the High Commissioner? Is he living a little higher on the hog? Is it more housekeeping?

Mr. WINE. I think I would give you the reason, sir, that I believe somewhat akin to what I believe the very valid point you were making a while ago. As I indicated in the statement, his program has increased well over $1 million because of unforeseen circumstances in Africa. It seems to me that the real justification beyond basic concerns for contributions to the United Nations High Commissioner is that by this means we are able to expand refugee assistance more and more to a multinational, intergovernmental responsibility as opposed to a unilateral or a bilateral kind of an effort. And we believe that we are strengthening the international agencies this way, that we are actually drawing in more governments and greater contributions.

Mr. PASSMAN. That would, in reality, or it could easily lead to the elimination of ICEM? What is the total for the U.N. High Commissioner for Refugees?

Mr. WINE. $4.6 million, firm.

Mr. PASSMAN. That is the budget for——

Mr. FALK. Calendar 1967.

Mr. PASSMAN. $4.6 million for calendar 1967. How does that compare with calendar 1966?

Mr. WINE. $4.2 million.

U.S. CONTRIBUTION COMPARED TO THOSE OF OTHER NATIONS

Mr. PASSMAN. How many nations do you have in this program?

Mr. WINE. There are 30 members on the Executive Committee.

Mr. PASSMAN. Thirty nations?

Mr. WINE. Yes, sir.

Mr. PASSMAN. And they have increased their budget by $400,000; is that correct?

Mr. FALK. Thus far; yes, sir.

Mr. WINE. That is right.

Mr. PASSMAN. We are picking up 50 percent of it, or $200,000. Who arrived at that formula?

Mr. FALK. The increase, if I may, sir, of $400,000 that we are talking about is in connection with the difference between calendar year 1966 and calendar year 1967. At the same time that the program went up $400,000 our contribution went down $200,000. It is in calendar year 1968 for which this request, fiscal 1968 funds would be used to contribute toward the calendar year 1968 program.

Mr. PASSMAN. Let's take 1968, then. We are dealing with calendar 1967, fiscal 1968. What will be our allocation out of your fiscal 1968 fund?

Mr. FALK. $600,000.

Mr. PASSMAN. Which is an increase of $200,000?

Mr. FALK. That is right.

Mr. PASSMAN. Now, what is the total budget, for comparison, of the U.N. High Commissioner for Refugees?

Mr. FALK. It is estimated to exceed $5 million for 1968.

Mr. PASSMAN. All right. Let's back up and take the closest year to that; what did we contribute, $400,000?

Mr. FALK. Yes, sir.

Mr. PASSMAN. What did all the others contribute?

Mr. FALK. That remains to be seen yet, sir.

Mr. PASSMAN. I know, but it looks as if this is going up. We should know whether or not we have been taken for a sucker again and increased our contribution, whereas the others did not increase theirs proportionately. Unless we have the previous figure there is no way to know. Do you get my point?

Mr. WINE. I think, sir——

Mr. PASSMAN. I am trying to understand it. We know what is going to happen in 1968. We got your total, $5 million-plus, and we are up $200,000. Now we have to know what all the others gave the previous year, where we only gave $400,000. Is there any way to get that figure?

Mr. FALK. I think if we may, we could submit a chart to you showing you the percentage of the U.S. contributions over the last 5 years.

Mr. PASSMAN. Please do that.

(The information follows:)

Government contributions to programs of the UNHCR

Year	U.S. contributions	Other Government contributions	Total Government contributions	Percent U.S. contributions
1961	$1,300,000	$3,181,112	$4,481,112	29.0
1962	1,200,000	2,711,038	3,911,038	30.7
1963	900,000	3,692,760	4,592,760	19.6
1964	700,000	2,106,940	2,806,940	24.9
1965	600,000	2,268,661	2,868,661	20.9
1966	650,000	2,518,975	3,118,975	20.8
1967 (estimate)	400,000	2,700,000	3,100,000	12.9

Mr. PASSMAN. For the time being are the other nations increasing their percentage contribution?

Mr. FALK. Somewhat.

Mr. PASSMAN. What do you mean "somewhat"? That could be $2.

Mr. FALK. Well, it means more than that.

Mr. PASSMAN. I know. But it stands to reason, knowing how gullible we are, not talking about you, I am talking about the Congress in not going further into these things, that we are permitting our allocation to go up and you have no statistics that would indicate that the others are increasing their allocation to this account proportionately.

Mr. FALK. The only indication we have, sir, is an increase of approximately $200,000 between calendar year 1966 and calendar year 1967.

Mr. PASSMAN. That is how many nations?

Mr. FALK. I mean between calendar 1965 and 1966.

Mr. PASSMAN. That is good enough. How many nations?

Mr. FALK. Between 50 and 60.

Mr. PASSMAN. We are one nation putting up an amount equal to that $200,000; is that correct?

Mr. FALK. That is true.

Mr. PASSMAN. Thank you.

ADDITIONAL ASSISTANCE TO ASYLUM COUNTRIES

Mr. Ambassador, would you insert in the record or cite for the record at this point the names of the asylum countries that have requested additional assistance in 1967, and show the original allocation and the requested increase?

Mr. WINE. Yes, sir.

(The information follows:)

COUNTRIES REQUESTING ADDITIONAL UNHCR ASSISTANCE IN 1967

The total allocations approved by the UNHCR Executive Committee in response to requests by the asylum countries concerned was $4,178,510 for 1966 and as of the present date $4,584,130 for 1967. Additional allocations will prob-

ably be approved during the year. The increases in the total program include decreases in the programs for a number of asylum countries which off-set in part the increases listed below.

Country of asylum	1966	1967	Increase in 1967
Central African Republic	$350,000	$700,000	$350,000
Uganda	60,000	343,930	283,930
Zambia	159,600	397,200	237,600
Nepal	----------	71,000	71,000

PORTION OF BUDGET FOR FAR EAST

Mr. PASSMAN. What portion of the UNHCR budget is for Far East—Hong Kong, Macau, and the leprosarium?

Off the record.

(Discussion off the record.)

Mr. WINE. In the 1966 program, $309,000.

Mr. PASSMAN. That is for——

Mr. WINE. Hong Kong and Macau.

Mr. ROONEY. Isn't the Hong Kong and Macau program included in the program of the refugees from Communist China?

Mr. WINE. Yes, sir.

Mr. PASSMAN. We have, I think, one of the finest programs ever conceived by the mind of man in that part of the world, the place where we need it the most. We have the John F. Kennedy Spastic Children's Center in Hong Kong. I think our contribution to the leprosarium at Macau, small though it may be, and to the one off the coast of China, are worthwhile investments. And those people, each time we go there, receive us with open arms. I think it is a great program.

If you want to insert in the record any material as to why we have this program it will be acceptable. I do not think it is any different from the European refugee program. You are helping these refugees when they come in from these Communist countries, are you not?

Mr. WINE. Yes, sir.

Mr. PASSMAN. If you accept an adult refugee in Europe, you certainly would not turn down a crippled child in Hong Kong, would you?

Mr. WINE. Not at all, Mr. Chairman.

Mr. PASSMAN. You may insert in the record, if you will, the breakdown of how you propose to spend this money.

Mr. WINE. Very well, sir.

(The information follows:)

UNHCR 1967 PROGRAM IN HONG KONG AND MACAU

UNHCR 1967 program funds for Hong Kong and Macau, which total $345,000, will be used for the following purposes: in Hong Kong, $200,000 for European refugees from Communist China; in Macau, $145,000 for Chinese refugees from Communist China, including $100,000 for low-cost housing, $21,000 for vocational training and $24,000 for the enlargement of school facilities for children.

Mr. PASSMAN. Off the record.
(Discussion off the record.)

SOURCE OF FUNDS

Mr. ROONEY. I would like to know whether the Hong Kong and Macau refugees are taken care of out of the High Commissioner's fund or out of the fund for refugees from Communist China?

Mr. WINE. The High Commissioner's fund takes care of European refugees——

Mr. ROONEY. Has it anything to do with Hong Kong and Macau?

Mr. FALK. There is a limited UNHCR program for Chinese refugees in Macau, but no similar program in Hong Kong.

Mr. PASSMAN. The one in Macau deals with food primarily.

Mr. FALK. A little with food; it has also included training, housing, and fishing villages.

Mr. PASSMAN. This is being administered by some people who are making a very great sacrifice in Macau. I have met the Catholic father and his assistant who are administering that program there, and I don't think it has ever been my privilege to work with a people who possessed any more intelligence than these two priests. They have made it their life to take care of these refugees.

Mrs. HANSEN. Since the trouble in China, has there been a rapid increase of people coming out?

Mr. WINE. Not yet.

Mrs. HANSEN. Do you expect it?

Mr. WINE. Yes, we do. The borders have been tightened considerably so that the flow is about the same as it has been. We anticipate certain conditions could occur which, of course, would bring about an unusual exodus, probably into the Hong Kong area.

Mrs. HANSEN. The Army has a tight control over the border there?

Mr. WINE. Yes, ma'am.

DUAL PROGRAM OPERATIONS

Mr. PASSMAN. Couldn't this be consolidated under one program out there and thereby be much easier to administer? I am talking about Macau.

Mr. WINE. Commingled with our program, Mr. Chairman, do you mean?

Mr. PASSMAN. It is being commingled. Why do you have to have two spigots? You have the refugee program for the Far East. Then the U.N. High Commissioner has a little program going there. The question is why we couldn't have it under one heading.

Mr. FALK. Perhaps history plays a part in this. Initially there was no program for the High Commissioner at all in that part of the world. The United States felt it would be very important that there be at least a small program there for Chinese refugees to show that we were not interested only in refugees in Europe and elsewhere. So the United States took the initiative in establishing this Far East refugee program.

It is interesting from a political standpoint that the crown colony and British authorities never use the word "refugees." They say, "We have no refugees; they are illegal immigrants." They would not

therefore permit the United Nations High Commissioner for Refugees to come in and operate a program in Hong Kong.

The majority of our program over the years has been in Hong Kong. Subsequently the UNHCR Executive Committee approved a few limited projects in Macau in order to demonstrate its interest in Chinese refugees. The Portuguese did let him go into Macau to carry out projects, but he could not operate in Hong Kong. He maintains an office in Macau and runs a very limited program—side by side with ours, but not duplicating it because both programs are very small.

If the United States were to withdraw from our refugee program in that part of the world, we think this would have adverse effects. We could not very well insist that the UNHCR withdraw because the other 29 member governments of his Executive Committee think that it is important for him to be represented there in some modest way.

Mr. ROONEY. Furthermore, we started all the troubles ourselves.

Mr. PASSMAN. I am not suggesting we withdraw. I was merely suggesting a consolidation. I have been to Macau many times. There is a priest who is doing a tremendous job there.

You have another one, one of the finest men I have ever met, who speaks beautiful English. Both men are doing a great job. They work from sunup to sundown. When you see the escapees and the condition they are in—they are bloody and cut up from trying to swim across the river or border, and these priests give them warm food and clothing on their arrival.

If your heart is hard, just go down and see two or three bodies floating in the river after having been shot. If that doesn't get you, then stand on the river bank and listen to one of these trials that are broadcast and can be heard in Macau where they bring them in at 9, try them at 9:15 and shoot them at 9:30. I think the little money we are spending in that area is doing a tremendous amount of good.

I wonder why we couldn't consolidate the U.N. program into the U.S. Far East Refugee program. Why couldn't we administer both programs? That is my question.

MACAU-RED CHINESE AGREEMENT

Mr. WINE. I think he is playing a somewhat different role there. We have had a very recent experience, Mr. Chairman, that is very important. For example, during the Macau trouble there was a climax in the form of a protocol signed by the Portuguese Government of Macau and the Red Chinese. Parts of this were very vague but we were fearful it would have the effect of cutting off all possibility of flow of Chinese from the mainland to Macau. Or even if they did come, that they would be forced into repatriation. This did happen, as a matter of fact. Our fears were met and this is precisely what happened.

ROLE OF THE U.N. HIGH COMMISSIONER

We, as the U.S. Government, are somewhat powerless to do anything about this, but the United Nations High Commissioner, under the mandate given him by that body, is authorized to intervene and to represent these refugees and would-be refugees in an effort to try to permit their free flow and to prevent their repatriation.

Now, this is a very valuable thing that perhaps can't be translated into dollars, but is something which we are not able to do and for that reason his presence out there is terribly important.

Mr. PASSMAN. You mean the High Commissioner?

Mr. WINE. Yes, sir.

Mr. PASSMAN. As far as I am concerned, the AID program will spend more in 15 minutes than you will spend in 200 years under this program and I wouldn't be surprised if you would do more good in 2 days than they could do with $10 billion a year.

Every time a President goes out of the country, it seems you have to cloak him with some authority to give away several billions of dollars. It frightens me. I am not going to quarrel about a little program like this because you know and you know that I know the amount of good that our program is doing out there. I am not too sure that I will ever go back, but we have gotten an awful lot of coverage out of the little money we have spent in that part of the world and, in my opinion, that is exactly where you need to spend money. You are making tremendous progress with your program in the Far East, unless I am miscalling the shots.

Mr. WINE. I think that is right, sir.

Mr. PASSMAN. Mr. Ambassador, what is the total High Commissioner's program in Macau?

Mr. WINE. In Macau it is $145,000 for 1967.

Mr. PASSMAN. What is that spent for? Could you furnish that for the record?

Mr. WINE. I could furnish that, yes, sir.

(The information follows:)

The UNHCR 1967 program in Macau totals $145,000, with break-down as follows: low-cost housing, $100,000; vocational training, $21,000; education (children), $24,000.

PUBLIC LAW 480 PROGRAM IN MACAU AND HONG KONG

Mr. PASSMAN. We have a Public Law 480 program in Macau. Under what U.S. department or agency is that administered?

Mr. WINE. That is administered by AID. The consulate general in Hong Kong participates to the extent of making suggestions for allocations, and so on, but it is essentially AID-administered.

Mr. PASSMAN. What is the total dollar value of the food that we are furnishing for distribution in Macau?

Mr. WINE. I have it joint with Hong Kong and Macau, Mr. Chairman.

Mr. PASSMAN. All right.

Mr. WINE. It is $1,166,400 for 1967.

Mr. PASSMAN. Would you insert in the record the division between Macau and Hong Kong?

Mr. WINE. We can, sir.

(The information follows:)

FOOD FOR PEACE IN HONG KONG AND MACAU

The $1,166,400 in Food For Peace commodity programs for Chinese refugees in Hong Kong and Macau is divided between $1,071,000 for Hong Kong and $95,400 for Macau.

Mr. PASSMAN. They permit us to participate with the food program but not the refugee program in Hong Kong?

Mr. FALK. Oh, no.

Mr. PASSMAN. It is the High Commissioner? That is the point I am making. We may participate with the food program in Hong Kong but the High Commissioner is not permitted to operate there?

Mr. ROONEY. I understood them to say the High Commissioner wanted to go into Hong Kong but they wouldn't let him.

Mr. PASSMAN. That is right.

REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES (ESCAPEE PROGRAM)

Mr. Ambassador, the next program deals with refugees from European Communist countries or the U.S. escapee program, for which $750,000 is being requested. That is the same amount that you had for calendar 1967.

Mr. WINE. That is correct, sir. We anticipate about the same movement as last year. We do have information from fairly reliable sources that there may be even greater numbers if certain conditions obtain.

Mr. PASSMAN. Would this be a fair statement to make that under the programs administered by you, and the food program, is from person to person, and the individual knows immediately that he is getting some aid from the United States?

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

Mr. PASSMAN. Whereas in these government-to-government programs many times the individual never knows where help is coming from?

Mr. WINE. That is true, sir.

Mr. PASSMAN. That explains why I am so very much interested in these small aid programs, because they are on a person-to-person basis and you can see the results immediately.

Would you furnish for the record a table showing the number of escapees by years since 1963, and if it is available, by country of origin?

Mr. WINE. We have that information and we will supply it, yes, sir.

(The information follows:)

Additions to U.S. refugee program, caseload by country of origin for past 4 years

Country	1963	1964	1965	1966
Albania	135	83	79	177
Bulgaria	230	277	404	351
Czechoslovakia	131	756	1,062	1,256
Hungary	334	931	1,149	1,431
Poland	233	309	458	597
Rumania	1,443	1,776	2,232	835
U.S.S.R	160	47	29	93
Yugoslavia	306	22	8	----------
Other	7	----------	2	----------
Total	2,979	4,201	5,423	4,740

REFUGEES FROM COMMUNIST CHINA PROGRAMS

Mr. PASSMAN. For refugees from Communist China, the estimate is $400,000. Is that correct, sir?

Mr. WINE. That is correct, sir.

Mr. PASSMAN. That is the same as last year. Are you able to estimate at this time whether or not there will be an increase or decrease in the flow of these refugees?

Mr. WINE. We are concerned, sir, that there may be a very dramatic increase, depending upon the situation in mainland China. There are certain conditions that could obtain that we believe would trigger a considerably increased flow.

Mr. PASSMAN. In addition to the dollar estimate, how much Public Law 480 commodities are furnished this particular program?

Mr. WINE. For Hong Kong and Macau, a total of $1,166,400.

Mr. SHRIVER. You haven't asked for any additional money for Hong Kong?

Mr. WINE. That is right, sir.

Mr. SHRIVER. Yet you expect more refugees to come in?

Mr. WINE. We think this is a possibility, yes, sir.

Mr. SHRIVER. What will you do if they do come and the money isn't there?

Mr. WINE. We shall have to resort to extraordinary methods that are available to us. There are two things we can do. We will either have to seek a supplemental appropriation to support it, or we would see whether or not it was a condition that would qualify for our making a request for some portion of the contingency fund held by the President.

Mr. SHRIVER. Have there been any indications in recent days or weeks of any increase?

Mr. WINE. Nothing recent. This is an accumulation of evidence we have had over the last 3 months.

TOTAL FUNDS IN 1968 BUDGET FOR HONG KONG AND MACAU

Mr. PASSMAN. How much of the total program in dollars is for Hong Kong and how much for Macau?

Mr. WINE. We will furnish that.

(The information follows:)

Estimated use of 1968 refugee and migration assistance funds in Hong Kong and Macau

	Hong Kong	Macau	Total
1. Major projects:			
Vocational training center	$65,000		
Small clinic	25,000		
Subtotal	90,000		90,000
2. Food for peace support	25,000		25,000
3. Local integration:			
Counseling for L. I	25,700		
Vocational training	111,000	16,000	
Student aid, work scholarships	42,500	10,000	
Youth recreation centers	19,600		
Day nurseries	22,200		
Medical care	10,000	1,000	
Subtotal	231,000	27,000	258,000
4. Care and maintenance	2,000	25,000	27,000
Total	348,000	52,000	400,000

TOTAL AID SINCE 1953 TO HONG KONG AND MACAU

Mr. PASSMAN. You might want to submit a table on total aid to Hong Kong and Macau since 1953.

Contrary to the belief of many, I believe we do have a very beneficial—I say beneficial in terms of dollars and expense—program going in that part of the world. I think the total since 1953 has been $56 million. That is 1954–66 inclusive.

This is a table that I think should actually be inserted in the record at this point and update it with your estimate for fiscal year 1968.

(The information follows:)

U.S. Government assistance to Chinese refugees in Hong Kong and Macau

Fiscal year	Far East refugee program	Value Public Law 480 surplus commodities	Total
1954	$285,526	$150,650	$436,176
1955	956,770	725,650	1,682,420
1956	831,705	3,979,000	4,810,705
1957	747,463	7,618,750	8,366,213
1958	951,651	3,520,150	4,471,801
1959	1,520,901	3,611,000	5,131,901
1960	1,764,013	5,797,150	7,561,163
1961	617,079	7,208,200	7,825,279
1962	1,072,571	4,404,500	5,477,071
1963	2,066,670	3,186,650	5,253,320
1964	1,747,056	1,616,900	3,363,956
1965	633,890	3,691,200	4,325,090
1966	616,000	2,080,800	2,696,800
1967	400,000	1,166,400	1,566,400
1968 (estimate)	400,000	1,100,000	1,500,000
Total	14,611,295	49,857,000	64,468,295

TIBETAN REFUGEE PROGRAM

Mr. PASSMAN. If I remember correctly, last year Mr. Falk testified that unless something unforeseen came up, last year's contribution of $100,000 was to be the last contribution to the Tibetan refugee program.

Mr. FALK. That is correct, sir. I am glad I put in there "something completely unforeseen."

Actually it has been somewhat discouraging. There are various forces working in a humanitarian effort to do what should be done for these refugees. But, in our judgment, it has taken much longer than it should have. I don't know whether it is the culture, the climate, the ability of the people involved or a combination of all of them, but things have moved more slowly there than we had hoped they would. In view of this we consider it to be important for us to stay on to try to assist in bringing this program to a successful conclusion. If we were to pull out at the end of this year as originally contemplated, much of the good that we will have done might be lost sight of and our action would be interpreted as a lack of interest in Tibetan refugees. Furthermore, certain essential things that still need to be done in completing certain projects couldn't be carried out.

Mr. PASSMAN. What are these projects, Mr. Falk?

Mr. FALK. There are a variety of projects. They include feeding, vocational training, handicraft centers, medical care, agricultural resettlement and child care.

Mr. PASSMAN. Won't that be true 100 years from now, in all probability?

Mr. FALK. Hopefully not for this small group of Tibetans.

Mr. PASSMAN. I believe the report is just about the same as we have been given in recent years. Haven't we been on the verge of concluding this program for some time?

Mr. FALK. No, I think some progress has been made each year and I think we are coming closer to an ultimate solution to this problem, but the rate of progress has been slower than——

Mr. PASSMAN. Is this where we got involved in a Red Cross commitment a year or so ago?

Mr. FALK. Yes, sir.

Mr. PASSMAN. How did that turn out?

Mr. FALK. It turned out very well, sir. The fact this committee was able to make these funds available helped tremendously. We would have been in a very bad position without your help, sir.

Mr. PASSMAN. We felt that within itself would just about conclude this program.

The committee provided $100,000 last year. You are asking for the same amount in fiscal year 1968?

Mr. WINE. That is right, sir.

Mr. PASSMAN. Do you believe now the $100,000 for fiscal year 1968, if the Congress approves it, will bring this program to a conclusion?

Mr. WINE. I think you ought to know, Mr. Chairman, that our diplomatic post out there has felt that this was quite low from their standpoint. Ambassador Bowles has devised a scheme for doing more for these people, particularly in the resettlement area. They are using, of course, only rupees.

Mr. PASSMAN. We have to pay for the rupees one way or another, do we not?

Mr. WINE. Yes, sir.

Mr. PASSMAN. Has there ever been a case where we have gotten anything without paying for it?

Mr. WINE. No, sir. There is some discussion between Washington and the Embassy in New Delhi on this point. They indicate there is a great deal yet to be done to resettle these people and get them to the point where they are self-sustaining. The bulk of the money we are talking about this year is going to be applied partly for humanitarian relief assistance, but also very largely for resettlement purposes—for example, placement on a piece of land with implements to see if they can't sustain themselves.

Mr. PASSMAN. That is encouraging. Of course, I don't want to be critical of you because I know how hard you are working to try to put some sense in the overall program and get it to where we can look at it in one place and I wish you a lot of success in that endeavor. But last year we were actually led to believe—and you were perfectly honest about it, Mr. Falk—that we would provide the $100,000 and this would be the last contribution to this program.

Now you are justifying an additional $100,000 on just about the same type of testimony that you justified the $100,000 last year. You haven't said anything that you haven't said previously, but you don't even give us this, the encouragement that you may phase out this program.

The way we are leaving it now, it could be very indefinite. Do you really believe this will be the last $100,000 that you need or is this

diplomatic post that you referred to there complaining about food being transferred?

Mr. WINE. I wouldn't want to say this will be the last request we would make, but I think they have gotten this whole program in more manageable proportions and so on, as Mr. Falk has suggested, we are very much encouraged by what we have seen.

Mr. PASSMAN. If it is more manageable, then that means you are close to the end.

Mr. WINE. It looks to me like there ought to be a downward reducing trend.

Mr. PASSMAN. Starting to reduce it this year? We will cooperate.

Mr. WINE. I will warrant to you I will do my best to do it.

Mr. PASSMAN. How many of these refugees are we caring for?

Mr. WINE. About 40-odd thousand of them.

Mr. PASSMAN. I must admit you can't give them too much with $100,000 because that is only about $2.20 per refugee, isn't it?

Mr. WINE. That is correct, sir.

USE OF U.S.-OWNED RUPEES

Mr. PASSMAN. You do use this appropriation to purchase U.S.-owned rupees, do you not?

Mr. WINE. That is correct, sir.

Mr. PASSMAN. They are out of our surplus?

Mr. WINE. That is correct, sir.

Mr. PASSMAN. And we do have Indian rupees far in excess of our needs, rupees that cannot be readily converted?

Mr. WINE. That is true, sir.

Mr. PASSMAN. Do you know of any other programs that could be transferred over to this form of financing?

Mr. WINE. I can assure you we have looked into this and we would be hopeful this might happen. Thus far we have been unsuccessful, but we are still seeking and searching.

CUBAN REFUGEE PROGRAM

Mr. PASSMAN. Mr. Ambassador, the Cuban refugee program is next. It is estimated to cost $619,000. There is an increase of $80,000 above fiscal year 1967, is that correct, sir?

Mr. WINE. Yes, sir.

Mr. PASSMAN. This State Department Cuban refugee program is in addition to the HEW refugee program for Cuba which we are going to consider after you leave the committee room?

Mr. WINE. That is correct, sir.

Mr. PASSMAN. Why are they not consolidated?

Mr. WINE. The principal reasons why the State Department is involved are that the program deals with people off the shores of the United States and, that, we are represented by a foreign embassy, the Swiss, in the conduct of the program. The State Department is charged with the responsibility of keeping this relationship with the Swiss Government which HEW could not do. It is for that legal, technical reason only that this appears in our budget.

Mr. PASSMAN. If the committee and the Congress were to make available all funds for the Cuban refugee program to HEW, would this cause you any difficulty in carrying out your responsibilities in connection with that program?

Mr. WINE. Based on what you just said, yes, it would, in that whether HEW has the funds or not, notwithstanding, the State Department would still have to continue to be responsible for the relationships with the Swiss Government which is representing our interests there.

Mr. PASSMAN. In other words, you are dealing with immigration papers primarily? Is that what this account covers? Processing?

Mr. WINE. It is the diplomatic end of it, that is right.

Mr. PASSMAN. We have some of that over in the other program too, do we not?

CONSOLIDATION OF PROGRAM UNDER ONE APPROPRIATION

Mr. WINE. That is correct, sir. The larger item has to do with air transportation and we have nothing to do with that at all.

Mr. PASSMAN. This is actually overlapping, is it not?

Mr. WINE. Yes, sir.

Mr. PASSMAN. If we could write appropriate language in our bill and it is acceptable to the agency which handles this item in HEW, could you administer it?

Mr. WINE. Yes, indeed.

Mr. PASSMAN. Do you think we could put more sense in the program by such procedure?

Mr. WINE. HEW has something like $55 million for this program and it seems to me that it would be the better management for the appropriation to be made to them and let HEW allocate our expenses to us.

Mr. PASSMAN. That is what we had in mind. I just hope that you will feel the same as you have felt since you have assumed your new position, that it would be better if all of these programs could be consolidated where it could be looked upon as one appropriation.

Mr. WINE. It certainly would limit the fragmentation of it.

TOTAL REFUGEE ESCAPEE PROGRAM

Mr. PASSMAN. This committee has handled this program for several years and it is surprising to find that it represents only about 4.5 to 7 percent of the total refugee program. Funds are scattered throughout the budget. I don't think at this time there is a man in this room who could tell us the exact total amount that the refugee program is costing. Do you have an answer?

Mr. SOBOTKA. Our best estimate is about $133 million this year.

Mr. PASSMAN. But you wouldn't bet your salary that it is not more or less?

Mr. SOBOTKA. Just a few hundred thousand dollars either way.

Mr. PASSMAN. That would cover my life savings.

ADMINISTRATIVE EXPENSES

Mr. Ambassador, I hear you are pretty tightfisted with respect to administrative expenses. You are requesting $641,000 for fiscal year 1968, is that correct?

Mr. WINE. Yes, sir; that is the correct figure.

Mr. PASSMAN. What is that going to do to the image you have created about being tightfisted, when you ask for a net increase of $17,000 above 1967 allocation.

Mr. WINE. This is an administrative and technical question and we have present in the room a man who can explain it. I would be very happy if we could call on him.

TRANSFER OF FUNDS AND POSITIONS FROM SALARIES AND EXPENSES

Mr. MURRAY. This represents a transfer from the Salaries and Expenses appropriation—the basic amount that has been moved over.

Mr. PASSMAN. How much has been moved over?

Mr. MURRAY. For 1967 the figure is $163,000, which has been proposed as an addition to this appropriation and has been deducted in the other proposal by the time it becomes a 1968 appropriation.

It was not effected on July 1st. The $17,000 increase shown here represents the amount that would be required to provide full funding for the 11 positions that are being transferred from the salaries-expenses appropriation to this, in the proposal that we have before you, and before the committee handling our salaries-expenses.

There is a deduction in that amount, an increase in this amount, and no net increase in the amount that would be requested in the President's total budget for this purpose.

Mr. PASSMAN. Do you have an increase or a decrease if you would compare it to the previous year's appropriations for administrative expenses, on a comparable basis?

Mr. MURRAY. There is no increase on a comparability basis when you compare it with——

Mr. PASSMAN. Do you have an increase?

Mr. MURRAY. Not in total, no, sir. It would have been shown as a cost in our salaries, American salary estimates, under the salaries-expenses appropriation. The total of $180,000 has been deducted in that 1968 estimate and added for this appropriation.

Mr. PASSMAN. Of course, you have had salary increases.

Mr. MURRAY. Yes, sir.

Mr. PASSMAN. You are absorbing those salary increases. I understood you to say on a comparable basis you have about the same amount, but you have had to raise salaries, have you not?

Mr. MURRAY. In this appropriations the salary costs are being absorbed in 1967. In our salaries-expenses appropriation, a small portion of them are being absorbed and the additional amount has been forwarded as a proposal for a supplemental estimate in 1967.

Mr. PASSMAN. You do have a supplemental estimate to cover this item for fiscal year 1967?

Mr. MURRAY. Not this item, sir.

Let me see if I can explain this. The salary increase that is effective this year, 1967, would require that in 1968 to pay for the 11 positions that are involved here there would be a total cost of $180,000.

The Department has not requested an increase by means of supplemental appropriation for the cost of the positions that are involved in the refugee migration appropriation on the 1967 base. We have requested these funds in our "Salaries and expenses" appropriation as a part of the estimate that is now here for consideration in another committee.

Mr. PASSMAN. As a result of the transfer of 11 positions from the Department of State, from the salaries and expenses appropriation—that is really what this is, a transfer from the State Department over to this program?

Mr. MURRAY. That is correct, sir.

Mr. PASSMAN. If you had not transferred those 11 positions from the State Department over to this appropriation, what would your request have been for fiscal year 1968?

Mr. MURRAY. $461,000, sir.

Mr. PASSMAN. How does that compare with the appropriation for the same purpose in fiscal year 1967? It appears you really have an increase of $11,000.

Mr. WINE. Which represents pay increases.

Mr. PASSMAN. What does the pay increase amount to?

Mr. MURRAY. The pay increase, sir, for the positions in this——

Mr. PASSMAN. Yes.

Mr. FALK. It is $11,000.

Mr. PASSMAN. Then we are just holding our own.

Mr. WINE. That is right, sir.

POSITIONS FUNDED UNDER APPROPRIATION

Mr. PASSMAN. Would you furnish for the record a table showing the title and salary of each position now funded by this appropriation?

Mr. WINE. Yes, sir.

Mr. PASSMAN. Will you also supply for the record a table showing the title and salary of each one of these positions where it was handled under a different appropriation account?

Mr. WINE. Yes, sir.

Mr. PASSMAN. I don't think it is necessary to go back but 1 year.

(The information follows:)

Positions funded by Migration and Refugee Assistance appropriation, fiscal year 1967

Title	Grade	Salary
Washington:		
Supervisory Foreign Affairs officer	GS-15	$21,192
Foreign Affairs officer	GS-14	19,290
Do	FSO-4	13,769
Do	FSO-6	9,147
Do	FSO-7	8,826
Do	FSO-7	7,473
Mail and file supervisor	GS-6	7,253
Secretary (stenography)	GS-5	6,739
Mail and file clerk	GS-5	6,387
Secretary (stenography)	FSS-9	5,693
Secretary (typing)	GS-5	5,507
Do	GS-5	6,035
Total, Washington, 12.		
Geneva:		
Chief	FSR-3	19,141
Deputy Chief	FSO-4	15,561
Refugee and Migration officer	FSO-4	15,561
Do	FSO-6	9,451
Secretary	FSS-8	6,645
Do	FSS-8	5,853
4 locals		
Total, Geneva, 10.		
Hong Kong:		
Chief	FSO-4	15,113
Refugee and Migration officer	FSO-5	11,706
Refugee and Migration assistant	FSS-9	5,517
5 locals		
Total, Hong Kong, 8.		
New Delhi:		
Refugee and Migration officer	FSO-3	16,941
Secretary	FSS-9	5,341
1 local		
Total, New Delhi, 3; grand total, 33.		

Salaries and expenses, positions being transferred to the Migration and Refugee Assistance appropriation in fiscal year 1968

Title	Grade	Salary
S/R:		
Special Assistant to the Secretary of State for Refugee and Migration Affairs	FSR-1	$25,890
Administrative specialist	FSR-2	20,004
DO	FSO-8	7,303
Secretary (stenography)	GS-9	10,045
Do	GS-8	8,008
Total, S/R, 5.		
S/R:ORM:		
Director, Office of Refugee and Migration Affairs	FSO-2	20,675
Deputy Director, Office of Refugee and Migration Affairs	GS-15	21,192
Adviser	GS-16	19,225
Staff aid	GS-9	8,740
Secretary (stenography)	GS-8	8,243
Do	GS-7	7,303
Total, S/R:ORM, 6; grand total, 11.		

Contribution to International Committee of the Red Cross

Mr. Passman. Now, the last estimate is $50,000 for the U.S. contribution to the International Committee of the Red Cross. It is my understanding that this contribution is authorized by Public Law 89–230, is that correct?

Mr. Wine. Yes, sir.

Mr. Passman. How do we get involved with these little accounts? Why, notwithstanding the legislation on the books, should we make a $50,000 contribution to this International Committee for the Red Cross?

Mr. Wine. This was initiated in a period that predates me but I would like to, if I may, explain what ICRC is doing in our own behalf at the present time. With particular connection to the war in Vietnam, the International Committee for the Red Cross is serving as the transmission channel of letters to American prisoners of war. The thing that they have done most dramatically occurred about a year ago, when the North Vietnamese paraded our American pilots through the streets and threatened to try them as war criminals. It was the representatives of the ICRC who intervened and we believe through the efforts of Ambassador Harriman and ICRC—to which we are giving this $50,000—that they were able to successfully cause the North Vietnamese to change their minds about this and back off.

They have done other things. They have served as a channel of communication for the President upon a couple of occasions with respect to the Geneva Conventions. Although this has not been very successful, the effort was made. They have done other things in connection with medical teams and that sort of thing under their independent auspices in Vietnam.

The reason I point these things out, is because they are specific services performed by the International Committee to the direct benefit of the United States. Whether or not that justifies $50,000 may be another question, but I offer this as evidence of the fact that our contribution is an investment insofar as we are concerned because it has borne considerable benefit.

Mr. PASSMAN. I think the Committee is to be commended for what they did for us in North Vietnam, but my concern is why we started this. The International Committee of the Red Cross is amply financed out of other contributions; is it not?

Mr. WINE. That is right, sir. They get contributions from a number of sources, I would say that is true.

Mr. PASSMAN. Mr. Wine, you are doing a wonderful job and I am familiar with what you are doing, but I still want the record to show that I had a lot of respect for your predecessor, Mr. Schwartz. When two men are in business, we can always agree one is unnecessary.

I think Mr. Schwartz did a good job. I was very fond of him and I think he was a very hard worker. I liked some of his friends and disliked some and he extends me the same courtesy.

How old is this organization?

Do you have that information, sir?

Mr. FALK. Mr. Chairman, the Committee has been in existence since 1863.

Mr. PASSMAN. Is this the second time we have made a contribution to the committee?

HISTORY OF U.S. GOVERNMENT CONTRIBUTION TO ICRC

Mr. FALK. This will represent our third contribution if this appropriation is approved.

Mr. PASSMAN. When did we start contributing?

Mr. FALK. Two years ago.

Mr. PASSMAN. How much each time?

Mr. FALK. $50,000 each year, sir.

Mr. PASSMAN. Do you happen to have their operating budget?

Mr. FALK. I can give you this.

In 1966 there were 69 contributing governments who contributed a total of $576,000.

Mr. PASSMAN. Had we contributed anything to it whatsoever until 3 years ago?

Mr. FALK. We had not, sir. Not as a government.

Mr. PASSMAN. But the American Red Cross contributed?

Mr. FALK. It has been for some years contributing $25,000 a year.

Mr. PASSMAN. What service are they rendering now that they did not render previously?

Mr. FALK. The Ambassador has pointed out the services they had been providing for us in Vietnam, sir.

Mr. PASSMAN. I am talking about what services they had provided previously. They worked with us during World War I and World War II. But this is just a new idea now to dip into Uncle Sam's pocket for a little money. Isn't it just that simple?

Mr. FALK. I think not, sir. I think this is a program that for some years many people within the Government felt that a contribution from the United States would have been in order in terms of the services that had been provided.

Mr. PASSMAN. It has been in existence since 1863?

Mr. FALK. That is right, sir.

Mr. PASSMAN. That is 104 years and they have been serving our Government, our country, through all the wars that we have had up

to and including the Korean war, and they have been operating from contributions that the American people made to the Red Cross, and in turn the American Red Cross contributed to the international organization. So, after 104 years of good, dependable service that we appreciated along the way, now we have to get Uncle Sam in on it.

That is that. It is legislation and whether it is right or wrong, you are asking for $50,000 to continue this service.

Mr. WINE. That is right, sir.

NORTH VIETNAM REJECTION OF RED CROSS

Mrs. HANSEN. Will North Vietnam admit the International Red Cross now for service to the prisoners of war?

Mr. WINE. No, ma'am.

Mrs. HANSEN. Aren't they a party to the Geneva Convention?

Mr. WINE. Yes, ma'am.

Mrs. HANSEN. What excuse do they give?

Mr. WINE. Just an outright rejection.

Mrs. HANSEN. I think the record should show this.

Mr. PASSMAN. I certainly endorse the organization. I think it is great. They have been operating for 104 years. But in the past the American people have contributed to the American Red Cross, and the American Red Cross would contribute to the international organization. Experience has taught me, during my 21 years in the Congress, that when you shift the cost of programs over to the Federal Government, they get bigger and bigger and the first thing you know you are looking solely to the Government to finance them.

SERVICES FOR AMERICAN PRISONERS OF WAR AND CIVILIANS

What success has the International Committee of the Red Cross had in promoting humane protection and welfare services for American prisoners of war and civilians over the years?

Mr. WINE. I think they have had success, to my own knowledge, during World War II, where they were permitted representation in the PW camps. I think this certainly is true.

I think the same services that were experienced by our own PW's in World War II would have been forthcoming in Vietnam had the other side been the least bit cooperative.

Mr. PASSMAN. They actually do no distributing of candies and cigarettes; just this type of service——

Mr. WINE. Its services differ from the traditional Red Cross services as we understand them.

Mr. SHRIVER. The chairman and Mr. Rooney both commended you, and I want to do the same, for your very fine presentation, for the reduction in the request and for, especially, the fine report contained on pages 15 and 16 of your statement.

SERVICES RENDERED BY SWISS GOVERNMENT

You mentioned a little while ago the Swiss Government in connection with dealing with Cuban refugees.

We pay them, as I understand you, for the services they render in connection with the Cuban refugees in Cuba?

Mr. WINE. That is correct, sir. An expense item for the services that they perform, yes.

Mr. SHRIVER. On any kind of a scale?

Mr. WINE. There are precedents for this in absentia representation which the Swiss are now conducting for us. They submit periodically, for vouchering, an itemized accounting of the services they have rendered. The processing that goes on in Cuba involves out-of-pocket expenses for the Swiss, who submit an accounting to us.

FOOD-FOR-PEACE PROGRAM

Mr. SHRIVER. You mentioned, also, in the questioning a little while ago that the food-for-peace program in Hong Kong and Macau, for fiscal year 1967 and for proposed fiscal year 1968. How much of our total refugee aid is in the form of Public Law 480 commodities. You just mentioned Hong Kong and Macau before. I want it for everywhere.

Mr. WINE. For 1967, $20,745,000.

Mr. SHRIVER. Do you have any estimate on 1968?

Mr. WINE. No, sir.

Mr. SHRIVER. What is the dollar equivalent of the U.S.-owned foreign currencies used? Do you have that?

Mr. WINE. We will have to supply that.

Mr. FALK. Do you mean on the Public Law 480?

Mr. SHRIVER. Yes.

Mr. FALK. We will have to get that.

Mr. SHRIVER. Supply that for the record.

(The information follows:)

Utilization of U.S. owned foreign currencies

[Estimated]

Currency	1967	1968	Total
ICEM, Israeli pounds	$300,000	$300,000	$600,000
Tibetan refugees, Indian rupees	90,000	90,000	180,000
Total	390,000	390,000	780,000

Mr. SHRIVER. At page 2 of your justifications it is stated—and I am reading from them—"these United States objectives are to promote peace throughout the world and to seek the extension of the individual's human liberty and the right of each person to live in dignity and self-respect."

Now, I have been reading the papers lately and I noticed that the Stalin girl was apparently refused asylum by this country. Didn't that case contradict our national character and our national purposes as indicated in the purposes and objectives that I just read? You are from the Department of State.

Mr. WINE. In the light of what you have said, I would have to say in principle that you would be correct. However, I am speaking only

for myself and not for the Department of State since I am not informed as to the facts in this case.

(Discussion off the record.)

CONTRIBUTIONS TO INTERNATIONAL COMMITTEE FOR EUROPEAN MIGRATION

Mr. SHRIVER. Concerning our cutback of $850,000 for the International Committee for European Migration—ICEM—which of the relatively affluent member governments are you counting on to increase their contributions to take up the slack?

Mr. WINE. That slack won't be taken up.

Mr. SHRIVER. There will be no need for it?

Mr. WINE. There will be a need for it based on the evidence we have. We anticipate an increase of something like 7,000 movements.

Mr. SHRIVER. What will be the specific effects on the refugees involved, of the smaller ICEM program?

Mr. WINE. There will be a number of refugees who will not be moved.

LOANS AND REPAYMENTS FOR TRANSPORTATION OF REFUGEES

Mr. SHRIVER. We have had a schedule of loans and repayments concerning transportation of these refugees. Could you put that in the record?

Mr. WINE. Surely.

(The information follows:)

U.S. transportation loan fund—Financing of USEP movements 1961–66

	Movements	Source of funds			Repayments to transportation loan fund
		Annual appropriation	Transportation loan fund	Total transportation cost	
Calendar year:					
1961	5,450	$681,250	----------	$681,250	$57,284
1962	3,310	413,750	----------	413,750	111,362
1963	1,970	157,650	$80,000	237,650	131,358
1964	2,100	125,195	150,000	275,195	134,720
1965	3,090	158,445	257,840	416,285	166,094
1966	3,550	293,750	111,578	405,328	168,458
Total	----------	----------	----------	----------	769,276

NATIONS INCREASING THEIR CONTRIBUTIONS TO UNHCR

Mr. SHRIVER. Relative to the 50-percent increase in our contribution to the United Nations High Commissioner for Refugees, are other contributing nations increasing their shares proportionately?

Mr. WINE. Some have.

Mr. SHRIVER. Which ones have? You can put that in the record.

Mr. WINE. Yes, sir.

(The information follows:)

GOVERNMENTS INCREASING THEIR CONTRIBUTIONS TO THE UNHCR

Thirteen governments raised their contributions to the UNHCR program as between 1965 and 1966, as shown in the table below:

Country	1965 contribution	1966 contribution	Country	1965 contribution	1966 contribution
Australia	$112,000	$150,000	Norway	112,500	125,919
Canada	268,519	324,074	Portugal	3,000	4,000
Denmark	72,390	94,107	Senegal	3,540	4,080
France	143,364	259,242	Sweden	200,000	250,000
Holy See	4,000	17,500	Tunisia	2,000	2,500
Iran	2,000	5,000	United Kingdom	310,800	339,300
Netherlands	146,944	148,029			

U.S. GOALS FOR INTRA-AFRICA MIGRATION

Mr. SHRIVER. What are our Government's goals with regard to intra-Africa migration?

Mr. WINE. Well, I think the migration in itself is probably down the list of priorities, Mr. Congressman. Our goals at the moment, given the refugee situation in Africa, are for the in-place care and maintenance for those thousands that are outside their own country and, secondly, their hopeful repatriation under peaceful circumstances. We are less concerned about free and voluntary migration at the moment than we are about the forced movement of people in Africa.

This is not to say that the voluntary migration that takes place is not a problem, too. It is. It is very much of a problem. Nevertheless, we are not able at this time to do anything about that at all even though we know this is a terrible burden on some of those countries there. Presently we are concerned on two points: that is, supplying the basic humanitarian needs of refugees and, hopefully, through political developments or agreements, encouraging the repatriation of those who have left their countries of abode.

SCREENING OF CUBAN REFUGEES

Mr. SHRIVER. Relative to those who are coming from Cuba into this country, what screening process do you engage in to make sure we are getting the right kind of people, contributing citizens?

Mr. WINE. There are really two screening processes. One of them takes place in Cuba itself.

Mr. SHRIVER. All right. What do you do there?

Mr. WINE. Well, there are representatives there who follow a routine procedure of ascertaining the identity, of making a routine security check by examining the family and their activities in a very broad way, and then a second security check, made by the immigration authorities in the United States after the refugees arrive in the United States and before there is any release.

Mr. SHRIVER. Do you repay the Immigration Service for this?

Mr. WINE. No, sir.

Mr. SHRIVER. The group now entering the room, that is?

Mr. WINE. They may; I don't know.

Mr. FALK. They may. It should be a normal immigration function which the Immigration Service performs in relation to anyone coming into this country. So I assume that the Immigration Service bears this expense.

REASONS WHY EASTERN EUROPEAN REFUGEES LEAVE THEIR COUNTRIES

Mr. SHRIVER. One final question. Can you tell from the various processes that you use relative to Eastern European countries why these people are leaving those countries? Is it employment? Is it religion? Is it politics? What I am trying to ascertain is, if we increase our trade to these countries as has been proposed, thus bringing up their own economies, will this tend to stem the flow of the refugees?

Mr. WINE. I think it is reasonable to assume, Mr. Congressman, that if the economic situation in Eastern Europe were elevated and bettered, that those people who would have moved for economic reasons only probably will be deterred and would remain in Eastern Europe. However, if there is a loosening in our relationships this would suggest the possibility of less restriction upon travel and that group of people who would move for religious and political persecution, in all probability would increase.

Mr. SHRIVER. Do you have information from your screening process as to the reasons why they are leaving?

Mr. WINE. Yes, sir.

Mr. SHRIVER. Would you put that into the record?

Mr. WINE. Yes, sir.

(The information follows:)

REASONS REFUGEES GIVE FOR LEAVING EASTERN EUROPE

Based on current United States Refugee Program screening reports, the following reasons were given by the refugees for leaving various Eastern European countries:

Reason:	*Percentage reporting*
Discrimination due to refusal to join Communist party	30
Religious persecution	20
Denial of higher education	20
Harassment by regime	15
Lack of employment opportunities	15
Total	100

Mr. SHRIVER. Mr. Chairman, that is all.

Mr. PASSMAN. Thank you, Mr. Shriver.

Mr. Rooney?

EMPLOYMENT OF CONSULTANTS

Mr. ROONEY. Mr. Ambassador, do you use consultants in this program?

Mr. WINE. In my brief tenure we have had no consultants who are employed but only people who have given of their time freely, without compensation.

Mr. ROONEY. I mean consultants who are paid out of these funds.

Mr. WINE. No, sir; we have none.

Mr. ROONEY. You have none at all?

Mr. WINE. No, sir.

CONTRACTS WITH VOLUNTARY AGENCIES

Mr. ROONEY. Do you have a list of your contracts?

Mr. WINE. Yes, sir.

Mr. ROONEY. May we have it, please?

Mr. WINE. You may indeed. This is a list of the voluntary agencies with which we have contracts.

Mr. ROONEY. Let us see what it looks like. Maybe it is worth while inserting in the record.

Mr. WINE. Here it is, sir.

Mr. ROONEY. Thank you. Will you take that list, add the amount of each contract to the names of these voluntary agencies and insert it at this point in the record?

Mr. WINE. Yes, sir.

(The information follows:)

Current contracts, refugee and migration program

	U.S. refugee program	Far East refugee program	Tibetan refugees
American Emergency Committee for Tibetan Refugees, Inc. (AECTR)			$106,000 28,150 13,800
American Friends of Refugees (AFR)	$34,000		
American Fund for Czechoslovak Refugees (AFCR)	65,500		
American Joint Distribution Committee (AJDC)	48,000		
CARE (Cooperative for American Relief Everywhere, Inc.)		$15,750 5,000	
Chinese University of Hong Kong		300,000	
Church World Service (CWS)		63,000 65,000	
International Committee of the Red Cross (ICRC)			38,500
International Rescue Committee (IRC)	73,000	35,600 19,500	
Lutheran World Federation (LWF)		111,700 63,200	
Maryknoll Fathers (Catholic Foreign Mission Society of America, Inc.)		223,000	
National Catholic Welfare Conference (NCWC)	122,000	75,950 31,000 430,000 150,000 75,000 72,300	171,850 8,600 8,699 5,000
Polish American Immigration and Relief Committee (PAIRC)	54,000		
Tolstoy Foundation (TF)	49,500		
United HIAS Services (UHS)	177,500		
World Council of Churches (WCC)	130,000		
World Rehabilitation Fund (WRF)		1,200,000	

BREAKDOWN OF "OTHER SERVICES"

Mr. ROONEY. Now, with regard to the figure, $1,869,000 entitled "Other services" in 1968, do you have a breakdown of that figure?

Mr. WINE. I don't know where that figure is.

Mr. ROONEY. It is on page 84 of the committee print.

Mr. SOBOTKA. This comprises the programs we operate directly, not through contributions. Yes, sir; we can give you a breakdown of that.

Mr. ROONEY. Would you have it with you?

Mr. SOBOTKA. I could read it off.

Mr. ROONEY. Let us see the page you are going to read from. Maybe we can save some time.

Mr. SOBOTKA. Well, it is in the budget, sir; in the committee print.

Mr. ROONEY. Where?

Mr. SOBOTKA. It represents——

Mr. ROONEY. Where?

Mr. FALK. On page 762 of the appendix.

Mr. SOBOTKA. Under the program and financing section, sir, in your print. I have a slightly different version.

Mr. FALK. Would this be the same as this?

Mr. SOBOTKA. This is on page 83 under programing and financing in the 1968 column, $619,000 for Cuban refugees, $100,000 for Tibetan refugees, $400,000 for refugees from Communist China, $750,000 for refugees from European Communist countries.

Mr. ROONEY. You are referring to certain of the items which make up the $5,660,000?

Mr. SOBOTKA. Yes, sir.

Mr. ROONEY. At page 83. Do you have this all drawn together so we can insert it at this point in the record?

Mr. SOBOTKA. No, sir. I don't have it on a piece of paper.

Mr. ROONEY. Please prepare such a sheet which would indicate in detail the breakdown of the figure $1,869,000 entitled "Other services." You see, these two words just don't mean very much, "other services."

Mr. SOBOTKA. Very well, sir.

(The information follows:)

ITEMS COMPRISING OTHER SERVICES

The items which make up the total of $1,869,000 in the Object Classification Table, 1968 Estimate column under 25.1 "Other Services" consist of those Program Activities which are executed by contracts between the Department of State and private voluntary relief agencies and other contractors or agents. They are listed in the Programming and Financing Table under "Program by Activities" in the 1968 Estimate column as follows:

3. Refugees from European Communist countries	$750,000
4. Refugees from Communist China	400,000
5. Tibetan refugees	100,000
6. Cuban refugees	619,000
Total	1,869,000

Mr. ROONEY. That is all.

Mr. PASSMAN. Mrs. Hansen.

Mrs. HANSEN. Thank you, Mr. Chairman.

POSSIBLE PHASEOUT OF SOME REFUGEE PROGRAMS

Mr. Ambassador, it is a pleasure to have you here and your statement was excellent. The question that I have raised several times, as you probably know, is that of the final phasing out of some of the refugee problems, particularly in the Eastern European countries. Does there appear to be any foreseeable time when this will be phased out?

Mr. WINE. Madam, I don't think so; I don't see it.

Mrs. HANSEN. Well, then, with the increasing problems in Vietnam and the increasing problems in Communist China, it is probably going to be a steadily increasing program; is this correct?

Mr. WINE. I think this is a problem that addresses itself to the entire free world. It will be an increasing problem for all those countries that are interested in it, yes.

NEED FOR INCREASED CONTRIBUTIONS FROM OTHER NATIONS

Mrs. HANSEN. Then shouldn't the entire free world begin to plan cooperative budgets to assist the United States, and to program with us?

Mr. WINE. Yes, ma'am.

Mrs. HANSEN. I really think it is as much to their benefit to plan refugee assistance and, certainly, assist them in putting themselves together in a new life, as it is ours.

Mr. WINE. Yes, ma'am; I agree.

Mrs. HANSEN. What is being done to do this?

Mr. WINE. Well, in each of the meetings in which we participate that are international in nature, I want to say that the view we have just expressed is shared by many other countries. Insofar as we are concerned, we do the best we can to encourage them to do more than they have in the past.

Mrs. HANSEN. Do they give any indication, budgetwise, that they are?

Mr. WINE. Yes, yes; there have been increases. There have been increases by a number of governments in all of the multinational or international, or intergovernmental activities in this connection.

UNEXPECTED REFUGEE PROBLEMS

Mrs. HANSEN. Now, on page 8 of your statement you say many refugee problems occur suddenly and unexpectedly. Such as?

Mr. WINE. Well, each one that we have had. Let us take, for example, the tremendous refugee problem that followed World War II. That was sudden, unanticipated, and unprovided for. This has been the case in each crisis in which the United States has participated in the last 20 years.

UNITED NATIONS ACTIVITIES

Mrs. HANSEN. On page 12, the United Nations High Commissioner for Refugees. I wonder if you could provide for the record a brief review of some of the United Nations activities in this field.

Mr. WINE. Yes, ma'am.

(The information follows:)

EXAMPLES OF ACTIVITIES BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES IN BEHALF OF REFUGEES

In all areas, the primary objective of UNHCR assistance projects is to make the refugee self-supporting as soon as possible and thus to hasten the termination of his dependence on international assistance. Projects toward this end differ according to the nature of opportunities and conditions within the various countries of asylum, and the specific needs and desires of the refugees concerned.

For example, in Macau, the UNHCR program is providing vocational training which will enable selected Chinese refugees to earn their own living as skilled craftsmen or mechanics. Additionally, new employment opportunities are becoming available on Taipa Island in Macau, where there is also an acute shortage of housing. To facilitate the reestablishment of dependent but employable refugees the UNHCR program is helping to meet the construction costs of low-cost apartments on Taipa Island, to be occupied by refugees who have been living in Macau proper. Under still another project in Macau, the UNHCR has provided fully-equipped fishing boats to Chinese refugees fishermen who had escaped from Mainland China. These fishermen, who know no other occupation, were thus able once again to support themselves.

In Africa, where the UNHCR is assisting a number of different categories of refugees, the local resettlement of refugees in the asylum countries is effectd primarily through agricultural community development projects. The asylum country provides the land and helps meet other costs. The UNHCR provides tools for the construction of native housing, seeds and agricultural implements for crop production, and medical and educational facilities. The UNHCR also arranges for contributions of food from various sources to help maintain the refugees until crops are ready for harvest. Thereafter the refugees are able not only to meet their own food needs but also to market produce in sufficient quantities to enable them to become fully self-supporting.

In Spain, where the UNHCR assists Cuban refugees, projects are directed both toward emigration and local integration. UNHCR counselling projects assist in determining the most practicable alternative for the individual refugee, taking into account professional and social factors in relation to existing opportunities for emigration and local settlement. UNHCR assistance is also given to help those who choose integration to achieve self-dependence at an early date. This is done on a selective basis, through loans or grants to augment the resources of local institutions or families and friends, toward securing proper placement of the aged and handicapped, or to facilitate the reestablishment of those possessing skills.

Tibetan refugees in Nepal are also receiving UNHCR assistance in becoming self-dependent. Projects in their behalf include the provision of both tools and training for apprentice craftsmen, modest subsidies for individual trading enterprises, and the construction of needed housing near handicraft centers offering constructive employment opportunities.

BREAKDOWN OF CUBAN REFUGEE ESTIMATE

Mrs. HANSEN. In that $619,000 for the Cuban refugees, I wonder if you could provide for the record a breakdown of that figure.

Mr. WINE. Yes, ma'am; we can.

(The information follows:)

Cuban refugee program

Air transportation	$460,000
Swiss representation	145,000
Departmental expenses	14,000
Total	619,000

TYPES OF PROGRAMS FOR TIBETAN REFUGEES

Mrs. HANSEN. I think it is over here in your Tibetan refugee section, but what kind of programs have you in effect there now?

Mr. WINE. Those programs——

Mrs. HANSEN. Are these training programs, language programs, or what?

Mr. WINE. They are comprised of these things, vocational training and handicraft centers, medical care.

Mrs. HANSEN. How successful are your handicraft centers?

Mr. WINE. Well, I do not have——

Mrs. HANSEN. I mean, are there markets for the products, and so on?

Mr. WINE. Yes, ma'am.

Mrs. HANSEN. Some underdeveloped countries establish arts and crafts centers, the goals are magnificent and they have good craftsmanship, yet they degenerate into lack of markets, or the inability to pack and ship and teach other techniques that are part of a merchandising enterprise.

Mr. WINE. I am sure these problems are also present there. Our information is, however, that they have been quite successful. They have

a center, for example, at Dalhousie that coordinates the total activity throughout the Tibetan community in this respect, and assist them.

VIETNAMESE REFUGEE PROBLEM

Mrs. HANSEN. You have mentioned in your opening statement that the reduction in funds this time is necessitated by the demands upon the national budget for the war in Vietnam. Has there been at least an equivalent increase in funds applied to the Vietnamese refugee program? Is that handled exclusively through AID?

Mr. WINE. Yes, ma'am, that fund has been increased considerably over the preceding year. As a matter of fact, the numbers increased vastly in this year over last year.

Mrs. HANSEN. Due to your long experience in the field of displaced persons have you been drawn upon to offer advice and counsel and planning in the matter of solving the Vietnamese refugee problem?

Mr. WINE. Yes, I have. I participate in it frequently.

Mrs. HANSEN. Is there any need for regional Southeast Asia resettlement plans or is the Vietnamese refugee problem strictly limited to the confines of that country?

Mr. WINE. Well, for the present time the Vietnamese refugee problem is confined to Vietnam, but I think the posthostilities period is going to present different kinds of problems.

Mrs. HANSEN. Such as?

Mr. WINE. Well, I think it is reasonable to assume that in a posthostilities period, given the circumstances there, there will probably be a great deal more migration, both voluntary and involuntarily, which will probably spill over into other countries in Southeast Asia.

Mrs. HANSEN. Do you foresee some refugee programing of these people in the United States?

Mr. WINE. I think not. Bringing them to the United States?

Mrs. HANSEN. Yes.

Mr. WINE. I do not see it at the moment; no, ma'am.

Mrs. HANSEN. Do you think they will ask to come to the United States?

Mr. WINE. There is no evidence that they would.

Mrs. HANSEN. I wonder if you could provide for the record a listing of contributions on behalf of the Vietnamese refugees from all sources, private charities, other nations of the world?

Mr. WINE. Yes, ma'am, we can.

(The information follows:)

CONTRIBUTIONS ON BEHALF OF VIETNAMESE REFUGEES

There are no precise figures available regarding the contributions from all sources in behalf of Vietnamese refugees. Most of the contributions made are provided for the entire population in South Viet-Nam, including the refugees. There are a number of general assistance programs from which refugees benefit, but it is not possible to ascribe a percentage of the total of these programs as assistance to refugees as distinct from the general population. There are a few programs which are entirely in behalf of refugees, but even in these cases, specific figures are not available in a manner which would permit a comparative showing of contributions. However, the following information does give a general overall picture from which an idea of the total assistance to refugees can be drawn.

A. UNITED STATES GOVERNMENT

1. Agency for International Development (AID)

AID carries out a program of refugee assistance utilizing funds which are reviewed by the Subcommittee as a part of the general AID appropriation request. In 1966 this program involved a cost of $22,400,000. It is estimated that the cost in 1967 will be $29,800,000 and in 1968, $35,500,000.

2. Department of Defense

The Department of Defense does not fund any programs specifically directed toward refugee assistance in Viet-Nam. Although it is not possible to identify that portion of total military spending in Viet-Nam that aids refugees, it is clear that refugees do benefit from a number of military programs there. Examples include: the Military Civic Action Program, the Military Provincial Health Assistance Program, the use of military transportation for bringing war-injured civilians to hospitals, and part-time and weekend donated service by military personnel.

B. GOVERNMENT OF SOUTH VIET-NAM

The total contributions of the Government of South Viet-Nam in behalf of the refugees is estimated at $12,000,000 for 1966 and $12,800,000 for 1967.

C. UNITED STATES PRIVATE ASSISTANCE

1. Voluntary relief agencies

The total assistance furnished by twenty-six United States voluntary agencies in Calendar Year 1966 was in excess of $16 million and provided programs in health, education, welfare, and refugee relief. Few of these programs were limited to refugee assistance alone, but refugees drew benefit from the wide range of services offered.

2. American National Red Cross

Under an agreement with AID, a seven-man Red Cross refugee relief team is operating in Viet-Nam. The 1966–1967 American Red Cross contribution to this program is $57,000. In addition, since September 1965, American Red Cross chapters have contributed over $800,000 worth of supplies and other materials for civilian relief in Viet-Nam, including refugee relief.

3. Other private assistance

A number of private groups and organizations in the United States have made contributions for assistance in Viet-Nam, including refugee assistance both direct and through United States voluntary agencies. Some groups which have so contributed include: The American Legion Auxiliary, the Veterans of Foreign Wars Auxiliary, the Marine Corps Reserve, and the United States International Union of Electrical Workers.

D. THIRD COUNTRY ASSISTANCE

1. Grant assistance

Third country grant assistance for civil programs in Viet-Nam including refugee assistance totaled an estimated $30 million in Calendar Year 1966. The following thirty-two countries have provided non-military assistance to date:

Argentina
Australia
Belgium
Brazil
Canada
China, Republic of
Denmark
Ecuador
France
Germany
Greece
Guatemala
Honduras
Iran
Israel
Italy
Japan
Korea
Laos
Liberia
Luxembourg
Netherlands
New Zealand
Norway
Philippines
Spain
Thailand
Tunisia
Turkey
United Kingdom
Uruguay
Venezuela

2. European Refugee Campaign

An estimated $900,000 of the proceeds of the 1966 European Refugee Campaign is scheduled to be allocated to refugee relief in Viet-Nam.

3. Third country private assistance

Five third-country and international voluntary agencies are furnishing assistance, including refugee assistance, in Viet-Nam. In addition, private contributions for assistance in Viet-Nam have been made by third country nationals, including a contribution of $2,800 from the Irish people.

E. INTERNATIONAL ORGANIZATIONS

The United Nations system has no specific programs for refugee assistance in Viet-Nam. There are, however, current UNESCO, UNICEF and WHO programs totaling over $1.3 million which are providing services in health, education and child welfare from which refugees benefit. In addition, the Netherlands has allocated $1 million for United Nations projects in Viet-Nam including a social welfare center.

COMPARISON OF REFUGEE PROBLEMS IN VARIOUS AREAS

Mrs. HANSEN. I wonder if you could provide for the record a comparative table showing the size of the refugee problem in Vietnam, the sub-Sahara, Africa, Cuba, China, Tibetan, Eastern Europe, so that we can look at the whole thing and see what the size is?

Mr. WINE. Numerically?

Mrs. HANSEN. That is right, so we can see what the size of it is.

Mr. WINE. We can.

(The information follows:)

Estimated numbers of refugees in asylum countries[1] *(as of Jan. 1, 1967)*

WORLD TOTAL

Alien refugees (A. below)	4,639,100
Nonalien refugees (B. below)	3,556,400
Grand total	8,195,500

A. REFUGEES WHO HAVE CROSSED INTERNATIONAL FRONTIERS AND ARE ALIENS OR TREATED AS SUCH IN THEIR PRESENT COUNTRIES OF ASYLUM

1. Refugees in Europe and the Middle East from Communist countries in Europe	20,000
2. European refugees in Communist China seeking to enter Hong Kong	1,000
3. Chinese refugees from Communist China:	
In Hong Kong	2,000,000
In Macau	80,000
Total	2,080,000
4. Tibetan refugees:	
In India	50,000
In Nepal	7,600
Total	57,600
5. Cuban refugees:	
In the United States	350,000
In other countries	50,000
Total	400,000
6. Palestinian Arab refugees in the Middle East	1,330,000

7. Refugees from Rwanda:	
In Burundi	52,000
In the Kivu Province of the Congo (K)	25,000
In Tanzania	13,000
In Uganda	70,000
Total	160,000
8. Refugees from Burundi in Rwanda	3,500
9. Refugees from Sudan in various African countries	140,000
10. Refugees from Angola:	
In the Congo (K)	300,000
In Zambia	2,000
Total	302,000
11. Refugees from Mozambique:	
In Tanzania	15,000
In Zambia	5,000
Total	20,000
12. Refugees from Portuguese Guinea in Senegal	60,000
13. Refugees from South Africa, South West Africa and Rhodesia currently in various African countries	1,500
14. Refugees from the Congo (K) in various African countries	63,500

B. REFUGEES DISPLACED WITHIN THEIR OWN COUNTRIES AND OTHER REFUGEES WHO HAVE THE RIGHT OF NATIONALITY IN THEIR PRESENT COUNTRIES OF ASYLUM

1. Refugees displaced within South Viet Nam:	
In temporary shelter	842,300
Resettled with GVN and AID assistance or voluntarily returned to own villages	914,100
Total	1,756,400
2. Laotian refugees in Laos (displaced in the face of continuing Communist aggression)	300,000
3. Hindus in India who fled or were evicted from Pakistan since 1963. (Grand total since 1947, 10,500,000)	1,000,000
4. Muslims in Pakistan who fled or were evicted from India or Kashmir since 1963. (Grand total since 1947, 8,000,000)	500,000
5. Refugees from North Korea in South Korea	(2)
6. East German refugees in West Germany	(3)

[1] Undetermined numbers of refugees in some of the listed groups have been partially or fully assimilated within asylum countries.

[2] The 5,000,000 North Korean refugees who fled to South Korea between 1945 and 1953 are now integrated within the economy of South Korea. Escape from North Korea today is virtually precluded by stringent North Korean controls.

[3] Between 1945 and 1961, 3,700,000 German refugees fled from the East Zone into West German, across the zonal border or via West Berlin. Between the erection of the wall and January 1967 this flow totaled only some 24,500. All of these refugees have been integrated into the West German economy without international assistance.

REQUESTS MADE BY INTERNATIONAL RED CROSS TO SERVICE U.S. PRISONERS OF WAR IN VIETNAM

Mrs. HANSEN. This goes back to the Red Cross serving the prisoners of war in Vietnam. Have you any idea how many formal requests have been made by the International Red Cross to service our prisoners of war there?

Mr. WINE. I don't happen to have it with me but, yes, we have the general information. We know some of the dates they were made.

Mrs. HANSEN. All right. If you can provide for the record the times and the dates and the replies so that we have a statement on the record.

Mr. WINE. Yes, ma'am.

(The information follows:)

ICRC EFFORTS IN BEHALF OF AMERICAN PRISONERS OF WAR IN NORTH VIET-NAM

Information on the efforts of the International Committee of the Red Cross (ICRC) in behalf of American Prisoners of War in North Viet-Nam (or of any other prisoners of war elsewhere) must necessarily be general in nature in order to avoid any adverse effect on ICRC's negotiations, as a neutral organization, with the concerned parties. More specific information on dates and the content of ICRC correspondence are matters for ICRC to reveal at a time it considers appropriate. However, the following items give an indication of ICRC's activities in the Viet-Nam situation:

1. A. The ICRC has repeatedly called the attention of the North Vietnamese Government to its obligations under the Geneva Convention relative to the Treatment of Prisoners of War. It has requested lists of prisoners, requested improved procedures for transmission of mail, proofs of humane treatment, and the right to visit the prisoners. Up to now, North Viet-Nam has rebuffed the ICRC in these efforts.

B. The ICRC has asked Viet-Cong representatives for lists of Americans held prisoner in South Viet-Nam, and has requested that the Americans be permitted to correspond and receive parcels. The Viet-Cong have rejected these requests.

2. A year ago, the North Vietnamese authorities undertook a campaign threatening to put captured American pilots on trial as "war criminals." This threat by the North Vietnamese aroused the most serious concern, both in our own country and around the world. American prisoners were paraded through the streets of Hanoi, and subjected to public humiliation. On July 13, 1966, Ambassador Harriman sent a message to the President of the Committee strongly protesting these actions. On July 14, the ICRC intervened on behalf of the prisoners. The Committee stated that the prisoners were entitled to the protections of prisoners of war accorded by the Geneva Convention. In its reply to the ICRC of July 27, 1966, the North Vietnamese Foreign Ministry stated that "the policy of the Government of the DRVN as regards enemy captured in time of war is a humane policy." The threatened "trials" did not take place.

3. At United States request in May 1966 the ICRC offered to act as a substitute for a Protecting Power for prisoners of war held by Hanoi authorities as provided in Article 10 of the Geneva Convention. This offer was rejected by NVN.

4. The ICRC conveyed to Hanoi President Johnson's proposal of July 22, 1966, for a conference on the application of the Geneva Conventions to the Vietnam war. This proposal was rejected in November 1966 by the North Vietnamese Government.

5. The ICRC has on numerous occasions attempted to obtain visas for its representatives to go to North Viet-Nam to assist Americans held prisoner there. All such requests have been refused.

6. In addition to many letters to North Viet-Nam, representatives of the ICRC have discussed the protection of American prisoners with representatives of North Viet-Nam on several occasions.

7. Since March 1961, the ICRC has attempted to intervene on behalf of American prisoners held by the Pathet Lao in Northeast Laos. At the beginning of 1967, the representative of the ICRC in Laos was still in Vientiane continuing his attempts to meet and talk with the Pathet Lao authorities on the prisoners' behalf.

8. The ICRC serves as a transmission channel for letters to Americans held prisoner of war. The ICRC is currently forwarding approximately fifty letters a week to Hanoi addressed to American prisoners of war. (We are unable to state how many of these actually get through to the prisoners; we hope some do, but have no confirmation.)

9. The ICRC delegates in South Viet-Nam are visiting Prisoner of War camps and in other ways observing compliance with the Geneva Convention by the Government of Viet-Nam, the United States, and our Free World allies.

10. In addition, the ICRC regularly transmits to Hanoi lists of American servicemen who are missing in action.

11. There are, at present, two more requests which have been made of the ICRC to service American prisoners. Because of the current and sensitive nature of these requests, they are not included in this report.

12. In addition, the ICRC sent a medical team in April 1966 to carry out a program of medical relief and assistance in South Viet-Nam. It is also cooperating in a program of relief assistance to refugees being carried out by the League of Red Cross Societies and a number of national Red Cross societies.

PLANNING OF OTHER NATIONS IN HANDLING REFUGEE MIGRATION PROBLEM

Mrs. HANSEN. I think this is something that has shocked a great many people.

The Canadian immigration service has an office in every province in Canada to plan ahead, to gauge manpower needs and the absorption potential for the country as a whole. Are the prosperous common market countries, Australia, New Zealand, South Africa or any other countries handling the refugee migration problem in this way?

Mr. WINE. Yes, they are.

Mrs. HANSEN. How many? You can place those in the record, if you will.

Mr. WINE. Very well.

(The information follows:)

MANPOWER PLANNING FACILITIES IN COUNTRIES RECEIVING REFUGEES

There is a great variation between countries receiving refugees in the manner in which they plan and gauge their manpower needs in relation to the admission of refugees into the country. The Western European countries, for the most part, have no specific mechanism established for this purpose. However, there is a form of government control over the admission of workers since such persons are usually permitted to enter the country to work only if there is an established job offer from an employer. Of course, in countries of first asylum, refugees are admitted regardless of job opportunities. However, those who do not fit readily into the local economy are encouraged to seek permanent resettlement elsewhere.

In countries outside Europe, there are various arrangements for the admission of refugees and their placement in jobs. Australia, Canada, South Africa and occasionally other countries send regular immigration missions to Europe to solicit, interview and select the type of immigrants they need to fill population shortages. Australia also has a reception service in Australia for the placement of individual refugees and other immigrants recruited by the selection missions.

In Latin America, immigration facilities vary from the most meager to fairly well developed immigration departments. In Brazil, for example, there is a federal immigration organization and the state of San Paulo has a state immigration organization and a reception center where incoming refugees and immigrants are housed and fed until they can be placed in suitable work throughout the state. The same center handles migrants from other parts of Brazil, including those displaced by difficult conditions in the northeast of Brazil. Latin American countries also receive help from the Intergovernmental Committee for European Migration in setting up and strengthening their immigration systems and in the recruitment and selection of the skilled and semi-skilled workers which these Latin American countries need.

MATCHING REFUGEE SKILLS WITH MANPOWER REQUIREMENTS

Mrs. HANSEN. Does the United States leave this in the voluntary category or do they work with the Department of Labor, or what source do we use as an aid to States, areas, locales, what have you?

Mr. WINE. Insofar as the United States is concerned?

Mrs. HANSEN. That is right.

Mr. WINE. Yes. As a matter of fact, a meeting was convened at 1:30 today between a number of people representing our office, Department of Labor and others, and among other things that they are going to consider is just this fact.

Mrs. HANSEN. Have they proposed any machinery, any mechanics to make sure that those refugees who are unemployed and have skills can go to the areas in which there is a demand and a need? I am speaking now about the administration of it.

Mr. WINE. Yes. This is true in Europe today.

Mrs. HANSEN. I am asking you about United States.

Mr. WINE. Not to my knowledge, we haven't done that.

Mrs. HANSEN. Why not?

Mr. WINE. Well, when I say "we" the Government has not done it. The Voluntary agencies actually have set up criteria, they have also set up a means for ascertaining and locating needs and then they will seek to place refugees who have these skills.

Mrs. HANSEN. Does the Department of Labor cooperate with them?

Mr. WINE. That I don't know.

Mrs. HANSEN. In giving them figures, I mean, for planning, and so on.

Mr. WINE. I am not sure.

Mrs. HANSEN. For example, in the case of unskilled workers some areas find a great many crops that cannot be harvested at certain times of the year due to the difficulty of securing labor. This is one outlet for labor. In other instances there are your skilled people who can serve as interns, eventually pass State boards of examinations to be licensed doctors in various communities where there is a low ratio of medical people. Now, what is being done in this category to make sure that these people who are potentially a problem, as well as an asset, become an asset rather than remain a problem?

Mr. WINE. The extent of my knowledge, from a domestic standpoint is that I do know that the national church organizations through their social service arms do work with the Department of Labor and other agencies with respect to what we know as the migrant workers. That is unskilled workers for seasonal crops. I know they play a very real role in that. Beyond that I am not informed.

Mrs. HANSEN. I think you should if you can provide facts for the record showing what the Department of Labor does—and I would think they would work with HEW also. HEW reaches out for everything else. You could show a composite picture of what is being done to develop the best possible knowledge available to both your program and to those in the United States interested in utilizing these people and having them settled in the proper locations.

Mr. WINE. With respect to the Cubans in particular, I do know that HEW and the voluntary agencies have done a remarkable job of locating the skills of the various Cubans and guiding them into communities throughout the country where there have been serious needs and this has been a very successful program. They have been assimilated with considerable ease, I am told. This has been quite selective.

Mrs. HANSEN. I think they have been successful but there are other groups.

Mr. WINE. Yes, there are others, to be sure. So the patterns and the precedents have in fact been set. I would be very happy to inquire to see whether there is broader application than this.

(The information follows:)

PLANNING FOR MANPOWER NEEDS IN THE UNITED STATES IN RELATION TO REFUGEES AND OTHER IMMIGRANTS

Unlike Canada, Australia and other countries which, through economic necessity have governmental programs for the recruitment of immigrants to meet manpower shortages, the United States does not have a general labor shortage. Therefore our immigration policies emphasize the reunion of families and the admittance of persons with certain skills to meet specific shortages in the American labor market as they exist from time to time. Under our laws, immigrants may come to this country to work in occupations for which the Department of Labor certifies that qualified persons are in short supply and the employment of these immigrants will not affect adversely the wages and working conditions of workers already similarly employed in the United States.

The United States Department of Labor and other government organizations at the state and local levels concentrate on seeking to match people who are already here and who are in need of work with jobs in occupational or geographic areas where there happens to be a shortage of labor at a particular time. The United States Employment Service of the Department of Labor, for example, serves local employers and job seekers in the areas where it has offices throughout the country.

With regard to refugees and other immigrants, most of the help given them is from private sources. Individual employers may make a job offer which assists in the person being admitted to this country. The voluntary relief agencies interested in immigrants undertake the sponsorship of the individual, obtain a job offer for him in the field which will be certified as a needed occupation by the Department of Labor, and help the individual to become adjusted to life in his new home. These immigrants and the agencies which sponsor them make use of organized government facilities such as the United States Employment Service, in the same manner that any American citizen seeking to obtain a job would be helped.

The Cuban refugees constitute a separate problem. From the time of the Castro takeover in 1959 until the missile crisis, Cuban refugees, after admission by the Immigration and Naturalization Service, were resettled with jobs and housing in 2,200 communities throughout the United States. This was accomplished through a center established in Miami by the Department of Health, Education and Welfare, with the cooperation of the Department of Labor, the Department of State, and the private voluntary agencies. At the present time, this center continues to help resettle the Cuban refugees who are entering this country at a rate of about 48,000 a year, largely in the communities where members of their own families had resettled before them.

At the present time, there is no similar government operation for non-Cuban refugees because the flow of these refugees to this country probably does not exceed 10,000 a year. These other refugees are being successfully absorbed through private initiative, with the help of voluntary agencies, and through established United States Government organizations such as the United States Employment Service.

Mrs. HANSEN. Thank you. Again may I say that I do hope that the United States, in participation with other nations in the world, will try to seek some better answers on this total refugee problem because there are developing economies in a great many sections of the world that need these people. Disorder and disarray in placing them only contributes to the total disorder and disarray not only in this country but in the world.

Mr. WINE. I am sure you would be interested in knowing that in that particular context the principal voluntary agencies that do the day-to-day work in this respect recognize these new conditions and the many changes that have come about. They are planning to have a worldwide conference this fall to consider these changes and to undertake more specific planning to try to meet some of these problems. This may throw some light on new programs.

Mrs. HANSEN. Thank you, Mr. Ambassador. It has been a pleasure to have your comments and presentation.

Mr. WINE. Thank you very kindly.

Mrs. HANSEN. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mrs. Hansen.

ADEQUACY OF REQUEST FOR CONTRIBUTION TO ICEM

One final question and I preface my question with these remarks: Usually legislation is a matter of compromise. That is, as to the amounts requested on the several items presented under this heading, some Members want more and some want less. As to Members not on the committee, some think it should be reduced, some think it should be increased. You have testified for the amount that you feel is sufficient to meet our commitments under the Intergovernmental Committee for European Migration? You are satisfied that the amount requested is sufficient to meet your commitments?

Mr. WINE. I can only respond to that, sir, the same as I did in the context of the question put by Mr. Shriver earlier. I would say that our information is that the expectancies of movements of people in 1968 will be increased by some 7,000 over those of the current year. At this same time we have decreased our contribution. I do not see that the other governments are going to make up the deficit. Therefore, a certain number of refugees will not be moved by reason thereof.

Mr. PASSMAN. Will you furnish the committee a table in May or June as to the movement of the refugees in Europe?

Mr. WINE. Yes, sir.

Mr. PASSMAN. If you are saying now that this is not adequate and you are not satisfied with it, why didn't you come in for a larger amount? I never have heard just that kind of an answer. It certainly makes it very confusing and I had a specific reason for asking you. Do you feel that you have requested an amount less than what you actually need to carry out our commitments or are you satisfied with this amount that you have requested?

Mr. WINE. Well, I am sure you appreciate the difficulty of my position, Mr. Chairman. The answer is that, in all candor, the budgets had to be cut and they were cut.

Mr. PASSMAN. You support the President's program?

Mr. WINE. Exactly.

Mr. PASSMAN. That this figure is adequate, the Bureau of the Budget established this figure and you agreed with it, and that is why you are testifying the way you are?

Mr. WINE. Yes, sir.

Mrs. HANSEN. They didn't have much choice.

Mr. PASSMAN. I appreciate that very much because you could triple it and there would be some people in here asking for more.

Mrs. HANSEN. We discovered in my committee these people did not have much choice.

Mr. PASSMAN. I will tell you if you look at the budget for fiscal 1968 we just wonder if they did not get their marbles mixed up.

Mrs. HANSEN. I agree.

Mr. PASSMAN. Thank you very much, Ambassador Wine and gentlemen, for your testimony today.

WEDNESDAY, MARCH 22, 1967.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ASSISTANCE TO REFUGEES IN THE UNITED STATES

WITNESSES

MRS. ELLEN WINSTON, COMMISSIONER OF WELFARE
JOSEPH H. MEYERS, DEPUTY COMMISSIONER OF WELFARE
ELMER W. SMITH, EXECUTIVE OFFICER, WELFARE ADMINISTRATION
JOHN F. THOMAS, DIRECTOR, CUBAN REFUGEE PROGRAM
HENRY A. NEIL, DIRECTOR, DIVISION OF BUDGET, OFFICE OF THE SECRETARY

CUBAN REFUGEE PROGRAM

Program and financing

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activity:			
	1. Program administration	2,011	2,264	2,270
	2. Welfare assistance and services	17,652	21,505	26,575
	3. Resettlement	4,525	5,964	5,665
	4. Education	10,392	15,172	17,199
	5. Health services	1,245	1,595	1,801
	6. Reimbursement to Dade County		994	
1010	Total program costs, funded—obligations	35,825	47,494	53,500
	Financing:			
25	Unobligated balance lapsing	6,775	4,539	
	New obligational authority	42,600	52,033	53,500
	New obligational authority:			
40	Appropriation	42,600	51,000	49,000
50	Reappropriation		1,033	4,500
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	35,825	47,494	53,500
72	Obligated balance, start of year	2,937	8,253	12,502
74	Obligated balance, end of year	−8,253	−12,502	−14,726
77	Adjustments in expired accounts	−289		
90	Expenditures	30,220	43,245	51,276

Object classification

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Personnel compensation:			
11.1	Permanent positions	650	755	755
11.3	Positions other than permanent	83	255	255
11.5	Other personnel compensation	176	50	50
	Total personnel compensation	909	1,060	1,060
12.0	Personnel benefits	43	54	54
21.0	Travel and transportation of persons	22	22	22
22.0	Transportation of things	10	5	5
23.0	Rent, communications, and utilities	298	310	316
24.0	Printing and reproduction	16	35	35
25.1	Other services	560	638	638
25.2	Services of other agencies	5,806	7,596	7,493
26.0	Supplies and materials	72	85	85
31.0	Equipment	45	18	18
33.0	Investments and loans	3,141	3,900	4,400
41.0	Grants, subsidies, and contributions	24,903	33,771	39,374
99.0	Total obligations	35,825	47,494	53,500

Personnel summary

	1966 actual	1967 estimate	1968 estimate
Total number of permanent positions	130	130	130
Full-time equivalent of other positions	14	42	42
Average number of all employees	124	165	165
Average GS grade	9.3	9.3	9.3
Average GS salary	$9,925	$10,361	$10,537

Mr. PASSMAN. The Committee will come to order.

We will now consider the appropriation request for fiscal year 1968 covering the Cuban refugee program, which is administered by the Department of Health, Education, and Welfare. We have as witnesses Dr. Ellen Winston, Commissioner of Welfare, accompanied by Mr. Joseph H. Meyers, Deputy Commissioner of Welfare, Mr. Elmer W. Smith, Executive Officer, Welfare Administration, Mr. John F. Thomas, Director, Cuban refugee program, and Mr. Henry A. Neil, Director, Division of Budget, Office of the Secretary.

Dr. Winston, it is always a pleasure to welcome you before this subcommittee. You are certainly a dedicated public official. Your statements are concise. We have found them to be factual and we rely a great deal upon your testimony in justifying this appropriation. In your several visits here you have made an impression upon, I am sure, all members of this committee and we regret to learn that you are going to leave the Federal service in a few months. We hope that you will change your mind. It won't displease members of the subcommittee if we learned that you had decided to extend your tenure in Government. But suffice it to say I would imagine you have worked pretty hard and you need some rest. So, if you do go, we wish you well.

If you are agreeable, Doctor, inasmuch as you sent your statement down several days in advance of your appearance today, and as an accommodation to you, we will insert your statement in the record, which statement we have read, and I might say, studied, and then we will ask some questions on the statement.

Is that acceptable?

Mrs. WINSTON. Yes, sir.

GENERAL STATEMENT

Mr. Chairman and members of the committee—I welcome the opportunity to present to this committee the status of the Cuban refugee program and the requirements which we have forecast for fiscal year 1968.

Federal assistance for Cuban refugees began in February 1961. From that date through the end of February 1967, 235,400 refugees have registered at our Center in Miami and over 140,400 have been resettled to over 2,200 communities in the United States. Thus, it is estimated there are approximately 95,000 refugees remaining in the Miami area. The program, which had been declining since the cessation of flights at the time of the missile crisis in October 1962, experienced a shift in the fall of 1965. This shift was marked by the inauguration of U.S. chartered flights on the basis of an agreement between the United States and the Castro regime.

CHARACTERISTICS OF REFUGEES UNDER THE NEW INFLUX

President Johnson, in an address October 3, 1965, stated that, for humanitarian reasons, first priority in refugee transportation from Cuba would be reserved for the reuniting of immeditae families. This priority was later defined as follows: parents of unmarried children under the age of 21, spouses, unmarried children under the age of 21, and brothers and sisters under the age of 21, and other close relatives in Cuba of persons now in the United States who reside in the same household as the immediate relatives, when inclusion of them is required by humanitarian consideration.

One of the major outcomes of this first priority group was the reuniting of parents or relatives with children for whom we had been providing care in this country. At the start of fiscal year 1966, and prior to the resumption of the airlift, there were over 1,800 refugee children in foster homes, or institutional care. By the end of that fiscal year, 1,200 of these children were released to parents or relatives coming into the country via the airlift. The number of children in our care decreased to 560 at the end of fiscal year 1966 and currently there are some 400 children receiving such care.

During the latter part of May 1966, the Cuban Government announced that those in the first priority A group could no longer utilize the full capacity of the airlift and requested movement of the priority B group. Priority B is composed of persons of the same immediate relationship as those covered by the priority A group, except there are no limitations due to age or marital status.

Similar to the first influx of refugees from Cuba which arrived from 1961 until the missile crisis in October 1962, present arrivals are in a state of destitution, divested of all assets by the Castro government except for changes of clothing. Many are unskilled and most cannot speak English. The services provided through the Cuban refugee program are specifically directed to these needs. Assistance in meeting basic living costs and costs of medical care are available for those who need this help. In addition, continuing efforts are made in the Miami area to provide special counseling and training to refugees to assist them to become self-supporting to the maximum extent possible.

PROCESSING OF REFUGEES

Immediately after arrival, the refugees are given a health check, a chest X-ray, and necessary immunizations. They are then registered, interviewed, and classified as to job skills. Characteristics and composition of family units are recorded along with information concerning the whereabouts of friends and relatives in the United States. Continuing the process, they are referred to one of the voluntary agencies of their choice for assistance in joining their relatives out of the Miami area.

This emphasis on resettlement has been one of the prime features of the operation of the program, particularly since the fall of 1965. In total, from October 1965 until the end of February 1967, slightly over 66,000 refugees have arrived and 50,000 have been resettled to other parts of the country. Thus, while the new influx is adding to the Miami population, the increase has been significantly limited, easing the impact on the Dade County area.

HIGHLIGHTS OF SERVICES PROVIDED TO REFUGEES

The activities financed by the Federal Government under this program include financial assistance and services to needy refugees, assistance in resettlement from the Miami area, and financial assistance to Dade County in meeting part of the costs of the elementary and secondary schools and health services. In addition, special efforts are made to provide services and training to assist the refugees remaining in Miami to become self-supporting to the greatest extent possible. This is done by counseling with refugees, and by providing special English and vocational training for the adults as well as special retraining for refugees with professional backgrounds to fit them for shortage skills in this country. Provision is also made for student loans similar to those available to American citizens.

In administering the program, full use is made by the Welfare Administration of the services of the Office of Education, the Public Health Service, and the Bureau of Employment Security of the Department of Labor. In addition, services of several private agencies, the Florida State Department of Public Welfare, the Dade County Health Department, and other State and local welfare agencies are utilized.

1967–68 BUDGET

The fiscal year 1967 appropriation for the program was $51 million, excluding the special retroactive reimbursement for health services rendered by Dade County. It is now estimated that $4.5 million of the appropriation will not be needed for fiscal year 1967. This balance results primarily from the fact that the new airlift did not start as soon as had been anticipated when the 1967 budget request was prepared, resulting in fewer refugees requiring assistance during fiscal year 1967. The President's budget proposes that this unobligated balance of $4.5 million be made available for fiscal year 1968 requirements through a reappropriation. Together with an additional appropriation of $49 million requested for 1968, this amount will provide a total of $53.5 million to meet 1968 estimated needs. Thus, the 1968 budget requests a net increase of approximately $7 million over the 1967 program level.

Before explaining our requirements for fiscal year 1968, I would like to point out some differences in the current proposals from those printed in the President's budget. A recent review of program trends for fiscal years 1967 and 1968 has convinced us that the overall fund requirements will be the same as those included in the President's budget. However, we have made changes in the distribution of amounts by activity from those which appear in the President's budget. These proposed changes have been approved by the Bureau of the Budget. They were necessitated by increased requirements for assistance to Dade County public schools due primarily to a larger than anticipated enrollment of children from the new influx, and an increase in per pupil costs. This unanticipated increase in the education activity has been offset primarily by (1) the need for a lower than expected average monthly financial assistance payment to refugees in Miami; (2) a lower number of hospital cases a month than originally anticipated; (3) a reduction in the fee paid to the private agencies for resettlement; and (4) a slight reduction in the number of persons estimated to be resettled.

RECEPTION, REGISTRATION, AND CLASSIFICATION OF REFUGEES

The task of receiving, registering, and classifying refugees is carried out at our refugee center in Miami and by auxiliary facilities near the airport. These activities cover medical examinations, referral for resettlement, and referral to the welfare agency if the refugee is staying in Miami and is in need of assistance. In addition, the counseling of those refugees who remain in Miami to encourage them to enter classes for training is carried out at the Miami center. Another important element of the center is a data processing operation which enables the matching of the names of refugees who have relatives in this country with those names on lists submitted by the Cuban Government. Use is also made of these lists by the Immigration and Naturalization Service, the State Department, resettlement agencies, and others to facilitate and expedite the airlift and related operations. The data accumulated are also used periodically to develop profiles of the population registered in Miami. These profiles are used to plan activities to meet special vocational training needs and to explore potentials for additional resettlement possibilities. The budget assumes that 48,000 refugees a year will arrive in this country in both fiscal years 1967 and 1968. Of this total 44,000 will enter this country on the airlift and 4,000 will arrive by other means.

The budget estimate for this operation, including a small staff at the Washington headquarters, is a little over $2 million for both fiscal years 1967 and 1968.

WELFARE ASSISTANCE AND SERVICES

For fiscal year 1968, we estimate that $26.6 million will be required for welfare assistance and services to the refugees. This is a net increase of about $5.1 million over the $21.5 million estimated for 1967. Funds requested for this category include the cost of financial assistance, hospitalization, and packaging and distribution of surplus foods for needy refugees in the Miami area; transitional resettlement allowances; care of children whose parents are not in this country; assistance to needy refugees who have been resettled to other States; and certain State administrative costs. Major increases in costs for these services between 1967 and 1968 are for financial assistance and hospitalization for needy refugees in the Miami area and for assistance to needy refugees who have resettled away from Florida.

Requirements for financial assistance payments to needy refugees in Miami are estimated at $11.4 million for 1968, an increase of $2.8 million over the 1967 estimated requirements. At the start of fiscal year 1967, there were almost 14,500 refugees in Miami who required financial assistance. With the arrival of the second priority there has been an increase in the number of refugees in the upper age brackets. Thus, the number requiring financial assistance in Miami will increase. For the first 6 months of this fiscal year, there has been a net average increase of 496 persons a month requiring assistance. Payments are averaging $40 a month per person. We estimate that 20,500 persons will be in need of assistance in Miami by the end of fiscal year 1967 and that 26,500 persons will be in need by the end of fiscal year 1968.

For hospitalization of persons receiving financial assistance in Miami, we estimate that about $2.8 million will be required for 1968, an increase of about $800,000 over 1967. This increase is partially due to the increase in the number of needy persons requiring inpatient hospital services in Miami and partially due to rising costs. On December 1, 1966, payments for these services were shifted from a negotiated fee basis to reimbursement on a reasonable cost basis analogous to that provided under the medicare program.

Assistance to refugees who are moved out of Florida takes the form of transitional allowances at the time they are resettled and assistance for those who are in need after they resettle. Transitional allowances, representing 1 month's financial assistance payment, are paid to those refugees who are resettled from the financial assistance rolls in Miami. In addition, the same type of payment is given to airlift refugees who resettle immediately if they need such assistance. It is estimated that 28,000 persons will be provided such allowances in both fiscal years 1967 and 1968 requiring about $1.2 million for this purpose.

An increase of almost $1.6 million is estimated to provide assistance for needy refugees who have been resettled out of Florida, requiring a total of $8.4 million for these purposes in 1968. By the end of fiscal year 1968, we will have resettled 194,000 refugees to the various States, 99,000 of whom will have been resettled since the new influx started. Because of the need for rapid resettlement away from Miami upon arrival, many of the new influx refugees will not have the same basis for establishing themselves in their new communities as will those who have received special counseling and training in Miami. While some of them will have relatives who can support them, it is evident that we must expect an increase in the number who will require temporary assistance. Nevertheless, although the number of persons requiring such assistance is estimated to increase, the total is estimated to be only about 5 percent of all persons resettled as compared with 3.7 percent in fiscal year 1966.

Relatively small increases in funds are estimated to be required for expenses of the State of Florida in administering the financial assistance program, and for the distribution of surplus commodities. These increases are both related to the estimated rise in the number of persons receiving financial assistance in Miami.

A decrease of $283,000 is estimated for expenses of foster home and group care of unaccompanied children. The average monthly number of children receiving such care is estimated to be 485 in fiscal year 1967 and 360 in fiscal year 1968.

RESETTLEMENT

Cooperating with the Federal Government in the resettlement of Cuban refugees outside the Miami area are four private nonprofit agencies. These are Church World Service (Protestant), U.S. Catholic Conference, United HIAS Service (Jewish), and the International Rescue Committee (nonsectarian). These agencies have a long history of service in the refugee field. We estimate that resettlements will total about 39,000 in fiscal year 1968, the same number as estimated for 1967. However, due to the full year effect of a decrease in the rate

paid to the agencies for resettlement which was effective January 1, 1967, we anticipate a reduction of $309,000 in this activity.

EDUCATION

Educational services, including elementary and secondary schooling in Dade County; vocational and English training for adults in Dade County; the college student loan program, and special professional training and placement activities are estimated to cost about $17.2 million in 1968, an increase of about $2 million over the 1967 estimated requirements.

The largest increase, $1.4 million, supports elementary and secondary education provided by the Dade County public schools. This increase is primarily associated with the cost of education for children is the new influx group. The current policy is to provide for reimbursement to Dade County of 100 percent of the current operating costs for children associated with the new influx; that is, those who entered the county since October 3, 1965. In addition, a one-time reimbursement of $600 is made for the net increase in membership associated with the new influx in order to provide funds for facilities. With respect to other refugee children, we are continuing the policies in effect just prior to the new influx. Under these policies, we pay 60 percent of current expenses for children from financial assistance families and 45 percent of current expenses for children from nonfinancial assistance families.

By the end of fiscal year 1966, there were 17,000 refugee children enrolled in the Dade County schools. At the start of the first semester this fiscal year, the number had increased to 18,700. By the end of the current fiscal year, it is estimated that 20,800 children will be enrolled and this number will increase to 24,000 by the end of fiscal year 1968.

The other increases in the education activity for 1968 are $500,000 for student loans and $154,000 for English and vocational training. The number of students seeking loans each year has been steadily increasing. In 1966, loans were received by 3,600 students. We expect to make 4,200 student loans in 1967 and 4,500 in fiscal year 1968. We are also estimating an increase in the amounts required for English and vocational training because there will be a larger number of refugees in Miami.

Requirements for special professional training are estimated at $500,000, the same level as in 1967. Projects developed with these funds provide for refresher or reorientation training of persons who have professional backgrounds such as doctors, dentists, teachers, and lawyers. Such training helps utilize the skills of these persons to their fullest and helps alleviate shortages of manpower in this country.

HEALTH SERVICES

To protect the health of the community as well as that of the Cuban refugees, the Federal Government has participated in the financing of health services for the refugees in Miami. These activities include maintenance of a health clinic at the refugee center and payment for outpatient services by local hospitals when these services cannot be rendered at the center clinic. Both of these services are available

only to refugees receiving financial assistance. In addition, we pay for long-term hospitalization of mental and tuberculosis cases. It is estimated that requirements for health services will be about $1.8 million in 1968, an increase of $206,000 over 1967.

That concludes my statement. If you have any questions, my associates and I will try to answer them.

SUMMARY OF 1968 BUDGET

Mr. PASSMAN. Thank you, Doctor. We will insert in the record at this point pages 5 through 9 from the justifications.

(The pages follow:)

Summary of changes

1967 enacted appropriation	$52,032,997
Unobligated balance	−4,538,997
1967 total estimated obligations	47,494,000
1968 estimated obligations	53,500,000
Total change	+6,006,000

	Base		Changes from base	
	Position	Amount	Position	Amount
Increases:				
Program:				
1. Assistance to Cuban refugees in Miami		$13,919,000		$3,980,000
2. Assistance to needy resettled Cuban refugees		6,859,000		1,579,000
3. Assistance to Dade County public schools for Cuban refugees		10,772,000		1,527,000
4. Assistance to Cuban refugee college students		3,900,000		500,000
5. Program administration		2,264,000		6,000
Total increase				7,592,000
Decreases:				
A. Care of unaccompanied Cuban refugee children		1,065,000		−283,000
B. Resettlement		5,964,000		−309,000
C. Reimbursement to Dade County for health services		994,000		−994,000
Total decrease				−1,586,000
Total, net change requested				+6,006,000

EXPLANATION OF CHANGE

The increase of $3,980,000 for assistance to Cuban refugees in Miami consists of $2,815,000 for financial assistance, $21,000 for the distribution of surplus commodities, $206,000 for health services, $835,000 for hospitalization, and $103,000 for State administrative costs. The increases are necessary to provide for a larger number of refugees requiring assistance in Miami as a result of the new influx of refugees from Cuba which started during fiscal year 1966.

While estimates are that between 70–75% of the 44,000 refugees expected to arrive on the airlift in fiscal year 1967 and 1968 will be resettled out of the Miami area within a few days of their arrival, many of those that remain in Miami will require assistance. At the end of fiscal year 1966, about 14,500 persons in Miami required financial assistance. By December 31, 1966, this number had increased to 17,458. By the end of fiscal year 1967, it is estimated that the number will increase to 20,500 and by the end of fiscal year 1968, it is estimated that the number will increase to 26,500.

The increase of $1,579,000 estimated for assistance to those refugees who have resettled from the Miami area is based on an increase in the total number of refugees resettled to various parts of the country. By the end of fiscal year 1966, a total of 116,008 persons had been resettled out of the Miami area. By the end of fiscal years 1967 and 1968, it is estimated that this number will increase to 155,008 and 194,008 respectively. Estimates are that a monthly average of about 7,600 persons who have been resettled will require assistance in fiscal year 1967; for fiscal year 1968, the estimate is 9,400 persons.

The increase of $1,527,000 for assistance to Dade County public schools is for an increased number of Cuban refugee children in the school system. The increase of $500,000 for assistance to Cuban refugee college students is for an estimated increase in the number of refugee students who will apply for loans.

The increase of $6,000 for program administration is for increased space costs in Miami.

The decrease of $283,000 for the care of Cuban refugee children whose parents are either dead or not in this country results from an estimated reduction of the number of children requiring care from 400 at the end of fiscal year 1967 to 300 at the end of fiscal year 1968. While some children are dropped from care because they become of age, some others are taken into care because of deaths or broken homes.

The decrease of $309,000 estimated for resettlement results from a decrease in the average cost per resettlement due primarily to a decrease in the fee paid to the private agencies from $100 a person to $80 a person effective January 1, 1967.

The decrease of $994,000 shown as a riembursement to Dade County for health services results from a one-time payment to the County.

Changes by activity from the President's Budget reflect increased requirements for Assistance to Dade County Public Schools due primarily to a larger than anticipated enrollment of children from the new influx and an increase in salaries for school staff. This unanticipated increase in the Education activity has been offset primarily by (1) the need for a lower than expected average monthly financial assistance payment to refugees in Miami; (2) a lower number of hospital cases a month than originally anticipated; (3) a reduction in the fee paid to the private agencies for resettlement; and (4) a slight reduction in the number of persons estimated to be resettled out of Miami because the airlift is expected to bring 44,000 refugees to Miami rather than the 48,000 originally estimated.

Assistance to refugees in the United States

	Budget estimate to Congress	House allowance	Senate allowance	Appropriation
1963	$70,110,000	$55,000,000	$70,110,000	$70,110,000
1964	70,000,000	[1] 56,000,000	[1] 39,717,137	[1] 39,717,137
1965	45,400,000	45,400,000	[2] 34,800,000	[2] 34,800,000
1966	[3] 32,265,000	32,265,000	30,000,000	30,000,000
1966 supplemental	12,600,000	12,600,000	12,600,000	12,600,000
1967	51,000,000	[4] 51,000,000	[4] 51,000,000	[4] 51,000,000
1968	[5] 49,000,000			

[1] Plus unobligated funds, estimated to be $14,082,863, on hand as of June 30, 1963.
[2] Plus unobligated funds, estimated to be $7,600,000, on hand as of June 30, 1964.
[3] Reflects reduction of $2,135,000 contained in H. Doc. 138.
[4] Plus $1,032,997 of prior year unobligated funds.
[5] Plus $4,500,000 of prior year unobligated funds.

Assistance to refugees in the United States—Summary, 1968 budget request

	1966 actual	1967 estimate	1968 estimate	Increase (+) or decrease (−)
1. Program administration	$2,011,259	$2,264,000	$2,270,000	+$6,000
2. Welfare assistance and services:				
Financial assistance to needy refugees in the Miami area	7,558,990	8,585,000	11,400,000	+2,815,000
Transitional resettlement allowances	760,000	1,182,000	1,182,000	
Assistance to needy resettled regugees	3,870,300	6,859,000	8,438,000	+1,579,000
Unaccompanied children	3,173,500	1,065,000	782,000	−283,000
Distribution of surplus commodities	56,000	65,000	86,000	+21,000
Hospitalization	1,100,000	1,952,000	2,787,000	+835,000
State administration	1,133,000	1,797,000	1,900,000	+103,000
Total, welfare assistance and services	17,651,790	21,505,000	26,575,000	+5,070,000
3. Resettlement	4,525,000	5,964,000	5,655,000	−309,000
4. Education:				
Assistance to Dade County public schools	6,044,996	9,723,000	11,096,000	+1,373,000
Vocational training	988,400	1,049,000	1,203,000	+154,000
Assistance to college students	3,140,637	3,900,000	4,400,000	+500,000
Professional training	217,847	500,000	500,000	
Total, education	10,391,880	15,172,000	17,199,000	+2,027,000
5. Health services:				
Refugee health clinic and outpatient services	1,009,668	1,330,000	1,470,000	+140,000
Maternal and child health, and school health prozram	75,000	75,000	75,000	
Hospitalization for long-term illness	160,000	190,000	256,000	+66,000
Total, health services	1,244,668	1,595,000	1,801,000	+206,000
6. Reimbursement to Dade County		994,000		−994,000
Total obligations	35,824,597	47,494,000	53,500,000	+6,006,000

Mr. PASSMAN. Your fiscal 1968 estimate as it will apply to new spending authority is $49 million; is that correct?

Mrs. WINSTON. Yes.

REAPPROPRIATION OF FUNDS

Mr. PASSMAN. You are also asking for reappropriation of the unobligated funds at the end of fiscal 1967 in the estimated amount of $4,500,000. Is that correct?

Mrs. WINSTON. Correct.

Mr. PASSMAN. This would give you a net increase over 1967 of $1,467,003; is that right?

Mr. SMITH. Mr. Chairman, that is correct.

OBLIGATIONS AND UNOBLIGATED BALANCE, FISCAL YEAR 1967

Mr. PASSMAN. How firm is the estimate of the unobligated funds for fiscal 1967 that you list in your justification as $4.5 million?

Mrs. WINSTON. We think this is a very firm figure at this point.

Mr. PASSMAN. When did you arrive at this figure as being the correct amount?

Mr. SMITH. The figure was originally arrived at in the second quarter of this current fiscal year, but it was just subjected to a review within the last 3 weeks.

Mr. PASSMAN. What was the estimate during the first two quarters when you arrived at the first figure?

Mr. SMITH. At that time we had $51 million available and we took the program trends as they had developed for the first two quarters or were developing and projected them for the year. We came up with a balance of $4.5 million. As I say, within the past 3 weeks we have examined the estimate again and confirmed that this would be the balance.

Mr. PASSMAN. What are your obligations as of some recent date?

Mr. SMITH. As of the end of February, Mr. Chairman, the obligations are $23.7 million. Now, this figure does not include certain amounts; for example, for the contract for education in Dade County because we had not entered into the contract for the year at that point in time.

Mr. PASSMAN. That represents only about 48 percent of your total appropriation with 7 months behind you. Now, how about your contracts for education in Dade County, what is the estimate on that?

Mr. SMITH. The estimate is that the accrued liability through February was $7.4 million. That is, had we——

Mr. PASSMAN. Does that take in most of the school year?

Mr. SMITH. Yes. That takes in the school year up through the end of February.

Mr. PASSMAN. All right. That is 7 months. What is the grand total of obligations including those commitments?

Mr. SMITH. Including those and other accrued liabilities it would be $31.9 million.

ESTIMATED COMPARED WITH ACTUAL 1967 OBLIGATIONS

Mr. PASSMAN. Thank you. Doctor, in last year's budget request you estimated that the 1967 program would utilize a net of $4.5 million more than the amount you are now attempting to justify for fiscal 1967. In last year's budget two of your five activities were overstated as follows: Welfare assistance and services, $6,096,000; resettlement, $1,232,000. Have I read those into the record correctly?

Mr. SMITH. Yes, sir.

ESTIMATED COMPARED WITH ACTUAL REGISTRATIONS

Mr. PASSMAN. Would you furnish for the record a comparison between your original 1966 estimates of the number of refugees to be registered under the program with the number actually registered in your 1966 and your current estimates for fiscal years 1967 and projected into 1968?

Mrs. WINSTON. Yes, sir; we will be glad to do that and to give an explanation. As you well know, this is a program that is very difficult to project.

Mr. PASSMAN. I understand that. As long as we state it correctly for the record you have no objections, do you?

Mrs. WINSTON. No, sir.

(The information follows:)

ESTIMATED AND ACTUAL REGISTRATIONS

For fiscal year 1966, we estimated that 36,700 persons would be registered. Actual registrations were 29,548, primarily because the airlift did not start until December whereas it was contemplated to start in October. For fiscal years 1967 and 1968, we are currently estimating that 48,000 refugees will be registered each year.

REGISTRATIONS, RESETTLEMENTS, APPROPRIATIONS, AND UNOBLIGATED BALANCES

Mr. PASSMAN. Would you furnish for the record the total number of refugees processed by fiscal years since the inception of this operation, along with the total appropriations for each year and the unobligated amounts at the end of each fiscal year?

Mrs. WINSTON. Yes, Mr. Chairman.

(The information may be found at page 233.)

Mr. PASSMAN. In last year's budget request for fiscal 1967 you anticipated no unobligated balance. Is that correct?

Mr. SMITH. That is correct.

Mr. PASSMAN. In this request you have indicated new language which would provide for the reappropriation of $4.5 million of unobligated balances from fiscal 1967. Is that correct?

Mr. SMITH. Yes.

Mr. PASSMAN. That means you have missed it by about 13 to 14 percent. Is that correct?

Mr. SMITH. Yes, sir. Primarily due to the fact that the new airlift was delayed last year. We did not have as many people on the financial assistance rolls as of June 30 as we had originally anticipated and this is one of the primary reasons for the decrease.

Mr. PASSMAN. Please furnish for the record the actual unobligated balance, if any, for each fiscal year since the inception of the program.

Mr. SMITH. Yes, sir.

(The information follows:)

	Fiscal year 1961 actual	Fiscal year 1962 actual	Fiscal year 1963 actual	Fiscal year 1964 actual	Fiscal year 1965 actual	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 estimated
Number of persons registered:								
During fiscal year	29,628	95,098	40,870	6,976	5,027	29,548	48,000	48,000
Cumulative at end of fiscal year	29,628	124,726	165,596	172,572	177,599	207,147	255,147	303,147
Number of persons resettled:								
During fiscal year	4,668	27,587	30,233	16,742	10,157	26,606	39,000	39,000
Cumulative at end of fiscal year	4,668	32,255	62,488	79,230	89,402	116,008	155,008	194,008
Appropriation (in thousands):								
Of new funds	(1)	(2)	$70,110	$39,717	$34,800	[3] $42,600	$52,033	$49,000
Of prior year unobligated balance				14,083	7,600			4,500
Total available for obligation	$4,089	$38,502	70,110	53,800	42,400	42,600	52,033	53,500
Obligations incurred (in thousands)	4,089	38,502	56,027	46,011	32,532	35,825	47,494	53,500
Unobligated balance (in thousands)			14,083	7,789	[4] 9,868	6,775	4,539	

[1] Program financed and carried out under authorities contained in Mutual Security Act of 1954, as amended.

[2] Program financed and carried out under authorities contained in Mutual Security Act of 1961.

[3] Includes $12,600,000 supplemental appropriation.

[4] Does not reflect $2,589,000 transferred to other accounts for pay act, leaving unobligated balance at $7,279,000.

DECREASE IN ESTIMATED NEW REGISTRATIONS

Mr. PASSMAN. The President's budget estimate for the program is predicated upon 52,000 new registrations in fiscal 1967 and 1968, but this budget justification seems to be predicated upon 48,000 refugees, and there is no reduction evident in your presentation.

REPROGRAMING OF FUNDS

Mrs. WINSTON. You will recall, sir, in our statement which was filed in the record that we have indicated that some reprograming was necessary, and this is detailed in the prepared statement.

Mr. PASSMAN. Did you discuss that with the Director of the Budget?

Mrs. WINSTON. Yes, sir.

Mr. PASSMAN. You know, each year we find ourselves more and more adrift. On page 5 of your statement, and I might quote this so I would not be accused by any person of reading out of context, beginning with the second paragraph:

> Before explaining our requirements for fiscal year 1968, I would like to point out some differences in the current proposals from those printed in the President's budget. A recent review of program trends for fiscal years 1967 and 1968 has convinced us that the overall fund requirements will be the same as those included in the President's budget. However, we have made changes in the distribution of amounts by activity from those which appear in the President's budget. These proposed changes have been approved by the Bureau of the Budget.

Now, we just wonder whether the Bureau of the Budget is running this show or whether the Congress is running it. I know the trend has been for the Congress to abdicate to the Executive but I certainly don't like to see witnesses pick it up and concur in that philosophy.

Mrs. WINSTON. Well, actually, sir, there is reprograming in the reqest which we are now bringing to you for action.

Mr. PASSMAN. And none in the 1967 budget?

Mr. SMITH. Yes, there is programing in 1967 also. There is reprograming in both years.

Mr. PASSMAN. Yes.

Mrs. WINSTON. There is some reprograming in 1967, but our main concern is with the 1968 reprograming.

Mr. SMITH. Right. We indicated, Mr. Chairman, that these were proposed changes, indicating our understanding that, of course, we would be subject to the approval of this subcommittee as well as the executive branch. We just wanted to indicate that in making this redistribution we had acted under the Antideficiency Act and did have the approval of the Bureau of the Budget.

Mr. PASSMAN. Where is that indicated in this testimony?

Mr. SMITH. It is indicated when we say "These proposed changes have been approved by the Bureau of the Budget."

Mr. PASSMAN. How about the Congress?

Mr. SMITH. That is the reason we use the language, "the proposed changes," sir.

Mrs. WINSTON. We are now presenting them to your committee.

Mr. PASSMAN. Thank you.

Mrs. WINSTON. You know, Mr. Chairman, that we must go to the Bureau of the Budget for approval of the figures that we present to you.

Mr. PASSMAN. You have to go there. We can either ignore the Budget or follow their recommendations. As far as I am concerned, I am getting ready to ignore a lot of their recommendations because they are not "holier than thou." The Bureau of the Budget prepared this "Budget in Brief" and I don't believe the man who prepared it could read it. They have it all mixed up. You have to read to page 60 to get the proper analysis of the budget. It is a different format. It is one of the cleverest pieces of deceit I have ever read. Unless you are willing to read through to page 60 of this Budget in Brief, you actually do not have a breakdown of what the budget is all about. They have just mixed it all up. They have made, what we call in Louisiana, a "Mulligan" stew. Did you see this so-called Budget in Brief?

Mr. SHRIVER. Yes; I have seen it.

Mr. PASSMAN. This is deceit of the first order.

Mr. SHRIVER. I agree.

Mr. PASSMAN. Deception might be better. I don't want to apply it to any individual because I don't know who is telling whom to do what and when.

PROGRAM ADMINISTRATION

Your estimate for program administration is $2,227,000, an increase of $6,000 above the 1967 allocation; is that correct?

Mr. SMITH. Yes.

Mrs. WINSTON. Yes.

Mr. PASSMAN. How much money did you justify for this program in last year's request?

Mr. SMITH. Sir, that amount was $2,031,000—I am sorry, that is incorrect—$2,049,000.

Mr. PASSMAN. How much money did you justify for this particular program for fiscal year 1967?

Mr. SMITH. We justified in our estimate to the Congress $2,049,000.

Mr. PASSMAN. What did you allocate?

Mr. SMITH. We have allocated for this fiscal year $2,264,000.

Mr. PASSMAN. Is that an increase?

Mr. SMITH. Yes.

Mr. PASSMAN. What amount?

Mr. SMITH. $215,000.

Mr. PASSMAN. What part of that represents the increase in pay cost?

Mr. SMITH. $32,000, sir.

Mr. PASSMAN. That is $188,000 difference.

Mr. SMITH. Right.

Mr. PASSMAN. What does that go for?

PAYMENT OF OVERTIME TO STAFF IN MIAMI

Mr. SMITH. Of the increase, Mr. Chairman, much of it went for overtime at the Center. The flights that come in frequently come in after regular working hours.

Mr. PASSMAN. What do they do while they are waiting for the flights to come in?

Mr. SMITH. I will ask Mr. Thomas to answer that.

Mr. THOMAS. We try to stagger the staff. If we know that a flight is going to be late, we try to stagger the staff so they can work at the Center instead of being out at the airport. But sometimes we don't have information about the flight being late until it comes in and this causes some overtime. Sometimes in the processing of the groups that are coming in, sir, there are some difficult cases involved. Some cases take longer for immigration, longer for our customs and our medical people to interview. Such things as these cause certain increases in cost.

Mr. PASSMAN. How much did you pay for overtime during the first 7 months?

Mr. THOMAS. We have reduced it considerably mainly because our experience of processing the people enables us to take some shortcuts.

Mr. PASSMAN. We are trying to help you find where you spent $183,000. How much of that represented overtime, which you mentioned?

Mr. SMITH. I am sorry, I don't have it broken down.

Mrs. WINSTON. We can get it for the record.

Mr. PASSMAN. How many people are involved?

Mrs. WINSTON. We have 130 permanent-type employees.

Mr. PASSMAN. I mean down at the airport playing pinochle waiting for the airplanes to come in.

Mrs. WINSTON. They do not do that.

Mr. THOMAS. No, sir. It is a rather complex operation. We are constantly working with people who have already been admitted.

Mr. PASSMAN. You said it was primarily waiting for the planes to come in.

Mr. THOMAS. This was just one factor.

Mr. PASSMAN. Let's hear the other factors.

Mr. THOMAS. The other factor is concerned with the whole processing of the people. The list of people comes in with the plane. If the plane is delayed we don't get the manifest of people until the plane arrives. We then have to pull records at the center downtown to get them to the voluntary agencies in time for interviews.

Mr. PASSMAN. Have you not had that same problem ever since you have had this program?

Mr. THOMAS. Yes, sir, since the airlift.

Mr. PASSMAN. How long have you had the airlift?

Mr. THOMAS. Since December 1, 1965.

Mr. PASSMAN. And you plan for these delays?

Mr. THOMAS. We try to prepare for them and we have cut down the overtime considerably.

Mr. PASSMAN. My point is that you have spent $215,000, and only $32,000 represented actual pay costs. So you are dealing with the same problems every year and it appears to me to be a sizable sum to underestimate for the administration expense.

ALTERATION OF RECEPTION FACILITIES IN MIAMI

Mr. SMITH. Mr. Chairman, I can give you a listing. I am sorry I don't have it broken down this way. Among other items will be certain nonrecurring costs for altering facilities in Miami, for example.

Mr. PASSMAN. Altering what kind of facilities?

Mr. SMITH. Reception facilities and facilities for——

Mr. PASSMAN. Now you are getting into construction. Does that come under administration?

Mr. SMITH. It is alteration and repairs.

Mr. PASSMAN. How much for alterations and repairs?

Mr. SMITH. There is $110,000 for alterations and repairs for fiscal year 1967.

Mr. PASSMAN. What did you alter and what did you repair?

Mr. SMITH. In addition to the regular nonrecurring repairs there was a move from the Opa-Locka facility where the refugees had been received, to a building near the airport adjacent to the dormitory.

Mr. PASSMAN. You did not contemplate that when you were before the committee last year.

Mr. SMITH. No. The facility was unavailable at the time.

INCREASED MAINTENANCE COSTS

Mr. PASSMAN. Now we have $83,000, or $73,000 left. What did that go for?

Mr. THOMAS. We had increases in the maintenance at three facilities, sir. We had the dormitory, Freedom House——

Mr. PASSMAN. What is Freedom House?

Mr. THOMAS. Seventy-five percent of the people who come in on the airlift are moved out directly to join their relatives. But we can't move them out on that same day. So we have a hostel right at the airport where we house them overnight.

Mr. PASSMAN. Hasn't that been true in the past?

Mr. THOMAS. Since December 1, yes, sir. But when you have 250 to 300 people going through an installation daily there are problems.

Mr. PASSMAN. The Freedom House and Opa-Locka were both in the 1967 budget, though, were they not?

Mr. THOMAS. Yes.

Mr. PASSMAN. We are trying to find out where the extra money went.

Mr. SMITH. There are additional costs for the Immigration and Naturalization Service. For example, $30,000 between 1966 and 1967.

Mr. PASSMAN. Don't mix it up with 1966. We are talking about the excesses in 1967 over and above what you justified to this committee last year at this time.

Mr. SMITH. Yes, sir.

Mr. PASSMAN. So far we have only been able to pin down the $32,000 in Pay Act costs. Now you have overtime, and these two projects you mentioned that you spent money for, you had them in your 1967 budget.

Furnish it for the record.

Mrs. WINSTON. We will furnish the detail for the record, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

(The information follows:)

The budget request to the Congress for Fiscal Year 1967 estimated requirements of $2,049,000 for Activity 1, Program Administration. It is now estimated

that $2,264,000 will be required for this activity for fiscal year 1967, an increase of $215,000. The changes are in the following items of expense:

Object of expense	1967 estimate to Congress	1967 revised estimate	Change
Salaries for permanent positions	$796,000	$755,000	−$41,000
Salaries for temporary positions	25,000	255,000	+230,000
Overtime	50,000	50,000	
Total salaries	871,000	1,060,000	+189,000
Personnel benefits (civil service retirement, social security, health insurance)	40,000	54,000	+14,000
Travel	20,000	22,500	+2,500
Other services (includes items such as meals and linen for incoming refugees; guard service; reimbursement for maintenance and repair of equipment; reimbursement to GSA for cleaning and labor service; trash removal; alterations and renovations)	[1] 621,000	637,500	+16,500
Office supplies and materials	90,000	85,000	−5,000
Equipment	20,000	18,000	−2,000
To	1,662,000	1,877,000	+215,000

[1] A $37,000 item included in other services in the congressional request should have been included in the item services of other agencies This item has been deleted for comparative purposes.

The largest change between our estimate to Congress and estimates of what will now be required for fiscal year 1967 is for salaries and results from a lack of experience (at the time the estimate was prepared in December 1965) with the type of operation which would be necessary to move refugees out of Miami as quickly as possible after they arrive. Under the previous airlift operation, all incoming refugees were taken to downtown Miami where they were processed and where most of them were given financial assistance until resettlement arrangements could be made for them or until they could become self supporting. With the advent of the current airlift in December 1965, and the need to effect immediate resettlement away from Miami of large numbers of refugees, it became important to keep those who are leaving immediately or the next day, out of the downtown Miami Cuban community. For this reason, processing of those refugees who are staying only until plane flights can be arranged for them is performed at the airport and facilities to feed them and keep them overnight, if necessary, are also maintained at the airport.

When the 1967 budget request was prepared, which was in December of 1965, the new influx of refugees had just started to arrive and operations of the reception center at the airport and the dormitory facilities were just getting underway. At the time the budget request was prepared, it was estimated that 130 permanent type positions and 5 temporary positions would be sufficient to administer the program. This proved to be an underestimate of staffing needs. Many hours of overtime were required and even with this, backlogs were building up in the data processing operation, in verifying names for the airlift lists, and refugees were remaining longer than necessary at the dormitory until transportation arrangements could be made for them. For the months of January, February, and March of 1966, $72,000 was required for overtime. To continue this method of operation would have meant that about $290,000 in overtime would have been required on an annual basis. Also, employee efficiency was being affected because many of the employees had been required to work overtime for sustained periods of time. To determine how to alleviate this situation, a thorough review was made of the job requirements of the 3 installations. This review resulted in the reduction of the grades of some of the 130 positions that had been included in the estimate to Congress because it was found, after several months of experience with the new operation, that some of the work could be done with lower grades of personnel than previously estimated. The grade reductions, offset by the cost of the pay act, resulted in the decrease of $41,000 shown above for permanent type positions.

At the same time, use of temporary employees was started in lieu of the large number of overtime hours that were being required. The use of temporary employees has not exceeded 57. Their use makes it possible to terminate appointments on short notice and permits flexibility in staffing.

To summarize, total salary requirements for fiscal year 1967 are now estimated at $189,000 more than originally estimated in the request to Congress.

This compares to an estimated increase of $240,000 for overtime if the use of temporary employment had not been instituted.

The increase of $14,000 reflected in the above table for personnel benefits is associated with the increase estimated for temporary positions. This item of expense covers the Federal Government share of payments to the Civil Service Retirement fund, the Social Security Insurance fund, and for health insurance. The increase of $2,500 for travel results primarily from the need to detail data processing experts from the Social Security Administration in Baltimore to Miami to review and streamline the data processing system at the Cuban Refugee Center. The increase of $16,500 in Other Services for repairs and alterations results primarily from an unanticipated move of the reception center from the Opa-locka landing field to a facility adjacent to the dormitory at the airport. The maintenance of these two facilities adjacent to one another permits better control of the refugees and helps speed up processing because the whole plane load of incoming refugees can be transported at one time rather than to have to transport in small segments as heretofore when part of the services for the refugees was performed at the place of landing.

DATA PROCESSING STAFF

Mr. PASSMAN. What is the current cost and size of your data processing staff?

Mrs. WINSTON. For 1967, in round figures, the cost of data processing activities is $169,000. We have the staff which is divided between the permanent staff, who work full time and the temporary staff. Of course, personnel costs are the big thing here and you have to have skilled people on it.

The other major item is the rental of the machinery itself.

Now, we think we have made tremendous progress in the way we handle the data processing. For example, at one time we were producing many more cards than we fully utilized. We borrowed an expert from the Social Security Administration, to go down to Miami and help us make the data processing activities as streamlined an operation as possible.

WELFARE ASSISTANCE AND SERVICES

Mr. PASSMAN. Doctor, the estimate for welfare assistance and services is $26,575,000 for fiscal 1968; is that correct?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. What is the increase in the number of refugees that you will handle in 1968 over 1967?

Mrs. WINSTON. We are estimating that 20,500 persons will be in need of assistance in Miami by the end of fiscal year 1967.

Mr. PASSMAN. How does that compare with last year?

Mrs. WINSTON. It is higher, sir. As you know, we once had a substantially higher figure. We were able, however, through our resettlement efforts to reduce it very sharply. Now with the new airlift, and with a shift in the categories of people coming in the more likely we are to bring in some older people who are more difficult to resettle, who have to go on assistance.

Mr. PASSMAN. You missed my question. What is the number in fiscal 1967 compared to fiscal 1968?

Mrs. WINSTON. We have to estimate year-end figures here. The year-end figure for assistance for 1966, which might be the better figure to start from——

Mr. PASSMAN. No, no; I do not want that.

Mrs. WINSTON. You want it for 1967? All right. Our year-end figure is 20,500.

Mr. PASSMAN. Compared to how many now projecting it to this fiscal year?

Mrs. WINSTON. 26,500 persons.

Mr. PASSMAN. You are asking for an increase of $5 million?

Mrs. WINSTON. We are asking for an increase of 6,000 persons. Actually we have a little offset here in terms of the fact that these cases are costing a little less than we had anticipated. As you know, we figure the payments to them on the same basis that we figure the assistance for the regular welfare program.

Mr. PASSMAN. Yes; I am trying to get the increase in dollars.

Mrs. WINSTON. You are trying to get the amount of money.

OVERESTIMATE OF PRIOR YEAR REQUIREMENTS

Mr. PASSMAN. I notice that your 1966 estimate for this activity turned out to be $5,700,000 and 2,518 assistance cases too high. And your last year's 1967 estimate was overstated by about $6,700,000 and 2,500 cases.

Have I stated that correctly?

Mr. SMITH. Yes, Mr. Chairman.

Mr. PASSMAN. What assurance does the committee have that you need the full $26,575,000 requested in fiscal 1968 to provide for an estimated additional 6,000 cases on the assistance rolls at the end of fiscal 1968 when we take into account the overestimates in previous years?

Mrs. WINSTON. You will recall that we were delayed in terms of getting the airlift started and we have since done reprograming. The estimates have to be made so far in advance that we did not have the experience resulting from the delay in getting started; that meant that we built up a smaller caseload than we had anticipated.

Mr. PASSMAN. Have you ever missed it the other way?

Mrs. WINSTON. By underestimating our needs?

Mr. PASSMAN. Yes.

Mrs. WINSTON. In other parts of our budget——

Mr. PASSMAN. I am talking about this time, this appropriation. You are good at overestimating. How good have you been at underestimating?

Mr. SMITH. We just underestimated by $3.2 million——

Mr. PASSMAN. I am talking about this activity. Have you ever underestimated the grand total?

Mr. SMITH. Not the grand total; no, sir.

Mr. PASSMAN. The fact is that you have not underestimated but you have overestimated. Is that a statement of fact?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. On this activity?

Mrs. WINSTON. Yes, sir; on this particular activity we have estimated more money than was ultimately needed. We think that we should be congratulated on being able to hold it under the estimate, because that means that fewer people needed assistance than we had projected, that more people had been resettled and they had been helped to obtain and stay in jobs.

Mr. PASSMAN. Do you know anything that would be easier than overestimating your dollar needs?

Mr. SMITH. Sir, if I may try to answer your question, can the committee be assured this estimate is better than the previous estimates, let me say this estimate for financial assistance in Miami for 1967 has been reprogramed down twice since the estimate was presented to the committee last year. In the President's budget, $928,000 was reprogramed out recognizing the delay in the airlift and within the past 3 weeks we have reprogramed out $1 million to meet unanticipated expenses. We think this figure now is—recognizing all the contingencies involved—about as good as can be developed.

Mr. PASSMAN. We know you are doing your best, or we know you think you are doing your best.

Mrs. WINSTON. We can point out a number of places, Mr. Chairman, where we have been able to make savings.

Mr. PASSMAN. But it doesn't alter the fact that you have overestimated your needs, and we do want to be able to commend you some day for underestimating your needs.

IMPACT OF NEW ARRIVALS ON WELFARE ASSISTANCE

In view of the fact that all category B arrivals, like category A refugees, continue to be close relatives of Cubans already established here, why should the welfare assistance be increased by an additional $5,100,000 in fiscal year 1968?

Mrs. WINSTON. I would like to have Mr. Thomas give you some of the changes in the profile of these people because they are a little different in terms of age distribution, and so on.

Mr. THOMAS. When negotiating the memorandum of understanding, the President asked priority be given to the immediate relatives of three categories of cases: cases in which the parents of children under the age of 21 were here in the United States with the children still in Cuba; where children under 21 were in the United States, but their parents were still in Cuba; and spouses, where one spouse was in Cuba and one here. That was our first priority. That was an easier group to handle because as the youngsters came in, they immediately went to the parents.

However, when we got into priority B, in May of last year, we began to get relatives in the older age category in larger numbers. The President had stated that we should take in immediate household members for humanitarian considerations, thus, larger groups began coming in.

It is one thing to have a relative in Milwaukee, Wis., send for his six or seven relatives in Cuba and have only a one-room flat. When the relatives get to Milwaukee someone has to help them to get housing and to tide them over. This is the main reason for our having a higher refugee welfare caseload.

AGE OF REFUGEES

Mr. PASSMAN. Would you furnish for the record the percentage of refugees in various age categories as of the end of each fiscal year since the inception of your program, similar to the information submitted on page 383 of last year's hearings?

Mrs. WINSTON. Yes.

(The information follows:)

No tabulations were made on the age groupings of refugees prior to the installation of data processing equipment and the subsequent coding of caseload characteristics. However, since December 1964, this data has been maintained on persons on financial assistance. It is an important factor in the determination of an individual's employment and resettlement potential. Age groupings of refugees receiving financial assistance are as follows:

[Percent]

	0 to	18 to 55	56 to 64	65 and over
December 1964	28	28	21	23
July 1965	18	26	10	46
July 1966	12	16	9	63
February 1967	10	12	9	69

Since December 1, 1965, data on the ages of all arriving via the airlift has been maintained. Age groupings of refugees arriving via the airlift from December 1, 1965 to February 24, 1967 are as follows:

[In percent]

0 to 17	32.0
18 to 45	37.2
46 to 64	23.6
65 and over	7.2

In addition to the above age groupings which are a regular coding in the data processing system, a special study was made of the age categories of incoming refugees who are processed through the Health Clinic where age groupings are recorded on a different basis for medical purposes. This analysis shows the following trends in refugees age 60 and over:

	Number of refugees processed by health clinic	Refugees age 60 and over	
		Number	Percent of total
Priority A flights:			
December 1965 through February 1966	11,027	1,039	9.4
March 1966 through May 1966	11,704	1,231	10.5
Priority B flights:			
June 1966 through January 1966	15,257	2,020	13.2
October 1966 through December 1966	9,384	1,389	14.8

ENGLISH AND VOCATIONAL TRAINING

Mr. PASSMAN. At page 19 of the justifications it is stated—

While efforts will be made to work with the refugees remaining in Miami from the new influx in order to get as many as possible to start English and vocational training preparatory to resettlement or self-support, planning is required to accomplish this and no appreciable results are expected during 1967.

I note that you made an identical statement in your justifications last year. Therefore, how much additional planning is needed and when, if ever, can we expect a change in this gloomy forecast?

Mr. THOMAS. Mr. Chairman, we have been able to do more planning on that. We have an increase in vocational training and English training and we are getting people into these classes now.

Mr. PASSMAN. You are not admitting the people who make up these justifications just copy last year's and change the date and submit them?

It is unusual how you get this identical statement in here from one year to the next.

Mr. THOMAS. We hold our staff down to such small numbers that we have to shortcut wherever we can.

Mr. PASSMAN. I would like to support you, but the dollars won't support you on that statement, would it?

Mrs. WINSTON. I think the number of personnel would.

Mr. PASSMAN. How much additional planning is needed, and when, if ever, can we expect to change this gloomy forecast?

Mrs. WINSTON. The situation is better than it was last year, but I think it is still difficult. You have this hard core and you can't move them readily.

Mr. PASSMAN. I recognize you have a problem.

PERCENTAGES OF MIAMI REFUGEES ON WELFARE

How many refugees in the Miami area have been receiving assistance for more than 1 year?

Mrs. WINSTON. We will have to check our records on that. We would like to give you as much of a breakdown as we can on the length of time.

Mr. PASSMAN. And also give us the percentage of the total number.

Mrs. WINSTON. Yes, sir. That is a very reasonable figure.

Mr. PASSMAN. Let us have it for 90 days, 6 months, and 1 year.

Mrs. WINSTON. We will do the best we can, sir.

(The information follows:)

Period of Time Refugees Receive Financial Assistance in Miami:

[In percent]

12 months or more	72
6 months	15
3 months	8
1 month	5

The number of refugees receiving assistance in Miami increased from the date of the inception of the program until a peak was reached in October 1962 when 66,300 refugees were recipients of this aid. Through continued emphasis on vocational and English training and resettlement, this figure was reduced to 14,500 persons at the end of fiscal year 1966. By that date, the cases on financial assistance had been worked over systematically and thoroughly by our staff interviewers and by the voluntary agency personnel. A high percentage of those remaining in need of assistance have very limited potential for resettlement or employment. Over 76% are either over 65 years of age or have serious medical disabilities. Another 9% are in the 56 to 64 years of age bracket with limited employment potentials. It is because of these factors that such a high percentage have been on assistance for 12 months.

REQUIREMENTS OF EDUCATIONAL PROGRAM

Mr. PASSMAN. What are the requirements with respect to the educational program? Is it mandatory that they speak English, and that they take English and vocational training?

Mr. THOMAS. We have a policy of interviewing the entire family. When we find that a person on welfare would benefit from vocational training and English training would go along with that, we tell the person that he must take English training and vocational training or be cut off of welfare assistance.

Mrs. WINSTON. You will recall, sir, that about 2 years ago we were able to lower caseloads and put more emphasis on this type of program.

NUMBER OF REFUGEE ARRIVALS SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. How many refugees have we brought into the United States since inception of the program?

Mr. THOMAS. We only count those who register with us.

Mr. PASSMAN. That is all you are testifying for funds for, isn't it? You would have to relate it to this appropriation.

Mr. SMITH. We forecast about 259,000 by the end of this fiscal year.

Mr. PASSMAN. From the inception of the program?

Mr. SMITH. Yes, sir.

Mr. SHRIVER. Are there many besides that?

Mr. THOMAS. The Immigration and Naturalization Service estimates a little over 300,000. We will have at the end of this fiscal year a little over 300,000.

REFUGEES IN THE MIAMI AREA

Mr. PASSMAN. How many of them are still in the Miami area?

Mr. THOMAS. There hasn't been a recent census on it, but the last figures show about 95,000 refugees.

Mr. PASSMAN. How many are employed?

Mr. THOMAS. All the heads of families except those who are on welfare and we have 17,000 of those on welfare.

Mr. PASSMAN. In Miami you have 95,000, and 78,000 of those are employed full time?

Mr. THOMAS. Yes. That includes children and everyone, of course.

Mr. PASSMAN. How many of them are——

Mrs. WINSTON. But they are not recipients of assistance.

REFUGEES EMPLOYED IN THE MIAMI PROGRAM

Mr. PASSMAN. How many of them are working for the Federal Government?

Mr. THOMAS. Only those we employ in our program.

Mr. PASSMAN. How many?

Mrs. WINSTON. We have 130 employees. How many are Cubans?

Mr. SMITH. We have 111 permanent and 57 temporary employees in Miami.

Mr. PASSMAN. The other refugees are working at any job they can find. Do you have any complaints about their displacing Americans?

Mr. THOMAS. We have an occasional complaint, yes, sir. We have worked with agencies like the Urban League and other units to try to run these complaints down. We just had a very good article in the U.S. News & World Report for March 20 in which they outline some of the businesses the Cubans have opened up in Miami in which they employ a good number of Cubans.

INCREASE FOR HOSPITALIZATION

Mr. PASSMAN. For hospitalization you are requesting $2,787,000. That is an increase of $835,000 above the fiscal year 1967 program.

Mrs. WINSTON. Yes, sir; and there are good reasons.

Mr. PASSMAN. I note that your last year's 1966 estimate for hospitalization was overstated by $1,900,000 and overstated 187 cases per month on the average.

Mr. SMITH. Mr. Chairman, this is another area where we have taken a look within just the past few weeks and we have reprogramed $860,000 out of hospitalization in fiscal year 1967.

Mr. PASSMAN. So you had overprogramed?

Mr. SMITH. Yes, sir. We do have some changes in the hospitalization. We have moved from a negotiated fee basis with the hospital to a reasonable-cost formula similar to that used by the title 18 medical insurance program.

Mr. PASSMAN. With that record, how could you actually justify an increase for fiscal year 1968? Have you tightened up the program?

Mr. SMITH. As I say, we have just gone back and reviewed the estimates. We are only estimating about 1.2 percent of the total caseload in Miami will require hospitalization services, which is in line with our current trend, and we have moved to this reasonable-cost formula. We estimate that this will increase our payments from $7 to $9 a patient-day.

Mrs. WINSTON. As we get more older people into the program, the same factors that are causing our assistance load to go up will probably cause the hospitalization rate to go up slightly, too. We estimate that we will have to take care of an increased amount of hospitalization.

Mr. PASSMAN. You are requesting how much of an increase in your hospitalization amount?

Mr. SMITH. $835,000, Mr. Chairman.

Mr. PASSMAN. What is the basis for this increase?

Mr. SMITH. The basis is an increase in the average number of cases a month from 207 to 273, which is the same percentage of the total financial assistance caseload in Miami in both years.

HOSPITALIZATION RATES

Mr. PASSMAN. What is the rate for a private room in the Miami hospitals? What do you pay for a private room?

Mrs. WINSTON. We wouldn't pay for a private room under these rates.

Mr. PASSMAN. If there are no other rooms available, you have to, don't you? What is your contract per room with the hospitals?

Mr. SMITH. Our contract, Mr. Chairman, which covers medical services as well as room and board, is $41.85 a day for the first 30 days and $26.65 a day thereafter, with a limit at 90 days.

Mr. PASSMAN. What are the component parts of the $41.85 per day for the first 30 days?

Mr. SMITH. I don't have that with me, but I can supply it for the record. It is the total care of the patient in the hospital.

(The information follows:)

The rate of payment for hospitalization at Jackson Memorial Hospital (where 48% of the refugees are hospitalized) was $41.85 a day for the first thirty days and $26.65 a day thereafter with a limit of a total ninety days. This rate was in effect from April 15, 1966, to November 30, 1966, when the "reasonable cost" formula was initiated. The rate in effect prior to December 1, 1966, was a flat day rate paid for each person hospitalized. It covers all services required by

the patient. This includes services by physicians, nurses, or other professional staff, room and board, drugs and other medicines, X-rays, laboratory tests, and operating room costs. No specific allowance is made for these separate items of service.

Mr. PASSMAN. You are talking about total care. We know we have nurses aids who get $15 or $20 a month for working 15 hours a day. To see a registered nurse is almost like seeing Santa Claus.

Mr. SHRIVER. They are under the minimum wage.

Mr. PASSMAN. Some of them are not unless they have recently been put under it. I think you know how little salary these trainees make.

Mrs. WINSTON. They have made very little in the past.

Mr. PASSMAN. I hope they are increasing their wages because it is pitiful. When you are talking about $41.85 per day, but do the patients get all the services? I guess there is a bathroom in the ward and possibly electric lights, but what services do they get for the $41.85?

Mr. SMITH. They receive laboratory, and pathology services, and medical services from the resident physicians.

Mrs. WINSTON. They receive nursing services, meals——

Mr. PASSMAN. You get food in all hospitals if you are able to eat. That is part of the deal, isn't it?

Mrs. WINSTON. It is a part of the total cost. We can break it down for the record and we will be glad to do so.

Mr. PASSMAN. If you have extra laboratory examinations or reading of X-rays, is that done by the hospital?

Mr. THOMAS. Yes.

Mr. PASSMAN. That is an average rate. Some patrons require more service than others; do they not? This is a flat rate?

Mr. THOMAS. That is right, sir.

Mr. PASSMAN. That is 1968. How does it compare with 1967?

HIGHER RATES DUE TO NEW "REASONABLE COST" FORMULA

Mr. SMITH. This was the current rate up through November, Mr. Chairman, and, as of December 1, 1966, we moved to the reasonable-cost formula, which means that whatever costs are attributable to the patient on the basis of the medicare formula we will be charged. We anticipate, as I say, that that will increase our daily rate from $7 to $9 a patient day.

Mr. PASSMAN. In fiscal 1967 to fiscal 1968 the rates are increasing from $7 to $9 a day?

Mr. SMITH. For half of fiscal year 1967, the reasonable-cost basis will be in effect and it will be in effect for all of fiscal year 1968.

Mr. PASSMAN. What brings about that tremendous increase? That is approximately 25 percent.

Mrs. WINSTON. I think you have to recognize, sir, that under the law a formula had to be established under title XVIII and that formula has been in effect now since the first of last July. On the first of this coming July, 1967 we must, in the title XIX program under law, move to a reasonable-cost basis——

Mr. PASSMAN. What do you mean by "reasonable-cost basis"?

Mrs. WINSTON. This is a formula that is worked out with the hospitals in an attempt to pay them for the reasonable cost of care.

In the past some people have paid more than the cost of their care and some have paid less. Now we have to work out a basic cost formula that would apply in all of the programs authorized by the Social Security Act. Because we were financing the Cuban program 100 percent from Federal appropriations, we decided to negotiate the contract in Miami so as to move to a reasonable-cost basis for the Cuban program as of December 1. We have always operated under a negotiated rate in the past.

Mr. PASSMAN. They have always operated on a "reasonable cost basis," haven't they?

Mrs. WINSTON. Mr. Meyers is our expert on reasonable cost. Would you like to have him explain it?

Mr. PASSMAN. This is new phraseology?

Mr. MEYERS. This language is used in titles XVIII, XIX, and V of the Social Security Act.

Mr. PASSMAN. Who cooked that up?

Mr. MEYERS. The draftsmen of the statute.

Mr. PASSMAN. I should have known that.

Mr. MEYERS. The term basically is defined to mean that you are supposed to pay the actual cost, the expenditure that the hospital has to undergo in providing the service. You try to measure that by figuring out what the total expenditures of the hospital are and then what services the people get for whom you are responsible.

Mr. PASSMAN. That I understand, but this fancy name you have here, what did they call it?

Mr. MEYERS. "Reasonable cost."

Mr. PASSMAN. "Reasonable cost?"

Mr. MEYERS. "Reasonable cost" of providing the service.

Mr. PASSMAN. Please insert in the record a list of all the hospitals you know of that went broke; if you know of any.

What have the rates been on this in the past?

Mrs. WINSTON. We would be glad to furnish a record of the history of the negotiated rates.

(The information follows:)

From 1961 through December 30, 1965, the policy was to pay the same per day rate to the hospitals as was paid by the Florida Welfare Department with the exception that the Florida Welfare Department paid hospitals for only the first 30 days of hospitalization. Beginning January 1966, we increased the day rate paid for Cuban refugees by $2.80 above the rate paid by the Florida Welfare Department in order to cover interest on capital indebtedness and depreciation. Effective December 1, 1966, the payment for Cuban refugees will be based on the same method of calculation of costs as is utilized under Title XVIII (Medicare) of the Social Security Act. Because the largest single number of refugees cared for at any one hospital, are hospitalized at Jackson Memorial Hospital, the rates paid this hospital are reflected below. This represents about 48% of the caseloads. Rates paid to other hospitals by the Florida Welfare Department and for the Cuban refugees vary.

For two other hospitals, handling about 37% of the refugee caseloads, the rate paid in November 1966 was $45.50 for the first 30 days and $27.80 for the next 60 days.

February 1961: $30.79 1st 30 days: $22 next 30 days.
August 1962: $33.03 1st 30 days: $22 next 30 days.
July 1963: $33.76 1st 30 days: $22 next 30 days.
March 1964: $35.57 1st 30 days: $22 next 30 days.
June 1965: $37.20 1st 30 days: $22 next 30 days.
January 1966: $40.00 1st 30 days: $24.80 next 60 days.
April 1966: $41.85 1st 30 days: $26.65 next 60 days.
December 1966: Actual costs patterned after Title XVIII of Social Security Act.

Mr. PASSMAN. What did you pay when you first started in 1966?

INCREASE IN COSTS PER CASE

Mrs. WINSTON. If we only go back to 1966, we can furnish that.

Mr. PASSMAN. In 1966 it was $695 a case. Now what is a case? Describe a case for the record.

Mr. THOMAS. That is an individual who has to be hospitalized.

Mr. PASSMAN. For how long?

Mr. THOMAS. Any period of time up to 90 days.

Mr. PASSMAN. It was $695. In 1967 it went up to $789 a case. In 1968 what is it going to be, up to $850 a case?

Mrs. WINSTON. That is right, sir.

Mr. PASSMAN. That is up $155 in 2 years?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. That is about a 22-percent increase; isn't it?

What has brought about this increase?

Mr. SMITH. One of the things that brings it about is the overall increase in hospital charges.

Mr. PASSMAN. We know that. If you go in and order ham and eggs at 80 cents and it is $10 the next day, it is because the price went up, but why?

Mrs. WINSTON. Mainly labor costs.

Mr. PASSMAN. Is this an "across-the-Nation" formula that has been set up in the Government?

Mr. SMITH. Yes, sir; for reasonable cost.

Mr. PASSMAN. Regardless of these fancy names, this is a Government formula that has been worked out and it applies across the Nation?

Mrs. WINSTON. No, sir. The method is applied across the Nation under the Social Security Act programs, but the method gives you a different figure, hospital by hospital. We don't pay in Miami the same thing you would pay in New York, for example.

Mr. PASSMAN. In other words, you have a basic point where you stop. Now, is Miami low, high or in the middle?

Mrs. WINSTON. I would say it is in the middle or a little on the low side.

MEDICARE AND THE CUBAN REFUGEE PROGRAM

Mr. PASSMAN. What relationship, if any, do you have with the medicare program?

Mrs. WINSTON. Medicare is operated by the Social Security Administration——

Mr. PASSMAN. I know, but do you qualify under the program anywhere?

Mrs. WINSTON. We have very close working relationships. We have a continuing committee on which there are representatives of the Social Security Administration, the Public Health Service and the Welfare Administration, so that the questions that relate to our programs that are also applicable to their programs can be looked at together.

Mr. PASSMAN. I know they look at it all at the same time, but my point is, do you get anything out of medicare? Do any of these people qualify for medicare?

Mrs. WINSTON. Yes, sir.

Mr. PASSMAN. The Cuban refugees. That is the point we are trying to clear up.

Mr. SHRIVER. They are under social security.

Mr. THOMAS. There are some. Those who came in the early days of 1959 or 1960 who were employed and have had social security credits. They have become eligible.

Mr. SHRIVER. How many are there?

Mr. THOMAS. Not many, sir.

Mr. SHRIVER. Approximately?

Mr. THOMAS. Out of 17,000 persons in our welfare program we found 22.

Mrs. WINSTON. Of course, each year the number is going to increase.

Mr. PASSMAN. I am not directing criticism at the program. I am just trying to establish for the record that you do have some refugees who are participating in certain phases of medicare. If they are under social security and are over 65, they would be entitled to it, but what other benefits, if any, do you get out of the Medicare Act?

Mr. THOMAS. That is all.

Mrs. WINSTON. That would be all under medicare. Under title XVIII.

Mr. PASSMAN. Let's get the other titles then.

Mr. SHRIVER. How about title XIX?

Mrs. WINSTON. In the first place, Florida is not yet under title XIX.

Mr. SHRIVER. That is what I wanted to know.

Mr. PASSMAN. What it title XIX?

Mr. SHRIVER. That is medicaid. It is in this bill you passed last year. This is for those who don't qualify under social security.

Mr. PASSMAN. I never voted for any of these bills. I didn't vote for any of them. All I am trying to do in this instance is find out whether this is getting intermingled with the medicare program.

Mr. THOMAS. Where it has been possible, we have tried to shift our people to ongoing programs.

Mr. PASSMAN. What is an ongoing program?

Mr. THOMAS. The program under title XIX, medicare and so on, are considered ongoing programs. We consider ours a temporary program.

Mr. PASSMAN. What is title XIX according to your interpretation?

Mr. THOMAS. That is medicare as far as I know.

Mr. SHRIVER. It is medicaid.

Mr. THOMAS. I am sorry. I was speaking of title XVIII, medicare.

Mrs. WINSTON. Medicaid is a program in which the Federal Government shares with the States in taking care of certain medical care costs of needy people who are not old enough to come under medicare, or who exhaust their benefits under medicare.

Mr. PASSMAN. And those same people, when they reach 65, if they have never been under social security, then they get a little check from the Government every month too, don't they?

I am talking about under social security. The same people you are helping when they reach 65, they may never have paid in a dime to social security, but the very fact that they are 65 and have no other income, they automatically start getting a check every month, don't they?

Mrs. WINSTON. No, sir. We have the Prouty amendment which provides an option for people over 72 who have not had a work record to get a small payment.

Mr. PASSMAN. You are trying to take care of everybody and we don't want to have anybody left out?

Mr. SHRIVER. This is off the subject, but how much will you require next year for the portion that you administer, the medicaid, title XIX, nationwide?

Mrs. WINSTON. I have those figures on a chair back of me here, sir.

Mr. SHRIVER. Give it to us roughly.

Mrs. WINSTON. The Federal share will be a little over $1.1 billion.

Mr. SHRIVER. Have you made any projections as to what it might be if all 50 States are covered—now about half of them are, as I understand it—if all 50 are, in 5 or 10 years from now?

Mrs. WINSTON. We have some tentative estimates, sir, but you see, the 28 States and other jurisdictions that are now in the program include the larger States so that we have much more than half of the population covered. Also the States that are now in title XIX are in general the ones with the highest medical care costs.

Mr. SHRIVER. Florida is not in?

Mrs. WINSTON. Florida is not yet in. We hope it will come in. The Southern States, by and large, are not in the program. Although they get the highest matching ratios, it is very difficult, as you know, for them to find the non-Federal share.

STATE ADMINISTRATIVE COSTS

Mr. PASSMAN. It is stated on page 24 of your justifications that in fiscal 1967, 93 field caseworkers plus administrative staff and costs will be required at a cost of $1,797,000. Last year you requested 105 caseworkers, plus administrative staff costs, at the same estimated total of $1,797,000.

In view of the fact that you have reduced the number of caseworkers, why hasn't your estimate of cost been reduced accordingly?

Mrs. WINSTON. Because they cost more. They are just like every other type of personnel.

Mr. PASSMAN. Evidently they do or you wouldn't be requesting the same amount of money for the same number of personnel but I think we need a little bit more explanation because there is a difference of 12 less caseworkers.

Mr. SMITH. Mr. Chairman, our justification may be somewhat misleading on this point. The total staff for the State administrative expenses, of which the field caseworkers are a part, was 174 in 1966 and 217 is what we estimate in fiscal year 1967.

Mr. PASSMAN. I can only go by your own figures here.

Mr. SMITH. Yes, sir.

Mr. PASSMAN. If you have 93 caseworkers, you are asking for the same amount of money that you asked for the 105 last year.

Mr. SMITH. I think the justifications are unintentionally misleading because it is 93 caseworkers in addition to other staff. The total staff

will be 217, which I believe is approximately the same total as requested last year.

Mr. PASSMAN. But you break this out separately in your justifications, do you not?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. Now you are mixing them. Does it make a better case that way or shall we consider this one single item—$1,797,000 against $1,797,000?

Give us some explanation as to the additional cost for the record.

(The information follows:)

The $1,797,000 requested for State adminstration of the assistance and hospitalization program will provide funds for a total of 217 positions and related costs. Included in this number of positions is 93 field caseworkers who make frequent home visits where they conduct thorough interviews to determine if the refugee is eligible for assistance and to counsel with the refugees to encourage them to avail themselves of the vocational and shop training courses and other self-improvement opportunities available so as many as possible can be employed. The number of field caseworkers required has a direct relationship to the number of persons on the financial assistance rolls. A standard has been established to provide one field caseworker for each 220 persons on the assistance rolls. Thus, as the number of persons receiving financial assistance increases, the number of field caseworkers is increased. The number of persons receiving financial assistance in Miami was 14,500 at the start of the fiscal year 1967. At 220 persons per field caseworker, this justified 66 field caseworkers. It is estimated that the number receiving financial assistance at the end of the fiscal year 1967 will be 20,500 which would require 93 field caseworkers. The original budget estimate contemplated a staff of 105 field caseworkers or 12 over the 93 now estimated. In staffing up to these year-end levels, we stagger requirement over the course of the entire fiscal year as caseloads increase. Thus, we estimate that the 12 field caseworker positions included in our original estimate but deleted from our present plan would have been on duty no longer than average of the last quarter of the fiscal year. For this reason, the savings from this reduction in field caseworker staff would have been $16,000 in fiscal year 1967. (New field caseworkers are paid $5,280 a year).

The $1,797,000 originally requested for the State administration activity was not reduced by $16,000 because of a 5% pay increase for those employees completing their six-months probationary period and for those employees completing one year of employment. The pay increase was not included in the original budget request. The 1968 estimate has been developed to reflect the staffing of 93 field caseworkers on board as of the end of fiscal year 1967.

REGISTRATIONS AND RESETTLEMENTS SINCE START OF PROGRAM

Mr. PASSMAN. Doctor, I see on page 11 of your justifications that of the 183,493 refugees arriving in Miami before the beginning of the airlift, on December 1, 1965, 53 percent or 94,908 had been resettled, is that correct?

Would you prepare for the record the percentage of actual resettlements to the total number of refugees in the United States at the end of each fiscal year since the inception of the program to the latest accounting period in fiscal year 1967?

Mrs. WINSTON. Yes, sir. In other words, you would like to know how many refugees we have registered and how many have been resettled year by year?

Mr. PASSMAN. Yes.

Mrs. WINSTON. We are delighted to give those figures.

(The information follows:)

Number of Cuban refugees registered and number resettled, fiscal year 1961 through Feb. 28, 1967

Fiscal year	During fiscal year		Cumulative, end of fiscal year		
	Number of persons registered	Number of persons resettled	Number of persons registered	Number of persons resettled	Percent resettled of registered [1]
1961	29,628	4,668	29,628	4,668	15.8
1962	95,098	27,587	124,726	32,255	25.9
1963	40,870	30,233	165,596	62,488	37.7
1964	6,976	16,742	172,572	79,230	45.9
1965	5,027	10,157	177,599	89,402	50.3
1966	29,548	26,606	207,147	116,008	56.0
1967 (as of Feb. 28)	28,238	24,424	235,385	140,432	59.7

[1] Although these are the percentages based on the cumulative number of persons registered and resettled, for the 1st 8 months of fiscal year 1967, the rate of resettlement was 86.5 percent of the refugees who registered.

EDUCATION

Mr. PASSMAN. The estimate for education is $17,199,000, an increase of $2,027,000 above 1967. Is that correct?

Mrs. WINSTON. Yes, sir.

Mr. PASSMAN. What were the amounts justified last year for payments to Dade County Public Schools in 1967 for the education of preinflux, and influx refugee children?

Mr. SMITH. The estimate last year for fiscal year 1967 to Dade County was $6.8 million, Mr. Chairman.

Mr. PASSMAN. What did you allocate?

Mr. SMITH. I am sorry. Did you ask for 1966? I gave you the figure for fiscal year 1967, included in our last year's request. We are now estimating this figure will be $9.7 million.

Mr. PASSMAN. Against what figure?

Mr. SMITH. $6.8 million.

Mr. PASSMAN. Would you supply the 1966 actual payments and your current estimates for 1967 and 1968?

Mr. SMITH. Yes, sir. The actual 1966 was $6 million. The 1967 estimate is $9.7 million and 1968 estimate is $11.1 million. For assistance to elimentary and secondary education.

ATTENDANCE OF CUBAN REFUGEE CHILDREN IN DADE COUNTY SCHOOLS

Mr. PASSMAN. Also would you compare for the record your last year's estimates of average daily attendance in Dade County, for preinflux, and influx children, with the 1966 actual and your current estimates for 1967 and 1968?

Mrs. WINSTON. Yes, sir; and we should point out that we have more children in school than we had estimated.

(The information follows:)

For fiscal year 1966, it was estimated that average daily attendance in the Dade County schools of Cuban refugee children who arrived prior to the new influx would be 15,625. The actual number of average daily attendance for fiscal year 1966 was 15,349. It was originally estimated that there would be 15,000 for fiscal year 1967. It is now estimated that there will be 15,400 for fiscal years 1967 and 1968. Actual enrollment in January 1967 was 15,357.

For fiscal year 1966, it was estimated that average daily attendance in the Dade County schools of Cuban refugee children who have arrived in this country since the new influx started would be 1,425. The actual number in average daily attendance for fiscal year 1966 was 1,324. It was originally estimated that there would be 2,250 for fiscal year 1967. It is now estimated that there will be 4,400 for fiscal year 1967 and 7,480 for fiscal year 1968. Actual enrollment in January 1967 was 4,223.

PHASING OUT OF EDUCATIONAL SUPPORT FOR CHILDREN OF FAMILIES NOT ON ASSISTANCE

Mr. PASSMAN. A phasing out of payments for children of families not receiving financial assistance has been discussed in the past. Has any thought been given to this topic recently?

Mrs. WINSTON. Yes, sir. You are referring to the unaccompanied children?

Mr. PASSMAN. The phasing out of payment for children in families not receiving financial assistance.

Mrs. WINSTON. In the schools?

Mr. PASSMAN. Yes.

Mrs. WINSTON. Yes, sir. We pay less proportionately, as you know, for those children.

Mr. PASSMAN. But you do pay some?

Mrs. WINSTON. Yes.

Mr. PASSMAN. How much per child?

Mrs. WINSTON. 45 percent of the Dade County per-pupil cost for current expenses.

INCREASE IN LOANS TO COLLEGE STUDENTS

Mr. PASSMAN. You are requesting $4,400,000 for assistance to college students. That is an increase of $500,000, is that correct?

Mrs. WINSTON. Yes, sir.

You see, these children are getting older. Those who had come in early as unaccompanied children, and also those with their parents, are going to college, and they are making fine records.

Mr. PASSMAN. How many Cuban refugees are currently attending college, Doctor?

Mrs. WINSTON. We had 3,600 in 1966. We estimate 4,200 in 1967, and we think this will go up to 4,500 in 1968.

Mr. PASSMAN. Are all of these students receiving U.S. assistance?

Mrs. WINSTON. These students are the ones receiving loans.

Mr. THOMAS. There are many other students attending college on their own and on scholarships, of course.

Mr. PASSMAN. All of the refugees do receive U.S. assistance?

Mrs. WINSTON. Not all of them, sir.

Mr. PASSMAN. What percentage of them are not?

Mrs. WINSTON. We wouldn't have precise information about those who are going on their own.

Mr. PASSMAN. We are dealing entirely with refugees?

Mr. THOMAS. We are talking about refugees.

Mr. PASSMAN. Of the total number of refugees that you gave, how many are we giving financial assistance to and what number are financing their own college education?

Mr. THOMAS. We don't know the total number of Cuban refugee students in college, but we have a number of press clippings and other information which indicate there is probably double this number in college on their own without any loans or help from us.

Mr. PASSMAN. Did we give them assistance when they came in as refugees?

Mr. THOMAS. We might have given that at the earlier stages, but they get nothing from us now.

FINANCIAL RESOURCES OF CURRENTLY ARRIVING REFUGEES

Mr. PASSMAN. Are you bringing in any refugees now who have sufficient wealth in this country to finance themselves?

Mr. THOMAS. Presumably; yes, sir. Presumably. We don't know that.

Mr. PASSMAN. How do you determine the number who decline aid because of having their own resources? Don't you keep a record?

Mr. THOMAS. Only if they ask for welfare assistance. This is the only time we get involved.

Mr. PASSMAN. You have to admit them through Immigration; do you not?

Mrs. WINSTON. Yes, sir; and we gave you those figures earlier.

Mr. PASSMAN. Would you it not be good for us to know how many in number and percentage are coming out of Cuba who have their own resources? It would be very much in the favor of your program to know that you have those who are making contributions.

Mr. THOMAS. Mr. Castro has taken away everything they have in Cuba. They come over here without a penny. When I said there might be some people who have some resources, I refer to some people who may have had a bank account many, many years ago and may have some insurance, but it is a very, very small percentage.

Mr. PASSMAN. That is my question. You are bringing over a certain number of refugees, you screen them, bring them all in as if they were paupers. You only establish that some of them are not if and when you offer this assistance. I would think that you would have a record on the number brought in and cleared that you are not giving any assistance to.

PERCENTAGE OF RESETTLED REFUGEES RECEIVING ASSISTANCE

Mr. THOMAS. We know there are only 5 percent of the refugees who are resettled who are getting assistance. There are 95 percent who are not.

Mr. PASSMAN. I only wanted that percentage.

Mr. THOMAS. We know 95 percent of the resettled refugees are self-supporting.

Mr. PASSMAN. How many of the college students are self-supporting?

Mrs. WINSTON. I am afraid we wouldn't have exact figures on how many college students there are among the 95 percent who are self-supporting, because we do not keep a continuing census.

COMPARISON OF CUBAN REFUGEE LOAN PROGRAM AND NDEA LOAN PROGRAM

Mr. PASSMAN. Would you compare for the record the percentage of qualified applicants rejected under the National Defense Educational Act and under the Cuban refugee program? Then average assistance received per student under both of the programs that we have recently been discussing.

Mrs. WINSTON. We will give you such information as we can get.

Mr. PASSMAN. You can't give me information that is not available.

Mrs. WINSTON. This program is administered for us by the Office of Education.

Mr. PASSMAN. You are all in the same agency, HEW, are you not? This information is interchangeable, isn't it?

Mrs. WINSTON. Yes, sir; if they have it.

Mr. PASSMAN. Of course, you can't give us information that is not available. It would appear to me you would keep a record of those that you have turned down.

Mr. THOMAS. The process is that the Cuban refugee has to be admitted by a school. After he is admitted by the school and found to be in need, he is then eligible to apply for a loan.

If he is rejected because of lack of funds available in school at that particular time or because he does not qualify for the school, we do not have any record. The school does not tell us.

Mr. PASSMAN. You are footing the bill, aren't you?

Mrs. WINSTON. We only help those who are qualified.

Mr. PASSMAN. You are footing the bill, aren't you?

Mr. THOMAS. Only for those who are qualified.

Mr. PASSMAN. And you have no idea of the number that are rejected?

Mr. THOMAS. No, sir.

Mr. PASSMAN. Wouldn't it be funny if you found out for every one they accept they turn down two? Do you get the point? It just looks to me like you are entitled to that information.

Mrs. WINSTON. We can raise the question with the Office of Education.

(The information follows:)

CUBAN REFUGEE STUDENT LOAN PROGRAM

The Cuban Student Loan Program is administered by the Office of Education with funds allocated from the Cuban Refugee Program.

In practice, a student must be accepted for registration in a college or university before he may apply for a loan. Once determined eligible to register, the student may then apply for a loan. He must demonstrate need based on criteria as established by the Office of Education. Schools do not report on the number of rejected loan applications from Cuban students. Rejections occur when an applicant fails to demonstrate need. The Office of Education indicates this is also true of the regular loan program for U.S. students. Information is supplied only on loans granted, and that for collection purposes.

Patterned after a similar loan program for U.S. students, loans to Cuban students averaged $875 for a full academic term during Fiscal Year 1966, while loans to U.S. students under the National Defense Education Act averaged $575 for the same period.

The Office of Education reports the difference in the average loans to U.S. and Cuban refugee students stems from the resources available to the U.S. student which are not available to the Cuban. Cited are scholarships, family assistance to the student, lack of dependents, etc.

HEALTH SERVICES

Mr. PASSMAN. Doctor, you are requesting $1,801,000 for Health Services, an increase of $206,000 above fiscal year 1967, is that correct?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. What has been the number of hospital outpatient visits since March 1966?

Mr. SMITH. I do not have data for it in the time span you mentioned, but for the entire 1967 fiscal year we are estimating 22,400 outpatient visits as contrasted with 12,500 in fiscal year 1966. For fiscal year 1968, we are estimating 29,600 visits.

Mr. PASSMAN. Since fiscal year 1966, the hospitals have increased their rates from $7 to $10 to $12.50 per patient visit, is that correct?

Mr. SMITH. Yes, sir.

PAYMENT ON THE REASONABLE COST BASIS

Mr. PASSMAN. Now the justifications state that the hospitals are paid on the basis of reasonable cost, as we discussed earlier. Does this indicate a change in rate or a method of payment?

Mr. SMITH. It indicates a change in the method of payment, sir. It is quite possible it will cause a change in the rate.

Mr. PASSMAN. What was the average cost of outpatient visits in 1965?

Mr. SMITH. In 1965, sir, it was $10.

Mr. PASSMAN. How about fiscal 1966?

Mr. SMITH. $12.50. We had moved to the new reimbursement rate in 1966.

Mr. PASSMAN. Now it is going to be increased up to $13.35 per day for tubercular patients, is that correct?

Mr. SMITH. Yes, sir, for long-term TB cases, that is right.

Mr. PASSMAN. What is the basis for this increase?

Mr. SMITH. The $13.35 represents the same rate we were paying in fiscal year 1966, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

PERCENTAGE OF THE ELDERLY TO TOTAL INCOMING REFUGEES

Mr. SHRIVER. My first question is, what percentage are older people in proportion to the rest of the Cubans coming in? What percentage are the older people?

You have talked about them considerably.

Mrs. WINSTON. We have a table that shows this.

Mr. THOMAS. The persons over the age of 65 represent 7 percent of the incoming refugees.

Mrs. WINSTON. At the present time. Now this may change.

IMMIGRATION STATUS OF REFUGEES

Mr. SHRIVER. Would you recommend any permanent immigration status for these refugees at this time? Would this help in terms of finding jobs for these people?

(The information follows:)

LEGISLATION ON PERMANENT RESIDENT STATUS

As you know, the last Congress passed Public Law 89-732 to permit Cuban parolees to adjust their status to that of permanent residents. This legislation will particularly aid the professional persons who have found it difficult to qualify for licenses and certificates required by the various States.

NUMBER OF PERSONS AWAITING AIRLIFT FROM CUBA

Mr. SHRIVER. Can you estimate how many more people are in Cuba who qualify under our present priority criteria. Will we alter these criteria when those people have been brought over, or does this require a new agreement with Castro?

(The information follows:)

NUMBERS OF PERSONS AWAITING MOVEMENT FROM CUBA ON THE AIRLIFT

The Cuban Refugee Center files show over 700,000 names of close relatives and their dependents who should be included in the airlift have been listed by persons in the United States. The Memorandum of Understanding would permit other than close relatives to be brought in under the airlift, but the number of close relatives given priority is so large that it would take a considerable period of time to airlift all of these.

REFERRAL OF INCOMING REFUGEES TO LABOR-SCARCE AREAS

Mr. SHRIVER. Are your hands still tied in regard to the referral of these refugees to labor-scarce areas instead of relying on family reunion arrangements?

(The information follows:)

REFERRAL OF INCOMING REFUGEES TO LABOR-SCARCE AREAS

The current airlift is based primarily on the principle of family reunion. Therefore incoming refugees are pre-destined to join their relatives who are already in the United States and have applied for the refugees' entrance. However, the Miami area retains about 25% of the incoming refugees and many employers send recruiters to Miami to tap this source of labor.

GEOGRAPHIC DISTRIBUTION OF REFUGEES

Mr. SHRIVER. Would you bring the geographic description chart which you furnished us last year up to date through December 31, 1966.

(The information follows:)

Geographic distribution of Cuban refugees as of Jan. 27, 1967

States	Number of refugees
Alabama	293
Alaska	1
Arizona	150
Arkansas	64
California	14,626
Colorado	1,040
Connecticut	1,685
Delaware	220
District of Columbia	1,580
Florida	3,644
Georgia	1,193
Hawaii	26
Idaho	4
Illinois	9,012
Indiana	952
Iowa	418
Kansas	689
Kentucky	254
Louisiana	2,824
Maine	22
Maryland	772
Massachusetts	4,439
Michigan	1,366
Minnesota	371
Mississippi	95
Missouri	867
Montana	145
Nebraska	368
Nevada	713
New Hampshire	93
New Jersey	20,533
New Mexico	312
New York	37,999
North Carolina	532
North Dakota	45
Ohio	16,000
Oklahoma	458
Oregon	562
Pennsylvania	2,370
Rhode Island	288
South Carolina	201
South Dakota	48
Tennessee	406
Texas	3,291
Utah	13
Vermont	42
Virginia	1,349
Washington	312
West Virginia	141
Wisconsin	507
Wyoming	16

Puerto Rico: 13,463; Virgin Islands: 39; foreign countries (26): 912.
Total persons resettled from June 1961 to Jan. 27, 1967: 133,365.

ESTIMATED NUMBER OF ARRIVALS FROM CUBA

Mr. SHRIVER. As last year, your estimate of the number of refugees expected on the airlift does not coincide with the number estimated by the State Department. You say 44,000 and they say 48,000. Which is correct?

(The information follows:)

The number of refugees anticipated to come in via the airlift was estimated to be 48,000 in the President's Budget, and this figure was used by both the State Department and the Department of Health, Education, and Welfare in developing their estimates. As a result of increased costs for educational services and a review of recent trends of arrivals, adjustments were made in the budget for "Assistance to Refugees in the United States." These revisions resulted in an estimated total number of 44,000 refugees who are expected to arrive on the airlift.

The State Department informs us that at the present time they are also willing to use for planning purposes the total of 44,000 refugees as the number who will arrive on the airlift. Staff of the State Department informs us, however, that this will not affect the total amount of $619,000 requested in their budget for the transportation of Cuban refugees to the United States. Recent information concerning increases in the cost of air transportation and other costs incident to the airlift will, they say, require the entire $80,000 increase requested in the President's Budget.

PAYMENTS MADE TO PRIVATE AGENCIES

Mr. SHRIVER. Would you furnish a record of the payments made to the four private agencies for resettlement?

(The information follows:)

The four resettlement agencies are paid a per capita fee for each refugee resettled. In addition, they are reimbursed for any funds they must give the refugee at the time he is resettled for items such as meals enroute, taxi or car fare to or from the airport or train station, or gasoline and lodging if the resettlement is by automobile. From the inception of the program until the middle of 1962, the agencies were also reimbursed for plane or train tickets necessary to transport the refugees. Since 1962, plane and train tickets for refugees are furnished on Government Transportation Requests.

The per capita fee paid the resettlement agencies was $50 from the start of the program in January 1961 until the middle of March 1961. Increases in the per capita fee have been as follows:

March 1961	$60.00
January 1965	69.00
September 1965	79.35
January 1966	100.00

Effective January 1967, the rate was reduced to $80 with the provision that if agency costs exceed this rate, actual costs not to exceed $92 will be paid.

From the time the Welfare Administration started to administer the program in 1961 until June 30, 1966, records disclose that the following amounts have been paid to the private agencies:

United Hias Services	$241,461
Church World Services	1,432,701
International Rescue Committee	1,934,284
Catholic Relief Services and National Catholic Welfare Conference	4,983,860

The above amounts include the per capita fee paid the agencies as well as reimbursements for items described above.

Mr. PASSMAN. Thank you, Dr. Winston, and gentlemen.

THURSDAY, APRIL 20, 1967.

INTERNATIONAL DEVELOPMENT ASSOCIATION

WITNESSES

LIVINGSTON T. MERCHANT, U.S. EXECUTIVE DIRECTOR, INTERNAIONAL DEVELOPMENT ASSOCIATION
EMMETT J. RICE, ALTERNATE U.S. EXECUTIVE DIRECTOR, INTERNATIONAL DEVELOPMENT ASSOCIATION
MILAN C. MISKOVSKY, ASSISTANT GENERAL COUNSEL, TREASURY DEPARTMENT
E. JAY FINKEL, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL FINANCIAL POLICY COORDINATION AND OPERATIONS, TREASURY DEPARTMENT
ERNEST C. BETTS, JR., DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND BUDGET OFFICER, TREASURY DEPARTMENT

SUBSCRIPTION TO INTERNATIONAL DEVELOPMENT ASSOCIATION

Program and financing

[In thousands of dollars]

		1966 actual	1967 estimate	1968 estimate
	Program by activities:			
10	Investment in International Development Association (cost—obligations) (object class 33.0)	104,000	104,000	104,000
	Financing:			
40	New obligational authority (appropriation)	104,000	104,000	104,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	104,000	104,000	104,000
72	Obligated balance, start of year		104,000	149,000
74	Obligated balance, end of year	−140,000	−149,000	−131,000
90	Expenditures		59,000	122,000

Mr. PASSMAN. The committee will come to order.

We shall consider this afternoon the budget request of $104 million for the U.S. contribution to the International Development Association.

We have as witnesses the Honorable Livingston T. Merchant, U.S. Executive Director, International Development Association, who is accompanied by several supporting witnesses whose names will be spread on the record.

Mr. Merchant, we would be very pleased to hear from you at this time.

GENERAL STATEMENT

Mr. MERCHANT. Mr. Chairman and members of the committee. I am appearing before you today to support the administration's request for an appropriation of $104 million covering the U.S. contribution for the fiscal year 1968 to the increase in the resources of the International Development Association (IDA). This increase was agreed upon a few years ago by the Association's major member countries.

Today's request is for the third of three annual installments of $104 million each, comprising the $312 million contribution which the United States agreed to in May 1964. The U.S. contribution is part of a package of $750 million in further resources for IDA to be provided over a 3-year period by the United States and 16 other economically advanced countries as agreed after intensive negotiations completed in 1963. Kuwait subsequently agreed to provide $3.4 million as part of the same arrangement. U.S. agreement to this contribution was given pursuant to Public Law 88–310.

IDA was established as an affiliate of the World Bank in 1960 through the initiative and leadership of the United States. U.S. membership and the payment of our initial subscription of $320,290,000 were authorized by the International Development Association Act (Public Law 86–565), which was enacted by the Congress in July 1960. The further funds covered by the request before you today would permit the United States to fulfill an international obligation approved by the Congress and undertaken in agreement with the other nations of the free world.

The original subscription of the United Staes to IDA was payable on a schedule calling for five annual payments, the last of which was made on November 8, 1964. Funds for each of the five installments were obtained through annual appropriations acts. Similarly, the three installments of $104 million each which make up our new contribution are being sought as regular appropriation items in the fiscal years 1966, 1967, and 1968. A table showing the schedule of installments for this U.S. contribution to supplementary resources for IDA has been submitted for the record, along with certain other tables dealing with IDA's membership and operations to date.

CONCEPT OF IDA

IDA serves to mobilize aid resources from other developed countries as well as the United States. Other developed countries together provide to IDA more hard-currency resources than are being provided by the United States. The U.S. contribution of $312 million under the present program compares with aggregate contributions of $441 million by the other countries. In other words, the other developed countries are providing the equivalent of $1.41 for every dollar provided by the United States under this new program. IDA is therefore one of the most effective ways of having other nations share the financial burden of aid with us.

IDA is an affiliate of the World Bank, and only World Bank members may become members of IDA. IDA's membership consisted of 97 of the World Bank's 106 members as of December 31, 1965. IDA provides financing for essentially the same purposes as the World Bank, but it does so on terms which bear less heavily on the already heavy burden of repayment of the developing countries than do the Bank's loans, and which the Bank could not offer. The need for large amounts of development financing on terms better adapted to the repayment capacity of most of the developing areas is widely recognized and is a major principle of our own aid program.

IDA is an economical and effective institution. It has no staff of its own, but draws on the Bank's management and staff, which are

regarded throughout the world as being of first caliber. IDA reimburses the Bank for the facilities and services of the Bank's officials which it uses thus avoiding duplication of effort between the two institutions. Equally important, the IDA-World Bank affiliation insures a coordinated policy approach to the problems of development with which the two institutions are concerned. This is illustrated by the fact that certain types of projects in some countries are financed with a blend of Bank and IDA terms. In such cases, a part of the financing is supplied by a Bank loan and a part by an IDA credit.

OPERATIONS

IDA began operations in November 1960 and announced its first development credit in May 1961. Through December 31, 1966, IDA had signed credit arrangements amounting to $1,649 million net of cancellations involving 100 credits to 36 countries and territories. The two largest borrowers are India—$890.5 million—and Pakistan—$329.2 million. IDA credits for these countries are provided within the framework of the consortia of capital-providing countries which the International Bank has organized for each. Five other countries of Asia and the Middle East were extended $47.6 million in IDA credits. In Latin America, 10 countries have received IDA development credits totaling $107.9 million, while 18 African nations have been the recipients of $193.7 million of such credits. IDA's European activities have been confined to one country, Turkey, which has received $80.5 million. Disbursements on IDA credits as of December 31, 1966, were $827.9 million.

IDA's development credits have been extended for projects of the same general kind as those financed by World Bank loans. Forty of IDA's 100 credits, representing about 40 percent of the dollar value of IDA's commitments, are for projects in the transportation and communications fields, including ports and harbors; 21, representing 15 percent of total commitments, are for agricultural development and irrigation; seven credits are for electric power supply and seven for potable water projects. Local development banks have received five credits for making small subloans to private enterprises and one credit has been extended to an industrial development corporation. There have been 12 credits for education projects, and six credits have been granted to finance imports of spare parts and equipment for high-priority industries in India and Pakistan.

INITIAL SUBSCRIPTIONS

Total IDA initial subscriptions amounted to $999.1 million as of December 31, 1965. Of the amount subscribed, $770.4 million was paid in the form of dollars and other convertible currencies, $5.8 million is to be paid in convertible currencies but is not yet due, and $223.0 million is in the currencies of less developed members. The total amount paid in by the United States on initial subscriptions was $320.3 million, as against $431.1 million paid by the other part I countries.

In addition to the hard currencies being subscribed by the part I members to IDA, 10 percent of the initial subscriptions of the part II countries—the less developed members—were payable in hard cur-

rency. These countries have paid $24.8 million in hard currency along with $223.0 million equivalent in their own local currencies. Six less developed member countries (Ireland, Israel, Jordan, Mexico, Panama, and Yugoslavia) have released a total of $8.2 million of their local currency subscriptions for IDA lending on a convertible basis.

SUPPLEMENTARY RESOURCES

In May 1964, the United States and 16 other economically advanced countries agreed to supplement IDA resources by $750 million over a 3-year period. The U.S. share of the new resources is a total of $312 million (41.6 percent) or $104 million per annum. Subsequently, Kuwait agreed to contribute $3.4 million to IDA resources in the same supplemental arrangement.

One part I member, Sweden, has made five voluntary supplemental contributions in hard currency of $23.1 million. These contributions mean that Sweden has voluntarily made available an additional amount equal to 230 percent of its initial subscription.

TERMS OF IDA LENDING

IDA's credits are repayable in dollars or other freely convertible foreign exchange. They are made for a term of 50 years, with repayment commencing after a 10-year period of grace. Thereafter 1 percent per annum of the principal is to be repaid for 10 years, while in the remaining 30 years of the credit 3 percent of principal is to be repaid annually. No interest is charged on the credit but a service charge of three-fourths of 1 percent annually is made on amounts disbursed and outstanding in order to provide IDA with funds to help meet its administrative costs.

Lending terms on the IDA pattern are essential for many countries if they are to maintain the momentum of development and if the free world's development is to take place on a sound financial basis. Taken together, the developed countries of the world other than the United States, contribute a major share of the IDA resources, and in this way these other countries bear a major part of the cost of making IDA repayment terms possible.

CONCLUSION

IDA has been doing a vital job and doing it well. It deserves our continued financial support. It operates in our national interest, yet we are not required to bear its full cost, because it is financed to a larger degree by the other advanced countries than by ourselves. In supplementing the work of the World Bank, it also supplements U.S. programs of bilateral lending for development. The United States urged the formation of IDA, and has supported it in its formative years. It has the confidence of developed nations and developing nations alike. The United States has pledged this contribution to an enlarged IDA pursuant to congressional authorization.

Mr. PASSMAN. Thank you very much for a very fine statement, Mr. Merchant. We have a few questions we would like to ask.

You are requesting an appropriation of $104 million, which is the third and final installment against a total authorization of $312 million covered by Public Law 88-310, is that correct, sir?

Mr. MERCHANT. That is correct, Mr. Chairman.

TOTAL FUNDS CONTRIBUTED TO IDA

Mr. PASSMAN. Mr. Ambassador, what has been the total amount of funds contributed to date through fiscal year 1967 by the United States to the International Development Association?

Mr. MERCHANT. The total, Mr. Chairman, through fiscal year 1967, has been $528,290,000.

Mr. PASSMAN. Would you submit for the record a table showing the amount contributed by the other 97 members of the association, the name of the country, the total contribution and in what currency they are making the contribution?

Mr. MERCHANT. I would be glad to submit that, sir.

(The information follows:)

SUBSCRIPTION AND CONTRIBUTIONS OF IDA MEMBER COUNTRIES

The attached table shows the amounts subscribed and contributed by IDA member countries as of December 31, 1966. Payments by Part I countries are made in hard currencies. Part II countries paid 10 percent of their subscriptions in hard currencies and 90 percent in their own currencies.

IDA subscriptions and supplementary resources as of Dec. 31, 1966

[In millions of dollars]

Members	Initial subscription [1]	Supplementary resources		Total subscriptions and supplementary resources
		Amounts paid in	Amount not yet due [2]	
Part I:				
Australia	20.180	13.200	6.600	39.980
Austria	5.040	3.360	1.680	10.080
Belgium	[3] 8.250	5.500	2.750	16.500
Canada	37.830	27.800	13.900	79.530
Denmark	8.740	5.000	2.500	16.240
Finland	3.830	1.532	.766	6.128
France	52.960	41.248	20.624	114.832
Germany, Federal Republic	52.960	48.400	24.200	125.560
Italy	18.160	20.000	10.000	48.160
Japan	33.590	27.500	13.750	74.840
Kuwait	3.360	2.240	1.120	6.720
Luxembourg	[3] .375	.250	.125	.750
Netherlands	27.740	11.000	5.500	44.240
Norway	6.720	4.400	2.200	13.320
South Africa	10.090	2.660	1.330	14.080
Sweden	10.090	33.135	5.000	48.225
United Kingdom	131.140	64.400	32.200	227.740
United States	320.290	208.000	104.000	632.290
Total, part I	751.345	519.625	248.245	1,519.215
Part II:				
Afghanistan	1.010			1.010
Algeria	4.030			4.030
Argentina	18.830			18.830
Bolivia	1.060			1.060
Brazil	18.830			18.830
Burma	2.020			2.020
Burundi	.760			.760
Cameroon	1.010			1.010
Central African Republic	.500			.500
Ceylon	3.030			3.030
Chad	.500			.500
Chile	3.530			3.530
China	30.260			30.260
Colombia	3.530			3.530
Congo (Brazzaville)	.500			.500
Congo, Democratic Republic of	3.020			3.020
Costa Rica	.200			.200
Cyprus	.760			.760
Dahomey	.500			.500
Dominican Republic	.400			.400
Ecuador	.650			.650
El Salvador	.300			.300
Ethiopia	.500			.500

IDA subscriptions and supplementary resources as of Dec. 31, 1966—Continued

[In millions of dollars]

Members	Initial subscription [1]	Supplementary resources		Total subscriptions and supplementary resources
		Amounts paid in	Amount not yet due [2]	
Part II—Continued				
Gabon	0.500			0.500
Ghana	2.360			2.360
Greece	2.520			2.520
Guatemala	.400			.400
Haiti	.760			.760
Honduras	.300			.300
Iceland	.100			.100
India	40.350			40.350
Iran	4.540			4.540
Iraq	.760			.760
Ireland	3.030			3.030
Israel	1.680			1.680
Ivory Coast	1.010			1.010
Jordan	.300			.300
Kenya	1.680			1.680
Korea	1.260			1.260
Laos	.500			.500
Lebanon	.450			.450
Liberia	.760			.760
Libya	1.010			1.010
Malagasy Republic	1.010			1.010
Malawi	.760			.760
Malaysia	2.520			2.520
Mali	.870			.870
Mauritania	.500			.500
Mexico	8.740			8.740
Morocco	3.530			3.530
Nepal	.500			.500
Nicaragua	.300			.300
Niger	.500			.500
Nigeria	3.360			3.360
Pakistan	10.090			10.090
Panama	.020			.020
Paraguay	.300			.300
Peru	1.770			1.770
Philippines	5.040			5.040
Rwanda	.760			.760
Saudi Arabia	3.700			3.700
Senegal	1.680			1.680
Sierra Leone	.760			.760
Somalia	.760			.760
Spain	10.090			10.090
Sudan	1.010			1.010
Syrian Arab Republic	.950			.950
Tanzania	1.680			1.680
Thailand	3.030			3.030
Togo	.760			.760
Tunisia	1.510			1.510
Turkey	5.800			5.800
Uganda	1.680			1.680
United Arab Republic	5.080			5.080
Upper Volta	.500			.500
Vietnam	1.510			1.510
Yugoslavia	4.040			4.040
Zambia	2.690			2.690
Total, part II	247.800			247.800
Grand total	999.145	519.625	248.245	1,767.015

[1] Paid in full except Belgium and Luxembourg. See note 3.
[2] Final installment due Nov. 8, 1967.
[3] Final ½ payment due Nov. 8, 1967.

Note: Releases of part II members for lending:

Ireland	$2,727,000
Israel	1,512,000
Jordan	270,000
Mexico	75,719
Panama	14,400
Yugoslavia	3,636,000
Total	8,235,119

Note.—As of Dec. 31, 1966, IDA's resources include the following:

Transfers from IBRD	$200,000,000
Net income of IDA	11,983,008
Total	211,983,008

DELINQUENT PAYMENTS

Mr. PASSMAN. Mr. Ambassador, are any members delinquent on their payments at this time?

Mr. MERCHANT. As I recall last year you asked me that question, sir, and there was one country which was delinquent—technically delinquent—in the amount of $10 million by reason of failure of its legislature to pass, up to that point in our discussion, the necessary authority.

Mr. PASSMAN. Declining to make payment, or they hadn't reached that point in their legislative session?

Mr. MERCHANT. They hadn't reached that point in the legislative procedure.

Mr. PASSMAN. Did they subsequently make that contribution?

Mr. MERCHANT. That country we were discussing last year has done so, I believe. On the report which you have seen of the statement of condition as of December 31, 1966, Kuwait has an amount due of $1,120,000. They have since deposited a note covering that. There was never any question as to their intention and ability, I might say, to meet the obligation.

NEW AUTHORIZATIONS BEYOND 1968

Mr. PASSMAN. Mr. Ambassador, are you having discussions at this time relative to a legislative request for a new authorization for appropriations for the International Development Association covering fiscal years subsequent to 1968?

Mr. MERCHANT. The discussion of that subject with the other governments concerned is just getting underway, sir.

As you will recall, Mr. Woods, the President of the World Bank, undertook 3 years ago to take the lead in canvassing all the contributing members to IDA, the part I countries, and he made, himself, a proposal to the Board of IDA last July for a very substantial replenishment. Within the executive branch his proposal was considered in great detail and with great thoroughness. There was complete sympathy with his expressed desire to not only achieve an additional replenishment, but an increase in the funds available to IDA, and the executive branch has privately communicated to Mr. Woods an indication of the general amounts for which, under certain conditions, it would be prepared to seek authorization by the Congress.

The discussions with the other Governments by Mr. Woods have not yet gotten underway.

COUNTRIES WHOSE BORROWINGS EXCEED THEIR CONTRIBUTIONS

Mr. PASSMAN. It is my understanding that many of the recipient nations receive many times as much from IDA as they contribute to IDA. Is that correct?

Mr. MERCHANT. The contributing nations?

Mr. PASSMAN. Yes. Many of the 97 members are also the recipients of loans and they draw from IDA much more than they contribute.

Mr. MERCHANT. Well, as you know, sir, the members of IDA, for purposes of supplying IDA with capital, are divided into categories,

the so-called part I countries, which are, as you know so well, Mr. Chairman, the advanced countries. There are 17 of them in addition to ourselves.

The remaining 79 members are the part II countries. They make a contribution, or have in the past, to IDA, but substantially in their own local currency.

Now, to my knowledge, none of the part I countries which have been contributing the convertible currencies have been recipients of loans from IDA. They have been the beneficiaries of orders placed for procurement against loans made to the less developed, the poorer countries of IDA.

Now, several of the part I countries, according to my recollection, have received procurement orders in excess of the amount they actually contributed. Many of them have received orders amounting to only a fraction of their contribution. It has varied from country to country.

Mr. PASSMAN. That is the so-called advanced countries. I am speaking of the underdeveloped countries who are the part II countries. They make a small contribution, but they may get many, many times as much out of the organization as their contribution.

Mr. MERCHANT. This is entirely correct, sir.

Mr. PASSMAN. Under the charter of IDA all of the countries are eligible for loans if the need were to develop.

Mr. MERCHANT. That is correct.

BORROWINGS BY INDIA AND PAKISTAN

Mr. PASSMAN. I believe the two largest borrowers—if we want to call it borrowing—are India and Pakistan. India has been given total credits of $890 million; and Pakistan, $329 million. Is that true?

Mr. MERCHANT. Yes, sir; that is right.

Mr. PASSMAN. What had been their contribution to the organization; first, India's, then Pakistan's.

Mr. MERCHANT. The total subscription of India, denominated in dollars, came to $40,350,000.

Mr. PASSMAN. They actually have received about 20 times as much out of IDA as they contributed?

Mr. MERCHANT. That is correct, sir.

Mr. PASSMAN. Now, Pakistan.

Mr. MERCHANT. The comparable figure denominated in dollars is $10,090,000.

Mr. PASSMAN. They have received about 32 times as much out of IDA as they have contributed?

Mr. MERCHANT. That is correct, sir.

Mr. PASSMAN. Recognizing the plight of our gold reserve, the seriousness of our balance-of-payments situation, and the serious increase in the public debt, do you think possibly we could place ourselves in a position to be a recipient of IDA's operation if our fiscal situation should continue to worsen?

Mr. MERCHANT. No, sir; not, in my judgment, in the foreseeable future.

PURPOSE OF IDA

As you know, knowing the history so well, Mr. Chairman, the purpose of IDA really was to provide funds to assist in the economic development of the underdeveloped members of the World Bank family and IDA. The participation of the underdeveloped countries in IDA by capital subscription, 90 percent of which was in their own local currencies, was designed more to give them a modest but nevertheless self-respecting status as having a representative on the Board.

PROGRESS OF UNDERDEVELOPED COUNTRIES

Mr. PASSMAN. Some of these countries are many centuries old too aren't they?

Mr. MERCHANT. This is true.

Mr. PASSMAN. And it is the form of government and not the lack of natural resources that accounts for their yet being undeveloped? Would that be a statement of fact?

Mr. MERCHANT. I would think the question of resources was a very important one, and then, of course, the question of population pressing on resources is very important.

Mr. PASSMAN. But we are now helping countries that are called underdeveloped, that have been in existence for thousands of years.

Mr. MERCHANT. There have been rich nations and poor nations.

Mr. PASSMAN. And they are still underdeveloped, aren't they? I think we list Thailand as an underdeveloped nation, do we not?

Mr. MERCHANT. Yes, relatively speaking.

Mr. PASSMAN. I think possibly that country is 1,600 or 1,700 years old.

Mr. MERCHANT. Oh, yes.

Mr. PASSMAN. I thought it would be appropriate for the record to note that some of these countries will still be underdeveloped long after we have passed away.

Mr. MERCHANT. This is entirely possible.

PROBLEMS IN INDIA

Could I make one point, Mr. Chairman, that I know you are familiar with, but I think it is useful for the record in connection with the very susbtantial percentage of total IDA funds loaned which go to India.

India has a population equal to the combined population of Latin America and Africa. In Africa, I believe you have 40 independent countries and 20 in Latin America. This is a tremendous country.

Mr. PASSMAN. I know that.

I think perhaps it would be good to point out that our total aid to India has been in the neighborhood of $7 billion. Of course, I am very sympathetic with their problems.

There was an article in yesterday's New York Times, and perhaps other papers, that we are starting a birth control system for livestock

in India; we are going to use contraceptives and other means by which to control the birth of livestock. Are you familiar with that?

Mr. MERCHANT. I did not see that.

Mr. PASSMAN. I believe there is a cheaper way if you could arrest the fear that maybe this bull is not their uncle or grandfather or other relative. You could take care of it right there, I should think. This is something very much in the press—birth control for cows in India. I wonder if that is the answer. There are some claims, and statistics support the claims, that rats, monkeys, and cows are consuming or destroying more food and fiber in India than the people are consuming. I wonder if this is the answer?

Mr. MERCHANT. It is a rather ingenious approach, Mr. Chairman. I think there are other answers, as well, which might be more efficacious, but it is very interesting. You have the religious-social problem.

Mr. PASSMAN. I recognize that. This colloquy is not for the purpose of levity. It is a matter of great concern to know that many Indians feel—and I am talking about people high up in government—that they are worse off now than when we started our aid program; that they should be left alone to work out their own problems and until such time as we do leave them alone—hardship notwithstanding—that these situations will never be corrected.

When we look at the record on the amount we have given to India—we call them loans and if you want to leave that label on, it is all right, but I wouldn't want to invest my savings, limited though they may be, in that type of securities. When you add IDA loans to our aid, it is a very substantial amount of money.

ALLOCATIONS OR COMMITMENTS BY COUNTRY

Would you furnish for the record a table showing, as of December 31, 1966, the details of the allocations or commitments totaling, I believe, $1,649,500,000, by country and the amount. Also, if you will, insert for the record a list of the countries that are presently delinquent, if any.

Mr. MERCHANT. I will be very glad to.

(The information follows:)

CREDITS EXTENDED BY IDA TO MEMBER COUNTRIES, AS OF DECEMBER 31, 1966

The attached table is a list of IDA credits to member countries. None of these countries is delinquent in its payments to IDA.

Statement of development credits, Dec. 31, 1966

[Expressed in U.S. currency]

Members in whose territories development credits have been made (program or project)	Development credit No.	Semi-annual payment dates	Date of development credit agreement	Maturities	Service charge rate (percent)	Original principal amount	Cancellation	Effective development credits held by association	Principal amount disbursed	Undisbursed balance of effective development credits (2)
Afghanistan (AF): Education project	68	A/O 15	Nov. 23, 1964	1974-2014	¾	$3,500,000		$3,500,000.00	$15,437.50	$3,484,562.50
Bolivia (BO):										
ENDE power project	61	M/N 1	July 24, 1964	1974-2014	¾	10,000,000		10,000,000.00	7,321,079.14	2,678,920.86
BPC power project	62	M/N 1	do	1974-2014	¾	5,000,000		5,000,000.00	3,505,614.51	1,494,385.49
Total						15,000,000		15,000,000.00	10,826,693.65	4,173,306.35
Burundi (BU): Bujumbura water supply project	85	F/A 1	Mar. 31, 1966	1976-2016	¾	1,100,000		1,100,000.00	40,916.28	1,059,083.72
Chile (CH): Road construction	4	J/D 1	June 28, 1961	1971-2011	¾	19,000,000		19,000,000.00	10,726,225.99	8,273,774.01
China (CH):										
Harbor dredging	6	M/S 15	Aug. 30, 1961	1972-2011	¾	2,200,000	$21,731.53	2,178,268.47	2,178,268.47	
Ground water development	7	M/S 15	do	1972-2011	¾	3,700,000	1,668,668.63	2,031,331.37	2,031,331.37	
Municipal water supply	9	M/S 15	Sept. 6, 1961	1972-2011	¾	4,400,000	417,029.80	3,982,970.20	3,982,970.20	
Development of private industry	17	M/S 15	Dec. 1, 1961	1972-2011	¾	5,000,000	108,853.68	4,891,146.32	4,891,146.32	
Total						15,300,000	2,216,283.64	13,083,716.36	13,083,716.36	
Colombia (CO): Road project	5	J/D 1	Aug. 28, 1961	1971-2011	¾	19,500,000		19,500,000.00	13,232,892.07	6,267,107.93
Costa Rica (CR): Road construction and maintenance	10	M/N 1	Oct. 18, 1961	1971-2011	¾	5,500,000		5,500,000.00	3,287,592.85	2,212,407.15
Ecuador (EC): 2d highway project	51	F/A 1	May 26, 1964	1974-2014	¾	8,000,000		8,000,000.00	62,759.99	7,937,240.01
El Salvador (ES): 3d highway project	31	M/N 1	Nov. 2, 1962	1972-2012	¾	8,000,000		8,000,000.00	5,600,552.85	2,399,447.15
Ethiopia (ET):										
Road development	35	M/N 1	Feb. 27, 1963	1973-2013	¾	13,500,000		13,500,000.00	8,742,616.57	4,757,383.43
Education project	84	M/N 1	Feb. 16, 1966	1976-2015	¾	7,200,000		7,200,000.00		7,200,000.00
Total						20,700,000		20,700,000.00	8,742,616.57	11,957,383.43
Haiti (HA): Interim highway project	32	F/A 15	Nov. 2, 1962	1972-2012	¾	350,000	144.74	349,855.26	349,855.26	
Honduras (HO):										
Western highway improvement	1	M/S 1	May 12, 1961	1971-2011	¾	9,000,000		9,000,000.00	7,604,692.98	1,395,307.02
North road project	71	A/O 1	Feb. 2, 1965	1975-2014	¾	3,500,000		3,500,000.00	207,932.24	3,292,067.76
Total						12,500,000		12,500,000.00	7,812,625.22	4,687,374.78

See footnotes at end of table.

India (In):											
Highway construction and improvement	3	F/A 15	June 21, 1961	1971-2011	¾	60,000,000	530,000.00	59,470,000.00	56,087,041.51	3,382,958.49	
Tubewell irrigation	8	M/N 1	Sept. 6, 1961	1971-2011	¾	6,000,000		6,000,000.00	6,000,000.00		
Shetrunji irrigation project	13	A/O 15	Nov. 22, 1961	1972-2011	¾	4,500,000		4,500,000.00	3,385,741.71	1,114,258.29	
Salandi irrigation project	14	A/O 15	do	1972-2011	¾	8,000,000		8,000,000.00	1,589,909.30	6,410,090.70	
Punjab flood protection and drainage	15	M/N 15	do	1972-2011	¾	10,000,000		10,000,000.00	10,000,000.00		
Durgapur power extension	19	F/A 1	Feb. 14, 1962	1972-2012	¾	18,500,000		18,500,000.00	14,157,967.86	4,342,032.14	
Sone irrigation project	21	J/J 1	June 29, 1962	1973-2012	¾	15,000,000		15,000,000.00	13,807,846.96	1,192,153.04	
Purna irrigation project	23	J/J 1	July 18, 1962	1973-2012	¾	13,000,000		13,000,000.00	10,849,338.41	2,150,661.59	
2d Koyna power project	24	J/J 15	Aug. 8, 1962	1973-2012	¾	17,500,000		17,500,000.00	10,509,582.19	6,990,417.81	
Bombay port project	27	J/J 15	Sept. 14, 1962	1973-2012	¾	18,000,000		18,000,000.00	6,738,700.38	11,261,299.62	
Telecommunications	28	M/S 1	do	1973-2012	¾	42,000,000		42,000,000.00	39,383,150.04	2,616,849.96	
Railway improvement	36	M/N 1	Mar. 22, 1963	1973-2012	¾	67,500,000		67,500,000.00	67,500,000.00		
Kothagudem power project	37	J/D 1	May 24, 1963	1973-2013	¾	20,000,000		20,000,000.00	13,782,916.90	6,217,083.10	
Industrial imports project	52	M/N 15	June 9, 1964	1974-2014	¾	90,000,000		90,000,000.00	90,000,000.00		
2d telecommunications project	58	J/J 15	July 6, 1964	1975-2014	¾	33,000,000		33,000,000.00	28,200,155.00	4,799,845.00	
Railway improvement	67	M/S 15	Oct. 26, 1964	1974-2014	¾	62,000,000		62,000,000.00	62,000,000.00		
2d industrial imports project	78	J/J 1	Aug. 11, 1965	1976-2015	¾	100,000,000		100,000,000.00	76,161,412.21	23,838,587.79	
9th railway project	88	F/A 15	June 29, 1966	1976-2016	¾	68,000,000		68,000,000.00	17,247,416.55	50,752,583.45	
Beas equipment project	89	F/A 1	do	1977-2016	¾	23,000,000		23,000,000.00	2,756,523.08	20,243,476.92	
3d industrial imports project	92	J/J 15	Aug. 19, 1966	1977-2016	¾	150,000,000		150,000,000.00	7,460,605.28	142,539,394.72	
4th industrial imports project	97	A/O 15	Dec. 23, 1966	1977-2017	¾	[1] 65,000,000					
Total						891,000,000	530,000.00	825,470,000.00	537,618,307.38	287,851,692.62	
Jordan (JO):											
Amman water supply project	18	M/N 15	Dec. 22, 1961	1971-2011	¾	2,000,000		2,000,000.00	678,433.06	1,321,566.94	
Water supply project	43	M/N 15	Dec. 12, 1963	1974-2013	¾	3,500,000		3,500,000.00	1,335,176.10	2,164,823.90	
Agricultural credit project	44	F/A 1	do	1974-2013	¾	3,000,000		3,000,000.00	3,000,000.00		
Total						8,500,000		8,500,000.00	5,013,609.16	3,486,390.84	
Kenya (KE):											
Kenya tea development authority project	64	J/D 1	Aug. 17, 1964	1974-2013	¾	2,800,000		2,800,000.00	1,289,259.71	1,510,740.29	
Highway project	70	M/S 1	Dec. 29, 1964	1975-2014	¾	4,500,000		4,500,000.00	1,863,541.61	2,636,458.39	
Tea road project	77	F/A 1	June 30, 1965	1975-2015	¾	3,000,000		3,000,000.00	369,387.91	2,630,612.09	
Education project	93	F/A 15	Aug. 19, 1966	1976-2016	¾	7,000,000		7,000,000.00	12,105.80	6,987,894.20	
Total						17,300,000		17,300,000.00	3,534,295.03	13,765,704.97	
Korea (KO): Railway development	25	F/A 1	Aug. 17, 1962	1973-2012	¾	14,000,000	7,076.13	13,992,923.87	13,992,923.87		
Malagasy (MAG): Road project	90	A/O 15	Aug. 2, 1966	1976-2016	¾	10,000,000		10,000,000.00		10,000,000.00	
Mali (MLI): Railway project	95	J/J 1	Sept. 29, 1966	1977-2016	¾	[1] 9,100,000					
Mauritania (MAU): Road project	69	J/D 1	Dec. 28, 1964	1975-2014	¾	6,700,000		6,700,000.00	188,772.82	6,511,227.18	
Morocco (MOR): Education project	79	M/S 15	Oct. 11, 1965	1976-2015	¾	10,000,000		11,000,000.00		11,000,000.00	
Nicaragua (NI): Managua water supply project	26	M/S 1	Sept. 7, 1962	1972-2012	¾	3,000,000	2,557.31	2,997,442.69	2,994,833.86	2,608.83	
Niger (NIR): Road project	55	J/J 15	June 24, 1964	1975-2014	¾	1,500,000		1,500,000.00	54,640.81	1,445,359.19	

See footnotes at end of table.

Statement of development credits, Dec. 31, 1966—Continued

[Expressed in U.S. currency]

Members in whose territories development credits have been made (program or project)	Development credit No.	Semi-annual payment dates	Date of development credit agreement	Maturities	Service charge rate (percent)	Original principal amount	Cancellation	Effective development credits held by association	Principal amount disbursed	Undisbursed balance of effective development credits (2)
Nigeria (UNI):										
Education project	72	F/A 15	Mar. 1, 1965	1975-2014	¾	$20,000,000		$20,000,000.00		$20,000,000.00
Northern road project	73	F/A 15	----do----	1975-2014	¾	15,500,000		15,500,000.00	$3,230,451.73	12,269,548.27
Total						35,500,000		35,500,000.00	3,230,451.73	32,269,548.27
Pakistan (PAK) (See also project preparation credits):										
Dacca irrigation project	11	A/O 1	Oct. 19, 1961	1972-2011	¾	1,000,000		1,000,000.00	1,000,000.00	
Inland ports project	16	A/O 1	Nov. 22, 1961	1972-2011	¾	2,000,000		2,000,000.00	1,964,676.61	35,323.39
Khairpur irrigation project	22	J/J 1	June 29, 1962	1973-2012	¾	18,000,000		18,000,000.00	4,758,882.75	13,241,117.25
Industrial estates project	30	A/O 15	Nov. 2, 1962	1973-2012	¾	6,500,000		6,500,000.00	2,353,648.55	4,146,351.45
Brahmaputra flood project	39	J/J 1	June 26, 1963	1973-2013	¾	5,000,000		5,000,000.00	2,790,764.73	2,209,235.27
Chandpur irrigation project	40	J/J 1	July 26, 1963	1974-2013	¾	9,000,000	$3,750,000.00	5,250,000.00	2,320,813.16	2,929,186.84
Dacca water supply and sewerage project	41	A/O 1	Aug. 16, 1963	1973-2013	¾	26,000,000	10,000,000.00	16,000,000.00	753,860.58	15,246,139.42
Chittagong water supply and sewerage project	42	A/O 1	----do----	1973-2013	¾	24,000,000	10,000,000.00	14,000,000.00	811,412.26	13,188,587.74
East Pakistan education project	49	M/S 15	Mar. 25, 1964	1974-2013	¾	4,500,000		4,500,000.00	1,651,819.10	2,848,180.90
West Pakistan education project	50	M/S 15	----do----	1974-2013	¾	8,500,000		8,500,000.00	1,582,258.91	6,917,741.09
East Pakistan highway project	53	A/O 15	June 11, 1964	1974-2014	¾	22,500,000		22,500,000.00	1,351,647.30	21,148,352.70
West Pakistan highway project	54	A/O 15	----do----	1974-2014	¾	17,000,000		17,000,000.00	1,778,227.20	15,221,772.80
Pakistan eastern railway project	56	M/S 15	June 24, 1964	1974-2014	¾	10,000,000		10,000,000.00	1,652,850.57	8,347,149.43
Pakistan western railway project	57	M/S 15	----do----	1974-2014	¾	25,000,000		25,000,000.00	8,173,094.05	16,826,905.95
Indus basin project	60	M/S 1	July 21, 1964	1975-2014	¾	58,540,000		58,540,000.00	57,154,520.00	1,385,480.00
Inland water transport project	65	J/J 15	Aug. 26, 1964	1974-2014	¾	5,250,000		5,250,000.00	2,839,402.96	2,410,597.04
Agricultural development bank project	76	A/O 1	June 30, 1965	1975-2015	¾	27,000,000		27,000,000.00	9,044,652.14	17,955,347.86
Commercial road vehicles project	81	A/O 15	Jan. 13, 1966	1976-2015	¾	25,000,000		25,000,000.00	15,324,771.69	9,675,228.31
Foodgrain storage project	83	J/J 1	Feb. 10, 1966	1976-2015	¾	19,200,000		19,200,000.00	431,521.42	18,768,478.58
2d East Pakistan education project	87	A/O 15	June 17, 1966	1976-2016	¾	13,000,000		13,000,000.00	13,574.20	12,986,425.80
Industrial imports project	98	M/S 1	Dec. 23, 1966	1977-2016	¾	[1] 25,000,000				
Total						351,990,000	23,750,000.00	303,240,000.00	117,752,398.18	185,487,601.82
Paraguay (PA):										
Highway improvement and maintenance	12	F/A 15	Oct. 26, 1961	1972-2011	¾	6,000,000		6,000,000.00	2,347,609.69	3,652,390.31
Cattle project	47	A/O 1	Dec. 26, 1963	1973-2013	¾	3,600,000		3,600,000.00	2,964,608.93	635,391.07
2d Livestock project	86	A/O 1	Apr. 4, 1966	1976-2015	¾	7,500,000		7,500,000.00	425,528.68	7,074,471.32
Total						17,100,000		17,100,000.00	5,737,747.30	11,362,252.70

Senegal (SE): Railway project	96	F/A 1	Sept. 29, 1966	1977-2016	¾	[1] 9,000,000					
Somalia (SO): Road project	74	J/D 1	Mar. 29, 1965	1975-2014	¾	6,200,000		6,200,000.00		6,200,000.00
Sudan (SU): Roseires irrigation project	2	J/J 15	June 14, 1961	1971-2011	¾	13,000,000		13,000,000.00	10,319,864.93	2,680,135.07
Syria (SYR): Highway improvement	46	J/D 1	Dec. 24, 1963	1973-2013	¾	8,500,000		8,500,000.00	275,074.75	8,224,925.25
Tanzania (TA):										
School construction and equipment	45	M/N 15	Dec. 19, 1963	1973-2013	¾	4,600,000		4,600,000.00	4,143,494.07	456,505.93
Highway project	48	F/A 1	Feb. 5, 1964	1974-2013	¾	14,000,000		14,000,000.00	1,972,831.71	12,027,168.29
Agricultural credit project	80	A/O 1	Jan. 13, 1966	1975-2015	¾	5,000,000		5,000,000.00	995,639.58	4,004,360.42
Total						23,600,000		23,600,000.00	7,111,965.36	16,488,034.64
Tunisia (TUN):										
Education project	29	M/N 15	Sept. 17, 1962	1972-2012	¾	5,000,000		5,000,000.00	4,762,079.22	237,920.78
2d education project	94	M/N 15	Sept. 16, 1966	1976-2016	¾	13,000,000		13,000,000.00		13,000,000.00
Total						18,000,000		18,000,000.00	4,762,079.22	13,237,920.78
Turkey (TU):										
Development of private industry	33	N/M 15	Nov. 23, 1962	1973-2012	¾	5,000,000	144,073.99	4,855,926.01	4,855,926.01	
Cukurova power project	34	N/M 15	Feb. 1, 1963	1973-2012	¾	1,700,000	1,942.43	1,698,057.57	1,698,057.57	
Seyhan irrigation project	38	J/D 1	May 31, 1963	1973-2012	¾	20,000,000		20,000,000.00	10,310,605.76	9,689,394.24
2c Curova power project	59	F/A 1	July 14, 1964	1974-2014	¾	24,000,000		24,000,000.00	7,343,506.79	16,656,493.21
Development of private industry	66	M/N 15	Aug. 31, 1964	1974-2014	¾	5,000,000		5,000,000.00	4,738,941.46	261,058.54
Do	75	M/N 15	Apr. 1, 1965	1975-2014	¾	10,000,000		10,000,000.00	6,585,999.88	3,414,000.12
4th industrial development bank project	91	A/O 1	Aug. 10, 1966	1976-2015	¾	15,000,000		15,000,000.00		15,000,000.00
Total						80,700,000	146,016.42	80,553,983.58	35,533,037.47	45,020,946.11
United Kingdom:										
Swaziland (SW): Highway construction	20	M/N 1	Mar. 14, 1962	1972-2011	¾	2,800,000		2,800,000.00	2,800,000.00	
Botswana (BEC): road project	63	J/J 15	Aug. 3, 1964	1975-2014	¾	3,600,000		3,600,000.00	2,340,290.90	1,259,709.10
Lesotho (BL): road project	82	J/J 1	Feb. 9, 1966	1976-2015	¾	4,100,000		4,100,000.00	762,797.00	3,337,203.00
Total						10,500,000		10,500,000.00	5,903,087.90	4,596,912.10
Development credit total						1,674,640,000	26,652,078.24	1,539,887,921.76	827,804,974.36	712,082,947.40
Project preparation credits: Pakistan (PAK)	S 1	J/J 15	Aug. 22, 1966	1969-1976	¾	1,000,000		1,000,000.00		1,000,000.00
Malawi (MAI)	S 2	A/O 1	Oct. 4, 1966	1968-1976	¾	490,000		490,000.00	76,550.93	413,449.07
Project preparation credit total						1,490,000		1,490,000.00	76,550.93	1,413,449.07
Grand total						1,676,130,000	26,652,078.24	1,541,377,921.76	827,881,525.29	713,496,396.47

[1] Agreements in the total amount of $108,100,000 providing for these development credits have been signed but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the association.

[2] Of the undisbursed balance, the association has entered into irrevocable commitments to disburse $2,358,268.53.

IDA TERMS

Mr. PASSMAN. It is my understanding that IDA's principal objective is to provide capital to underdeveloped countries and the maximum terms are 50 years. The loans have a grace period with no interest as such because the charge of three-quarters of 1 percent is a service charge?

Mr. MERCHANT. That is right.

Mr. PASSMAN. After the first 10 years the loan is amortized at the rate of 1 percent a year for 10 years, with the final payment due 30 years later.

Mr. MERCHANT. Three percent for 30 years, which amortizes at the end of 50.

SERVICE CHARGE

I can answer the second half of that question, Mr. Chairman. Insofar as payments on the service charge of three-quarters of 1 percent are concerned, which is in lieu of a nominal interest payment, there are, to my knowledge, no delinquencies. There could not yet be any delinquencies on capital repayment installments because they don't start until after 10 years, and the first loan was in fiscal year 1961.

TEN-YEAR GRACE PERIOD

Mr. PASSMAN. All the loans, or these disguised grants, or whatever you call these things, have a 10-year grace period?

Mr. MERCHANT. That is standard.

Mr. PASSMAN. That applies to all of the loans. How old is IDA?

Mr. MERCHANT. Since 1961. In September 1960 it legislatively came into existence and the first credits were approved in fiscal year 1961.

Mr. PASSMAN. This three-quarters of 1 percent service charge or interest charge—I thought we had always been told it was a service charge.

Mr. MERCHANT. That is correct.

Mr. PASSMAN. It is considered a service charge because it costs that much to service the account. Are there any delinquent nations on that service charge?

Mr. MERCHANT. No, sir. The terms we have just discussed, Mr. Chairman, are the standard terms which customarily have applied to credit for projects.

INTEREST CHARGES

Mr. PASSMAN. For the benefits of the new members of the subcommittee we are discussing IDA and chances are you are more familiar with it than I am. It is a slightly lenient operation. The terms of the loans to the borrowers are 50 years with no interest, but a three-quarters of 1 percent service charge, and a 10-year grace period before they pay anything on the principal. Then they only pay 1 percent a year for the next 10 years. So at the end of 20 years they have paid back only 10 percent. Then they pay 3 percent a year for the next 30 years.

Mr. MERCHANT. That is right.

Mr. PASSMAN. How many commitments did IDA make in calendar 1966, Mr. Ambassador?

Mr. MERCHANT. Twenty-one, sir.

U.S. BILATERAL AID TO MEMBER COUNTRIES

Mr. PASSMAN. Would you furnish for the record a table showing the amount of U.S. bilateral aid to the member countries of IDA from the inception of IDA through fiscal year 1966, along with IDA's contribution?

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. And the amount of U.S. bilateral aid to each in fiscal year 1967 particularly. Also, a table showing the countries which were net purchasers of U.S. gold during the period fiscal year 1958 through calendar year 1966, if that is available.

Mr. MERCHANT. Yes, sir.

(The information follows:)

Total U.S. assistance (including military credits and Eximbank loans) to member countries of IDA since inception of IDA (fiscal year 1961–66) (net obligations and authorizations)

[In millions of dollars]

PART I	
Country	*Amount*
Australia	203.8
Austria [1]	36.8
Belgium-Luxembourg	102.8
Canada	9.1
Denmark	142.9
Finland	4.0
France	134.4
Germany, Federal Republic	23.1
Italy	632.4
Japan	798.0
Kuwait	-------
Netherlands	124.6
Norway	180.2
South Africa	-------
Sweden	-------
United Kingdom	389.8
Total, part I members	2,781.9

PART II	
Afghanistan	201.6
Algeria	177.1
Argentina	306.3
Bolivia	257.0
Brazil	1,798.7
Burma	19.2
Burundi	6.7
Cameroon	38.1
Central African Republic	3.5
Ceylon	38.7
Chad	5.5
Chile	878.5
China	985.9
Colombia	615.9
Congo [Brazzaville]	2.1
Congo, Democratic Republic	344.0
Costa Rica	71.9
Cyprus	19.3
Dahomey	6.6
Dominican Republic	308.1
Ecuador	197.0
El Salvador	197.4
Ethiopia	213.9
Gabon	5.8
Ghana	171.0
Greece	588.9
Guatemala	93.0
Haiti	30.7
Honduras	52.8
Iceland	21.3
India [2]	4,380.7
Iran	580.9
Iraq	37.2
Ireland	-------
Israel	391.6
Ivory Coast	28.1
Jordan	281.0
Kenya	52.1
Korea	2,244.6
Laos [3]	353.1
Lebanon	4.8
Liberia	174.0
Libya	64.6
Malagasy Republic	9.6
Malawi	11.8
Malaysia	20.7
Mali	18.7
Mauritania	1.5
Mexico	477.1
Morocco	373.0
Nepal [3]	57.8
Nicaragua	90.3
Niger	10.6
Nigeria	179.0
Pakistan	1,815.1
Panama	113.9

Total U.S. assistance (including military credits and Eximbank loans) to member countries of IDA since inception of IDA (fiscal year 1961–66) (net obligations and authorizations)—Continued

PART II—continued

Country	Amount
Paraguay	65.2
Peru	373.7
Philippines	394.7
Rwanda	5.5
Saudi Arabia	31.4
Senegal	21.5
Sierra Leone	32.2
Somalia	43.3
Spain	295.1
Sudan	63.7
Syrian Arab Republic	59.0
Tanzania	50.1
Thailand	472.3

PART II—continued

Country	Amount
Togo	11.4
Tunisia	348.6
Turkey	1,843.8
Uganda	20.1
United Arab Republic	860.6
Upper Volta	6.8
Vietnam	2,746.9
Yugoslavia	619.3
Zambia	8.6
Total, part II members	27,702.1
Total, IDA members	30,484.0

[1] Economic only; military data are classified.
[2] Military data for fiscal year 1963–66 are classified.
[3] Military data for fiscal year 1964–66 are classified.

NOTE.—Fiscal year 1967 data not yet available.

Net gold purchases from the United States by IDA countries, calendar years 1958–66

[In millions of dollars]

Country	Amount
Afghanistan	3.7
Algeria	15.0
Argentina	39.3
Austria	548.0
Belgium	839.0
Burma	24.7
*Cambodia	15.8
Cameroon Republic	1.9
Central African Republic	.7
Ceylon	11.9
Chad	.7
Chile	20.1
Congo [Leopoldville]	1.5
Costa Rica	4.8
Cyprus	2.0
Dahomey	.8
Denmark	72.0
Dominican Republic	6.1
Ecuador	5.5
Egypt	34.8
El Salvador	3.0
Finland	12.7
France	3,305.7
Gabon	.7
Germany, Federal Republic of	281.3
Ghana	5.6
Greece	82.3
Guinea	2.8
Haiti	.1
Honduras	.9
Iceland	9.7
*Indonesia	35.9
Iran	32.2
Iraq	39.8
Ireland	4.1
Israel	23.4
Italy	188.8
Ivory Coast	1.5
*Jamaica	1.0
Japan	202.7
Jordan	.6
Korea	1.6
Kuwait	22.3
Laos	1.9
Lebanon	74.4
Liberia	1.5
Malagasy	2.3
Mauritania	.8
Mexico	44.0
Morocco	16.3
Netherlands	660.1
Nicaragua	1.2
Niger	.8
Nigeria	20.0
Pakistan	13.3
Panama	2.7
Peru	31.2
*Portugal	30.0
Saudi Arabia	71.4
Senegal	1.7
Somalia	1.9
Spain	726.3
Sudan	7.9
*Surinam	2.5
Syria	9.7
Tunisia	3.3
Turkey	55.7
United Kingdom	1,316.2
Upper Volta	.8
Yugoslavia	28.4
Total	9,033.3

*Not a member of IDA.

Mr. PASSMAN. I know that you have had vast experience, Mr. Ambassador. You are one of the outstanding witnesses that appear before this committee. You are familiar with our monetary system and the way it operates, and since that is true I would like to discuss something on which you have a lot of knowledge, and see if you share my concern. If not, maybe you can help arrest my fears.

It is my understanding from time immemorial in all tongues and all civilizations, that yellow metal, known as gold, was the ultimate in security. Individuals either wanted gold or they wanted a type of money that was redeemable in gold. If nations had adequate gold backing for their currency, their currency was in demand, and the individual would just as soon have that currency as gold. Have I assessed that correctly?

Mr. MERCHANT. This certainly is the history.

Mr. PASSMAN. And that goes back even before Biblical times. Would you say that as a statement of fact?

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. Under international law a foreign government may redeem its dollars for gold. Foreign governments or foreign banks that hold dollars could demand gold for those dollars, is that right?

Mr. MERCHANT. I think that is a matter of current U.S. statute and not a matter of international law.

Mr. PASSMAN. At any rate, it is the international policy generated during the Bretton Woods Agreement.

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. That nations may demand gold for their dollars?

Mr. MERCHANT. That is right

Mr. PASSMAN. Of course, so great has been the outpouring of U.S. dollars, or goods to foreign countries, that in the past 13 years they have reduced our gold holdings from $23.5 billion to $13.1 billion.

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. Is that your understanding?

Mr. MERCHANT. That is in accord with my recollection.

Mr. PASSMAN. And during that same 13 years foreign nations have increased their short-term dollar claims from $10.5 billion to approximately $31 billion.

Mr. MERCHANT. My recollection of the figure of $30 billion or thereabouts is that that is the total of short-term claims against the dollar, including private and corporate as well as governmental.

Mr. PASSMAN. That is correct.

Now, the private individual in country X could deposit his dollars in the national bank and the bank could demand gold for them; is that not so?

Mr. MERCHANT. I think that is generally true, sir.

Mr. PASSMAN. Now, following through on that, in a brief 13 years, so great has been the outpouring of our wealth to foreign nations that they were able to reduce our gold reserves from a total of $23.5 billion down to approximately $13.1 billion, and during that same period they had so many dollars in excess of their needs for commerce, that foreign nationals and governments increased their short-term dollar claims against our country from approximately $10.5 billion to approximately $30 billion or $31 billion.

INSUFFICIENT GOLD TO MEET POSSIBLE DEMANDS

Now, pursuing this a bit further, if I understand our monetary system correctly, we have legislation that requires $1 in gold for each $4 in circulation. Is that your understanding? We have some very expert witnesses from the Treasury Department before the committee.

Mr. MERCHANT. Twenty-five percent gold reserve.

Mr. PASSMAN. And I think we have about $39 billion in circulation, do we not?

If we take the $13.1 billion in gold, we can subtract from that approximately $9.8 billion that the law requires that we deposit to support our currency. Then we add to the $9.8 billion, a half billion dollars worth of U.S. gold that is committed to the International Monetary Fund and that actually leaves us about $2.8 billion, technically speaking, to pay off $30 billion or more in short-term dollar claims, if they should come. Is that right?

Mr. MERCHANT. As you state it, I believe that is the arithmetic, but there are other considerations.

Mr. PASSMAN. It would appear to me it would be somewhat a difficult job to pay off $30 billion with $2.8 billion. You would have to be some mathematician.

I thought I would get these statistics in the record. They are factual and should be interesting, and too many of us are blind as to what is actually happening, and we are going to wind up—if what I read in the press is true—by saying, "Come and get it. We are willing to redeem these outstanding dollars in gold."

If we amended the law, we would still only have sufficient gold to redeem a very small percentage of these claims.

CONTRIBUTING FACTORS TO GOLD OUTFLOW

I am wondering if, somewhere along the way, we shouldn't stop, look, and listen and have a new look at this overall program because it is causing me some concern. It could well be that I just don't possess the intelligence to comprehend it. I am willing to admit that, providing there is proof to substantiate the claims as to the good we are doing. We just insist on being everything to everybody everywhere, regardless of cost, and regardless of what it is doing to our monetary system and foreign markets.

It causes me great concern and I am of the opinion, with your background, it causes you some concern.

Mr. MERCHANT. It does cause me some concern and I think it does everyone, sir. I would add a note in this connection, that any request of Secretary Fowler to the Congress for future authorization to contribute to IDA would be surrounded by safeguards against a significant impact on the balance of payments.

There is one point, sir, that should not remove concern, but it must also, I think, be taken into account, and that is that the United States is building up very, very substantial assets abroad. I think in recent years, probably the largest single component responsible for the imbalance in our balance of payments has been private capital investing abroad and being profitably invested abroad.

Mr. PASSMAN. I had a relative who died one time and they had an autopsy performed and discovered he had nine diseases. Any one could have killed him, but he was still dead.

Do you get the point?

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. We can justify just about anything, but it follows nevertheless that our gold is going out and the short-term claims are building up.

BALANCE OF TRADE

One other question that causes great concern and that is the deception in our export-import account. I believe if we would subtract from our trade surplus, foreign aid, marine insurance, the subsidy, and the ocean freight, we would be, in reality, on the minus side and not on the plus.

I want that statement in the record and I would like some scholar to refute it. That is a fair analysis. Instead of having a trade surplus, we have a deficit. The way you arrive at a deficit is to use the same statistics that foreign countries use in computing their exports. It involves, of course, subsidies, foreign aid, ocean freight, and marine insurance. I would like some scholar to make me look like a fool.

That is what you call sticking your neck out; isn't it?

Mr. MERCHANT. That is right.

Mr. PASSMAN. I am waiting for an answer.

Mr. MERCHANT. I am not qualified to speak to that, Mr. Chairman.

Mr. PASSMAN. Since we had taken off on this giveaway program, I thought we should elaborate a little bit further.

COMMITTED AND UNCOMMITTED FUNDS

Mr. Ambassador, the justifications indicate that as of December 31, 1966, IDA had made commitments of $1,649,500,000. First, what is the amount of uncommitted funds as of December 31, 1966? That would be the last accounting period; would it not?

Mr. MERCHANT. Yes, it would be, sir.

The total uncommitted as of that date would be approximately $114 million.

Mr. PASSMAN. Now, would you furnish the amount of undisbursed funds for the same period?

COMMITTED BUT UNDISBURSED FUNDS

Mr. MERCHANT. The undisbursed balance of paid-in funds would come to $551 million, sir.

Mr. PASSMAN. They must be disbursing an awful lot of funds since they appeared before this committee last year.

Mr. MERCHANT. I have forgotten what the figure was a year ago.

Mr. PASSMAN. I think it was over a billion dollars.

Mr. MERCHANT. It was around $600 million, I think.

Mr. PASSMAN. Last year at this time you had $1,120 million in unexpended funds. Is that correct?

Some contributing countries operate on a fiscal year basis; others operate on a calendar year. What are the commitments through December 31, 1966?

Mr. MERCHANT. The commitments through December 31, 1966, cumulatively, would be $1,676 million less $27 million cancellations.

Mr. PASSMAN. Let's get the total.

Mr. MERCHANT. The net?

Mr. PASSMAN. Yes.

Mr. MERCHANT. It would be $1,649 million.

Mr. PASSMAN. What would be the undisbursed funds, applying it to the same figure? We want to know the amount of funds available for IDA yet to be disbursed, you understand, paid in and committed through December 31, 1966. We want that so that it will be comparable with the figure you gave us last year.

Mr. MERCHANT. Would it be better if we provided that clearly for the record?

Mr. PASSMAN. I think we can clear it up in just a moment.

Mr. MERCHANT. We wound up with a table inserted in the record, Mr. Chairman, last year, showing that as of December 31, 1965, there was an undisbursed balance of paid-in convertible funds equal to $619 million. The comparable figure 1 year later, to December 31, 1966, is $551 million. The uncommitted funds available to IDA, including payments to be made in the current fiscal year from the contributing countries amounted, on December 31, 1966, to $114 million.

Mr. PASSMAN. Now, is that the grand total or would you add to that the uncommitted?

Mr. MERCHANT. Can I explain this way, sir: The uncommitted funds are the amounts against which IDA can make new loans or advances. That is all they have. Now, there is $551 million of undisbursed funds that will be paid out on loans already made which require perhaps 6 years before the final payment is made——

Mr. PASSMAN. Would you add the $114 million to that to get a grand total or is that included in the undisbursed?

Mr. MERCHANT. It should not be included in the undisbursed.

Mr. PASSMAN. That is clear enough.

(The table of undisbursed balances as of December 31, 1966, follows:)

Undisbursed balances out of IDA funds actually received, as of Dec. 31, 1966

[In millions of dollars]

Total available in convertible currencies including pt. I country pledges not due for payment until November 1967	1,764
Less pt. I country pledges not due for payment until November 1967 ($251,000,000) and IBRD grants not yet transferred ($134,000,000)	385
Convertible funds actually received as of Dec. 31, 1966	1,379
Less disbursements on existing credits as of Dec. 31, 1966	828
Undisbursed balance of paid-in convertible funds as of Dec. 31, 1966	551

Mr. PASSMAN. Now, may I ask this question: What percentage of the total IDA funds does our country contribute? Is it 40 percent?

Mr. MERCHANT. 41.6 percent of the total contributed by countries.

Mr. PASSMAN. Thank you, Mr. Ambassador.

ADMINISTRATIVE EXPENSES

Would you furnish for the record a table showing the administrative expenses for IDA for each of the past 3 fiscal years and the budget request for fiscal year 1967?

Mr. MERCHANT. Yes, sir; I will be glad to.
(The information follows:)

IDA administrative expenses

[In U.S. dollars]

	Fiscal year 1964, actual	Fiscal year 1965, actual	Fiscal year 1966, actual	Fiscal year 1967, budget
Staff:				
Personal services	1,517,570	1,677,752	2,044,829	2,672,000
Staff benefits	213,032	239,677	294,750	405,000
Travel	335,319	375,642	432,764	491,000
Consultants	158,386	171,109	69,632	100,000
Representation	2,593	3,028	1,886	2,000
Subtotal	2,226,900	2,467,208	2,843,861	3,670,000
Other administrative expenses:				
Fees and compensation	9,814	10,063	21,819	24,000
Supplies and materials	22,328	29,028	31,557	47,000
Office occupancy	161,740	165,377	212,220	314,000
Communications	84,374	111,919	115,289	167,000
Furniture and equipment	79,075	47,210	70,739	113,000
Printing	26,372	29,739	22,463	30,000
Insurance	21,563	17,977	22,106	27,000
Other	149			
Subtotal	[1] 405,415	[1] 411,313	[1] 496,193	[1] 722,000
Contingency				50,000
Total	[1] 2,635,565	2,896,279	3,358,049	4,466,000

[1] Figure includes expenditures associated with cooperative programs with FAO and UNESCO. This expenditure totalled in 1964, $3,250; 1965, $17,758; 1966, $17,975. The 1967 budget allocates $24,000 for such projects.

COMMITMENTS TO INDIA AND PAKISTAN

Mr. PASSMAN. Also furnish for the record separate tables showing the commitments to India and Pakistan by fiscal years through fiscal year 1967, or calendar year 1966.

Mr. MERCHANT. Yes, sir.

(The informations follows:)

IDA commitments to India and Pakistan by fiscal year, through Dec. 31, 1966

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	1st half 1967	Total	Less cancellations	Net total
India	60	62	178.0	90.0	95.0	191.0	215	891	0.5	890.5
Pakistan		21	11.5	146.5	90.8	57.2	26	353	23.8	329.2

Mr. PASSMAN. Are both India and Pakistan current on the three-quarters of 1 percent service charge?

Mr. MERCHANT. Yes, sir.

Mr. Chairman, I haven't had the opportunity of introducing Mr. Rice, my deputy, the Alternate Executive Director.

Mr. PASSMAN. It is good to see you, Mr. Rice.

Mr. Ambassador, I understand that Pakistan now shows a substantial surplus in its balance-of-payments account, is that correct?

Mr. MERCHANT. I don't know, sir. I would have to check that. Let me see if one of my associates has the figure at hand.

Mr. PASSMAN. You may insert that in the record.

INCREASE IN PAKISTAN'S GOLD AND STERLING RESERVES

I mention Pakistan because they are very large recipients of this and also our bilateral aid program. It is my understanding that Pakistan's gold and sterling reserves increased very significantly in 1966. Do your records indicate that also?

Mr. MERCHANT. I am taking a hasty glance at a very unfamiliar table. I would rather insert that information in the record.

Mr. PASSMAN. That is all right.

(The information follows:)

Pakistan balance of payments and reserve position as of Dec. 31, 1966

[In millions of dollars]

	1963	1964	1965	1966
Balance of payments:				
Balance of goods and services	−498	−519	−593	(1)
Financing items:				
Private direct investment	41	53	43	(1)
Official grants	248	215	237	(1)
Loan receipts (official net)	243	256	277	(1)
Reserve position:				
Gold and foreign exchange	352	307	298	[2] 267
Gold	53	53	53	53
Official foreign exchange	239	175	168	146
Deposit money banks	60	79	77	[2] 68

[1] Not available.
[2] Estimate.

Source: International Monetary Fund.

IDA DISBURSEMENTS FOR INDIA AND PAKISTAN USED FOR U.S. PROCUREMENT

Mr. PASSMAN. Mr. Ambassador, a table which you inserted on page 149 of last year's hearings shows that only 7.8 percent of the total International Development Association's disbursements to India through December 31, 1965, have been expended for commodities and services in the United States.

Mr. MERCHANT. 7.8 percent.

Mr. PASSMAN. We contribute 41.6 percent to IDA, do we not?

Mr. MERCHANT. That is right, sir.

Mr. PASSMAN. But India spent in the United States only 7.8 of the total funds made available to them by IDA?

Mr. MERCHANT. That was true through the end of 1965. I will be glad to bring that figure up to date for you.

Mr. PASSMAN. Do that, and also furnish the same information on Pakistan.

Mr. MERCHANT. Yes, sir.

Mr. PASSMAN. Would you also furnish for the record what part of the total IDA disbursements have come back to the United States in the form of procurement, through the last accounting period?

Mr. MERCHANT. Yes, sir.

As you know, that will fluctuate from year to year. For last year—fiscal 1966—27.6 percent of identifiable procurement came to the United States.

Mr. PASSMAN. What percentage?

Mr. MERCHANT. 27.6 percent.

Mr. PASSMAN. We contributed 41.6 percent to IDA, however?

Mr. MERCHANT. That is true. On the other hand, the 41 percent which we contribute would be a different percentage if you add to the total of what countries contribute, the $75 million contribution from IBRD profits, the pool is a little bigger.

Mr. PASSMAN. Earlier you gave us the total contributions through calendar year 1966, which was $528,290,000. Give us the amount of procurement for the same period.

Mr. MERCHANT. We will bring that up to date.

(The information follows:)

IDA disbursements for credits in India and Pakistan through Dec. 31, 1966

[In millions of dollars]

	Total disbursements	Disbursements to U.S. suppliers	U.S. percentage
India	537.6	53.8	10.0
Pakistan	117.8	49.5	42.1

NOTE.—Does not include possible U.S. share of amounts (India $110,300,000; Pakistan $10,100,000) for which source of procurement has not been determined, or for which exchange was initially spent locally.

IDA FINANCED PROCUREMENT IN THE UNITED STATES

During FY 1966, the U.S. share of identified IDA procurement was 27.8 percent. Including a comparable U.S. share arising out of IDA procurement other than that identified by foreign source, this amounted to $73.8 million. Comulatively from IDA's inception through December 31, 1966, the U.S. share of identified IDA procurement was 22.7 percent. Including a comparable U.S. share arising out of IDA procurement other than that identified by foreign source, this amounted to $187.9 million.

As of December 31, 1966, IDA had drawn $295.3 million in cash from the U.S. subscription and $233.0 million remained uncashed in the form of notes and letters of credit out of our total contribution of $528.3 million to that date.

NEW AUTHORIZATION FOR IDA

Mr. PASSMAN. You mentioned earlier there had been some discussions about the new authorization for IDA.

Could you tell the committee whether or not these discussions have been advanced far enough to know whether or not there will be a request of Congress for legislation during calendar 1967?

Mr. MERCHANT. I would expect so.

Mr. PASSMAN. Would you expect that there would be a supplemental appropriation request for fiscal 1968?

Mr. MERCHANT. No, sir.

Mr. PASSMAN. Thank you. I was afraid to ask you that question. I am glad it is behind me.

IDA PART OF FOREIGN AID PROGRAM

Where IDA extends loans of 50 years' maturity, a 10-year grace period, and three-fourths of 1 percent service charge, it is for about the same type of aid programs that are financed out of the development loan and grant programs of AID?

Mr. MERCHANT. Substantially the same type as the loans.

Mr. PASSMAN. The same type of projects are financed?

Mr. MERCHANT. Yes, sir; that is true.

Mr. PASSMAN. In reality then, our contribution, $104 million, when stated factually, is an aid contribution.

Mr. MERCHANT. This is foreign aid; yes, sir.

TOTAL FOREIGN AID PROGRAM

Mr. PASSMAN. Why is it that a busy President, when he is talking to 198 million Americans, just neglects to tell the people that. The total foreign aid request this year, when you put all the segments together, but not the Vietnam war costs, is $10.6 billion.

But whoever develops these speeches for Mr. Johnson put it at $3.1 billion, and it causes me a lot of embarrassment. I put all of this material together and send it out and beg them to refute it, and it is sad to observe their feeble efforts. I say if my arm is a part of my body, so is my foot. Foreign aid or foreign assistance is the same, in my opinion.

The President stated his foreign aid message:

> My proposals for programs authorized by the Foreign Assistance Act in fiscal 1968 will require total appropriations of slightly over $3.1 billion. Of this, some $2.5 billion will be devoted to economic aid. Almost $600 million will be for military assistance. Funds for the regional development banks would be authorized by separate legislation.

He does not actually give the total amount. When we include the Asian Bank, the Inter-American Bank, the International Development Association, the Peace Corps, the African Development Bank, and other programs, and put them all together, including the interest we paid on the money we borrowed to give away, it comes to $10.6 billion.

In other words, foreign assistance in 1968 would cost $148 for every one of the 70 million working Americans.

I am very glad you recognize this as foreign aid as most other people do.

Mr. Ambassador, I want to thank you very much for the very outstanding job you are doing as our representative on this program. I have always contended that, if I am going to give an individual something, I want him to know it is coming from me. Most of us, I am sure, would hate to make our church contributions through some third party without being properly identified with it.

This is a small amount of the total foreign aid program. But you do have those in the Congress who would like to get all of our foreign aid programs channeled through international organizations. Off the record.

(Off the record.)

IDENTIFICATION OF UNITED STATES AS MAJOR CONTRIBUTOR TO IDA

Mr. PASSMAN. Mr. Ambassador, when foreign aid is made available through IDA, which is an international organization, the commitment is made by IDA, and the recipient nation does not think of that loan as a contribution coming from the United States, but thinks of it as coming from the contributors to IDA, a world organization?

Mr. MERCHANT. That is true, sir, though I would say that there is no intelligent representative of an underdeveloped member country of IDA that is not more interested in what the U.S. Director thinks of a project or the desirability of a credit than anybody else. The fact that we are the largest IDA contributor and the largest stockholder in the Bank——

Mr. PASSMAN. I am talking about the people in the foreign countries, not the representatives of the country assigned to IDA.

Mr. MERCHANT. I do not think one has to go very far into the back country in many countries which are being helped through bilateral programs to find that they do not know where the money comes from.

Mr. PASSMAN. If our motives are what we say they are, and I think they are, that we are only interested in helping underdeveloped nations and that we are willing to make the sacrifice as individuals and give up a part of our hard-earned money to help them, what is wrong with letting those people know that this aid is coming from the United States?

Why do we need an international organization to distribute our funds? Do they have a better organization or do you subscribe, Mr. Ambassador, to what probably your predecessor said—that many nations have stipulated that they do not want it known that they are accepting contributions from us, and if you put it through an international organization they can accept it with better grace. Have you heard that statement?

Mr. MERCHANT. I have heard that.

Mr. PASSMAN. Do you subscribe to it, sir?

Mr. MERCHANT. Not in those terms.

Mr. PASSMAN. In what terms do you subscribe to it?

Mr. MERCHANT. I subscribe to it on two basic grounds. The first is that IDA, which I think is the outstanding example, but also other multilateral foreign assistance agencies, represent an extremely effective way of getting other prosperous industrially advanced countries to carry a larger and fairer proportion of the total load that is moving into the underdeveloped countries.

Mr. PASSMAN. May I respond right at that point?

Mr. MERCHANT. Yes, sir.

BENEFITS TO CONTRIBUTORS THROUGH TRADE AGREEMENTS

Mr. PASSMAN. If you walked into the parliament of some foreign nation where some legislator is trying to get his nation to make a 4 percent contribution and you hear him say, "If we put in 4 percent, we can get the United States to put in 41 percent, and do not forget most of this money is going to our possessions or former possessions where we have profitable trade ties," would you take the next plane back or wait a day or two?

Mr. MERCHANT. That question answers itself, sir.

Mr. PASSMAN. I hope you would come back that very day. That is what is happening. You know and I know that practically all of the countries who are dipping into the IDA account, are countries who are making a very small contribution, and are also former colonies of the other developed countries, with whom they have strong trade agreements. If they can say, we will have to put in 3 per-

cent to get Uncle Sam to put in 41 percent, it seems to me that we are just being taken for suckers, in my opinion.

But it is going like Pakistan and India, who are pulling foreign aid from 15 spigots and have received nearly $10 billion, and have also pulled out of IDA about $896 million. We put up 41 percent of that $896 million, and if you look at the percentages coming back to the United States, it is quite obvious that those who are contributing the smallest amounts are the ones getting the most out of it.

TRADE BENEFITS TO EUROPEAN CONTRIBUTORS

Mr. MERCHANT. You are quite right, sir; this is true of several countries. Great Britain, although it is the second largest contributor, is getting more out of IDA in procurement than it puts in in contributions.

Mr. PASSMAN. And France?

Mr. MERCHANT. Not France. France gets less in procurement than they put in.

Mr. PASSMAN. But they have very strong trade ties with their former colonies and they are recipients of IDA loans; are they not?

Mr. MERCHANT. You are quite right.

INCREASING TRADE WITH LATIN AMERICA

On the other hand, there are new trade relationships and channels being established. Most Europeans will complain bitterly on this same point in reverse, when it comes to aid going into Latin America where there is a bias or presumption that we will be the principal supplier.

Mr. PASSMAN. But the trade with Latin America by European countries is increasing by leaps and bounds, is it not?

Mr. MERCHANT. Yes. Our trade in relation to what it was before the war, sir——

Mr. PASSMAN. I think ours is going down and others are going up.

Mr. MERCHANT. India and Pakistan is rising.

Mr. PASSMAN. I am an American and I love this country like you do, but where do we get the idea we have a corner on intelligence and know more about how things are done than other people.

I hate to admit it, but some of these international bankers are the cleverest persons we have ever come in contact with. Would you agree with that?

Mr. MERCHANT. I certainly do.

IDENTIFICATION OF UNITED STATES AS A MAJOR CONTRIBUTOR

Mr. PASSMAN. They make monkeys out of us. It is embarrassing to think we walk into traps like that, and I think you will agree we have made a record you cannot get around. If you are going to give away our wealth, let people know where it is coming from.

I am very familiar with some people who say if our aid goes through an international organization, these countries can accept this aid and there is no stigma attached that they are accepting charity from the United States. If they feel that way, I do not want to give them my dollars.

This causes me some concern. I do not know how many people share my convictions, but we act as though we have cornered the market on intelligence and know all about banking.

U.S. PUBLIC DEBT

This is a frightening thing. We have a public debt that exceeds the combined public debt of all of the other nations of the world. The aid we give this year, we are having to borrow. We do not know how we can pay it back. We have balanced the budget only six times in 38 years.

I just do not know where it is going to eventually lead us. I hope you share my concern. I hope that we do not have legislation this year again that will try to allocate a portion of the AID development loan appropriation and transfer it into IDA. I think one of the branches of the Congress had legislation of that type last year.

CONTRIBUTION OF LOCAL CURRENCIES

Does IDA use any of the local currencies that the other 80 or so members contribute?

Mr. MERCHANT. No, they have not so far.

Mr. PASSMAN. What do they do with those local currencies, just accumulate them?

Mr. MERCHANT. The local currencies which represent their 90 percent of their contribution to IDA just remain as deposits.

Mr. PASSMAN. In other words, it is a dormant group of currencies that cannot be used?

Mr. MERCHANT. Right, although some countries have released theirs for use on a convertible basis.

Mr. PASSMAN. They could send in yesterday's paper and it would amount to about the same thing, would it not? Would that not have about the same value?

This is not by design, but deception again, for these people to make their contribution in their local currency, and it is not being disbursed. I think 10 percent is the maximum they contribute in convertible currency?

Mr. MERCHANT. Ten percent is in convertible currency.

COUNTERPART FUNDS

Mr. PASSMAN. I would say we are getting ourselves into a similar position that we have been in the past. We entered into agreements with many of the so-called underdeveloped nations, who were probably shedding crocodile tears over their position, but they were partying and laughing about our gullibility that same night. We poured billions of dollars into their countries and were maneuvered into this position: We are going to create a counterpart fund.

You sell the commodities furnished by us, you collect the money, and put it in this fund. When we distribute these funds it will be only for projects in your country, but there will have to be a mutual agreement upon what type of projects. If we cannot reach that agreement, then these funds are automatically frozen indefinitely, are they not?

Mr. MERCHANT. Yes.

Mr. PASSMAN. Then the foreign country, while we were getting over a hangover psychologically, turned over the other page and said we will just go out and print the equivalent in our own currency and start these projects anyway.

When we finally woke up to what was happening, we stopped the program, did we not?

Mr. MERCHANT. Yes.

Mr. PASSMAN. You do not disagree with my thinking?

Mr. MERCHANT. No.

Mr. PASSMAN. We have another one of these programs that cause concern. To justify foreign aid, we heard a beautiful story: "Our aid program has been so successful, that former foreign aid recipient countries are now starting their own aid programs." It is a pretty good story. They did not tell an untruth, just left a lot untold.

We happened to be in one of these countries and we found out they were paying for their aid program out of the counterpart funds that had been generated from our commodities. So, in effect, it was our money paying for the foreign aid program of a successful former AID recipient. But I could not say that story is a recommendation to indicate our aid program to this country had been so successful. They just take the funds out of the account we build up.

I just think it is wrong. You have a lot to do with this overall program and I wanted to make a record on it.

Thank you very much, Mr. Ambassador, for the information you have given to us. I yield to the distinguished gentleman from Massachusetts.

NEED FOR FURTHER IDA FUNDS

Mr. CONTE. This year's appropriation would be the final one to be made to IDA by the United States under our present commitments to IDA. What do you foresee for the future? Is IDA going to need additional funds to carry out its responsibilities; do you envision requesting the United States to make further contributions? And do you have any idea what the size of those requests might be, both to the United States and to other countries?

Mr. MERCHANT. IDA does have a need for additional funds to carry out its responsibilities. I anticipate that the administration will be making a request to this Congress for the U.S. share of these additional funds, although the international discussions leading up to a determination of the amounts to be put up by ourselves and others are just beginning.

Mr. CONTE. Have any of the countries failed to meet their subscription commitments to IDA?

Mr. MERCHANT. No, sir.

Mr. CONTE. What is the amount of uncommitted funds that IDA presently has available?

Mr. MERCHANT. IDA has total committable resources of $1,754 million, against which net loan commitments of $1,650 million have been made, leaving an uncommitted balance of $114 million.

Mr. CONTE. What are the factors involved in deciding whether or not to grant a loan?

Mr. MERCHANT. In extending its credits, IDA applies the same project criteria as the World Bank does on its loans, that is, the project must be of high priority in a country's development program and yield

a satisfactory economic return. Only IDA's terms of repayment are different. IDA's easy terms are intended for those countries that cannot service additional foreign debt on conventional terms. With few exceptions, the countries that borrow from IDA are close to the very bottom of the per capita national income scale—frequently $50 per year or less—and have poor foreign exchange earning capacity.

IDA FUNDS FOR PAKISTAN AND INDIA

Mr. CONTE. What is the percentage of total IDA funds for Pakistan and India as of this time? What is the reason or basis why so much of IDA's money has gone to those two countries? How much of the money to India has gone for agricultural activities?

Mr. MERCHANT. About 54 percent of IDA's funds has gone to India, and a further 20 percent has gone to Pakistan. These percentages, taken together, represents a very large proportion of IDA's total financing, but the amounts made available to these two countries are, on a per capita basis, lower than the per capita amounts IDA has made available to many of its other borrowers. The population of these two countries are so enormous—larger than all the 60-odd countries of Africa and Latin America combined—that we're really talking about a very large proportion of the developing world. For a variety of reasons, the proportion IDA devotes to India and Pakistan may not turn out to be as large in the future as it has been in the past.

But the great political necessity for successful and peaceful development of these two countries means that we can look for a continued substantial proportion of IDA financing to be on the Indian subcontinent. Thus far, $56.5 million of IDA's credits to India—about 6 percent—have gone for agriculture.

PROJECTS FINANCED BY IDA

Mr. CONTE. Could you give us the figures on what percentage of the projects that have received IDA financing have gone on to completion, what part are still in construction, and what part have failed?

Mr. MERCHANT. Yes. IDA had 98 effective development credits outstanding on December 31, 1966, amounting to $1,540 million. Of these, 16 had been fully disbursed, with a value of $276 million, or 18 percent of total effective credits. Disbursements had not yet begun on six effective credits whose face amounts came to $75 million—5 percent of total. The remaining 76 credits, with a face amount of $1,189 million, or 77 percent of the total, were in various stages of completion, $551 million having been disbursed on them. No IDA credits have been canceled outright.

Mr. CONTE. Could you tell us how much in loans has been made available to underdeveloped territories of part I countries and what percent this has been of the total money loaned?

Mr. MERCHANT. IDA made only three credits totaling $10.5 million to overseas territories of part I members. That would represent about six-tenths of 1 percent of net commitments. The territories, all belonging to the United Kingdom, were Basutoland, Bechuanaland, and Swaziland. The first two of these have since become independent, as Lesotho and Botswana, respectively.

IDA LOANS FOR AGRICULTURE

Mr. CONTE. Why has only approximately 15 percent of your loans gone to agriculture? Isn't this an area in which undeveloped countries would generally need major assistance?

Mr. MERCHANT. Agriculture is, of course, a vitally important sector, and one for which the developing countries urgently need assistance. In a narrow definition, IDA may be providing only 15 percent of its financing for projects easily identified as agricultural.

The largest single sector for IDA financing—34 percent of total—is transportation, principally roads and railroads. One of the main ways to stimulate agricultural development is to build the roads that will penetrate and open up new agricultural lands, and that will provide a way to get crops to domestic markets and to ports for export. Agricultural education is being emphasized in IDA's financing activities in the education field, and the health of rural populations will be improved through some of IDA's credits for better water supply systems. So the volume of financing that benefits the agricultural sectors of the developing countries is considerably greater than the 15 percent indicates, although the credits involved aren't always labeled "agricultural."

Mr. CONTE. Have any of the countries originally eligible for IDA assistance developed to a point where they have been determined to now fall within the provinces of the World Bank for funds as opposed to IDA?

Mr. MERCHANT. I would say China is the prime example. They borrowed $15 million from IDA in 1961. More recently, they have become World Bank borrowers, and I would expect them to meet their further needs from the Bank and other conventional loan sources. Korea is another example I could mention.

IDA FUNDS FOR LATIN AMERICA

Mr. CONTE. Could you explain to us why so little money has gone to Latin America for IDA assistance?

Mr. MERCHANT. Let me say first that we would like to see more IDA money going into Latin America than the $108 million that has already done so. I think one of the main explanations is that, although the need for development funds is acute in Latin America, few of the countries are at the very bottom of the per capita income scale, with annual income levels of $50 per person. IDA's resources are going mainly to the countries of extreme poverty and least promising outlook for borrowing on conventional terms. Latin America needs and can use vast amounts of capital. Within the World Bank family, it is the Bank itself that is supplying substantial amounts of this capital. For example, Mexico has obtained $645 million from the Bank.

PROCEDURES IN EVENT OF DEFAULT

Mr. CONTE. What are the envisioned procedures in the event that after the 10-year grace period a country decides that it is not going to be able to begin or continue paying off the credit from IDA?

Mr. MERCHANT. We have never had a default yet on a World Bank loan. Countries have been zealous to guard their credit standing with us and I'm sure they would feel the same way about IDA when these

credits begin falling due. There are various ways in which the international financial community has dealt with the problem of defaults in the past, but I would hesitate to forecast how any particular hypothetical situation in the future would be approached.

LOCAL ECONOMIC POLICIES

Mr. CONTE. I have seen the statement made that when a country is following economic policies which will seriously detract from the effectiveness with which capital can be employed, IDA will not lend to that country? Can you give us any examples of situations where that was the case?

Mr. MERCHANT. Indonesia comes immediately to mind. Neither the Bank nor IDA made any financing available to that country during the period in which it was clear that its own economic resources were simply being wasted. We could not have had any assurance that resources from the Bank or IDA would have been effectively used, and so we didn't give them any. Now that the situation has substantially changed for the better there, we will be considering what sort of things we might be doing toward their development.

"BLEND COUNTRIES"

Mr. CONTE. How many countries are "blend countries," or countries where credit may be financed partly by IDA and partly by the World Bank? With respect to these blend countries can you give us the figures on how much they have received from the World Bank and how much has been received from IDA?

Mr. MERCHANT. I would like to submit a table on that, and qualify it by saying that the balance between IBRD and IDA financing is always shifting and varies among countries. It may have been all IBRD money for a while, or all IDA, or some of both during a particular period.

There aren't any fixed ratios, but we do hope to see countries move toward reliance on Bank financing and away from IDA. And, of course, being on the list I will provide doesn't mean that a country will continue to get a blend of loans in the future or that a country not on the list won't get that treatment.

Countries receiving both IBRD and IDA financing, fiscal year 1965 to fiscal year 1967, 1st half

[In millions of dollars]

Country	IBRD financing during period	IDA financing during period
Ethiopia	4.8	7.2
Honduras	10.8	3.5
India	164.0	591.0
Kenya	[1] 38.0	17.3
Morocco	45.0	11.0
Nigeria	114.0	35.5
Pakistan	30.0	173.0
Paraguay	7.1	7.5
Tanzania	[1] 38.0	5.0
Tunisia	5.0	13.0
Turkey	10.0	54.0

[1] $38,000,000 loan for East African Common Services Organization, jointly guaranteed by Kenya, Uganda, and Tanzania.

Mr. CONTE. Thank you, Mr. Ambassador.

Mr. PASSMAN. The distinguished gentlewoman from Illinois.

CRITERION FOR INSURING ECONOMY AND EFFICIENCY

Mrs. REID. Mr. Ambassador, as a new member of this committee I have not had the benefit of previous years' experience so I hope you will pardon me if my questions seem to be academic.

I note the articles of agreement for IDA with the World Bank requires it to insure that the proceeds of any loan is used for the purpose for which the loan is granted with due attention to economy and efficiency.

As the director, just what would you say is the criterion for insuring economy and efficiency? What steps are being taken if it is evident economy and efficiency are not being followed?

Mr. MERCHANT. First of all, the practice of both the World Bank and IDA, when a loan is made, is to require that purchases, such as the turbines to go into a hydroelectric development, must be put up for international competitive bidding to insure that the recipient country, the country getting the loan, is getting the best possible value for the money it is spending, the money which it borrows.

This goes a long way to insure economy and a low price in the components to complete a project.

The second routine step which the IDA and the World Bank take, is that they only pay out as the country itself presents to them certified bills for a particular item or stage in the payment for the project.

Now, a dam, or hydro-installation, may take 5 or 6 years to build. IDA does not give the whole amount which they promised to advance for this project the day a loan is approved; they dole it out against certified bills, manifests from the contractors or from the equipment suppliers. They satisfy themselves that the bills themselves are not padded, that there has been no kickback, that there has been no slippage of money into private pockets, and that is why there is this lag the chairman and I were talking about between credits advanced and disbursements.

Third, in most cases, IDA and the Bank will—using either their own engineering and accounting and economic staff or employing outside consultants who are experts in the particular type of project which is being financed—send people out to the country to check and make periodic reports on the general economy and efficiency with which the project is going forward, and the competence of the contractors and subcontractors.

I think the Bank and IDA have a very sophisticated and effective series of procedures and practices to attempt to put into force those aims that are stated in the article.

I might say in some of the countries where there is a very large program—India and Pakistan come immediately to mind—the Bank maintains a resident mission in the country so they have men right on the spot constantly checking and doublechecking.

EXAMINATION OF APPLICANT'S ECONOMIC TARGETS

Mrs. REID. In making a loan, how far do you go in examining the applicants' overall economic targets? And in some instances, is not this kind of determination rather difficult?

Mr. MERCHANT. Answering the first part of the question, I would say that it is general practice to make a loan for a particular project only against the background of a very careful overall economic study by the Bank's staff of the country involved. A study is also made of whatever economic plan that country may have, in order to determine whether it is realistic or fulfillable. Then a decision is made within the Bank and IDA staff and management as to which projects they think are entitled to top economic priority in developing the overall economy.

So the answer is that every project is considered in terms of the whole.

I qualify that in answering the second half of your question by saying that obviously in the poorer, most recently independent countries, as compared to European and North American standards, there is a scarcity of statistics or you might say of economic data. Consequently, the quality of the facts on which these judgments necessarily are made will vary from country to country.

One thing that IDA is doing for developing countries that I think is one of the most helpful services in connection with its entire operation is to send missions, to send advisers to help them identify projects for which they will then make applications. These missions help them to collect the necessary data, to prepare the project application and to support it convincingly so that the Bank and IDA management in the first instance, and the Board of Executive Directors in the final case, are able to reach a judgment based on a coherent, intelligent, reliable presentation.

INFLUENCE OF THE U.N. ON IDA

Mrs. REID. There was an article which appeared last December in the Finance and Development magazine concerning the relationship between the World Bank, its subsidiaries, and the United Nations. To what extent are the loan policies of IDA influenced by the U.N., particularly the U.N. development program?

Mr. MERCHANT. The relationship between the World Bank and the United Nations is determined by a treaty which was negotiated between the two organizations. This was because the World Bank came into existence under the Bretton Woods agreement of 1944, and consequently preceded in corporate existence the United Nations.

The essence of the treaty between the United Nations and the World Bank, as I understand it, is that the Bank is regarded as a specialized agency of the United Nations but not as an organ controlled by and subject to the commands of the United Nations. It reports periodically to the United Nations through ECOSOC and the World Bank works extremely closely—hand in glove—with Paul Hoffman's organization, the U.N. development program.

The Bank is required by the terms of the treaty to consult with the United Nations on matters that are of common interest and to take into account recommendations that may be made by the United Nations. But it is not a controlled subsidiary organ.

And the reason is understandable in many ways, apart from the accident of earlier birth. The membership is not identical, and the World Bank does not go for one man, one vote. It has weighted voting with the number of votes cast by each individual director being deter-

mined by the size of the contribution to the capital of the Bank of his country or the group of countries he may represent.

Have I covered the essentials?

Mr. MISKOVSKY. You might mention that the granting of loans is based exclusively on economic considerations.

Mr. MERCHANT. That is true. The articles of agreement of the World Bank require that its decisions on making loans will be determined exclusively on economic grounds.

CONVENTION ON SETTLEMENT OF INVESTMENT DISPUTES

Mrs. REID. Last October a convention, sponsored by the World Bank, on the investment disputes between states and nationals of other states, was ratified by the required number of nations. Are IDA loans subject to this convention in anyway?

Mr. MERCHANT. No. The Center established under this convention will deal only with disputes arising between private investors and a host country, where the host country is a party to this convention. It provides a facility or an apparatus, in being, to attempt to settle disputes on an equitable basis by mediation or good offices or arbitration.

This is directed to improving the climate, particularly in the underdeveloped countries, for the private investor. It is, you might say, an ancillary operation of the Bank directed toward the whole development process, but not toward the particular lending organizations, the Bank, or IDA themselves.

PORTION OF IDA LENDING TO INDIA AND PAKISTAN

Mrs. REID. We have discussed India and Pakistan to some extent this afternoon. There have been some criticisms in the press that a disproportionate part of IDA's loans have been going to these two countries.

How do you answer such criticism?

Mr. MERCHANT. It is true that a very substantial percentage, so far, of IDA's resources has gone to those two countries. For example, India has received just about 50 percent of all credits advanced by IDA.

There are two points, though, that I would make in this connection which render the size of this figure more supportable. One is, as I mentioned to the chairman at the very opening, the population of India is equal to the population of Africa and South America combined, yet there are 60 separate sovereign Governments in those two continents.

The second point I would make is that, in developmental terms, India and Pakistan did inherit a fine basic infrastructure laid down and left behind by the British—the powerplants, irrigation districts, road systems, and so forth, and a large body of very competently trained civil servants. This meant India was, relative to say, Laos, in a preferred position to identify its economic needs, to justify them, to apply for loans, and it got to the teller's window in many cases ahead of other countries.

INCREASE IN AFRICAN LOANS

Moreover, as you will notice, and I think it will appear in the record, the trend in the last 12 or 18 months does show that more and more of the African countries are becoming clients of IDA, and I think it is a virtual certainty, assuming IDA continues its operations, that the proportion of funds going to India and Pakistan will very significantly decline.

Mrs. REID. To what extent would you say that self-help is entering into these loan criteria?

Mr. MERCHANT. By the Bank and IDA?

Mrs. REID. Yes.

Mr. MERCHANT. Very decidedly this is one of the basic criteria.

(Discussion off the record.)

Mr. MERCHANT. Self-help and economic performance, if not controlling, are certainly factors of the first importance in the arrival at judgments by the Bank and IDA on individual loans.

Mrs. REID. Thank you, Mr. Ambassador.

DEFAULTS ON LOANS

Mr. LONG. Mr. Ambassador, what have been the percentages of defaults and losses on your loans?

Mr. MERCHANT. In the history of the Bank and in the history of IDA (knocking on wood), there has not been a single default to date.

Mr. LONG. This, I suppose, is because the repayment terms are extremely easy.

Mr. MCFALL. They are 50-year loans.

Mr. CONTE. There has not been any money due to the Bank, has there?

Mr. MERCHANT. On the Bank, yes, some of the early loans have been completely repaid. Of course, the World Bank loans carry much stiffer amortization provisions and shorter terms.

Mr. CONTE. The chairman was talking about IDA though.

Mr. MERCHANT. That is right, on IDA.

Mr. CONTE. No IDA loans will become due until 1971?

Mr. MERCHANT. Fiscal 1971, that is right. There is a three-quarter of 1 percent carrying charge.

Mr. CONTE. In other words, you were knocking on wood that in 1971 they will be able to pay?

Mr. MERCHANT. I understood the question to be the World Bank family.

EXTENT OF SUBSIDY IN IDA LOANS

Mr. LONG. What percentage of IDA's activities, would you say, could be regarded as subsidy; and what percent would be comparable to hard banking transactions?

Mr. MERCHANT. There is a distinction here which I guess I should have made earlier in my testimony.

ELIGIBILITY CRITERIA VS. LOAN TERMS

IDA applies just as stiff criteria for the granting of a credit as the Bank itself. The justification for the particular project or enterprise,

the judgment of its economic viability and the payout which will result is identical with Bank loans. The difference is in the terms.

So I would say that there is an element of subsidy, a very substantial element of subsidy.

AVERAGE INTEREST RATE

Mr. LONG. What is the average interest rate you charge?

Mr. MERCHANT. For the Bank loans, the standard rate is now 6 percent; with IDA it is three-quarters of 1 percent service charge. So the subsidy is in the carrying charges and in the spread over an extended period of years of the repayment provision.

Mr. LONG. I am not sure I grasp this. If you loan a sum of money to India, what percent interest do you charge? On a 50-year loan, what is the average rate of interest?

Mr. MERCHANT. There is no interest if it is an IDA credit to India, but an annual service charge of three-quarters of 1 percent.

Bank loans to India are currently carrying 6 percent.

Mr. LONG. Can they get loans at 6 percent? Would you say that India is able to borrow very much money at 6 percent at the present time?

Mr. MERCHANT. India is very heavily encumbered with debt today in terms of its earning power in foreign exchange.

Mr. LONG. Has India been borrowing any money on the hard banking market in recent years?

Mr. MERCHANT. It has been borrowing from the World Bank. But on your question I do not think India has been able to enter as a borrower the private bond market in London or New York for the last decade.

Mr. LONG. So when you charge them three-quarters of 1 percent, it is quite likely they could not even borrow the money at 6 percent? You really do have a situation where about five-sixths of that represents a real subsidy.

Mr. MERCHANT. That is right.

I said the subsidy is in the concessionary terms.

Mr. LONG. It would seem to me then almost all of it really ought to go in as aid, the overwhelming bulk of it.

Mr. COHELAN. Will the gentleman yield?

Mr. LONG. Yes.

IDA LOANS AS FOREIGN ASSISTANCE

Mr. COHELAN. Mr. Ambassador, I would think it would be important at this juncture to distinguish between the IDA loans and development loans under the regular Foreign Assistance Act. Why not a development loan as opposed to an IDA loan?

My understanding is there are both development loans from our aid program being made to India and other countries and IDA as well.

Mr. MERCHANT. I do not think it has come down to an either/or question yet. The aid now going into India, as you probably know, sir, is organized by a consortium which is chaired by the World Bank. The members of that consortium, all of whom are contributors, are first the World Bank, then the United Kingdom, the United States, France, Germany, Canada, Italy, Japan, and all of these are making a contribution in one form of aid or another, or easy loans.

CRITERIA VERSUS TERMS

Mr. LONG. I am a little puzzled when you say these are made on the same basis as any other hard banking loan. I find it difficult to see how you make a loan on the basis of banking standards and at the same time do it on a 50-year basis with 10 years' grace, and a service charge of only three-quarters of 1 percent.

Is that not a contradiction in terms?

Mr. MERCHANT. I do not think so, sir.

I would not grant a loan advance, a credit, unless I felt the project itself was not just a boondoggle or a gamble, but was a constructive, important project which would pay out in economic terms.

These are the same criteria that are applied to considering a loan by the World Bank—the difference really is an estimate of how far down the line in overall economic development a particular country is. If it is up near what Mr. Rostow calls the takeoff point, it can afford to borrow 10-year money and expect to reach the point where it can take off and handle that loan.

If it is way down in the very early stages of development, then it needs a long time to pay off the loan for the financing of fundamental basic infrastructure.

Mr. LONG. What you are saying is, these loans are what you might make in the United States, except they have a much longer payout period; it is going to be much longer before you get the harvest?

Mr. MERCHANT. That is right.

Mr. LONG. In other words, you are planting a tree which, instead of yielding in the next 5 or 10 years, is going to take 50 years or so before it bears fruit?

Mr. MERCHANT. Absolutely. That is an ideal illustration.

LOAN CRITERIA APPLIED TO PROJECTS

Mr. LONG. How can you really decide this, though? I am a little puzzled.

Mr. MERCHANT. It comes down to a question of judgment.

Mr. LONG. What criteria can you bring to bear that would help you in your judgment?

I think by the very essence of the word "judgment" you are elevating it above a guess or a hunch. A judgment, I would think, has to be based upon reasonably hard and well-defined criteria.

Mr. MERCHANT. Right. The Bank staff approaches it from different points of view, different formulas:

One rule-of-thumb is that if they are considering, for example, financing a railroad, they determine what the railroad will earn for the country on that investment, and the rough rule of thumb is that the Bank or IDA will only finance projects where they can see an annual 12-percent economic return.

Mr. LONG. On the average?

Mr. MERCHANT. On the average.

Well, almost at the minimum. Some of them more than that.

SPECIFIC PROJECTS FINANCED

Mr. LONG. What are some of the projects? Give me some classes of them or specific projects on which you loan.

Mr. MERCHANT. The great bulk of the projects financed by IDA and the Bank are in the broad categories of what you can call fundamental infrastructure—roads, and railroads, powerplants, distribution lines, flood control and irrigation systems, harbor and terminal facilities. In other words, the fields of power and transportation.

There have been some projects, and an increasing number, in agriculture, trying to improve methods and techniques through pesticides, seed, credit, and so forth.

ABILITY OF PROJECTS TO PAY BACK LOANS

Mr. LONG. I wish you would list some of these.

It strikes me that some of them fall by no means into the category of the tree which does not start bearing fruit for another 20 or 30 years. Some look like they would start bearing fruit very quickly. I think some of the pesticides and fertilizers would begin to have a payout very, very rapidly.

Mr. MERCHANT. That is right.

Mr. LONG. Do you just simply allow the country to pocket those rather large returns, much larger than your three-quarters of 1 percent.

LOAN TERMS VERSUS REPAYMENT POTENTIAL

Do you take any measures to distinguish between those and the other loans in which you really will not get a yield for many years to come?

In other words, I am a little bit puzzled why you do not distinguish between the kind of loans you are making, why you do not pick a loan that is going to pay off very fast, will be very rich and make them pay you something close to your market rate, and perhaps that would free other money you could then give to them on more generous terms elsewhere.

Mr. MERCHANT. I think you are right with pesticides and fertilizer, better seed, you ought to get twice as good a crop next year.

Mr. LONG. If you are not going to get it, it is not working.

Mr. MERCHANT. The ability of these countries to repay the loans and advances, to pay interest on them, is dependent on their ability to earn foreign exchange through exports.

Mr. LONG. I was not asking them to pay you back right away. Let's say you have given them a loan for $100 million; it is a long-term loan, and they do not have to start paying you back in terms of foreign exchange for a long time to come. Nevertheless, they are going to be earning rather rich returns very quickly.

Why would it not be good management to have them pay that into some agency under your control in India and then you could take that money and use it for some other purpose, or hold it in some kind of an account for future repayment, instead of leaving it to the risks of whether you will ever get it back? Do you see what I mean?

Mr. MERCHANT. Yes.

ELEMENT OF RISK

Mr. LONG. Are you really in your own heart, Mr. Merchant, optimistic of getting this back. Or do you whisper "It is all right. We will probably never get it back, but it is a good cause"?

Mr. MERCHANT. I do not think anyone can have a very confident judgment as to any debt that does not come due until my great grandchildren are through college, whether it is going to be paid off or not.

I think one would be very foolish not to recognize that we are in a sense taking a gamble for legitimate and important stakes.

Mr. LONG. I have met American businessmen who can be very generous when they know it is definitely charity, but if you tell them this is business they are hard businessmen and they want to do business.

I wonder why we cannot be very clear in our own mind whether we are engaging in charity or in business. I am wondering whether we do not kid ourselves on not really accomplishing anything in terms of world good by not even being honest with ourselves.

IDA LOANS AS FOREIGN AID

Mr. MERCHANT. I told the chairman, and I think you were here, sir, earlier, this is foreign aid, it is a particular type of it.

Mr. LONG. It strikes me as being 85 or 90 percent foreign aid.

SOURCES OF CAPITAL

Mr. MERCHANT. I think there is an important distinction in the fact that the World Bank, which loans at bankers' rates and terms, gets its money, the major part of its loanable funds, by selling bonds against its own credit in New York, and Zurich and Frankfurt, and so forth.

IDA, on the other hand, gets its funds by grants from generous governments. So there is a distinction reflected in the source of the loanable funds of the Bank and IDA.

Mr. LONG. Has any of this money gone to finance steel mills in India?

Mr. MERCHANT. I am not sure whether any IDA advance has gone for steel mill development in India, but certainly Bank loans have. No IDA advance has. There have been World Bank loans.

PARTICIPATION BY PRIVATE INDIVIDUALS

Mr. LONG. Tell me this: When you are applying a subsidy like this, private individuals are always very anxious to get their hands on it some way or another.

Has any of this money gone directly or indirectly to private profit enterprises in India or other countries?

Mr. MERCHANT. No, sir; in the sense that both the Bank and IDA loan or advance credit only to governments or governmentally guaranteed entities or authorities.

Mr. LONG. What measures do you take to make sure they do not turn around and give this to private individuals at either much lower interest rates or much lower prices, so while you are giving to governments, they in a sense pass on a good part of our charity, in such a way as to enable private organizations and people to profit by it?

LOCAL DEVELOPMENT BANK

Mr. MERCHANT. There is the procedure I have spoken of earlier where money is just paid out against specific purposes, against certified manifests. The only possible case I can think of which might be

subject to the interpretation that you are making, sir, would be, where some loans been made to national local development banks, which are trying to start up the private sector within their countries. We have loaned money to them and they will—because they do not want to give a subsidy by loaning money at much lower rates of interest than the standard rate in the country—charge people they loan money to a higer interest rate than they are paying to the bank.

Mr. LONG. Do they charge the market rate?

Mr. MERCHANT. They charge the market or close to it. And the differential then reverts to their captial funds to increase their loaning ability.

Mr. LONG. Is that a general or nominal market rate?

Mr. MERCHANT. It varies from country to country, but you know what mortgage rates are in, for example, China or Korea or Turkey—12 to 18 percent.

Mr. LONG. That is what they would be charging?

Mr. MERCHANT. They would be charging the locally accepted or established rate for the particular type of operation.

Mr. LONG. Of course these transactions are not always conducted at arm's length, are they?

Do you not find very often in these countries that government people are not dealing at completely arm's length bargaining with the private organizations, and so forth?

Mr. MERCHANT. I think this is true. This little category of local development banks which we have taken an interest in, believing they are one of the best devices for promoting self-help, this is a very, very small category of loans made by the World Bank.

Mr. LONG. By and large, you are pretty well convinced?

Mr. MERCHANT. By and large, I think it is an extremely efficient, honestly and carefully checked operation.

Mr. LONG. Mr. Cohelan?

Mr. COHELAN. Do we have any IDA loans with Egypt, Mr. Ambassador?

Mr. MERCHANT. No, sir.

COORDINATION WITH AID ON LOANS

Mr. COHELAN. When the Bank makes their judgment and determination about whether or not to grant a loan, I take it that there is ample cross-communication with AID and similar agencies.

In other words, you would know what their debt structure was in relation to other forms of foreign assistance?

Mr. MERCHANT. Yes, sir.

Mr. COHELAN. And this would be taken into account when you did make a loan?

Mr. MERCHANT. Very definitely.

Mr. COHELAN. So actually, when we do lend say through IDA to India, we are aware of the full loan list. You have the World Bank consortium, development loan, other forms of assistance.

Mr. MERCHANT. Right.

Mr. COHELAN. And in that setting you make your loan determination?

Mr. MERCHANT. That is right.

Mr. COHELAN. The thing that troubles me, I find it hard to make the distinction except in terms of what you have taught me, to believe that there is a difference between a bilateral and a multilateral loan and I think most of us here would prefer to see the multilateral approach.

But I am not sure; the more I learn about it it would appear that development loans become marginal items in the array of lending agencies.

I wonder if you would comment on that.

Mr. MERCHANT. It may be marginal in a particular country, but on the other hand, in many of the developing countries the World Bank family—the Bank and IDA—is far and away the dominant provider of developmental assistance in a particular country.

Mr. COHELAN. This would be India?

Mr. MERCHANT. India—I guess we give more than the Bank does in a typical year of the last three. But the Bank with IDA would certainly be second only to us in India. Through the papers which are circulated by the staff of the World Bank to all consortium members of their studies on such very things as the point you raised—the total debt by type, by lender, by maturity, by interest rate and so forth—through the exchange and distribution among all of the consortium members by the Bank of these staff papers, the Bank is able to exercise a quite effective and very helpful coordinating role to make sure that India does not get a dam financed both by the United States and the World Bank, this sort of thing.

Mr. COHELAN. Am I safe in assuming that in making the determination, it is made primarily on economic grounds rather than on political grounds?

Mr. MERCHANT. Exclusively on economic grounds.

Mr. COHELAN. I then would take it that the data that would be developed, the materials from say the International Monetary Fund, would bear some relation to your judgment about whether you would or would not grant the loan.

Mr. MERCHANT. This is true.

Mr. COHELAN. How do you make this determination? Do you have a loan committee and is the loan committee made up of participating members? Is that the way it works?

LENDING PROCEDURE

Mr. MERCHANT. The procedure, sir, is that the staff presents to the top management of the Bank recommendations for the financing of a particular project in country X.

This application and the justification for it is then reviewed by a standing committee called the Loan Committee, which is a top management committee without participation of any member of the Board on it.

The Chairman of it is Mr. Burke Knapp, the Senior Vice President of the Bank. This is the final recommending piece of machinery in the Bank before the President himself approves it and then sends the recommendation with the report to the Board. The Board is composed of 20 individuals. Five of us represent just one country each. These are the five largest stockholders in the Bank. The other 15 Executive Directors are elected by shifting groups of other members. So that

every member government has at least a piece of a Director who represents his interests on the Board.

This Board of 20 Executive Directors, who almost without exception are full-time people, gets all the relevant material, the basic economic report brought up to date on the country, the technical report, the legal documents, the justification, and so forth and so on. It has a considerable period of time in which to study those documents and to check, in my case, with all the interested government departments represented on NAC and get the combined judgment of the government as a whole. Then the Board acts and takes the approving action on the loan. This is the procedure, sir.

Mr. COHELAN. Did we have any IDA loans to Indonesia?

Mr. MERCHANT. No, never.

Mr. COHELAN. Never?

Mr. MERCHANT. No.

Mr. COHELAN. You say we have a few countries who have retired IDA obligations; is that correct?

Mr. MERCHANT. Not IDA obligations, no, sir; World Bank loans in the early days of the Bank.

Mr. COHELAN. I see. Then we come back to the fact that there is no requirement for repayment on most of these loans for at least a 10-year period?

Mr. MERCHANT. That is right; that is right. It only started in fiscal 1961.

LOANS TO NIGERIA

Mr. COHELAN. Let me ask you this question: In terms of the outstanding loans under IDA, is there any country which is in serious political and internal economic difficulty, about which we are worrying, or the Bank should be worrying about, whether the thing is going up higher than a kite? I am thinking, on or off the record—and we can decide that after—Nigeria, for example.

Mr. MERCHANT. We have IDA loans to Nigeria.

Mr. COHELAN. Off the record.

(Discussion off the record.)

INDUSTRIAL IMPORTS TO INDIA

Mr. COHELAN. Turning back to the record now, on the last page of the justification sheet you have a list of IDA commitments for fiscal year 1966. I am wondering, you have $100 million in here for industrial imports for India. Just exactly what is that item?

Mr. MERCHANT. Those are credits for foreign exchange to pay for critical spare parts or raw material components for key Indian industries. This is different from the typical IDA loan advance which is typically for a particular project.

Mr. COHELAN. Could they not have, by their own governmental policy, taken appropriate actions to lower their requirements for import licensing and accomplish the same goal with private capital inflow?

Mr. MERCHANT. In the long run, probably yes. In the short run, they just did not have the foreign exchange.

Mr. COHELAN. It seems to me what we are doing here is encouraging them in the rigidities of their present policy which happen to, I think, be very bad policy.

Mr. MERCHANT. Off the record, please.
(Discussion off the record.)

EDUCATION PROJECTS

Mr. COHELAN. Mr. Ambassador, would you explain, then, under the same listing: What is the nature of the education project and why is this an IDA loan for $11 million, too, in this case, Morocco, and other education projects listed for Kenya and elsewhere? How is this classed and where is the payout here?

Mr. MERCHANT. This entry into the field of financing in selected countries' educational projects is a new development for IDA. It is directly, in the Bank's and IDA's judgment, related to the developmental process. The few projects that have been financed represent places where analysis of the situation shows that one of the most serious bottlenecks to their economic development is a critical lack of minimally trained manpower.

Now, the type of project that the Bank and IDA are going into is confined to secondary and technical education and a certain amount, in a Tunisian program, for the training of teachers. They are not doing general literacy or elementary work; they are not supporting the universities; they are directing it really at trying to build up the now shockingly small group of people who can work in factories, who can become extension agents for the Department of Agriculture, who will fill the critically needed jobs if they are going to move up the ladder of economic development.

Mr. COHELAN. I think we would all agree this is an absolutely indispensable requirement in terms of manpower development. However, and this ties in with Dr. Long's question, how do you differentiate this as a capital project or from capital projects? I can conceive of the multilateral effort as an offshoot of the World Bank in terms of capital development because here you have a perfect example of a different kind of development, equally important, to be sure, but we have technical assistance projects, we have the Peace Corps, we have all these other agencies doing the same thing and have precisely the same purpose in mind. So why do we get in the education business when we have all these other agencies in the education business?

Mr. MERCHANT. The Bank and IDA keep extremely close to our technical assistance people, the Peace Corps, and to UNESCO. They do not cover the capital costs, so there is no duplication. The reason why there are so few cases is there have been so few cases identified as having this critical need and it is obviously not the sort of thing you undertake as a bankable project. It falls in the category of things where really the payout is going to be 30 years from now, not next year or 5 years from now and where there is no means of financing in sight from any place else. So this is not just a new development. It is filling a particular need in particular places for a critically missing component in the development process.

INDUSTRIAL DEVELOPMENT BANK OF TURKEY

Mr. COHELAN. Mr. Ambassador, would you explain to me the industrial development bank project for Turkey?

Mr. MERCHANT. I wish I was as familiar as I really should be with this enterprise. This is one of the four or five development banks

which is being financed. It is a governmental institution. It is concerned with financing small domestic business. We are contributing to the capital of it, and the development bank, in turn, reloans to private enterprises funds which it obtains from us. It is meeting a capital need which cannot be wholly satisfied domestically in a type of operation which is particularly suited to the economy. Turkey is one case. There is one in Pakistan, there is one in Tunisia. There may be one or two other industrial development banks.

Mr. COHELAN. What percent does this represent of their total capital?

Mr. MERCHANT. I will have to supply that for the record.

Mr. COHELAN. If you please.

(The information follows:)

INDUSTRIAL DEVELOPMENT BANK OF TURKEY

The 1965 balance sheet of the Industrial Development Bank of Turkey is shown below. IDA resources represent approximately 55 percent of the Bank's long-term debt items and approximately 40 percent of long-term debt, capital, and reserves.

1965 Balance Sheet—Industrial Development Bank of Turkey

[In millions of Turkish lira]

ASSETS	
Cash	2.9
Temporary investments	1.1
Accounts receivable	19.1
Short-term credits	19.3
Long-term investments:	
Loans outstanding and committed	210.4
Equity participations paid up and contracted	42.5
Provision for losses	(6.9)
Fixed assets (net)	7.2
Government bonds for legal reserve and savings bonds	7.6
Subtotal	303.2
Administered funds	382.1
Total	685.3
LIABILITIES	
Current liabilities	28.0
Long-term debt:	
Lira Bonds	7.4
IBRD	27.8
DLF	31.4
IDA	123.6
AID	8.9
Commitments	0.3
Subtotal	227.4
Share capital	50.0
Reserves and provisions	25.8
Subtotal	303.2
Administered funds	382.1
Total	685.3

NOTE.—9 Turkish lira equal U.S.$1.

Source: IBRD.

Mr. COHELAN. Off the record.
(Discussion off the record.)
Mr. COHELAN. Thank you, Mr. Ambassador. That is all I have, Mr. Chairman.
Mr. LONG. Mr. Shriver.

NEW AUTHORIZATION

Mr. SHRIVER. Thank you. I was not here for the earlier part because we were marking up a bill in another subcommittee. I assume you covered the fact that you will be asking for new authorization when the present one is terminated.
Mr. MERCHANT. I was asked that question, sir, and I said that I anticipated that the administration would be seeking some time during calendar 1967 an authorization for what has become known as a further replenishment of the IDA funds. Discussions are just starting under the auspices and leadership of Mr. Woods, the President of the World Bank, who is also President of IDA, with the governments of the advanced countries which are members of IDA, with a view to arriving at an understanding as to total amount, distribution, and additional conditions or provisions.
Mr. SHRIVER. So in this session of the 90th Congress which is the balance of this year, until we adjourn, there will be undoubtedly a request for further authorization or extension or another installment.
Mr. MERCHANT. My guess is, sir, and since it depends on decisions of a number of other countries before there could be anything to bring to the Congress, my guess is that a request for an authorization would be made sometime during the life of this Congress, assuming that it stays in.
Mr. SHRIVER. Would it not have to be done this year? The life of this Congress, you know, is a 2-year Congress.
Mr. MERCHANT. It really should be done this year, with the first installment appropriated in fiscal 1969, that is right, or else there would be a lapse, an interruption of a year.
Mr. SHRIVER. But as of now it is all in the preliminary discussion phase?
Mr. MERCHANT. That is right, sir.
Mr. SHRIVER. Would you expect our share of the contributions, which amount to 41.6 percent, to go up or down?
Mr. MERCHANT. Down.
Mr. SHRIVER. Down?
Mr. MERCHANT. Yes.
Mr. SHRIVER. Why?
Mr. MERCHANT. Off the record for a minute.
(Discussion off the record.)

INTERCHANGE OF INFORMATION WITH AID

Mr. SHRIVER. Does AID refer applicants for development loans to IDA; and vice versa?
Mr. MERCHANT. Not to my knowledge, though there is a close working level liaison and interchange of information at the regional and

desk levels of the IDA Bank organization and AID. I do not know of any case where one of them has turned down an applicant and said "Well, you had better try the fellow around the corner." To my knowledge, there has been no referral of an applicant from one to the other.

PERCENTAGE OF CONTRIBUTIONS TO IDA

Mr. SHRIVER. Would you supply for the record a table showing the percentage of total governmental expenditures represented by the subscriptions to IDA for the United States and other member countries? Maybe this was requested earlier.

Mr. MERCHANT. Right, sir; I will see that table is supplied.

Mr. SHRIVER. Of the total governmental expenditures represented by the subscriptions.

Mr. MERCHANT. Of each donor country?

Mr. SHRIVER. For the United States and other member countries.

Mr. MERCHANT. Right. We will provide that.

(The information follows:)

Donor country subscriptions and contributions to IDA as a percentage of total 1965 budget expenditures

[In millions of dollars]

Country	IDA subscriptions and contributions	Total budget	(1) as percent of (2)
Australia	39.98	4,911	0.81
Austria	10.08	1,954	.52
Belgium and Luxembourg	17.25	3,884	.45
Canada	79.53	7,136	.11
Denmark	10.24	(1)	
Finland	6.13	1,691	.36
France	114.83	[2] 21,376	.54
Germany, Federal Republic of	125.56	15,680	.80
Italy	48.16	8,803	.54
Japan	74.84	11,258	.66
Kuwait	6.72	[3] 591	.11
Netherlands	44.24	4,455	.10
Norway	13.32	1,419	.09
South Africa	14.08	2,319	.06
Sweden	43.23	4,091	.11
United Kingdom	227.74	23,005	.99
United States	632.29	[3] 122,400	.05

[1] Not available.
[2] Includes expenditures and lending (total payments to the public).
[3] Source: AID;

Source: IMF;

SERVICE CHARGE FOR ADMINISTRATIVE EXPENSES

Mr. SHRIVER. Does the three-fourths of 1 percent service charge actually cover the administrative expenses?

Mr. MERCHANT. I do not think it does, no, sir, no, I do not think it does.

Mr. SHRIVER. What would it require? You can put that in the record, if you like.

Mr. MERCHANT. All right. It would have to be an estimate because the staff of the World Bank concurrently serves as the staff of IDA. It it not a separate staff. The expenses of IDA are charged a fixed proportion of the time and expenses of the World Bank staff, but I think we can give you an estimate which would meet what I see you are after, sir.

Mr. SHRIVER. Well, it is a rather small service charge and there are expenses in connection with it, and would seem to me there should be some relationship. That is the reason for my asking the question.

Mr. MERCHANT. Right.

Mr. SHRIVER. Is this three-fourths of 1 percent service charge determined by the World Bank or is it a requirement of law?

Mr. MERCHANT. It is a decision of the Board of IDA, it is not in the articles of agreement. It is an administrative decision.

Mr. SHRIVER. So this, then, could be increased by the Board?

Mr. MERCHANT. It could be, yes.

Mr. COHELAN. Will the gentleman yield at this point?

Mr. SHRIVER. Yes.

Mr. COHELAN. Could you develop that point, Mr. Ambassador? Is there a reason for not doing this particularly if the service charge does not cover costs? There must be a reason because I am sure this has been evident to the Bank, for maintaining a below-cost charge for the service rendered?

READJUSTMENT OF THE SERVICE CHARGE

Mr. MERCHANT. Right. I think the charge was set at the time the first credit was advanced when there was no experience to go on. The original intention, though I was not there at the time, the original intention, as I understand it, was that the service charge should cover the out-of-pocket expenses for the operation. It certainly is a matter that is subject to review and, in light of this discussion, I am going to raise this with the management as to whether the time has not come to reexamine it. I think it is a very helpful suggestion. We ought to see if the time has not come for the Board to reconsider the service charge and the basis on which it is levied.

(The information follows:)

IDA SERVICE CHARGE IN RELATION TO ADMINISTRATIVE EXPENSES

As of December 31, 1966, IDA had disbursed $828 million on development credits, on which borrowers were required to pay the ¾ percent per annum service charge. In a full year at this level of disbursed credits outstanding, the service charge would yield IDA an income of approximately $5.2 million. IDA's budgeted amount for administrative expenses during FY 1967 was $4.5 million, so that administrative expenses as currently defined are covered by service charge income.

IDA administrative expenses do not include a number of overhead items which are covered by the World Bank without charge from its own budget. Although these could be included in IDA's budget instead of the World Bank's, a change in practice would not have a significant practical effect in the context of the arrangement whereby the World Bank makes grants to IDA out of its own net income.

USE OF AID TO PAY CONTRIBUTIONS TO IDA

Mr. SHRIVER. Thank you. In regard to part II countries, could AID assistance be used indirectly to pay their subscriptions to IDA?

Mr. MERCHANT. I do not see how. It could not come out of counterpart funds without the agreement of the United States. Public Law 480 counterpart——

Mr. RICE. Would you repeat the question?

Mr. SHRIVER. I said, could AID assistance be used indirectly to pay subscriptions with regard to part II countries to IDA?

Mr. MERCHANT. I think the question was as to part II countries and their original subscriptions. They have not come in on a replenishment. Your question related to: Did the United States indirectly pay the original subscription of some of the part II countries?

Mr. SHRIVER. That is right.

Mr. MERCHANT. I know of no way that it could be done, but I would be glad to examine that, and if there is any light I can throw on it I will supply it to the clerk of the committee for the record.

Mr. SHRIVER. Very well.

(The information follows:)

PAYMENT OF PART II COUNTRY SUBSCRIPTIONS IN IDA

No U.S. assistance was given to any Part II country for the purpose of paying or helping to pay subscriptions for IDA. U.S. assistance was given only for specific developmental purposes. Subscription payments by Part II countries were made from their own resources obtained through exports or other foreign exchange availabilities.

U.S. VOTING POWER IN RELATION TO SUBSCRIPTIONS

Mr. SHRIVER. The voting power in IDA of the United States is, as I understand it, 26 percent of the total?

Mr. MERCHANT. Yes.

Mr. SHRIVER. Yet we subscribe, as I understand it, 42 percent of the total contribution.

Mr. MERCHANT. We contribute 41.6 percent.

Mr. SHRIVER. Why the discrepancy?

Mr. MERCHANT. The basis for the determination of voting strength in IDA follows the same general pattern, sir, as the basis for the determination of voting strength in the World Bank. In order to give each country a nominal voting right, each country in IDA was automatically granted 500 shares of stock carrying 500 votes and then for each $5,000 of contribution to the original subscription of capital one vote was added. This meant that the United States and other major contributors had the voting strength that their contributions would otherwise entitle them to, diluted by the "free" blocks of 500 votes.

Mr. SHRIVER. But this would not necessarily be true in the next installment or the continuation of the program?

Mr. MERCHANT. Well, the voting strength—the allocation of voting power—is based on the original subscription and was not modified or adjusted with the replenishment of IDA. Let me just check with my lawyer to make sure. Am I correct in this? I am correct in that, sir.

Mr. SHRIVER. This will be likely to continue, providing new arrangements are made with the other countries and new authorizations are sought of Congress?

Mr. MERCHANT. Yes. In the absence of there being a persuasive showing that it should be changed, it will remain so in the proposed second replenishment. I think the United States has clearly got the loudest voice on the Board. There has never been a case of a bank loan or an IDA loan where the U.S. position was jeopardized by reason of not having a voting strength identical with its capital.

RATE OF DISBURSEMENTS

Mr. SHRIVER. What is the current estimated annual rate of disbursements?

Mr. MERCHANT. Disbursements in fiscal year 1966 were $267 million and for the first 6 months of fiscal 1967 they are $146 million. For the first 9 months of fiscal 1967 they were $242 million, which would make the annual rate for fiscal 1967 based on 9 months, $320 million.

Mr. SHRIVER. How much remains undisbursed?

Mr. MERCHANT. $551 million, I believe.

Mr. SHRIVER. And uncommitted?

Mr. MERCHANT. Uncommitted about $114 million.

INDIA'S DEBT BURDEN

Mr. SHRIVER. This is the first year, I believe, that the World Bank consortium agreed to debt deferment for India. In view of that decision, is IDA going to be a little cautious this year and in the future in adding to India's debt burden?

Mr. MERCHANT. I do not think, sir, that the distribution and amount of India's external debt load—which is a serious circumstance—will be an appreciable element in decisions regarding further credits for India from IDA. The 10-year grace period before any capital repayments are due on IDA credits, and the very low three-quarters of 1 percent service charge with no interest means that an IDA credit would not, for 10 years, have anything except an insignificant impact on the Indian debt situation. The Indian debt situation should be resolved presumably in appreciably less than 10 years. The question of ability to carry debt or incur additional debt is always a significant element in a decision as to whether or not to grant a Bank loan to a particular country. In fact, IDA was created in large part not to finance second- and third-rate projects but to try to take into account the fact that some countries have not the current ability to assume and carry any significant amount of external debt and need a period of development before they will have generated a strength and an export foreign exchange earning capability to justify assumption of external debt.

Mr. SHRIVER. What you have said sort of indicates to me you would be required to be a little more cautious, then.

Mr. MERCHANT. Well, as I say, I think this would be a very definite factor on consideration of World Bank loans.

Mr. SHRIVER. But not for IDA?

Mr. MERCHANT. Not for IDA, for the reasons I suggest.

Mr. SHRIVER. Mr. Long, that is all. Thank you.

Mr. LONG. Mr. McFall.

ADVANTAGES OF IDA OVER AID

Mr. MCFALL. A little earlier we had some conversation about the need for a mix of our foreign aid program. Do you see definite advantages to IDA over a straight foreign aid program?

Mr. MERCHANT. In certain countries or certain circumstances I do.

Mr. MCFALL. What would those circumstances be? How are they going to assist us in our program in the world, that foreign aid would not be able to do, in straight aid, or perhaps bilateral loans?

Mr. MERCHANT. Well, I think, sir, in certain countries, many of whom particularly are acutely sensitive, I think we do have an interest in attempting to promote political stability which is generally a concomitant of economic advancement. In such countries where there may be extreme sensitivity to bilateral aid, the World Bank and IDA can go in and exact a level of performance which would be resented if attempted unilaterally by Great Britain or France or the United States or Japan or any powerful, wealthy, advanced, donor country. So I think in many areas that it is a more effective vehicle.

Mr. MCFALL. From the point of view of performance of the donee?

Mr. MERCHANT. That is right; that is right.

Mr. MCFALL. Is there also some advantage in getting contributions from other countries?

Mr. MERCHANT. This is a very definite advantage. For every dollar we put up for IDA in the last replenishment 3 years ago, $1.41 has been put up by other countries. This is a higher proportion provided by other countries than is the aggregate of economic assistance from all countries to all recipient countries. The tabulations I have seen prepared by OECD on bilateral aid indicate that the United States has put up approximately 60 percent as against 40 percent if you aggregate other national programs.

THIRD COUNTRY BENEFITS THROUGH TRADE AGREEMENTS

Mr. MCFALL. Is there any danger that we are shouldering some of the colonial loan responsibilities or former responsibilities of certain countries while those countries are still gaining the advantages of trade resulting from some of these loans?

Mr. MERCHANT. Oh, I suppose there is a danger. I think there are always advantages, also. For example, certain former colonial possessions have been pretty much private preserves for the colonial power. We are, fortunately, sufficiently competitive in so many items of equipment, machinery, transportation, trucks, and whatnot, for projects in countries which may have been quite closely tied to a particular colonial power in the past, that American equipment is going in. I can think of one or two instances where this has led to the development of at least the beginning of the private commercial market for particular American lines of goods. In the absence of the IDA program these goods would probably have never had a chance to get a foothold. So there are risks, but I am a great believer in the competitive capability of the United States.

Mr. MCFALL. In addition also to the economic aspects of this, there are certain political results, for example, where we might be shouldering some responsibility formerly shouldered by the British, our interests, though worldwide, are almost exactly the same as the British. We are, shall we say, shoulder to shoulder with the British throughout the world. Isn't this also a factor involved here?

Mr. MERCHANT. Yes, it is, very definitely.

SAFEGUARDS IN NEW LEGISLATION

Mr. MCFALL. You mentioned earlier certain safeguards which you might suggest in the legislation. I did not hear all of your comment but I gather these might be included in any future authorization which

you would expect to come from this Congress. Could you tell us some of these safeguards that you think may be included in the legislation?

Mr. MERCHANT. I would not want to be too specific. I can be specific in terms of what the purpose would be but there is always more than one way of skinning a cat and one cannot predict at this early stage of a negotiation what the color of the particular cat's skin will be.

One safeguard or provision that we will insist on reflects a commitment made to the Congress at the time of the authorization of the expiring replenishment. That is that the United States share of the total contributions by countries will decline from the present 41.6 percent. The other safeguard provisions would relate, as Secretary Fowler has indicated, to taking into account our balance-of-payments difficulties.

In one form or another we would want to take into account that situation to insure that further authorization of a contribution to IDA, particularly one of significantly increased amount, would not place an undue burden on our balance-of-payments situation as long as this is a problem of understandable concern. Now, as I say, there are a variety of ways in which such a safeguard or safeguards might be constructed, so I would not really want to speculate on the exact form. But these would be the two areas to which I was alluding.

Mr. MCFALL. Does this have to be negotiated with the participating countries prior to the presentation of any legislation to the Congress? Do you have to have some kind of agreement?

Mr. MERCHANT. Oh, yes, you would. One could, of course, I suppose, come to the Congress and say, "We would like authority to offer so-and-so providing everybody else falls into line exactly on the following conditions, A, B, C, D, E, and F."

Mr. MCFALL. This would not win many friends, though.

Mr. MERCHANT. No. I do not think you would get as good a result. Three years ago it was worked out in a negotiation. I think that is the best way to do it and it is the understanding on which the other countries and Mr. Woods, who is taking the lead in this, are now operating.

Mr. MCFALL. Thank you. Thank you, Mr. Chairman.

Mr. LONG. Mr. Riegle.

Mr. RIEGLE. Yes, I have a few questions, Mr. Chairman.

DEFAULTS ON CONTRIBUTIONS

First of all, are all the other countries fully paid up on their pledge contributions at this time?

Mr. MERCHANT. Yes. As of the yearend, Kuwait was technically in default on an installment of $1,120,000 but this was a technical delay and they deposited their note covering that.

Mr. RIEGLE. Has this been a problem in the past with you? Is this not like the United Nations? Does everybody ante up?

Mr. MERCHANT. No; everybody antes up. There was one other case a year ago where it was just a question of waiting for Parliament to give the necessary appropriation. It has never been a question of a default or an intentional or significant delay in paying up.

FINANCING OF INDUSTRIAL IMPORTS

Mr. RIEGLE. A while ago I think Mr. Cohelan asked that you supply for the record some background detail on the various industrial imports. Did I understand correctly?

Mr. COHELAN. Yes.

Mr. RIEGLE. You asked him to supply the background data for these various industrial import classification purposes here?

Mr. COHELAN. Yes. Now off the record.

(Discussion off the record.)

Mr. MERCHANT. We can supply some more information for you on that.

(The information follows:)

IDA INDUSTRIAL IMPORTS CREDITS

The following are descriptions of the five credits for industrial imports projects extended by IDA (four to India and one to Pakistan) through December 31, 1966:

India—Industrial Imports Project: $90 million credit. Signed June 9, 1964.

This credit is intended to assist the Indian companies that manufacture commercial vehicles, industrial machinery and construction equipment to make fuller use of existing capacity and produce more goods by enabling them to import more components and materials. It is expected that this credit will make possible an increased output of these industries averaging as much as 30% in the current year in India's Five-Year Plan.

India—Second Industrial Imports Project: $100 million. Signed August 11, 1965.

This credit will be made available for imports by firms producing commercial vehicles and automotive components, machine tools and cutting tools, electrical equipment including cable and wire, and heavy construction equipment. The offset of the credit will be to increase the quantities of capital goods available to the Indian market, and to improve the operation of commercial vehicles or construction equipment already in India. The availability of foreign exchange in larger amounts, together with certain procedural improvements in import licensing will make possible better production planning, inventory control, and higher utilization of capacity. As a result of a similar 90 million IDA credit made in June 1964 production increased in all sectors: for example, the production of switchgears, motors, transformers, and cutting tools increased by a third or more and machine tools, construction equipment and commercial vehicles increased by one quarter. The Government of India will allocate a substantial amount of foreign exchange obtained from other sources for additional support of these key industries. Together, these resources are expected to make possible an average increase of about 25% over 1964–65 level of output of the specified capital goods during 1965–66.

The bulk of the new credit will be used for imported materials and components for manufacturers of capital goods. The remainder will finance miscellaneous items of imported equipment required to balance and rationalize existing manufacturing plants, and spare parts to service construction equipment, Indian manufactured industrial machinery, and the existing fleet of road transport vehicles.

India—Third Industrial Imports Project: $150 million. Signed August 19, 1966.

This credit will provide foreign exchange to meet a portion of the imports, materials, spare parts, and other goods required to expand output in the following industries: (1) producers of commercial vehicles and automotive components; (2) machine tools and cutting tools; (3) electrical equipment including cable and wire; (4) agricultural tractors; (5) ball and roller bearings; (6) industrial and mining machinery; (7) fertilizers and pesticides; and, basic non-ferrous metals. In support of the number of measures taken by India to increase its industrial potential, members of the India consortorium helped finance import requirements needed to meet this goal. This IDA credit part of the consortium's total contribution to India's needs. The total expected consortium support, together with other foreign exchange resources available to the Indian government,

should be sufficient to enable manufacturers to carry out their production plans without the constraints imposed by a shortage of imported production materials.

India—Fourth Industrial Imports Project: $65 million. Signed December 23, 1966.

This credit will provide foreign exchange for imports of components and materials needed by manufacturers, principally of capital goods, to maintain and expand productions in the following industries: (1) producers of commercial vehicles and automotive components; (2) machine tools and cutting tools; (3) electronic equipment, including cable and wire; (4) agricultural tractors; (5) ball and roller bearings; (6) industrial and mining machinery; (7) fertilizers and pesticides; and (8) basic non-ferrous metals. This assistance will support measures for the easing of import controls and other policy changes initiated by the Government of India. The easing of import controls will enable rationalization of inventories and make possible a substantial increase in production from existing plants.

Pakistan—Industrial Imports Project: $25 million. Signed December 23, 1966.

Proceeds of this credit are to finance import requirements during fiscal year 1966/67 of the following capital-goods industries: (1) steel and non-ferrous castings; (2) steel construction; (3) electrical equipment; (4) diesel engines; and (5) tubewell and pumping equipment. The imported materials will enable the selected industrial sectors to increase productivity on an average of one-third. It will also enable them to use their installed capacity more efficiently and to reduce production costs. The five sectors were selected because they all produce capital goods of high economic priority. All the enterprises operating in these sectors, numbering about 115, are eligible as beneficiaries, regardless of size.

Mr. RIEGLE. I would be interested in a brief summary on all of these. Could you do that?

Mr. MERCHANT. Right. We will put that together and supply it for the record.

Mr. RIEGLE. Let me say I think it would be well to put that in initially the next time around because, quite frankly, this data presented does not say much.

Mr. MERCHANT. Right.

TURKISH INDUSTRIAL DEVELOPMENT BANK

Mr. RIEGLE. On page 4 of your statement you say one credit has been extended to an industrial development corporation. Could you elaborate a bit on that?

Mr. MERCHANT. That I believe is the Turkish Industrial Development Bank.

Mr. RICE. That is right.

Mr. MERCHANT. Let me doublecheck that, sir. That was a $5 million credit assigned in 1962 to the Industrial Development Bank of Turkey, which is a Turkish governmental bank operating in the field of encouraging and facilitating and helping to finance industrial enterprises in Turkey.

Mr. RIEGLE. Do most developing countries have such an organization set up at this time?

OTHER INDUSTRIAL DEVELOPING BANKS

Mr. MERCHANT. Not many. I think there may be a total of five or six or seven that have been set up, maybe more. The Bank or IDA have been involved in, I think, five of them, and the staff has made quite a study of the operations of these and the opportunities for this type of organization. Some developing countries have come to us for expert advice on whether it would be a suitable development and we are hoping to set them up but it is not typical of all the developing countries.

FINANCING OF INDUSTRIAL IMPORTS

Mr. RIEGLE. Further down on that same page you say spare parts and equipment for high priority industries in India and Pakistan. Could you review for me what those high priority industries are?

Mr. MERCHANT. That is the information I agreed to supply for you.

Mr. RIEGLE. Fine.

Mr. MERCHANT. One that sticks in my memory was for the truck manufacturers and components which had to be supplied from overseas sources.

Mr. RIEGLE. Would you classify this as being in India's and Pakistan's nondefense sector?

Mr. MERCHANT. Yes, in their nondefense sector. The Bank has taken obvious and extreme care to avoid any contribution to military expenses or the military establishment.

In the case of Pakistan, sir, the industries which had import requirements financed under the loan to Pakistan last December were all capital goods industries, steel and nonferrous castings, steel construction, electrical equipment, diesel engines, and tube well and pumping equipment.

Mr. RIEGLE. I guess this would be in the form of one other presentation that we have already asked for, but you are going to list the other 16 countries that are involved with us in this venture; is this correct?

Mr. MERCHANT. Part I countries.

MOTIVATION OF PARTICIPATING COUNTRIES

Mr. RIEGLE. Why is it that these other countries—it seems to me strange to find a situation where other countries have gotten involved in, you might say, a giveaway program, certainly an expensive-type program for them, where they pay more than half the cost.

We pay something that is not much less than half the cost, but it is less than half. I take it that the other countries, the other participating countries have some special foreign policy interest in wanting to engage in this kind of effort in these countries. Is that a fair assumption to make or not?

Mr. MERCHANT. Well, I think you have to go back to the World Bank which was proposed in 1944 and then it was only in 1960 that this particular affiliate, the International Development Association, was created to meet a need that the member governments in the Bank felt needed to be filled. Consequently the hard money and substantial sums in convertible currencies were put up in the original capital subscription for IDA by the 16 or 17 most advanced, most prosperous, if you will, members of the World Bank. Then there was an incentive, a twofold incentive for the poorer member countries of the World Bank, many of them, to make at least a nominal subscription. One was to feel that they were, albeit small, nevertheless self-respecting members of the organization, as they were of the World Bank. Secondly, as I recall, under the articles of agreement for IDA only countries which are members if IDA are entitled to borrow money from it, you see.

PERCENTAGE OF PARTICIPANTS WHO BORROW

Mr. LONG. Will the gentleman yield? What percentage of the borrowings of IDA are by the banks which put money in—by the countries which put money in?

Mr. MERCHANT. All of the borrowings have gone to part II members of IDA, none have gone to the part I countries. Does that answer the question you had in mind, sir?

Mr. LONG. I just wanted to get the percentage.

Mr. SHRIVER. It would be 100 percent to our part II countries and zero percent to part I countries.

Mr. MERCHANT. Yes, and zero percent to nonmembers.

Mr. LONG. Thank you.

WORLD BANK—IDA MEMBERS

Mr. RIEGLE. Let me get something straight. Am I to understand from what you have just said that everyone who belongs to the World Bank also belongs here?

Mr. MERCHANT. Not everyone. There are 106 members of the World Bank now; my recollection is as of the moment 97 are members of IDA and there are four or five whose applications are in and in one stage or another of approaching approval.

MOTIVATION TO CONTRIBUTE

Mr. RIEGLE. That is what I am trying to establish—rather than my asking you five questions—I will just give you one and you can put the answer here in the record. I am interested in trying to determine who are the most substantial contributors to IDA in terms of the countries that have the biggest stake in this. Do they have any foreign policy interests here? Is there any foreign policy gain to them by being involved in IDA, in a larger way, say, than some other country that has opted not to get involved? I would assume there is, but it is a subjective kind of thing.

Mr. MERCHANT. I see clearly what you are driving at. It is a tough question to answer, though, and one it is difficult to generalize concerning.

Seven countries put up between 85 and 90 percent of the hard currency. Those are the United States, United Kingdom, Germany, France, Canada, Japan, and Italy. Now, those are really the people who put up the money. All of those governments are and have been for varying mixtures of motives, I would say, supporters of the World Bank. Again I would say a mixture of motives which would vary from country to country. They are supporters of IDA in putting money up. Now, take a case, clear-cut case: Sweden has voluntarily more than doubled its original pledge under the present replenishment of IDA. Sweden gets virtually no procurement in Sweden from the IDA loans. Sweden has a very passive foreign policy. It has never had a colonial past. Its policy has been historically neutrality for over a century, and I would say it would be very, very difficult to attribute any ulterior motive, you might say, to Sweden. I think Sweden believes that it is an important thing for the advanced nations of the world to make a significant, effective contribution to the underdeveloped countries.

Mr. RIEGLE. Is this essentially the rationale, do you think, of the other countries?

Mr. MERCHANT. I think it is the predominant element in the rationale of each of them.

EFFECT OF REDUCING IDA CONTRIBUTION

Mr. RIEGLE. The reason I ask is that we need help today in Vietnam from these countries, the ones that are supplying the bulk of this funding for this organization, and also the countries that are being helped and they are not helping us in Vietnam. I am just wondering how long we can continue to help other people when at the same time our needs for help are growing and it is a one-way street. What would happen if we decided not to put in all of our pledged amount here? What would be the practical implications or the political implications that would arise in that event?

Mr. MERCHANT. Well, if you are speaking of not putting in all of our $104 million under our present pledge, we would be defaulting on our international commitment made under authority of the Congress. And if you are speaking of the forthcoming pledges, the effects would still be severe. I think it would be a body blow to the underdeveloped countries of Asia and Africa and Latin America. I would think if it was clearly the United States who was responsible for the scuttling of IDA, that it would be a body blow to U.S. prestige in general.

Mr. RIEGLE. Well, I can appreciate your point, but let's not talk in terms of doing away with the agency, let's talk about some sort of a reduction, maybe 25 percent, where we put people on notice that we are entering into a new phase of our interest in this sort of activity.

Mr. MERCHANT. Quite obviously everyone else would cut by at least 25 percent and again, my line of reasoning I think would apply, that if this was the consequence of a U.S. initiative, I think it would have harmful consequences economically, politically, and psychologically in the underdeveloped world.

BENEFITS TO CONTRIBUTORS

Mr. RIEGLE. This is why I was particularly interested in trying to establish whether any other major power around the world has any special interest at stake in this. Do they derive anything other than just a satisfaction of their motives of altruism by their participation? Does France get anything beneficially over and above that? Do any of these other countries? Because that might be the kind of advantage that it might be worth taking a hard look at right now.

Mr. MERCHANT. Well, I would think this would be a very blunt instrument for the sort of brain operation you are contemplating, sir.

Mr. RIEGLE. You know, I cannot help but think that the skulls may be so hard on the other side that one of these days we are going to have to use blunt instruments just to wake people up.

Mr. MERCHANT. Now, it is perfectly true that some two or three of the part I contributors can be said to gain commercial net benefit out of orders placed in their countries.

Mr. RIEGLE. Would you supply those for the record, by the way, the ones that you think do?

Mr. MERCHANT. I would rather not pinpoint it. I would be glad to talk to you privately.

Mr. RIEGLE. All right.

Mr. MERCHANT. But I think essentially why I said I thought this would be a blunt instrument, in your intent, if it were to encourage help for us in other fields, in other directions, for other policies, I take if you would not be thinking of any such help from the African countries or the Latin American countries, and in a sense you would be operating on the wrong head.

Mr. RIEGLE. That is why I was interested in determining what countries derive any special advantage from this other than just the fact they want to help people.

Mr. MERCHANT. Yes.

Mr. RIEGLE. That is all.

Mr. COHELAN. Are there any other questions?

Mr. SHRIVER. With reference to what he has been questioning you about, we have in this Congress some serious problems with inflation, the rise in the cost of living, and the tremendous size of the budget. He has concerns, as I think every man on this side of the table has, or should have, concerning the serious situation we are confronted with and the problems that exist in our own country.

Mr. MERCHANT. True.

Mr. COHELAN. If there are no further questions, then we will extend our thanks to you, Mr. Ambassador, for a very fine presentation, and the committee will adjourn until 1 o'clock on Monday, when we will review the AID program with the Administrator.

WEDNESDAY, APRIL 19, 1967.

PEACE CORPS

WITNESSES

JACK VAUGHN, DIRECTOR
BRENT ASHABRANNER, ACTING DEPUTY DIRECTOR
MORRIS W. KANDLE, CONTROLLER
WILLIAM F. WHALEN, ASSISTANT CONTROLLER
MICHAEL SHARLOT, DEPUTY GENERAL COUNSEL
THOMAS A. DINE, CONGRESSIONAL LIAISON

Program and financing

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Program by activities:			
1. Volunteer and project costs	89,569	85,084	96,000
2. Administrative expenses (limitation)	23,604	24,812	28,400
10 Total obligations	113,173	109,896	124,400
Financing:			
25 Unobligated balance lapsing	927		
New obligational authority	114,100	109,896	124,400
New obligational authority:			
40 Appropriation	102,000	110,000	124,400
41 Transferred to "Operating expenses, Public Buildings Service," General Services Administration (80 Stat. 674)		−104	
43 Appropriation (adjusted)	102,000	109,896	124,400
50 Reappropriation	12,100		
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)	113,173	109,896	124,400
72 Obligated balance, start of year	46,558	59,622	69,518
74 Obligated balance, end of year	−59,622	−69,518	−81,918
77 Adjustments in expired accounts	−5,732		
90 Expenditures	94,378	100,000	112,000

Object classification

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Personnel compensation:			
11.1 Permanent positions	9,892	11,112	12,989
11.3 Positions other than permanent	997	912	949
11.5 Special personal service payments	13,728	16,188	18,173
11.5 Other personnel compensation	411	345	345
Total personnel compensation	25,028	28,557	32,456
12.0 Personnel benefits	14,784	16,071	18,663
21.0 Travel and transportation of persons	13,057	15,250	14,724
22.0 Transportation of things	2,616	2,936	3,132
23.0 Rent, communications, and utilities	2,598	2,853	3,280
24.0 Printing and reproduction	562	431	560
25.1 Other services	41,531	30,925	36,717
25.2 Services of other agencies	7,841	8,489	9,190
26.0 Supplies and materials	3,018	3,089	3,642
31.0 Equipment	2,104	1,270	2,011
42.0 Insurance claims and indemnities	9		
Total obligations, Peace Corps	113,148	109,871	124,375
ALLOCATION TO STATE, OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE			
25.1 Other services	25	25	25
99.0 Total obligations	113,173	109,896	124,400

Personnel summary

[In thousands of dollars]

	1966 actual	1967 estimate	1968 estimate
Total number of permanent positions	1,190	1,240	1,670
Full-time equivalent of other positions	104	94	94
Average number of all employees	1,233	1,300	1,604
Average GS grade	7.9	7.8	7.8
Average GS salary	$7,996	$8,005	$8,089
Average grade, grades established by the Foreign Service Act of 1946 (22 U.S.C. 801-1158):			
Foreign Service Reserve	4.9	4.9	4.9
Foreign Service Staff	8.1	8.1	8.1
Average salary, grades established by the Foreign Service Act of 1946 (22 U.S.C. 801-1158):			
Foreign Service Reserve	$12,264	$12,306	$12,297
Foreign Service Staff	$6,188	$6,297	$6,340
Average salary of unenumerated positions	$3,751	$3,914	$3,949
Average salary of ungraded positions	$2,000	$2,000	$2,000

Mr. PASSMAN. The committee will come to order.

STATEMENT OF THE DIRECTOR

Today, we shall consider the fiscal year 1968 budget estimate of $124.4 million for the Peace Corps. The Honorable Jack Vaughn, Director of the Peace Corps, has submitted a very lengthy statement, in advance of the hearings, for the benefit of the members. We shall insert the Director's statement in the record at this point.

(The statement follows:)

Mr. Chairman and members of the committee, it is a pleasure to appear before your distinguished Committee to present the Peace Corps appropriation request for Fiscal Year 1968.

Our budget request for FY 1968, as submitted to the Congress in January, totaled $124.4 million. Subsequently, we submitted an amendment reducing that request to $118.7 million, reflecting current experience with certain training and overseas programs.

This amount—$118.7 million—compares to $114.1 million and $110.0 million appropriated in fiscal years 1966 and 1967, respectively. Thus, the amended request for fiscal 1968 now before you represents a 4.6 million or 4% increase over FY 1966 and an $8.7 million or 8% increase over FY 1967.

Prior to discussing in detail our various programs, may I first invite your attention to the series of charts attached to this statement which will give you an overview of the Peace Corps.

Attachment "B" to this statement presents the history of Peace Corps authorizations and appropriations from 1962 to the present. Attachment "C" provides you with a technical fiscal reconciliation among the appropriations for the fiscal years 1966, 1967 and 1968.

During program year 1968, total Volunteer and trainee strength will increase from an estimated 15,300 to an estimated 17,750—an increase of 16%.

Similarly, the number of Volunteers overseas will increase from an estimated 10,345 to an estimated 12,670—an increase of more than 22%.

Also we plan to add as many as five countries to the current 52 countries in which Volunteers are now serving.

I know the Committee has a continuing interest in the percentage of the total appropriation comprising administrative expenses. For fiscal year 1968, the percentage is 23.9 as compared to 23.2% in 1967. The small increase is attributable to increased overseas staff support including new country staff requirements.

For the Committee's review, Attachment "D" details the major elements of administrative expense included in this appropriation request.

I believe you are aware of the Peace Corps' effort to reduce costs this year. All Washington and overseas offices have shared in this effort. Every program factor of expense controlled by the Peace Corps has been subjected to careful review. As a result every program unit cost factor now estimated for fiscal years

1967 and 1968 is lower than comparable program unit cost factors incurred in 1966. Attachment "E" sets forth the program unit cost factors and a summary of total program cost obligations.

Had we employed 1966 procedures, the 1967 program would have cost at least $7.4 million more than we currently estimate and the FY 1968 appropriation request would be $10 million more than the request now before you. The average annual cost per Volunteer has dropped from $7,788 for fiscal 1966 to an estimated $7,400 for FY 1967 and $7,305 for FY 1968. Such reductions represent literally hundreds of individual actions on the part of the entire Peace Corps staff. Illustrations of these efforts and summarized data are contained in Attachment "F."

I am pleased to point out to the Committee major operating changes that we have instituted this year.

First, we have changed our recruiting methods and organization.

In the past, our recruiting teams were composed of Washington staff members, including administrators and secretaries, augmented by a few returned Volunteers, all operating out of the Washington office. These teams canvassed more than 1,100 colleges and universities in fiscal year 1966.

Now, every member of the campus recruiting staff is a former Peace Corps Volunteer who can speak the exciting language of experience. Further, approximately 200 schools with marginal or no record of interest in the Peace Corps have been dropped from the recruiters' itinerary. The recruiting teams are operating from two regional offices—Chicago and San Francisco—with Washington serving as the headquarters for the South and Northeast only.

In view of our organizational changes and the increased academic population, we will meet and probably exceed our recruitment objective of 9,550 trainees for Program Year 1967 and 11,000 trainees for Program Year 1968.

Second, we continue to improve selection standards. I believe we will increase our success-in-training rate from 75% to a level of about 80% as a result.

Third, we have made major developments in our effort to make training truly relevant to overseas experience.

The Peace Corps has traditionally contracted with many colleges and universities to conduct training programs. Presently field training is shifting the focus of attention from the classroom to slum areas, migrant camps and other real problem environments. Returned Volunteers are heavily engaged in training, lowering costs and enriching every program with relevant experience and seasoned leadership.

For the first time in Peace Corps history a group of prospective Volunteers will be trained entirely in the country of their assignment. A temporary Peace Corps Training Center is being established this year in Micronesia to prepare more than 400 prospective Volunteers for the Trust Territory of the Pacific Islands. Similarly our own staff will be responsible for training a group for Ghana *in* Ghana this summer. The obvious advantages of training realism and excitement are complemented by significant reductions in training expense. Costs for in-country training will be less than the costs of traditional full contract training in the United States. Approximately 1,300 trainees will enter such programs this year and approximately 2,100 next year.

Our first joint Peace Corps/VISTA program will begin this year. This summer 500 Peace Corps trainees (college students who have completed their junior year) will work for about 10 weeks in rural poverty areas, urban communities, Indian reservations and migrant labor centers. Thereafter they will return to their respective colleges and universities. Next summer, as college graduates, they will conclude their Peace Corps training and begin their Volunteer service overseas.

The real work of the Peace Corps takes place in the 52 countries where Volunteers work and live. As the President reported in his letter to the Congress of March 6, 1967:

In 1968 Peace Corps Volunteers will—

Assist more than 400,000 farmers in their struggle against hunger;

Help educate more than 700,000 school children;

Help train 55,000 teachers;

Provide health services to more than 200,000 persons;

Help 75,000 men and women help themselves through private enterprise; and

Bring greater opportunity to thousands of people through community development.

The following points illustrate important long-term impact of the Peace Corps in five countries.

In India, 250 Volunteers are working as nutrition and home vegetable garden instructors. As many as one million families already are benefiting.

In Colombia, we are reaching one half million school children through the medium of educational television.

In Micronesia, Volunteers have taken on day-to-day responsibility for virtually the entire public health program. One hundred Volunteers, assigned on a ratio of one Volunteer per 1,000 Micronesians, have provided in virtually every inhabited island a public health program covering (a) environmental health and hygiene, water seal latrines, (b) water supply, (c) filariasis control, (d) leprosy control, and (e) tuberculosis control.

In the Dominican Republic, 300 elementary school teachers are under the instruction of 30 Volunteer teacher-trainers. The impact of such training will be of enormous influence.

In Nigeria, more than 270 Volunteers are in teacher training colleges and related activities. Almost 30,000 Nigerian teachers will have received the benefits of this effort.

But, as you well know, most Volunteers are deeply involved in serious efforts of development where meaningful results are not easy to visualize. The intangibles of Peace Corps accomplishments are difficult to measure quantitatively.

For example, in the Philippines, one district's public school children—Peace Corps Volunteers' students—swept the Math/Science prizes traditionally won by private school contestants. The Nation's first Filipino-produced curriculum guide is now in use, prepared with the aid of Peace Corps Vounteers.

A farmers' cooperative in Sierra Leone grew from 15 to 185 members in a single year, introducing new farming and marketing procedures, and increasing income.

Credit cooperatives more than tripled in number and membership in just two years in Ecuador.

Volunteers in a Niger agriculture school managed to convince school officials that field work should comprise one-third of a student's grade, instead of 2 percent.

A three-year-old fish farming program in Togo should yield 150,000 pounds of fish this year, returning at least a 1,000 percent income gain to its participants.

A new Volunteer public health worker arriving in Brazil, encountered a hospital with "pigs underfoot, flies in the sterilizer, bats in the linen closet, only one working toilet, an illiterate dispensing medicines, and patients who had to bring their own dressings." In one year, nursing procedures were reestablished, nurses aides are now in training, the hospital has been cleaned and painted, and most important, the hospital has become a civic responsibility.

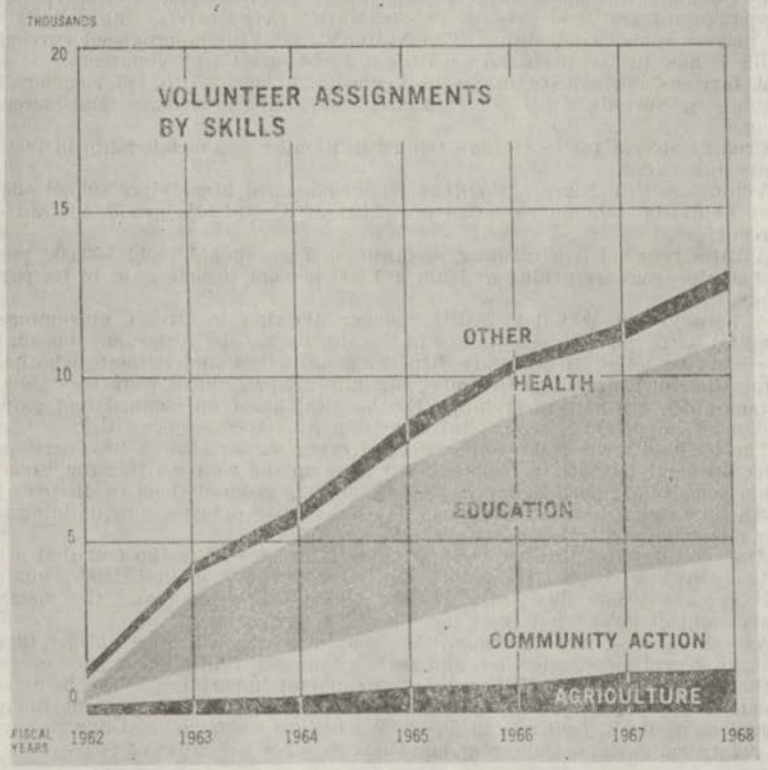
The Chilean town of Trovolhue flooded every winter after a 1960 earthquake sank the earth beneath it. People finally gave up and were waiting for "someone to do something" until newly-arrived Volunteers induced them to discover how much they could do for themselves. A proud townspeople are now building their own new town at a higher elevation.

And, perhaps the ultimate "small" value is illustrated in the fact that a two-year-old fishing cooperative launched with Volunter help in British Honduras will gross $450,000 this year, without Peace Corps help, and the members' shares will at least triple their income of four years ago.

As you can see, Mr. Chairman, this year has been witness to major innovations in recruitment, selection, and training, and to continued impact overseas. Although cost benefits will accrue, of paramount importance is the increase in effective Volunteer service. In the past we have exercised prudent financial judgment and will continue to do so. We believe we have used our money responsibly and will continue that emphasis to serve the cause of peace.

THE NUMBERS

Statistics alone cannot tell the Peace Corps story, but they do provide a framework for understanding the scope of its activities. By June 30, 1966—end of fifth full year of operations—more than 20,000 Volunteers had gone overseas and more than 10,000 were still serving.



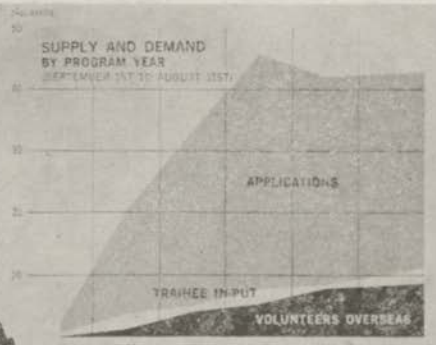
ORIGINS, DESTINATIONS

The Peace Corps idea appealed to a wide variety of Americans, but after five years of experience a profile of the typical Volunteer began to emerge: he (63% are male) is college educated (99% have attended some college, 80% have at least a B.A. degree). They average 24.2 years of age, although 160 of Volunteers serving last year were over 50 years of age. Today, a surprisingly large number (2,460 or 19%) are married; most came into the Peace Corps that way, but over 200 have been recently married in training or overseas.

ALASKA	13
HAWAII	76
PUERTO RICO	13
WASHINGTON, D.C.	89

WHERE VOLUNTEERS COME FROM

California, New York and Illinois are the big contributors. Western states account for one out of four Peace Corpsmen. Biggest per capita states: Washington, Oregon, Vermont, Colorado and New Hampshire.



Over 200,000 Americans applied for Peace Corps duty since 1961, but only about one in seven was selected for training. Between 70 and 80% of trainees were finally sent overseas.

Projection of Volunteers Overseas
(as of June 30, 1969)

WHERE ARE THEY GOING?

Latin America and Africa have traditionally been the major assignments for Peace Corps Volunteers with 61 of the 62 host countries located on the two continents. How Peace Corps is represented in its four major regions, what it is doing today and what it is planning to do are detailed graphically on the next 4 pages.

AFRICA

Sub-Saharan Africa continues as a broad and expanding field for Peace Corps programs. In 1966, Chad, Mauritania and newly-independent Botswana requested and received Volunteers for the first time. In 1967, The Gambia, Upper Volta and Lesotho have asked for Peace Corps assistance. These three bring to 22 the number of sub-Saharan African nations in which Volunteers will be serving by the end of the year, taking part in nation-building at the critical, formative stage of independent nations' development.

SEVEN YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	Now trained still in 1967	Still trained 1968
Ghana	31	329	136	110	111	195	235
Nigeria	185	383	509	624	719	697	800
Sierra Leone	57	126	216	150	213	237	350
Tanzania	35	26	125	326	396	322	700
Tanganyika							
Cameroun		35	88	103	119	80	85
Ethiopia		278	402	564	560	430	465
Gabon		41	70	36	49	45	50
Ivory Coast		49	311	50	68	48	55
Liberia		110	272	330	376	270	300
Niger		16	12	43	68	179	186
Malawi		42	97	230	201	262	175
Nyasaland							
Senegal		34	82	51	85	88	95
Somali Rep.		253		56	60	134	150
Togo		44	19	56	49	61	65
Guinea			52	36	61		
Kenya				170	157	226	250
Uganda				35	56	113	120
Botswana						51	60
Chad						58	70
Mauritania					4	72	75
Gambia							14
Upper Volta							50
Lesotho							50
Totals	292	1,243	2,893	3,986	3,421	3,525	3,940

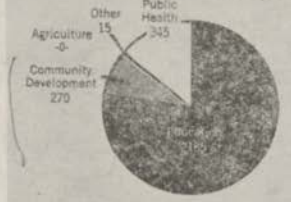
WHAT VOLUNTEERS ARE DOING: 1967

WHAT VOLUNTEERS WILL BE DOING IN AFRICA: 1968

Although concentrating in education, the Peace Corps will be giving greater attention in Africa to needs in agriculture, public health and community development in a broad effort toward aiding rural societies to adjust to the complexities of a modern world.

EAST ASIA/PACIFIC

This region assumed new responsibilities a year ago when the Members of the Congress of Micronesia invited the Peace Corps to send Volunteers to U.S. managed Pacific Trust Territory (Micronesia). Assignments in teaching, health, public works sent Volunteers to many of the populated islands of the huge chain which stretches over 3 million square miles of western Pacific. Another new Peace Corps nation during 1966: Korea, which requested Peace Corps teachers. By the end of this year the Peace Corps will also have its first contingent of Volunteers in Western Samoa — the first independent Polynesian country. Eventually numbering 300, Volunteers will work in education, public health, public works, agricultura and community development projects.



WHAT VOLUNTEERS ARE DOING: 1967

WHAT VOLUNTEERS WILL BE DOING IN EAST ASIA/PACIFIC: 1968

By 1968, increasing numbers of Volunteers will be serving as public health workers in addition to the continued large contingents of teachers who for the past six years have made up more than three quarters of all Volunteers in the East Asia and Pacific area.

SEVEN YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	(now subsidized) 1967	(estimated) 1968
Malaysia				378	561	569	550
Malaya	67	109	206				
Sabah, Sarawak		91	135				
Philippines	718	472	286	727	571	319	385
Thailand	85	277	346	242	356	296	343
Indonesia		17	51				
Korea						320	350
Micronesia						428	525
Western Samoa							170
New Countries							150
Totals	320	976	852	847	1,496	1,642	2,315

WHAT VOLUNTEERS WILL BE DOING IN LATIN AMERICA: 1968

Full-time community development work and education will occupy most Volunteers. Those whose primary assignment may be teaching, public health or agriculture will find themselves involved in community action programs as well.

WHAT VOLUNTEERS ARE DOING: 1967

LATIN AMERICA

The largest of all Peace Corps regions (some 9,560 Volunteers have served in Central and South America since 1961) added two more nations to its list this year: Guyana (formerly British Guiana) and Paraguay. The heart of the programs in all 19 countries is community development, which takes many forms but has only one basic goal: to create a sense of identity, promote the idea of self-help.

SEVEN YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	1967	Est. 1968
Brazil	43	168	310	548	530	671	665
Chile	45	90	106	294	357	398	410
Colombia	100	229	543	544	506	505	600
El Salvador	25	31	48	55	51	112	120
Jamaica	36	39	82	77	79	100	105
Windward, Leeward Islands	15	14	17	9	45	85	90
Venezuela	6	83	117	265	252	304	415
Bolivia		112	126	220	266	278	305
British Honduras		33	18	49	33	39	45
Costa Rica		26	65	61	107	162	170
Dominican Republic		144	171	95	101	142	150
Ecuador		156	239	309	211	287	285
Guatemala		27	105	83	69	142	150
Honduras		27	46	103	107	154	165
Panama		28	76	133	198	180	190
Peru		205	293	379	301	374	400
Uruguay			18		18	55	70
Guyana						42	40
Paraguay						36	35
Totals	224	1,494	2,235	3,214	3,474	4,218	4,450

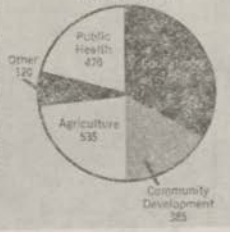
NORTH AFRICA/NEAR EAST/SOUTH ASIA

Farthest flung of Peace Corps regions, this one (called NANESA) begins on the Atlantic, and includes countries touched by the Mediterranean, Persian Gulf, Indian Ocean and the Bay of Bengal. It includes ten nations (including one new one added this past year: Libya), and a former one, Ceylon, to which the Peace Corps will return after an absence of nearly three years. Peace Corps activities are as diverse as the geography: modest-sized teaching and TB control programs are among the activities in Morocco, while Tunisia projects include architect Volunteers who help design public housing and municipal facilities. On the other end of the scale is a massive (by Peace Corps standards) attack on India's food production and nutrition problems. More than 1,200 specially trained Volunteers are assigned there.

WHAT VOLUNTEERS WILL BE DOING IN NANESA: 1968

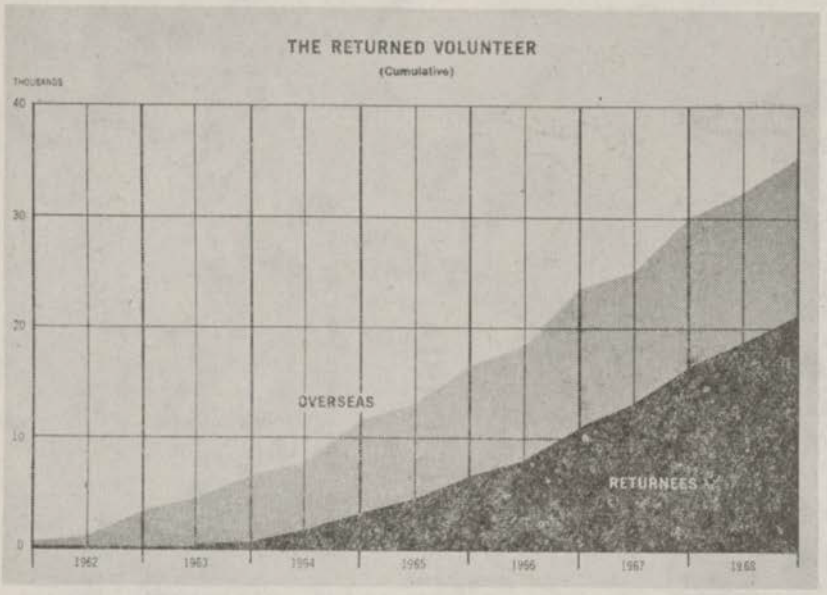
Although programs vary widely from country to country, education is still a prime job of Volunteers. Agriculture work is due for biggest growth.

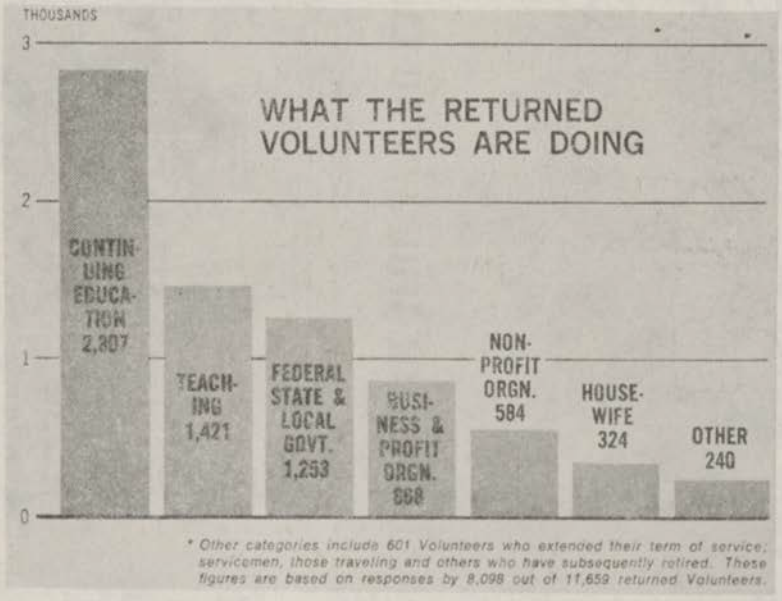
WHAT VOLUNTEERS ARE DOING: 1967



SEVEN YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	(now included) 1967	(estimated) 1968
India	26	115	153	401	764	1,063	1,079
Pakistan Ent.	28						
West	29	172	191	191	35		
Morocco		56	102	133	117	83	85
Tunisia		94	48	139	192	259	265
Afghanistan		26	62	126	151	154	195
Ceylon		24					81
Cyprus		29					
Iran		61	36	149	277	217	220
Nepal		65	95	120	150	228	226
Turkey		39	114	304	411	588	592
Libya						18	18
New Countries							40
Totals	83	870	802	1,553	2,192	2,240	2,400





** Other categories include 601 Volunteers who extended their term of service; servicemen, those traveling and others who have subsequently retired. These figures are based on responses by 8,098 out of 11,659 returned Volunteers.*

THE COST

Between the end of FY 1962 (last full year of the Peace Corps) and 1968 its total strength will grow from 2,818 to 17,750 trainees and Volunteers. In the same period of time appropriations increased from $30 million to $110.0 million in FY 1967 and $114.8 million requested for FY 1968. Increased efficiency in selection, training and administration of overseas programs, restraints and size of Washington headquarters staff help the agency keep costs down.

Growth in direct aid for Volunteers furnished by host governments will approach $5.2 million in FY 1968. Majority of these contributions are in form of vehicles, housing, and other goods and services.

Peace Corps' basic determination is the average annual cost per Volunteer which includes recruiting, selecting, training, transporting, administrative expenses, living allowances and all other costs provided in the appropriation.

ATTACHMENT B

Statement of authorizations and appropriations

[In thousands]

Fiscal year	Original authorization and budget request	Amended budget	Authorized	Appropriated (including reappropriations)	Obligated as of June 30	Unobligated as of June 30	Reappropriated
1962	$40,000		$40,000	$30,000	$27,047	$2,953	
1963	63,750		63,750	59,000	55,588	3,412	$3,864
1964	108,000	$102,000	102,000	95,964	75,560	20,404	17,000
1965	115,000	106,100	115,000	104,100	85,456	18,644	12,100
1966	125,200		115,000	114,100	113,173	927	
1967	110,500	112,150	110,000	110,000	[1] 107,500	[1] 2,500	
1968	124,400	118,700					

[1] Estimate.

Summary of obligations by activity

[Fiscal years. In millions of dollars]

	1962	1963	1964	1965	1966	1967 estimate	1968 estimate
Volunteer and project costs	20.0	40.2	58.4	65.6	89.6	82.6	90.3
Percent	(67.8)	(73.5)	(76.6)	(76.8)	(79.2)	(76.8)	(76.1)
Administrative expenses	9.5	14.5	17.8	19.8	23.6	24.9	28.4
Percent	(32.2)	(26.5)	(23.4)	(23.2)	(20.8)	(23.2)	(23.9)
Total	29.5	54.7	76.2	85.4	113.2	107.5	118.7

ATTACHMENT C

Reconciliation of fiscal year 1966 appropriation to fiscal year 1968 estimate

	Volunteer and project costs	Administrative expenses	Total No. A
Fiscal year 1966 appropriation	$90,000	$24,100	$114,100
Unobligated balance	−431	−496	927
Fiscal year 1966 obligations	89,569	23,604	113,173
Project changes:			
Pretraining expenses	55		
Training expenses	−7,616		
Overseas volunteer expenses	−1,704		
Readjustment allowances	+2,104		
Research activities	+4		
Title III activities	−3		
School partnership program	+175		
Subtotal volunteer and project costs	−6,985		−6,985
Administrative changes:			
Personnel and related costs		+1,651	
Administrative support costs		+149	
Travel and transportation costs		+490	
Subtotal administrative expenses		[1] +1,312	+1,312
Fiscal year 1967 program	82,584	[2] 24,916	107,500
Project change:			
Pretraining expenses	+125		
Training expenses	+773		
Overseas volunteer expenses	+5,968		
Readjustment allowance	+1,000		
Research activities	−100		
Title III activities	−75		
School partnership program	+25		
Subtotal volunteer and project costs	+7,716		+7,716
Administrative changes:			
Personnel and related costs		+1,956	
Administrative support costs		+770	
Travel and transportation costs		+758	
Subtotal administrative expenses		+3,484	+3,484
Fiscal year 1968 obligations	90,300	28,400	118,700

[1] Does not add due to rounding.
[2] For comparative purposes, includes $104,000 transfer of Washington office rental to GSA.

ATTACHMENT D

Fiscal year 1968 budget, administrative expenses

[Dollars in thousands]

	PC/Washington			Overseas costs			Total		
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
A. Personnel and related costs	$7,999	$8,621	$8,997	$5,629	$6,658	$8,238	$13,628	$15,279	$17,235
B. Administrative support operations	2,603	2,611	2,679	4,781	4,922	5,624	7,384	7,533	8,303
C. Travel and transportation	1,638	1,310	1,710	956	794	1,152	2,594	2,104	2,862
Total	12,240	12,542	13,386	11,365	12,374	15,014	23,604	24,916	28,400

ATTACHMENT E

Fiscal year 1968 budget request

COMPARISON OF VOLUNTEER AND PROJECT UNIT COSTS

	Unit costs		
	1966 actual	1967 estimate	1968 estimate
I. Pretraining:			
Background investigations (per investigation)	$405	$415	$415
Health examinations (per examination)	18	18	18
II. Training:			
Regular complete:			
Contract (per trainee)	2,912	2,750	2,725
Training centers (per trainee)	2,676	2,506	2,506
Advance (per trainee)	4,106	3,396	3,396
Support-related requirements travel (per trip)	212	188	113
III. Overseas costs:			
International travel (per trip)	638	625	625
Allowances:			
Living (per volunteer man-year)	1,276	1,190	1,180
Leave (per volunteer man-year)	181	180	180
Clothing:			
1st year (per successful trainee)	110	110	100
2d year (per volunteer 1-year overseas)	63	50	50
Health care:			
Physicians (per physician man-year)	22,400	22,390	22,390
Supplies and services (per volunteer man-year)	163	152	152
In-country travel (per volunteer man-year)	122	115	111
Supplies and equipment (per volunteer man-year)	148	118	113
Support-related requirements:			
Vehicle procurement (per vehicle)	3,392	3,000	3,000
Vehicle shipment (per vehicle)	800	800	800
Miscellaneous costs (per volunteer man-year)	254	248	238
IV. Readjustment allowance (per V. & T. man-year)	938	939	940

COMPARISON OF TOTAL VOLUNTEER AND PROJECT OBLIGATIONS

I. Pretraining:			
A. Background investigations	$4,242	$4,289	$4,409
B. Health examinations	178	186	191
Subtotal	4,420	4,475	4,600
II. Training:			
A. Regular complete:			
1. Contract	26,099	18,852	16,623
2. Training centers (P.R. & V.I.)	1,967	1,965	2,298
3. In host country			
(a) Complete		200	1,205
(b) Contract and in-country		1,865	3,500
B. Advance:			
1. ATP	4,253	825	430
2 Degree		358	680
3. Peace Corps-VISTA associates		500	896
C. Field experience training	232	359	340
D. Support-related requirements:			
1. Medical support	76	236	290
2. Language informant service	120	335	350
3. Trainee travel	1,969	1,605	1,286
Subtotal	34,716	27,100	27,898

ATTACHMENT E—Continued

Fiscal year 1968 budget request—Continued

COMPARISON OF TOTAL VOLUNTEER AND PROJECT OBLIGATIONS—Continued

	Unit costs		
	1966 actual	1967 estimate	1968 estimate
III. Overseas costs:			
A. International travel	$7,369	$6,925	$9,200
B. Allowances:			
1. Living	12,235	13,895	15,100
2. Leave	1,735	2,100	2,300
3. Clothing	1,268	967	1,215
1st year	899	662	850
2d year	369	305	365
C. Health care:			
1. Physicians	1,972	2,799	3,220
2. Supplies and services	1,650	1,784	1,945
D. In-country travel	1,174	1,340	1,420
E. Supplies and equipment	1,420	1,375	1,450
F. Support-related requirements:			
1. Vehicle procurement	709	300	675
2. Vehicle shipment	167	80	180
3. Bureau of Employee Compensation	73	185	387
4. Miscellaneous costs	2,577	2,890	3,045
G. Professional support	4,339	2,234	2,680
H. Full administrative contracts	1,890		
Subtotal	38,578	36,874	42,817
IV. Readjustment allowance	11,181	13,285	14,285
V. Research	496	500	400
VI. Title III activities	178	175	100
VII. School partnership program		175	200
Grand total	89,569	82,584	90,300

ATTACHMENT F

Summary of cost reduction achievement

The following table summarizes the magnitude of cost decreases for fiscal years 1967 and 1968 as compared to accomplishing these programs parallel with actual unit costs and methods of operation in fiscal year 1966:

[In millions of dollars]

Category of cost	1967	1968
Training	3.0	5.3
Overseas volunteer costs	3.3	4.1
Travel	.2	.3
Allowances	1.1	1.4
Various supplies, services, and equipment	.6	.6
Professional-technical support	1.3	1.5
Miscellaneous	.1	.3
Administrative costs	1.1	.7
Total	7.4	10.1

COST REDUCTION ACHIEVEMENT

During the past year, the Peace Corps embarked upon an agency-wide cost reduction program that has extended to all levels of management both overseas and in Washington. Basic to this effort has been the guidance that equally important with cost reduction is increased effectiveness. The Peace Corps effort has, therefore, been a positive program with expectation in two directions: more excellent programs and performance with full consideration of costs. The following illustrations indicate the magnitude of cost decreases for FYs 1967 and 1968 as compared to accomplishing these programs parallel with actual unit costs and methods of operation in 1966.

Cost reductions in millions of dollars over the cost and programs of FY 1966

Training costs:

1967	$3.0
1968	5.3

A major, concentrated effort has been expended during this year to reduce the costs of training as compared to FY 1966. In addition, a series of improved training methods designed to increase the relevance and benefits of the training experience have been instituted. Procedural changes have also been made, which allow more reasonable planning and contract scheduling lead times than previously available. The implementation of the lead time system allows more careful selection of contractors and earlier contracting. It also permits a detailed study of the training plan and budget allowing the opportunity to select less expensive alternatives.

The following table sets forth the unit prices of training as currently estimated for 1967 and 1968, comparing them to the actual experience of 1966:

Unit cost per trainee

Type of program	1966 actual	1967 estimate	1968 estimate
Regular complete training:			
Contract	$2,912	$2,750	$2,725
Training centers (PR and VI)	2,676	2,506	2,506
In-country training:			
Complete [1]		2,200	2,200
Contract and in-country [1]		2,500	2,500
Advance:			
Advance training program (ATP)	4,106	3,396	3,396
Degree programs [1]		2,750	2,725
PC/VISTA associates [1]		2,200	2,200

[1] New programs for fiscal years 1967 and 1968.

A series of many individual items constitute the reduction of the unit costs per trainee. Among these are: a requirement that training programs meet or exceed minimum economic input numbers; improved logistics in handling and shipping of training materials; elimination of certain areas of health education which can be better handled overseas; physical education has been integrated into the other parts of the training project and eliminated as a separately financed component; off-campus housing, which is less expensive than campus dormitory housing, is called for in many training contracts.

Several other combined factors have reduced the total cost of training. Among them are, for example: the discontinuance of a home leave period with related per diem and travel costs so that Volunteers depart more directly for ports of embarkation after the completion of training; the design and deevlopment of less costly advance training programs; and the expansion of in-house and in-country training.

A very important cointribution to reduced total training costs is the institution of improved selection criteria and procedures. Historically, the success-in-training rate has been about 75 per cent or an attrition rate of 25 per cent. We now estimate an improvement in this rate to the extent of approximately 80 per cent success-in-training, or an attrition rate of 20 per cent. For example, it formerly has been necessary to enter 1,333 trainees in order to train out 1,000 Volunteers. We estimate that starting with this summer's training schedule and thereafter, an input of 1,250 trainees will be required to train out 1,000 Volunteers.

Volunteer and project costs:

1967	$3.3
1968	4.1

Substantial cost reductions have accrued from the actions of Peace Corps Representative overseas, and Washington offices which support overseas operations. The following list of major cost areas describes these savings and the actions taken in the field and PC/Washington to effect these cost reductions.

International travel:

1967	$0.1
1968	.2

Improved administrative coordination has led to the earlier establishment of dates for overseas departure, thus allowing the Peace Corps to make increased use of charter aircraft. At the present time, there are 14 charter flights scheduled during the period June 24 to September 26, 1967, to carry 2,118 Volunteers to their assigned countries.

Living allowances:

1967	$1.0
1968	1.2

Living allowances paid each Volunteer overseas are continuously reviewed for adequacy in accordance with the country and area of assignment. In several instances specific allowances have been increased but, the average has been reduced from $1,276 per year in 1966 to an estimated $1,190 for 1967 and $1,180 for 1968. This overall average decrease in living allowances will result in a total savings of $2.2 million in fiscal years 1967 and 1968. Certain other related actions have also been taken overseas. For example, re-use of furniture available when Volunteers leave a country has been instituted in connection with improved inventory procedures, and allowances required for "settling-in" expenses are subject to individual needs rather than the use of flat rates as formerly approved.

Clothing allowances:

1967	$0.1
1968	.2

The actual unit costs for clothing allowances in 1966 were $110 for each successful trainee and $63 for each Volunteer completing one year of service overseas. In 1967, these unit costs are $100 and $50, respectively, effecting a savings of $100,000 in 1967 and $200,000 in 1968.

Medical supplies and services:

1967	$0.1
1968	.1

The Peace Corps is increasingly utilizing overseas DOD supply points for medical logistical support. Generally, prices for medical supplies and drugs purchased through the Defense Supply Agency offer significant savings over the open market. Lead time is also reduced and often eliminates the need for local emergency procurement. In addition, the contents of PCV medical kits assembled for distribution in FY's 1967 and 1968 have been reduced about 40 per cent in the light of usage and requirement experience and improved availability of other medical care.

In-country travel:

1967	$0.1
1968	.1

A Volunteer while on official business overseas receives his transportation costs and a per diem allowance while in this status. Except for job requirements, such travel is necessary only a few times a tour—for medical treatment, mid-term and completion of service conferences, and transfers of assignment. Many steps have been taken by the Peace Corps representatives overseas to effect savings in this area:

Small sub-regional mid-term conferences have been initiated to reduce Volunteer travel costs, and at the same time increase the effectiveness of these conferences.

Completion of service conferences are being held on a regional rather than group basis reducing travel costs.

Reimbursement is being made to the Volunteer for the actual cost of travel, rather than on the basis of the per diem rates.

Discount rates are applied to PCV's on official business by some host country national airlines.

Volunteer transfers from post to post have been curtailed.

Volunteer supplies and equipment:

1967	$0.4
1968	.5

Several basic Volunteer support projects have changed. For example, there has been a reduction in the size of the booklocker provided to Volunteer sites. In the past, each Volunteer site received a booklocker containing 250 titles, but now receives one of three varieties contaning 125 titles. The booklockers will be interchanged between sites making it unnecessary to replace them so often. The estimated savings effected by this new booklocker program should be $170,000 in FY 1967. Other examples of field initiated actions creating savings in this area are:

Revised educational aid programs have been developed avoiding expensive or difficult to maintain equipment.

Job related equipment is being increasingly supplied by some host countries.

Extensive use is made by successive Volunteers of initial equipment purchases, such as bicycles, text books, hand tools, etc.

To reduce shipping costs, procurements have been combined into large orders rather than on a piece by piece basis.

Inventories have been maintaind to avoid emergency purchases of necessary supplies and equipment at higher local market prices.

Miscellaneous supporting requirements:

1967	$0.1
1968	.3

These costs include a wide variety of support such as Volunteer rents and utilities, maintenance, repair, and operation of vehicles and other equipment, group meetings, in-country transportation of job related supplies, Volunteer language instruction, invitation travel, printing and reproduction, other various small costs and reimbursement for damaged or stolen property. The summary index applicable to this category is the "cost per Volunteer man year" for the miscellaneous costs. This index for fiscal year 1966 was $254 per Volunteer man year. Our estimates for fiscal years 1967 and 1968 are $248 and $238, respectively.

Professional support:

1967	$1.3
1968	1.5

A very important need of the Peace Corps has been for skilled professional personnel to serve overseas supervising, supporting, and technically backstopping the efforts of the Volunteers. Historically, much of this professional support has been provided by contracting with companies or individuals, often at a considerable cost to obtain the proper talent and provide the necessary logistics such as transportation overseas, local travel and housing. These skilled professionals, as Contractor's Overseas Representatives, represented an average man-year cost of $40,176 in 1966. This cost has been reduced to an average of $36,000 per man year in FY's 1967 and 1968.

In addition, in FY 1967, the Peace Corps has assigned qualified direct hire staff members in the same capacity of providing professional and technical support to Volunteers. For all expenses, including salaries, allowances, travel and quarters, the total average cost per man-year for these direct hire personnel is about $18,000. These actions should reduce the total cost of professional support by $2.8 million in FY's 1967 and 1968.

Administrative cost reductions, Peace Corps

WASHINGTON

	Fiscal year 1967	Fiscal year 1968
Pay raise costs	$416,000	
The entire cost increase of $416,000 resulting from the Federal Salary and Fringe Benefits Act of 1966 has been absorbed within the fiscal year 1967 appropriation of $110,000,000, thereby eliminating the need for any supplemental appropriation for fiscal year 1967.		
Overtime	191,000	$191,000
Peace Corps offices have attempted to hold paid overtime costs to the absolute minimum. As a result of these efforts and, in spite of the higher salary and overtime rates effective in fiscal years 1967 and 1968, overtime for the Washington administrative staff has been cut almost in half, from $391,000 in fiscal year 1966 to the $200,000 now estimated.		
Recruiting field offices	72,000	72,000
2 regional recruiting field offices have been established in fiscal year 1967, 1 in Chicago and 1 in San Francisco. Recruiters now operate from these 2 bases and do not periodically return to Washington from southwest of the Mississippi and from the Middle West and west coast areas.		
Recruiting materials	30,000	30,000
Each of 4 recruiting regional offices submits monthly estimates of material usage. By closely watching our inventory on hand and the projected usage, we have been able to control purchasing to closely parallel our actual needs. This has reduced costs by not overordering material and creating an overage. Currently, materials are depleting on a scheduled basis corresponding to actual needs and projected usage.		
Recruiting itinerary scheduling	20,000	40,000
In the past, recruiters used air transportation to get from one city to another. Since January, recruiters have been renting GSA cars in central areas and fanning out to the colleges within that area in a progressively expanding arc wherever feasible. This means of travel has effectively reduced air travel costs.		
Car rentals	39,100	39,100
In the past, Washington staff, while traveling, were authorized the use of autos from private car rental agencies. During fiscal year 1967, all travelers were instructed to use GSA facilities whenever possible. The cost of renting a commercial car is $10 a day and 10 cents per mile. Cost of GSA cars is $2.10 a day and 3.3 cents a mile.		
Placement tests	4,000	4,600
A redesigned questionnaire has eliminated a placement test originally designed by a contractor who received a fixed royalty per test. Elimination of this royalty payment has resulted in a cost reduction of approximately $4,000.		
Volunteer orientation	21,000	21,000
Significantly fewer Peace Corps liaison officers are traveling to training sites for orientation of trainees. This responsibility is assumed by the training sites through the utilization of qualified returned volunteers.		
Headquarters communications costs	10,000	10,000
Use of the GSA telex network and Western Union refile for the delivery of all Peace Corps telegrams within the United States instead of Western Union facilities for all-the-way transmission.		
Testing	3,600	3,600
The general aptitude test has been eliminated for Peace Corps applicants who are college graduates.		
Consolidation of function	15,000	15,000
Invitee files and processing of invitations have been centralized in fiscal year 1967.		
Forms control	5,000	5,000
A new invitation assessment form has eliminated the use of 4 other forms (distribution form, component sheet, track sheet, and assessment summary form) thus reducing an estimated 100,000 pieces of paper and its processing.		
Field selection travel	10,000	10,000
Travel costs for field selection officers have been reduced by making proximity a primary criterion for assignment to a training program.		
Use of space on chartered aircraft	50,000	50,000
Washington staff on oversea travel and newly assigned oversea staff en route to their posts are using vacant space on the chartered aircraft transporting volunteers to their oversea assignments.		
Centralized library	2,000	2,000
Establishment of a central library has reduced individual office subscriptions to periodicals and purchases of reference books.		
Use of operations officers as training officers	40,000	40,000
This practice has been used wherever possible and reduced the requirement for part-time training officers. This summer the Director of the Peace Corps will serve as a training officer for a Bolivia training project.		
Printing	112,000	112,000
Washington printing requirements have been closely reviewed during fiscal year 1967. The present estimate of $400,000 in both fiscal year 1967 and fiscal year 1968 is a significant cost reduction from the $512,000 obligated in fiscal year 1966.		

Administrative cost reductions, Peace Corps—Continued

OVERSEA POSTS

	Fiscal year 1967	Fiscal year 1968
Use of local hire personnel	$30,400	$30,400
Hiring foreign nationals in lieu of U.S. personnel has reduced cost as reported by the following countries: Bolivia, $9,000; Colombia, $5,000; El Salvador, $6,000; Panama, $8,000; Peru, $2,400.		
Chile	3,000	3,000
Installation of radio transceivers donated by U.S. Army from surplus, in all regional offices, thus eliminating most long-distance telephone calls.		
Colombia	2,000	2,000
Regionalization of Colombia's operations has increased volunteer support and improved health protection while decreasing the cost of staff travel.		
Costa Rica	1,500	1,500
Host country national airlines will furnish free incountry travel for staff.		
Ghana	3,600	3,600
Staff housing obtained in less-expensive housing areas of capital city.		
Honduras:		
Existing Peace Corps warehouse space was converted into combination office-warehouse for regional director instead of acquiring new office space	1,000	1 000
Use of the Army's Strategic Communications (STRATCOM) facilities reduces cost of telephone calls and cables to the United States	900	900
India:		
Institution of a centralized property control and clearinghouse in the central office in New Delhi has resulted in better utilization of property throughout the 6 Peace Corps regions in India	2,600	2,600
Standardization of vehicles through procurement of same make and type of vehicle whenever possible permits quantity purchase of spare parts and maintenance	3,000	3,000
Use of Telex communications system eliminates the need for substantial number of long-distance calls and telegrams and will provide faster and more reliable means of communications	4,500	4,500
Bulk of necessary additional office furniture procured from U.S. Government surplus	2,400	----------
Jamaica	1,906	1,906
Administrative support from U.S. Embassy reduced almost $2,000 by shifting functions formerly performed by Embassy staff to Peace Corps staff with no increase in personnel.		
Kenya	9,743	9,743
Vehicles, their gasoline and maintenance are being supplied by the host country.		
Liberia	1,000	1,000
The use of airplanes, both charter and regular flights, for staff travel has been restricted.		
Malaysia	10,000	----------
Host country government has agreed to construct additional office space for Peace Corps at no cost to the U.S. Government.		
Nepal	4,000	----------
Obtained 2 jeeps and other surplus equipment from inactive Peace Corps Pakistan operations.		
Peru	3,000	----------
Purchase of required office equipment and furnishings from surplus U.S. Government stocks.		
Senegal	700	700
More complete inventory of vehicle parts reducing requirements for emergency local and expensive purchases.		
Togo:		
Use of 2-wheel vehicles to reduce cost of gasoline and depreciation of 4-wheel vehicles	1,000	1,000
Repair of vehicles by Togo Government heavy equipment school instead of private repair shops	6,000	6,000
Uganda	500	----------
Procurement of residential and office furniture from surplus U.S. stocks.		
West Indies	1,000	----------
Purchase of office furniture at local auction. Only used but serviceable furniture bought.		

ESTIMATE OF NUMBER OF VOLUNTEERS AND TRAINEES, FISCAL YEAR 1967

Mr. PASSMAN. Last year you requested funds to finance a total volunteer and trainee strength of 15,350 for 1967. Subsequently you revised your estimate up to 16,225. What is your current estimate for this year and what is the reason for this substantial drop in your current estimate, for which I congratulate you?

Mr. VAUGHN. Our estimate last year, fiscal 1966, was that we would put 10,200 volunteers in training which was substantially accomplished.

Mr. PASSMAN. I am asking about the total volunteer and trainee strength of 15,350. Subsequently you revised your estimate to 16,225 volunteers and trainees. What is your current estimate?

Mr. VAUGHN. The estimate for the program year for which we are requesting funds will be that we will have 17,750 volunteers and trainees by August 31, 1968.

Mr. PASSMAN. That is not the question. I am trying to reconcile last year's estimate with what may happen this year. You requested last year a total volunteer and trainee strength of 15,350. Subsequently you revised your estimate to 16,225 volunteers and trainees. Now we are trying to pin down the current estimate for fiscal 1967.

Mr. VAUGHN. It is 15,300. Our current estimate coincides approximately with our original estimate of 15,350 at the end of the current year.

REASON FOR ESTIMATE REDUCTION

Mr. PASSMAN. How about the amended estimate? If you are sticking with your original estimate, what was the purpose of amending it and then cutting it back?

Mr. VAUGHN. I am not sure. Mr. Kandle, could you comment?

Mr. KANDLE. Yes. The original estimate was built on a larger training program for fiscal year 1967 than we are now working on.

Mr. PASSMAN. I expect a state of confusion on this examination of the Peace Corps. Originally you asked for funds for 15,350 volunteers and trainees. You now say you have 15,300. But last September you revised your estimate upward to 16,225.

Mr. KANDLE. The sequence is wrong, Mr. Chairman. We originally came to you and asked you in our May 1966, presentation to you for 15,350 volunteers and trainees. In the September document you have there we amended our estimated targets for 1967 to the larger number which I think is 16,225. The 16,225 was built on a training program which would have put into the Peace Corps new trainees to the extent of 10,500.

Our current estimate for new input into the Peace Corps is closer to 9,550. Therefore, our ending strength August 31, 1967, will be 15,300.

Mr. PASSMAN. Your program year goes through August 31?

Mr. KANDLE. That is right.

Mr. PASSMAN. The original estimate of 15,350 is the more realistic figure at this time.

Mr. VAUGHN. And we still anticipate we will virtually meet that.

ADDITIONAL COUNTRY PROGRAMS FOR FISCAL YEAR 1968

Mr. PASSMAN. What is the number of additional countries in which you plan to have programs in fiscal 1968, Mr. Vaughn?

Mr. VAUGHN. There are five, Mr. Chairman.

Mr. PASSMAN. What countries?

Mr. VAUGHN. Ceylon, which would be the first case where the Peace Corps has gone back to a country where we at one time had volunteers: Western Samoa, The Gambia, Upper Volta, and Lesotho.

COUNTRY PROGRAMS FOR FISCAL YEAR 1967

Mr. PASSMAN. How many countries will you have in fiscal 1967?
Mr. VAUGHN. Fifty-two countries.

PROGRAMS WITHDRAWN

Mr. PASSMAN. Have you withdrawn your program from any country during the past 12 months?
Mr. VAUGHN. Yes, we have.
Mr. PASSMAN. What countries?
Mr. VAUGHN. Guinea.
Mr. PASSMAN. When did you withdraw from Indonesia?
Mr. VAUGHN. In May 1965.

PHASEOUT OF PAKISTAN PROGRAM

Mr. PASSMAN. Aren't you contemplating phasing out your program in Pakistan?
Mr. VAUGHN. Yes, we are.
Mr. PASSMAN. For what reason? Mission accomplished?
Mr. VAUGHN. Could I speak off the record?
Mr. PASSMAN. Put it on the record and if necessary, for security reasons, you can take it off.
I do not want you to leave anything on the record that would violate the security of our country. That is understood always.
Mr. VAUGHN. There are two reasons. The first is that the aftermath of the recent Pakistani-India war left the Pakistanis with the wrong impression that we were favoring the Indians. Secondly, and perhaps more importantly, is the fact that the Pakistanis feel that what they need more than volunteers and generalists are technicians, professionals, experts.
Mr. PASSMAN. Why would you want that statement off the record? That is very enlightening and informative. I do not see anything that would upset the security of our country, do you?
Mr. VAUGHN. I would rather not have the first point on the record.
Mr. PASSMAN. I know you would not, but I wonder why it should not be, Mr. Vaughn. This program has been almost as secret as a fraternal institution since it started and I think it is time for the American people to understand more about it.
Mr. VAUGHN. I agree.

REGIONAL RECRUITING OFFICES

Mr. PASSMAN. I notice you have two regional recruiting offices in operation now.
Mr. VAUGHN. Yes.
Mr. PASSMAN. When did you set up these offices?
Mr. VAUGHN. Last fall.
Mr. PASSMAN. What is their cost?
Mr. VAUGHN. I do not know. I know the savings as compared to the previous year. The savings derived from having regional offices instead of having people coming in and going out of Washington constantly.
Mr. PASSMAN. I asked you what they cost. You said you did not

know but yet you say you have savings. Does your staff have that information? Would you furnish the date you set up the offices and what each one is costing?

Mr. KANDLE. Yes, sir, we will supply that for the record.

Mr. PASSMAN. Can you answer any questions at all?

Mr. KANDLE. Yes, sir; I can. I can answer the questions on the total cost of recruiting in the Peace Corps in 1967.

Mr. PASSMAN. That is not what I am talking about. I am talking about these regional offices. You have two regional recruiting offices in operation now. When did you set up the two? Could you give us that?

Mr. VAUGHN. It was in September of last year.

Mr. PASSMAN. Both of them in September?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Where are these offices located?

Mr. VAUGHN. One in Chicago and one in San Francisco.

NUMBER OF PERSONNEL

Mr. PASSMAN. What is the number of personnel in each office?

Mr. VAUGHN. There are only two permanent professional personnel. It is a base for planning, and organization, and for correspondence. The recruiters are invariably outside of the office. This is a communications center.

Mr. PASSMAN. What kind of facilities do you have there? Do you have leased space?

Mr. KANDLE. GSA lease space, sir.

Mr. PASSMAN. It comes out of your budget, does it not?

Mr. KANDLE. Yes.

Mr. PASSMAN. What does the Los Angeles cost?

Mr. KANDLE. I am sorry, we do not have the individual offices.

Mr. PASSMAN. What does it cost in Chicago?

Mr. KANDLE. We do not have that. I have the total cost.

Mr. PASSMAN. What kind of equipment do you have in the offices?

Mr. KANDLE. Telephones, desks, the normal standard office equipment.

Mr. PASSMAN. You do not know the personnel assigned to each office?

Mr. KANDLE. I am sorry, I do not have that, sir.

Mr. PASSMAN. Thank you very much.

Mr. VAUGHN. There is only one permanent professional staff member assigned to each region other than the recruiters and the secretary, and they are not permanent personnel.

Mr. PASSMAN. If you have leased office space and you have a desk and telephones, we would assume you have personnel.

CAMPUS RECRUITERS

Mr. VAUGHN. The campus recruiters use this as a base of operation.

Mr. PASSMAN. Who are they?

Mr. VAUGHN. The bulk of the recruiting personnel we have are ex-volunteers who recruit at college campuses.

Mr. PASSMAN. Do you get a little frightened over this program occasionally.

Mr. VAUGHN. No, sir.

Mr. PASSMAN. I admire you.

Mr. VAUGHN. I do not know anybody else who gets frightened, either.

Mr. PASSMAN. I admire this kind of support for the program. This program has been the greatest whitewash in the history of government. There is no indictment of you. I always thought Mr. Shriver should be judged on his administrative ability by his handling of a domestic agency rather than on his handling of the Peace Corps. As I said in the beginning, there is nothing personal about this examination. I am trying to find out how far the pendulum will swing before it goes back. Here we have two regional offices—rented space, desks, pencils, fountain pens, ink, and telephones—and you do not know how many personnel are there and what they are paid.

It leaves us in a state of confusion, Mr. Vaughn. You are bound to have some information somewhere as to who staffs those offices. You do not need a telephone if it is an office that is not staffed.

Mr. VAUGHN. It is not staffed in the typical sense. It is a base of operations. It is a communication center.

Mr. PASSMAN. Why do you call it a regional recruiting office? You say they are now in operation in San Francisco and in Chicago. If you have regional recruiting offices with desks and telephones you have to have somebody to man them. Do you have secretaries there?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. How many secretaries in each office?

Mr. VAUGHN. One.

Mr. PASSMAN. What does that secretary get in salary?

Mr. VAUGHN. I do not know.

Mr. PASSMAN. You do not know?

Mr. VAUGHN. No.

Mr. PASSMAN. Thank you. Are you planning on setting up any additional recruiting offices in fiscal 1968?

Mr. VAUGHN. No, sir; not at this time.

Mr. PASSMAN. Just to keep the record straight, I do not believe you justified funds before the committee last year for these regional offices either, did you?

COSTS OF REGIONAL OFFICE OPERATION

Mr. VAUGHN. No, sir. We have saved $72,000 according to our calculations by having these two regional offices.

Mr. PASSMAN. Savings in what way, not being able to get recruits?

Mr. VAUGHN. Mainly in travel.

Mr. PASSMAN. You said you do not know what it cost to operate these regional offices, yet you know how much you saved. To be able to establish a $72,000 saving, you have to put that against some prior expenditure.

Mr. VAUGHN. Exactly.

Mr. PASSMAN. What expenditure are you putting it against?

Mr. VAUGHN. We have done that. We just do not have that particular information, but we will get it for you.

Each of Campus Recruiting's four regional offices is staffed by a Regional Director, a Deputy Director (both returned Peace Corps Volunteers), one secretary, and quite a few recruiters (also RPCVs). While the South and Northeast regional office remained in Washington, D.C., our offices in Chicago and San Francisco were officially established on September 1, 1966.

Operating costs in the Northeast have been:	
Staff salaries	$20,974
Recruiter salaries	73,368
Travel and related travel costs	75,270
Total	169,612
In the South:	
Staff salaries	19,989
Recruiter salaries	56,532
Travel and related travel costs	63,397
Total	139,918

For the above two regions, office rent and office equipment are provided within the Maiatico Building.

Operating costs in San Francisco have been:	
Staff salaries	$22,874
Recruiter salaries	79,512
Travel and related travel costs	96,846
Office rent (1,503 sq. ft.)	
Office equipment	4,500
Total	203,732
In Chicago:	
Staff salaries	24,556
Recruiter salaries	76,776
Travel and related travel costs	77,702
Office rent (1,103 sq. ft.)	5,745
Office equipment	4,500
Total	189,279

POSSIBLE ADDITIONAL REGIONAL OFFICE

Mr. PASSMAN. You are not planning on opening any additional regional offices in fiscal 1968?

Mr. VAUGHN. We are handling our Southern and Northeast recruiting from Washington. It could be we would find it convenient to have an office in the South.

Mr. PASSMAN. I appreciate that. I believe you said a moment ago that you were not planning on opening any additional offices.

Mr. VAUGHN. Not at this point.

Mr. PASSMAN. What point?

Mr. VAUGHN. I am talking about April 19. We are going to prepare our recruiting program and budgets sometime this summer.

Mr. PASSMAN. Didn't I ask the question this way: Are you planning on setting up any additional recruiting offices during fiscal 1968; and you said no.

Mr. VAUGHN. My answer is no at this time.

Mr. PASSMAN. What do you mean "at this time?" Today or tomorrow?

Mr. VAUGHN. Yes.

Mr. PASSMAN. You do not know what you may do the day after tomorrow?

Mr. VAUGHN. I do not know what we are going to do when we complete our plans for recruiting for next year. These plans will be finished sometime this summer.

Mr. PASSMAN. What is this budget based on, Mr. Vaughn? I know it is an unusual budget. You people have always overshot your goal and it is good propaganda. This year we want to be quite serious because we are spending money we do not have for things we do not need, trying to be everything to everybody everywhere regardless of cost and some people want us to find out what it is all about. That is all I am trying to do. You said you were not planning on opening any additional recruiting offices at this time and you are defining this time as today.

Mr. VAUGHN. I am.

Mr. PASSMAN. You do plan to open additional regional offices?

Mr. VAUGHN. Here is what I plan. At the time when we prepare and approve our final plans for recruiting for the coming year—this will be in the next month or two—and if the case can be made to me that it will be more efficient and economical to have an additional regional office in the South, you can be sure that I will approve it.

Mr. PASSMAN. Couldn't you wait until it has been presented to the Congress? This is pretty serious business. We represent you, too, on this side of the table. This is getting late in fiscal 1967 and the new fiscal year begins July 1. You are now testifying for funds to operate in fiscal 1968.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. But you do not actually know what you will need the funds for at this time. I realize this is a little different than in previous years, that you are before us a little earlier than you would normally be. I want to be as understanding as I can. I assured you of that over the telephone.

Since the total foreign aid program amounts to many billions of dollars, not $3,124 million but many, many billions more than that, it takes a long time to examine all these budget requests.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. You say two regional recruiting offices have been established in fiscal 1967, one in Chicago and one in San Francisco. You say each of your recruiting offices submits monthly estimate of material usage. If you would just try to help us to understand it. If you do not understand it, put something in the record later.

APPARENT SAVINGS WITH REGIONAL OFFICES

Mr. VAUGHN. I understand it. Do you have a question on that particular part?

Mr. PASSMAN. You are actually basing savings of $72,000 on offices you do not even know you are going to establish. That is a strange way to justify funds.

Mr. VAUGHN. We are basing it on the results of establishing two regional offices this past year where we saved $72,000.

Mr. PASSMAN. Could you furnish the committee some information at this time how you saved $72,000, rather than just a statement?

Mr. VAUGHN. By all means I would be pleased to.

Mr. PASSMAN. What is it?

Mr. VAUGHN. We will furnish that information.

(The information follows:)

Prior to FY 1967, recruiters returned to Washington at the end of each two-week recruiting trip in order to fill out recruiting reports and schedule new visits for their next two-week trip. With the establishment of the two recruiting field offices in Chicago and San Francisco, recruiters in these areas now return to the more centrally-located field offices. The savings in travel and per diem costs for these shorter trips is estimated to average $200 per recruiter per trip. Since 360 of these trips would have been by the recruiters back to Washington during FY 1967, the resulting cost reduction is $72,000 over the FY 1966 program.

Mr. PASSMAN. Couldn't you give us some information now?

Mr. VAUGHN. I would like to explain what the system has been before, we have had our public affairs division, which does our recruiting, based in Washington for 5 years. Recruiters would go out to recruit in, say, California, on a campus for 2 weeks, and when they finished there, they would come back all the way to Washington to get ready and organize for the next campuses. Rather than having several dozen volunteer recruiters or recruiters come back from California and the Northwest to Washington we felt it was much more businesslike and much more effective to have these people who are going to be recruiting on the west coast and in the Northwest based in California.

The savings in travel alone are very substantial.

Mr. PASSMAN. How much did you save on traveling? You can do an awful lot of traveling for $72,000.

Mr. VAUGHN. Surely.

Mr. PASSMAN. What other savings did you effect other than the travel?

Mr. VAUGHN. We have effected savings on materials, brochures, pamphlets, questionnaires, where we would store them in our regional offices and use them only as needed.

Mr. PASSMAN. Would it not cost as much if you mailed from San Francisco to Los Angeles as from Washington?

Mr. VAUGHN. Not if you airfreight the kinds of material we send out.

Mr. PASSMAN. Why do you have to airfreight it? Couldn't you use regular first-class mail; where it would get there in 2 or 3 days? How much postage did you save?

Mr. VAUGHN. There is no per unit savings in postage costs since our recruiting material is printed in Washington and mailed from there to our recruiters. However, we have been able to reduce purchases of this material by $30,000 through careful control of the inventories and usage. The regional recruiting offices are reordering only when their supplies are depleted.

Mr. PASSMAN. Do any of the supporting witnesses know actually how much your travel costs are for covering the Pacific coast for 1966 fiscal year?

Mr. VAUGHN. We do not have that breakdown with us, but we can provide it for the record.

(The information follows:)

Estimated FY 1966 Recruiting travel costs for the Western region, which is predominately the Pacific Coast area, are $166,000.

Mr. PASSMAN. How do you come up with this savings if you do not have anything to compare it with?

Mr. VAUGHN. The office in charge of the recruiting made this analysis and we do not have the full computations with us, but we would certainly be pleased to provide it to you if you need it.

(Discussion off the record)

RECRUITING COSTS

Mr. PASSMAN. Do you have records showing what you had spent by State on recruiting in fiscal 1966?

Mr. VAUGHN. Not by State; no, sir.

Mr. PASSMAN. Do you have it by regions?

Mr. VAUGHN. Not with us, but we can get that for you.

Mr. PASSMAN. You are shaking your head that you did not, but the reporter did not pick it up.

Mr. VAUGHN. On the basis of how recruiting is conducted, we can provide the costs for each recruiting region for fiscal year 1966.

Mr. PASSMAN. I am trying to help you establish how you arrived so accurately at a $72,000 saving when you do not know what anything cost you in the past with respect to this activity. Could you get us something for the record so it won't look so bad?

(The information follows:)

The estimated fiscal year 1966 costs for each recruiting region are:

	In thousands of dollars
Northeast	243
South	211
Midwest	260
West	292

COST OF RECRUITING TRAVEL

Mr. VAUGHN. Mr. Chairman, we do know how much we spent on travel for recruiting.

Mr. PASSMAN. How much on travel?

Mr. VAUGHN. We can get that for you.

Mr. PASSMAN. You do not have it now?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Very well.

Mr. VAUGHN. We can get you figures on our total for recruiting travel.

(The information follows:)

The amount currently planned for recruiting travel for FY 1967 is $507,000, a reduction of $183,000 from the $690,000 obligated in FY 1966.

(Discussion off the record.)

Mr. VAUGHN. Mr. Chairman, may I say that we tried our best to anticipate the questions you would ask so we could provide the specific detailed information. Where we have failed in that we will be very pleased to get it for you as soon as we can.

Mr. PASSMAN. All I am trying to ascertain is where you are spending your money, and if you can be accurate on what the savings are, you should be able to relate that to where the savings came from.

Mr. VAUGHN. Exactly.

Mr. PASSMAN. If you do not know what the travel and postage amounted to, it is pretty hard to establish the accurate figure you claim here. Do you get my point?

Mr. VAUGHN. I do.

Mr. PASSMAN. You have to put it against something to come out with this pinpointed figure.

Mr. VAUGHN. I am sure we can establish this to your satisfaction.

Mr. PASSMAN. Later?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. But not today?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Thank you.

ESTIMATED TRAINEE STRENGTH FOR FISCAL YEAR 1967 AND FISCAL YEAR 1968

Last year you estimated you would have 10,000 trainees during fiscal 1967. Subsequently you revised this estimate up to 10,500 trainees. What is your current estimate and what is the reason for the change?

Mr. VAUGHN. The current input estimate for 1967 is 9,550.

Mr. PASSMAN. Thank you.

ADVANCED TRAINING AND VISTA TRAINING PROGRAMS

Did you justify last year the initiation of your degree training program and your Peace Corps VISTA training program?

Mr. VAUGHN. We justified the initiation and continuance of our advanced training program, and this is just one aspect of the advanced training program. We are talking about a year or two advanced academic training mixed with Peace Corps training in an attempt to get a better qualified person, especially in skills and langauges.

Mr. PASSMAN. How about the VISTA training program? Did you justify that?

Mr. VAUGHN. We did not justify that.

Mr. PASSMAN. What is its cost? What do you have programed for fiscal 1967?

Mr. VAUGHN. Approximately $500,000.

Mr. PASSMAN. $500,000?

Mr. VAUGHN. Yes, sir; $500,000 for the VISTA associates part of the training.

Mr. PASSMAN. To be used specifically for what?

Mr. VAUGHN. For the training experience of approximately 500 men and women who have finished their junior year of university, who will be working for 10 weeks this summer in depressed areas of the United States as VISTA associates. It is a program of this nature. The trainees will be under supervision of VISTA.

Those who succeed and are interested in continuing this kind of work will then have the chance of being volunteers after they receive their college degree.

Mr. PASSMAN. You are training them for future consideration as Peace Corps volunteers?

Mr. VAUGHN. This is both a training and selection process, and at the same time they will be working in our slums and other depressed areas as VISTA associates.

Mr. PASSMAN. Who are they going to be working with?

Mr. VAUGHN. For example they are going to be working with the poor people of Appalachia or in our urban slums as VISTA volunteers do.

Mr. PASSMAN. Would you give us the full name of the abbreviated title of this program?

Mr. VAUGHN. VISTA associates.

Mr. PASSMAN. Yes. Just VISTA?

Mr. VAUGHN. Volunteers in Service to America.

Mr. PASSMAN. Volunteers in the Service to America. That is a pretty fancy name. So your people will be working with those people in the same program?

Mr. VAUGHN. They will be working in the same program; yes, sir.

Mr. PASSMAN. Jointly?

Mr. VAUGHN. Not necessarily.

We will have some who will be working in areas where there won't be any others.

Mr. PASSMAN. What are they endeavoring to develop, Mr. Vaughn?

Mr. VAUGHN. We are trying to do better by them than we have done before.

Mr. PASSMAN. Better by whom?

Mr. VAUGHN. The poor and deprived people of our country.

Mr. PASSMAN. I am going to give you my address before we finish these hearings.

PEACE CORPS TRAINEES (VISTA ASSOCIATES) PARTICIPATING IN THE WAR ON POVERTY

Mr. VAUGHN. They won't all be doing the same thing, but there will be community development work, teaching, literacy teaching, Headstart kind of things.

Mr. PASSMAN. Headstart?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Is that part of it?

Mr. VAUGHN. They will be doing whatever a VISTA associate normally does and perhaps more.

Mr. PASSMAN. Aren't you invading Mr. Shriver's field of endeavor now?

That is his outfit, is it not? The war on poverty?

Mr. VAUGHN. This is not an invasion.

Mr. PASSMAN. You decide it your way and I decide it my way. You are going into the war on poverty area, are you not?

Mr. VAUGHN. This for us, Mr. Chairman, is a selection and training process, the byproduct of which, we hope, will be some help for the needy people of our country.

Mr. PASSMAN. You use that word "some." I like that. I certainly agree that there might be some. Is VISTA under the war on poverty program?

Mr. VAUGHN. Yes, it is.

Mr. PASSMAN. You are getting the two programs working together, the domestic war on poverty and the Peace Corps abroad.

Mr. VAUGHN. We are asking them as we ask many public and private agencies to help us in our training.

Mr. PASSMAN. They are helping you and you are not helping them. Mr. Shriver's program is newer than yours.

Mr. VAUGHN. We cannot claim we are helping them. I think we are. If these trainees are effective I think they will be just as good as any VISTA volunteer.

Mr. PASSMAN. He has a newer organization than you have. The war on poverty is newer than the Peace Corps.

Mr. VAUGHN. Yes.

Mr. PASSMAN. You should be helping him rather than him helping you.

Mr. VAUGHN. We do not have the kind of facilities and organization he has to administer such a program. We are not authorized to run a domestic program.

Mr. PASSMAN. You are running it, nevertheless, are you not?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. It is costing you $500,000.

Mr. VAUGHN. We are contracting with them to supervise this program.

Mr. PASSMAN. At a cost of $500,000. You are going to put these students in the War on Poverty program and you are going to give them 8 weeks' training?

Mr. VAUGHN. No, 10 weeks and practical experience.

Mr. PASSMAN. What is the total number of personnel you will have in this unit?

Mr. VAUGHN. 500 is our estimate this year and 500 for next year.

Mr. PASSMAN. Where are they going to be stationed?

Mr. VAUGHN. They are going to be stationed throughout the United States. The final detailed assignment has not quite been finished yet. We are programing this at the present time.

Mr. PASSMAN. Do you think you would have been better off if you had discussed this new program with the Congress before you embarked on it? This War on Poverty program is as wild as a March hare. They even take the children in at three and a half years of age in my State. They are going to indoctrinate the children into the Great Society even before they get out of diapers.

Mr. VAUGHN. This is not a departure, Mr. Chairman, from the kind of training we have provided in many cases before. For example, the major trend in Peace Corps training in the past year has been toward practical experience, getting out of the classroom and letting people work in a regular situation to see if they are competent, flexible, and capable of accomplishing something. Whether this is being sent for a month to live in a Mexican village or to a slum in one of our big cities, this is part of our program and is very much consonant with what we have been doing more and more for the past year.

Mr. PASSMAN. I know. Your program is not a domestic program, it is a foreign program.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. There has been a lot of acclaim for what you have accomplished. Now you have created a domestic program, even though you label it as a training program. But they are doing just what Sargent Shriver's War on Poverty is doing in the slum areas?

Mr. VAUGHN. They are hopefully doing it and doing it well. But this is a byproduct.

Mr. PASSMAN. How can you say they are doing it well, when you are just setting up the program? You have not put it into effect.

Mr. VAUGHN. You have to bear in mind that we are trying to train and select the best of those who will participate in the VISTA associates program this summer. Whatever benefit accrues to the people they work with will be a byproduct of this effort which is toward training and selection.

Mr. PASSMAN. I have heard of one school in the war on poverty that was so bad it wound up with 358 students and 358 teachers. Another one had 250 dropouts and only eight graduates. In another one, each graduate cost $39,200. With such a program like that, do you think you will be able to properly indoctrinate these youngsters?

Mr. VAUGHN. With the VISTA program?

Mr. PASSMAN. That's a part of the war on poverty. If the Peace Corps is so good, why do you want to get it mixed up with the war on poverty that has accomplished just what I cited for the record?

You may have everything it takes to do everything superbly, but we are elected by the people to look over your request for money and to consider whether or not these programs are good. But you people downtown, and I am speaking of all of them, have been running things for so long just as you want to that you think Congress is just a nuisance. You don't justify these programs. You start them, and after they are started, you tell us about it.

COST, SIZE, AND DURATION OF VISTA ASSOCIATES PROGRAM

What do you estimate this program will cost? We have agreed that it is brand new and that you did not justify it to the Congress. What do you envision the total strength will be when you finally get it going at capacity? You are starting with 500 at $500,000 for this VISTA training.

VISTA ASSOCIATES PROGRAM FOR FISCAL YEAR 1968

Mr. VAUGHN. The plan that we are proposing is to repeat this the following year. In other words, fiscal 1968, at the same level, 500 for next summer. We have many other training projects going on this summer that will be somewhat like this.

Mr. PASSMAN. You mean you are geting away from your regular Peace Corps training program where you train the volunteer who is to go overseas? Now you are going to mix them up completely with Shriver's war on poverty. Is that what you are saying?

Mr. VAUGHN. What I am saying, sir, is that we are getting away from the classroom. We are getting out into practical situations where trainees can learn through doing and can be tested and looked at and selected on the basis of how they perform outside the classroom. We think this is good sense. We think that all of our experience in the past 3 or 4 years tells us that this is the better way of training; that is, if you are going, for example, to send teachers to Africa, it is much better to give them 6 weeks of practice teaching in the Virgin Islands in those little communities than it is to keep them in a classroom for 3 months and lecture to them about what it is like to teach in Africa. That is the main thrust of what we are trying to do.

Mr. PASSMAN. Notwithstanding the fact that you have been told to get your program out of these countries, I still want to discount over

80 percent of your claim of the good it has accomplished. According to prior testimony these schools that you set up had done such a good job of training. I thought you were going to keep the Peace Corps completely separate as a foreign operation, but now you are tying it just as tightly into Shriver's war on poverty as you could tie a knot.

Mr. VAUGHN. No, sir.

Mr. PASSMAN. You are starting with 500 trainees?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. 500 VISTA associates at a cost of $500,000. Now you say you are going to have many programs in this field. Can you give us some indication of where you are going?

Mr. VAUGHN. I meant of this type.

Mr. PASSMAN. Are you going to limit this experiment to 500 only at a cost of $500,000, and this is it?

Mr. VAUGHN. We are planning to repeat this process in program year 1968 and enter 500 into the VISTA associate training program at a cost of approximately $500,000 for that part of the training.

Mr. PASSMAN. With only 500 and with only $500,000.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Can we put that in the record, that this is the end of it; that you are not going to go beyond 500 and you are not going to go beyond $500,000?

Mr. VAUGHN. Yes, sir, 500 going into VISTA associate training at a cost of approximately $500,000 for that part of the training in each of program years 1967 and 1968.

Mr. RIEGLE. Mr. Chairman, would you yield at this point?

Mr. PASSMAN. Surely.

IMPACT OF VISTA ASSOCIATES PROGRAM ON LOCAL COMMUNITIES

Mr. RIEGLE. I am interested in pursuing the idea for a second. What do you think the impact is apt to be in a tough problem situation in Harlem, or whatever you want to name as an example, for a young person, a raw recruit that goes in for a period of 10 weeks. I wonder what it may mean in that neighborhood. It seems to me if you are going to put somebody in there it is better to put no one in or put somebody in long enough to establish continuity. Doesn't this create problems on the side of the people who live in this area apart from whatever training value is derived for the youngster that goes in?

Mr. VAUGHN. I think there is a danger of this. The fact is that we have hundreds of thousands of volunteers in the United States who volunteer for weekends and summer vacations, who see a job to do in Headstart kind of work, in recreation, in the whole gamut of community development, as we call it. If these people are properly oriented, which I think they will be, and properly supported by staff, partly a staff composed of ex-volunteers, I think this danger is minimal. I assure you that the kind of situations that they would be going into do not compare to some of the kinds of situations volunteers go into overseas.

(Discussion off the record.)

Mr. SHRIVER. On the record.

VISTA ASSOCIATES PROGRAM PLAN

Mr. SHRIVER. Did I understand that these VISTA associates would then go into the Peace Corps overseas?

Mr. VAUGHN. No, sir. The way we plan it, sir, is in three phases, just as our other advanced training projects work, which begin after the junior year of college. The 10 weeks summer experience as a VISTA associate would be followed by the senior year of college during which time there would be certain information provided, certain extra courses taken, say in language, to get them ready for going overseas. When they graduated from college, then there would be a short additional training project that would be very heavy on foreign language, and aspects dealing with service overseas. So there would be three phases. The first phase would be 10 weeks under the VISTA associate program, then the senior year and then 4 or 5 weeks after graduation and then overseas.

REMUNERATION OF VISTA ASSOCIATES

Mr. SHRIVER. All of that time they are receiving how much money from the Peace Corps?

Mr. VAUGHN. As VISTA associates the first 10 weeks they would receive the same $50 a month readjustment allowance and living allowance, that VISTA associates receive. After that time, in the second phase, they would receive nothing as college seniors. Then when they enter the second summer of Peace Corps training for the third phase before going overseas they would get the same kind of walk-around money and allowance that all Peace Corps trainees get.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. We are pumping money into the nonproductive end of our economy by leaps and bounds, creating inflation, and reducing the purchasing power of the dollar. I was home the other day and saw the Federal highway beautifiers running up and down the highway planting petunias, periwinkles, and pussywillows on borrowed money. We are going to have a budget deficit this year of some $19 billion, unless we raise taxes, sell some assets, and increase postage rates. We keep starting new programs which are never stopped. We have arrived at the cost of this new program that is tying into Sargent Shriver's war on poverty, but specifically what will be the division of the 500 individuals? How many will be executives, if any, and how many will be out in the bushes or out in the slum areas where they do not have electric lights, and what will they be doing?

Mr. VAUGHN. The 500, Mr. Chairman, will all be associates, and conceivably later Peace Corps volunteers.

WORK OF VISTA ASSOCIATES

Mr. PASSMAN. What will they do while they are associates?

Mr. VAUGHN. They will work as VISTA volunteers work in the backwoods.

Mr. PASSMAN. Doing what, specifically?

Mr. VAUGHN. Doing work——

Mr. PASSMAN. Tell us what they are going to be doing and where.

Mr. VAUGHN. They are going to be working in community develop-

ment, in teaching, in health and sanitation, in recreation and sports, and whatever the people of the community where they are working need and want.

Mr. PASSMAN. Are they there to impart knowledge or to obtain knowledge?

Mr. VAUGHN. Both.

Mr. PASSMAN. Is it not actually complete duplication to take Peace Corps recruits and give the 10 weeks' training at a cost of $500,000 in a program where they will be imparting knowledge rather than absorbing or acquiring knowledge? It is the very thing that Shriver's war on poverty group is doing, is it not? Maybe you have done such a good job, as Mr. Shriver did before you, in the propaganda business about the worthiness of this program. With the superduper schools that you had to train these youngsters, you did a good job. Now you are going to mix up your program, a foreign operations group, with Mr. Shriver's domestic war on poverty. Are you not afraid you might run into a little opposition?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. You are really an optimist, then.

Mr. VAUGHN. Mr. Chairman, I think I should restate what our objective is. Our opinion, which comes from 6 years of experience, is that theoretical classroom training for a person who is to be a volunteer is less than ideal. Most of these people have just finished 4 years of college, and to put them in a classroom for another 3 months and lecture them about the exotic land they are going to live in really does nothing either to prepare them or to let them test themselves or to permit us to select them well.

We have learned through a lot of experience that the best way to train them is to give them practical experience in conditions that are as similar as possible to what they are going to be facing overseas.

Mr. PASSMAN. Could you not accomplish the same thing by abolishing the Peace Corps, or at least give it a realistic name, and hire older experienced technicians, as has been suggested by Pakistan, to impart this knowledge? Are you not actually confirming what I have always claimed, that these youngsters may be ideal, sons and daughters of fine people, but they are young and without experience. You are confirming what I have always said.

Mr. VAUGHN. I say just the opposite.

Mr. PASSMAN. Pakistan and some of the other nations are seeing my point. They want exerienced personnel. You are saying you want to give them this training before you send them out in the foreign countries. Are you not really condemning what you have justified in the past?

Mr. VAUGHN. I am not.

Mr. PASSMAN. OK, sir.

Mr. VAUGHN. I have lived overseas 22 years, and I will take the young, flexible person every time.

Mr. PASSMAN. My objective is to save money if we can, because we really do not have it for all these Federal programs. We are borrowing it, Mr. Vaughn. I do not see how we can ever pay it back.

Mr. VAUGHN. I think the returning volunteers, Mr. Chairman, will pay it back.

COUNTRIES WHERE PEACE CORPS REQUESTED TO WITHDRAW

Mr. PASSMAN. How many countries have you been asked to get your volunteers out of since we started the program? Pakistan and Indonesia? How many countries have asked you to leave?

Mr. VAUGHN. Indonesia and Guinea. We are phasing out of Pakistan.

Mr. PASSMAN. Did you not have one in the Far East?

Mr. VAUGHN. We have not been asked to leave in all these. We have left Cyprus and Ceylon.

Mr. PASSMAN. Did you say Cyprus?

Mr. VAUGHN. Yes, because of the civil war there.

Mr. PASSMAN. Could not the Peace Corps straighten it out?

Mr. VAUGHN. If they had been there earlier, I think they could have.

Mr. PASSMAN. That statement is about as wild as your claims are of other accomplishments. We finally got it in the record. Congratulations.

Mr. VAUGHN. Could I run through those. Ceylon, Indonesia, Pakistan by June of this year, Cyprus and Guinea.

CONTRACTS FOR TECHNICAL ASSISTANCE

Mr. PASSMAN. Do you have some contractors' representatives overseas?

Mr. VAUGHN. Yes, we have.

Mr. PASSMAN. What is a contractor's representative overseas?

Mr. VAUGHN. It is a category of contract personnel that we have established to provide help to volunteers where they need technical support. For example, in agriculture we have a number of contractor's overseas representatives—we call them COR's—who are professional agricultural people who provide technical support on a continuing basis for the individual volunteer who is working in agriculture and who does not have the expertise or the scientific knowledge to solve all the problems that he confronts. We have these when we think we need them.

In certain areas, for example in community development, we do not need them as a rule, but in health work we feel it mandatory to have professional health people to provide technical guidance and advice to the volunteers. We also have them in education and in agriculture. These are the three main areas.

We have gotten these COR's mainly from universities that have the university resources, the research center or a department of public health to draw on for any materials or technical support they need in helping the volunteers overseas.

Mr. PASSMAN. Mr. Vaughn, our objective is the same, that is, peace and harmony throughout the world and security for our own country. We may try to obtain those blessings differently. Nothing would please me more than to be proven wrong in my evaluation of what good these young men and women are doing. I would be less than honest not to say I do not know of any great harm they are doing, because I find them dedicated and really serious. But when a country like Pakistan asks you to get the children out and send people who are more mature—you stated for the record that Pakistan said, "We want older people

with more experience"—my question is: When something like that happens, do you recommend to the AID Agency that they replace your youngsters with an equal number of experienced personnel when you pull out, or are you letting AID find that out in their own way?

Mr. VAUGHN. No; we are not recommending this, I assume that the AID people are in the same forum and they would be aware of this.

PHASE OUT IN PAKISTAN

Mr. PASSMAN. How many volunteers are you pulling out? What was the maximum number that you had in Pakistan?

Mr. VAUGHN. I do not know the maximum number. We have the statistics here. The present number is 13. We are not pulling out. We are letting the volunteers finish their tours normally, and when they finish their 2 years they will not be replaced.

Mr. PASSMAN. I did not mean you were going to bodily pull them out. You are not going to have any Peace Corps men in Pakistan after June 30; are you?

Mr. VAUGHN. We are not.

Mr. PASSMAN. You had 191 at the maximum in 1964?

Mr. VAUGHN. That was the high point; yes.

Mr. PASSMAN. If these people accomplish what you have claimed, why are you not able to get it through to the Pakistanians that they are making a mistake by letting them all leave? At what level have you discussed this with them?

Mr. VAUGHN. I have discussed this with their Ambassador to Washington. I have discussed it with our Ambassadors to Pakistan. This is a rather complex case. There are the two points I made.

Mr. PASSMAN. One you assumed, and the other you said was what they said, that they would rather have older and experienced people.

Mr. VAUGHN. Yes, sir.

TECHNICAL AID

Mr. PASSMAN. I am just wondering if imparting knowledge is important—and I think we all realize that teaching people our techniques may be the only way we are going to help them. Just giving them our resources will not. Maybe these people should listen to reason. If they do not think these youngsters have had sufficient experience to assist them, maybe the AID Agency should consult with them about putting in older and more experienced people.

I think that is one part of the foreign aid program that has been reasonably successful, the technical aid program.

Mr. VAUGHN. But they will not go out and live the way the volunteers will in the interior.

Mr. PASSMAN. Most of them are too old to live that way.

Mr. VAUGHN. We have 60- and 70-year-old volunteers who do very well.

Mr. PASSMAN. You just said they could not live that way.

Mr. VAUGHN. I am saying the AID technicians normally do not live in the interior, but in the capital city.

Mr. PASSMAN. I never had so much fun in my life as I had visiting with these youngsters over in Thailand. They can pick grapes and other fruit right off the tree. They have a house where the teachers live,

and they can look at the wild animals, go fishing and hunting, and visit the adjacent nation when they get ready. You are not trying to tell me it is such a bad job.

Mr. VAUGHN. I always found it great for one day, but I would hate to experience it for a week or two.

Mr. PASSMAN. I spent 14 years at it. I know what it is. I loved every bit of it.

Mr. SHRIVER. In the Peace Corps?

Mr. PASSMAN. No. In the rural area where you can pick wild persimmons and plums, smell the flowers, and hear the birds sing. Don't try to represent this as being such a tough job. Those kids are having the time of their lives. Most youngsters make friends in a hurry. They are having a lot of fun, and I do not blame them. I am just a little bit envious of them. Do you understand? You will be that way in another 20 years yourself.

I do not know whether this is a game you are playing or not. If it is, it is a good one. Every year it has been the custom for your agency to ask for a high figure, and just before you are to come to Congress you tell the Director of the Budget, "We found where we can make certain savings, so we want to reduce our budget by this amount." You wind up presenting to the Congress a request for a lower amount than you got in the January budget to justify. Maybe this year will be different.

REDUCTION IN BUDGET REQUEST FOR 1968

You originally stated you wanted $124,400,000, is that correct?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Have you gotten around to the point of revising that downward yet?

Mr. VAUGHN. We have.

Mr. PASSMAN. Congratulations. It is a good game. How much?

Mr. VAUGHN. $118.7 million.

Mr. PASSMAN. How much are you going to have unobligated at the end of fiscal 1967?

Mr. VAUGHN. $2.5 million, give or take $100,000.

Mr. PASSMAN. Have you ever underestimated your original budget request since the inception of the program, or has it always been overestimated?

Mr. VAUGHN. I cannot speak for the past——

Mr. PASSMAN. Put it in the record.

Mr. VAUGHN. I have been aboard about a year and a half, and I think we have kept closer to our estimates than in previous years.

Mr. PASSMAN. I make a statement of fact that every year since I have handled this program, with the exception of maybe 1 year—I am not too sure about that—you have always had a higher estimate in the budget than what you finally come to the Congress with. You always come to the Congress after revising it downward.

Mr. VAUGHN. I do not think that was the case last year.

UNEXPENDED BALANCE AT JUNE 30, 1967

Mr. PASSMAN. I said with the exception of 1 year.

What will be your anticipated unexpended balance at June 30, Mr. Vaughn?

Mr. VAUGHN. $2.5 million.

Mr. PASSMAN. That is unobligated. I am talking about obligated but unexpended.

Mr. VAUGHN. Approximately $40 million of fiscal year 1967 obligational authority.

Mr. PASSMAN. Breaking it down on a monthly basis, what is your average monthly cost? Is it about $8.5 million?

Mr. VAUGHN. It is really not fair to take an average, because we have very heavy peaks during our peak expenditures. We train 75 percent of all of our volunteers during the summer months.

Mr. PASSMAN. You just barely meet your payrolls and overhead, do you not?

Mr. VAUGHN. Yes.

Mr. PASSMAN. I am trying to establish how far ahead you are funded.

Mr. VAUGHN. In terms of our administrative costs, they are fairly even, month to month, but the employment costs have sharp variation, with peaks in the summer. As I recall the total obligations as of March 31, they were in the range of 59 percent of the fiscal year 1967 appropriations.

Mr. PASSMAN. I have been asked this question and have not answered it yet. People abroad read about some of the things that are said back home. The President has said, I think, that 20 percent of our people went to bed hungry every night and that we are trying to wipe out poverty at a cost of billions of dollars.

This letter said, "If you people are so smart, why don't you straighten out your own affairs before you start imparting knowledge to us over here?" How would you answer that letter if you were sitting in my place?

Mr. VAUGHN. I think different civilizations and cultures have different kinds of problems.

Mr. PASSMAN. We said 20 percent of our people go to bed hungry every night and are living in slums, and we had to start the war on poverty program. This gets in the press, and people abroad read about these things. We are over there telling them how well we are getting along, but they are operating on a balanced budget and we are borrowing money to do these things. The letter asks me, "Why don't you people straighten out your own business and learn how to operate on a balanced budget before you come over here to teach us all these great things?" How would you answer that letter if I were to give it to you? Would you draft a reply for me?

Mr. VAUGHN. I would be pleased to.

Mr. PASSMAN. I will forward it on to you.

RATE OF OBLIGATIONS DURING FISCAL YEAR 1966 AND 1967

Mr. VAUGHN. On your last question, Mr. Chairman, on our fiscal year 1966 appropriation, by March 31, 1966, or the end of the third quarter, we had obligated 61 percent of our funds; and as of March 31 of this year, the end of the third quarter, we had obligated 59 percent. I am not sure it is very helpful to look at it on a month-by-month basis, because we have this heavy peaking.

Mr. PASSMAN. It could well be that some members may think the questions I am asking are not relevant to the examination, but they are, because we are dealing with money, are we not?

Mr. VAUGHN. Yes.

Mr. PASSMAN. I think you know we have balanced our budget only six times in 38 years, and the more revenue we take in the larger the deficit. It seems to operate that way. We have started so many costly programs that I just do not see how we can ever balance the budget again unless we start cutting back.

U.S. GOLD RESERVES

Do you agree with me that to support our monetary system with gold is a good thing to do?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. And if we finally lose the gold backing, we could have a weak currency?

Mr. VAUGHN. It is a debatable question as to how much backing we have to have.

Mr. PASSMAN. That is right. You have to have some backing, because we have agreed that foreign banks who have dollars can redeem them for gold. Any nation that possesses dollars—either the government or the individual—can demand gold. The individual can get gold by depositing his dollars in the bank and asking the bank to demand gold. I am familiar with that part of the international setup. The individuals can't, but the banks can demand gold. We are having a pretty tough time keeping these demands down. Our gold stockpile is down to $13.1 billion, and the short-term dollar claims against that are up to approximately $31 billion.

Under our law, for each $4 the Federal Reserve puts in circulation, we are supposed to have a dollar in gold. Therefore, when we deduct the amount of gold to support our own monetary system, we have only a little over $2 billion of gold to pay off $31 billion worth of foreign short-term dollar claims.

I ask that question of you as a former Ambassador because you have had to deal with these things.

BENEFITS FROM THE PEACE CORPS

For the Peace Corps in the past 6 years we have appropriated almost a half billion dollars, and we have not received any tangible results. We have to deal with the intangibles. I wonder if you would state specifically, in the best way you can, what we have accomplished in the way of tangible results, if any, and intangible results for this half billion dollars.

Mr. VAUGHN. Mr. Chairman, I think the statement that you have kindly put in the record is as comprehensive in terms of the different areas and countries we have worked in as I have seen. We have provided nearly a dozen countries with a chance to make a quantum jump in the quality of their educational system.

Mr. PASSMAN. Will you be specific and tell us what countries and what improvements in their educational systems, so we will know?

ETHIOPIA

Mr. VAUGHN. I can give you examples, such as Ethiopia, where a couple of years ago two-thirds of the degree-holding high school teachers were Peace Corps volunteers; in countries such as Liberia——

Mr. PASSMAN. Let us stick with Ethiopia. We are trying to establish what the Peace Corps has accomplished. I am trying to help you at this point, because I think you need some help. I do not think you will be able to continue getting this money on these imaginary claims. Let us take the literacy rate. How long have you been in Ethiopia?

Mr. VAUGHN. Since 1962.

Mr. PASSMAN. You have been there about 5 years, is that correct?

Mr. VAUGHN. Yes. The first volunteers arrived in the fall of 1962.

Mr. PASSMAN. Do you agree that we will have to deal with some tangibles rather than just these intangibles?

The literacy rate today is 5 percent. What was the literacy rate in 1962 when you started your program in Ethiopia?

I do not know of any better way to establish that you are or are not making progress than by using actual statistics presented to the committee. I think we all agree that progress must be made, if anywhere, in the field of education. If you do not educate the people, I do not think you will ever be able to help them. Just to pour your resources in and let them use them up will not help them. That is merely temporary help.

In 1962 the literacy rate was 4 percent. So there has been some success. I do not know how much of the credit should go to your program, but there has been some improvement.

Let us take the gross national product. In 1962, it was $4,146 million. I do not know whether they take AID into account in their receipts or not. On a per capita basis, they are backing up instead of going forward.

Mr. VAUGHN. Mr. Chairman, in a sense you have to look at the Peace Corps effort, if you are attempting to find out what impact has taken place, on a country-by-country basis. In Ethiopia, the program has been almost exclusively educational. We have not had agriculture, health, and small industry activities. We are talking about education, which really does not in the short term bear on increase or decrease of gross national product.

Mr. PASSMAN. In these countries where you have had Peace Corps men, where programs are petering out and they will no longer have Peace Corps men, as in Pakistan, will their efforts be lost, or do you think some of it might be permanent?

Mr. VAUGHN. I think where good teaching occurs, the benefit is permanent for the life of the individual. Where the students have had a chance to be stimulated and have a good teacher, to think a bit and be exposed to somebody who has a different point of view, who treats them as an equal, I think that kind of benefit is certainly permanent.

AID TO PAKISTAN

Mr. PASSMAN. We still have a very substantial AID program going in Pakistan, have we not?

Mr. VAUGHN. I do not know the dimensions of the AID program; I am sorry.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. VAUGHN. Mr. Chairman, I would like to make the point that we do not play a political pressure game. We are not at all interested in being in a country where the government and people are not interested in having us. We do not bargain. We do not try to maneuver. If they say, "Let's call it quits" for any reason, we say, "Fine. Thank you for inviting us."

Mr. PASSMAN. That is not the way we do things in America. If the Peace Corps is good or even half as good as you people say it is, why should Pakistan be deprived of this great service?

Mr. VAUGHN. Because we go only where asked to go.

Mr. PASSMAN. I hope we are not that easy because, after all, we say there is revolution in the world and we have to be a part of it, and if what we are offering is something that is needed, I do not think we should give up that easily and come on home.

COUNTRIES PHASED OUT OF PEACE CORPS PROGRAM

Mr. CONTE. Is there any country besides Pakistan where the Peace Corps is being phased out at the request of the government?

Mr. VAUGHN. No.

Mr. PASSMAN. You read the names of seven countries into the record earlier, did you not?

Mr. VAUGHN. Five. You are talking about the past. He is talking about where we are phasing out.

Mr. CONTE. Currently.

Mr. VAUGHN. No, no other currently.

Mr. PASSMAN. There has been a total of five altogether where you have had a Peace Corps program and we are no longer there.

Mr. VAUGHN. Yes.

Mr. SHRIVER. Is this because we have not been successful in those countries?

Mr. VAUGHN. I think, sir, it varies in each case. For example, in Cyprus it was the direct result of the civil war which was going on and the violence and the danger.

In the case of Guinea, the most recent case, it was a question of the Peace Corps getting caught in the crossfire of politics and cold war, and so forth, which we had no relationship to at all.

In the case of Indonesia, it was because Mr. Sukarno could not stand U.S. success, so we phased out of there.

In the case of Ceylon, it was, again, the result of a bigger picture of which we were not a part. The Hickenlooper amendment was invoked and all aid came to an end. There was animosity on the part of the government in power at that time. We were swept out with all other U.S. operations.

Mr. PASSMAN. You did not mention Pakistan, where they said they would like older and more experienced people.

Mr. VAUGHN. I did not because we are not out of Pakistan yet.

Mr. PASSMAN. Mr. Vaughn, you said that by June 30 you are getting out, the reason being Pakistan wanted older and more experienced technicians.

Mr. VAUGHN. Yes.

Mr. PASSMAN. How many countries have asked us to remove the Peace Corps?

Mr. VAUGHN. Guinea and Indonesia—period. Just those two.

Mr. PASSMAN. Pakistan?

Mr. VAUGHN. They haven't asked us to leave, sir. The volunteers who are there are finishing their normal tour.

Mr. PASSMAN. Let us be sure the record is clear. You said specifically at the beginning of today's hearing that they wanted it phased out because they wanted older and more experienced personnel.

Mr. VAUGHN. I must have misspoken. What I meant to say is that the program there is phasing out as of mid-June because no further volunteers are going to be provided on the basis of their wanting expert professional, highly technical people.

Mr. PASSMAN. That is what I said. So, it is five countries.

Mr. VAUGHN. Five countries what?

Mr. PASSMAN. A total of five countries in which the Peace Corps is being phased out for one reason or another.

Mr. VAUGHN. True.

Mr. COHELAN. How many do we have in Pakistan currently?

Mr. VAUGHN. Thirteen.

Mr. COHELAN. We never did have more than about 73?

Mr. PASSMAN. 191.

Mr. COHELAN. How recently was that?

Mr. VAUGHN. This was, I think, in 1963. The Peace Corps was withdrawn from east Pakistan during the hostilities between Pakistan and India, and we have never gone back.

Mr. COHELAN. It has been gradually going down.

COUNTRY PROGRAMS AND CORPSMEN IN EACH

Mr. PASSMAN. Would you prepare for the record a list showing the number of countries we are presently in, and the number of corpsmen in each country?

Mr. VAUGHN. We have that, sir.

Mr. PASSMAN. I know, but we want it in the record.

Mr. VAUGHN. All right, sir; fine.

(The information follows:)

7-year summary—Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	1967	1968
Ghana	51	129	136	110	111	216	230
Nigeria	109	258	508	634	718	607	600
Sierra Leone	37	120	159	130	233	237	250
Tanzania	35	26	125	326	366	322	200
Tanganyika							
Cameroon		39	88	103	118	80	85
Ethiopia		278	402	564	567	434	455
Gabon		41	70	35	49	46	50
Ivory Coast		49	51	55	63	60	65
Liberia		132	272	335	399	332	350
Niger		16	12	43	48	176	186
Malawi		42	97	230	231	162	170
Nyasaland							
Senegal		34	62	51	55	88	95
Somali Republic		35		58	80	144	100
Togo		44	59	56	49	81	85
Guinea			52	95	81		
Kenya				129	197	235	250
Uganda				35	56	113	120
Botswana						57	60
Chad						33	35
Mauritania						12	15
Gambia							18
Upper Volta							51
New countries (Lesotho)							90
Malaysia				378	561	569	550
Malaya	67	169	206				
North Borneo and Sarawak		91	124				
Philippines	218	472	286	227	571	319	385
Thailand	45	227	245	242	356	296	345
Indonesia		17	31				
South Korea						93	350
Micronesia						438	665
Western Samoa							270
New countries							350
Brazil	43	168	210	548	639	621	655
Chile	45	99	106	294	397	388	410
Colombia	103	229	561	544	506	565	600
El Salvador	25	21	46	55	51	112	120
Jamaica	38	32	62	77	70	100	105
Windward and Leeward Islands	15	14	17	9	45	85	90
Venezuela	5	83	117	265	292	396	415
Bolivia		112	125	220	266	338	355
British Honduras		33	18	49	33	39	45
Costa Rica		26	63	61	107	162	170
Dominican Republic		144	171	85	101	142	150
Ecuador		156	236	309	211	267	285
Guatemala		27	105	83	69	142	150
Honduras		27	44	103	107	154	165
Panama		28	75	133	196	180	190
Peru		285	293	379	301	376	400
Uruguay			18		48	65	70
Guyana						42	40
Paraguay						36	35
India	26	115	153	401	754	1,063	1,075
Pakistan:							
East	29						
West	28	172	191	141	35		
Morocco		56	102	133	117	83	85
Tunisia		95	48	135	192	259	265
Afghanistan		35	62	136	181	184	190
Ceylon		39					81
Cyprus		22					
Iran		41	36	149	272	217	220
Nepal		65	96	120	150	228	236
Turkey		39	114	338	481	188	190
Libya						18	18
New countries							40

AID CONTRIBUTIONS TO PEACE CORPS PROJECTS

Mr. PASSMAN. Would it be possible, Mr. Vaughn, to ascertain how much money the Agency for International Development contributed in 1966 and to date in fiscal 1967, to Peace Corps projects?

Mr. VAUGHN. I doubt that it would be possible without a major research project, because of the manner in which most AID help is provided.

Mr. PASSMAN. Can you give us an estimate, then?

Mr. VAUGHN. To date, although there are 200 different projects where we have collaborated with AID in the past year, the major support, Mr. Chairman, comes from the Ambassadors' special funds, which vary from $50,000 to a couple of hundred thousand dollars for small projects like bridge repair and minor construction and related projects. I do not know what kind of accounting they keep on this, but it would be a substantial amount of money in some 45 countries. It would take us some months to get an accounting, say, for fiscal 1967 or calendar 1966.

Mr. PASSMAN. Of course, there is an overlapping. At one time under the various technical aid programs there were some physical encounters over who would have jurisdiction. There was quite a bit of overlapping in that field.

I ask the question specifically to find out whether or not there is any expensive overlapping that could be eliminated by a little reduction in money. Would you try to supply something for the record?

Mr. VAUGHN. Yes, sir.

(The information follows:)

The Peace Corps is also instituting a variety of other innovations designed to make our Volunteers more effective overseas.

We feel we are not overlapping; rather we are cooperating to meet our respective goals. For example, Volunteers occasionally identify needs in their communities which can be met fully only by material support which is often unavailable. Accordingly, the Peace Corps is cooperating much more closely with AID. There are already 200 projects throughout the world in which we collaborate. In Thailand and Bolivia AID supplies equipment and vehicles to community development projects in which Volunteers participate as village workers. In a number of countries, AID-built schools and hospitals are staffed by Peace Corps-trained technicians. Nepal and Afghanistan are just two of many countries in which the impact of AID technical experts is broadened through the use of Volunteers. Volunteers in turn are made more effective by the support they receive from the AID experts. We are now working closely with AID in the development of educational television, family planning and other major areas of joint concern.

In countries where AID does not have missions, other cooperation exists. The AID "Special Self Help Fund," which supports short-term grass-roots projects, has been made available to Volunteers for projects that have evolved in their communities.

AVERAGE COST FOR CORPSMEN

Mr. PASSMAN. Last year you submitted a table showing the average cost per corpsman for fiscal 1963 through 1967. Would you submit an up-to-date table for the record?

Mr. VAUGHN. Yes, sir.

(The information follows:)

Average cost per volunteer

	1963 factor	1964 factor	1965 factor	1966 factor	1967 factor	1968 factor
DIRECT COSTS						
Preselection:						
Background investigation	$448	$483	$532	$539	$531	$519
Medical exam	23	27	31	24	23	23
Travel	298	325	333	299	241	141
Training	2,477	2,983	3,102	3,769	3,391	3,353
Readjustment allowance	259	312	312	331	319	312
Total preselection	3,505	4,130	4,310	4,962	4,505	4,348
Postselection:						
Travel-international	1,493	1,450	1,518	1,316	1,250	1,250
Equipment and supplies	830	625	415	412	330	327
Vehicles	750	238	217	211	139	200
Housing	1,240	310	239	194	202	199
Overseas training	100	65	85	115	109	109
Readjustment allowance	1,638	1,638	1,638	1,753	1,839	1,879
Settling-in and living allowance	2,750	2,420	2,386	2,409	2,332	2,359
Leave allowance	273	336	338	339	338	338
Clothing allowance	200	200	200	150	150	150
In-country travel	225	126	224	229	225	222
Medical care	900	695	676	669	800	867
Total postselection	10,399	8,103	7,936	7,797	7,714	7,900
Total direct cost for tour of service	13,904	12,233	12,246	12,759	12,219	12,248
Annual direct cost	6,952	6,117	6,123	6,004	5,533	5,443
INDIRECT COSTS						
Research	27	55	45	33	34	24
Title III activities	4	12	11	12	12	6
School partnership program					12	12
Professional support	296	268	132	253	109	150
Administrative expenses	1,795	1,762	1,498	1,565	1,700	1,670
Annual indirect cost	2,122	2,097	1,686	1,863	1,867	1,862
verage annual cost	9,074	8,214	7,809	7,867	7,400	7,305

Mr. VAUGHN. In that regard, I am very pleased to tell you that we have reduced the per-volunteer-per-year average cost by over $400 in this program.

Mr. PASSMAN. Let us find out what it cost per year for one of the corpsmen. I cannot call them volunteers, because you spend a lot of money begging them to get into the program. I hear radio programs and TV programs advertising this program.

Mr. VAUGHN. The National Advertising Council gives us $26 million a year in free advertising space and time.

Mr. PASSMAN. I do not know how free it is. There is not a thing in the world that is free.

Mr. VAUGHN. It is a public service.

Mr. PASSMAN. No, there is nothing free. The cost is hidden somewhere. It may be free to you, but somebody is paying for it.

How much does the average corpsman cost per year, taking the number of corpsmen and dividing that into your appropriation? What is the total cost?

Mr. VAUGHN. The 1966 average annual cost per volunteer was $7,867, which is a result of computing the total of all costs required to support one volunteer.

Mr. PASSMAN. That is your average cost, including your overhead?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. That is what we want.

Mr. VAUGHN. Our projection for the current fiscal year is $7,400. For fiscal 1968 we estimate a further reduction of $7,305. So, the reduction for this year's performance over last is $467.

Mr. PASSMAN. You have a little better record than Mr. Shriver. I think his Job Corps men are costing him about $10,500 each.

(Off the record.)

FACTORS IN REDUCTION OF AVERAGE COST OF CORPSMAN

Mr. COHELAN. Mr. Vaughn, I am a little worried about this. To what do you attribute this falloff in per capita cost?

Mr. VAUGHN. We have undertaken, Mr. Congressman, in the past year a frank—my colleagues will tell you a brutal—analysis and review of all costs, even of pencils. We have made both major and minor savings in a couple of hundred categories.

For example, we have abolished home leave for volunters. It was the practice to give 10 days' home leave after training. We found that this was not productive at all in terms of the Peace Corps or the volunteer. As we moved more and more toward shorter training in the United States, it seemed ridiculous to have home leave after 6 weeks' training. So, we saved approximately $400,000 on that, and for the fiscal 1968 we anticipate the savings will be a million dollars.

Mr. PASSMAN. Saved or didn't spend? There is a difference.

Mr. VAUGHN. Reduced costs—saved.

Mr. COHELAN. May I be sure there has not been any qualitative loss in the program?

Mr. VAUGHN. I feel that there has not in any sense. We have made much greater utilization of charter flights. We find in flying a group of 80 or 90 volunteers to Africa, for example, we can save $18,000 using a charter as opposed to commercial transportation. We have been harder bargainers on contract. We had had a pattern of doing most of our contracting about 2 months before training started, sometimes a month, and we have backed up our whole planning and contracting process to where we get our sharper pencils and take a longer period of time and find we can lump off sometimes 15 or 20 percent of what we would have to pay if we had no time to bargain in the negotiation process.

We have cut down on travel here and overseas. We have found that overseas training and our practical training out of the classroom is considerably cheaper than training on the university campus. We have reduced volunteer living allowances in a number of countries, which has made me very popular. We had some that had not been looked at for some time that were out of proportion to the allowances in neighboring countries, and we just cut them back to a realistic figure. We saved several hundred thousand dollars there.

Mr. PASSMAN. Or did not spend.

Mr. VAUGHN. Did not spend.

Mr. COHELAN. I would conclude what you are saying is that as you have gained experience, through administrative savings and constant review of the program you have been able to cut your per capita costs.

Mr. VAUGHN. We have, and we have shifted to a large degree from what we call contractors' overseas representatives to direct hire technicians for professional and technical support. It costs us about half.

Mr. PASSMAN. It is like looking for a needle in a haystack. This program is so new and so uncertain, and what it has accomplished is so uncertain, that you are trying to make something out of a program that was cooked up overnight. Is that a proper statement?

Mr. VAUGHN. I am saying that we have had considerable experience now, and we look at these procedures and see if there isn't a better way to do it.

Mr. PASSMAN. There are two worried members on this committee. My friend from California is worried about the cost reduction. I am worried because you did not reduce it more. If you had reduced the cost down to $5,000, you would not have had any squawk out of me. The day I get worried about an administrator reducing expenditures will be a sad day in my life. I want all expenditures reduced. I am not worried about the quality, because I am sure they are all going to do their best according to the training. If you can get the average cost down to $6,000, there will be no reprimand coming from me, of that you can rest assured.

SAVING VS. REDUCTION OF SPENDING

I question the term "savings." To me, it is money you did not spend. There is a lot of difference. Do you agree with me?

Mr. VAUGHN. No. I think if you are talking about relative to the previous year and costs of a similar nature in the previous year, then you have to call it savings.

Mr. PASSMAN. I disagree. You could say a reduction in costs. Would that not mean the same thing?

Mr. VAUGHN. Yes.

Mr. PASSMAN. There is a lot of difference between reductions in costs and savings. One of the easiest things in the world is to spend public money. It appears to belong to everybody, and the temptation is overwhelming to bestow it upon somebody.

Mr. VAUGHN. I think we spend it in the Peace Corps better than any other agency I have ever worked for.

Mr. PASSMAN. What other agencies have you worked for?

Mr. VAUGHN. Private agencies, AID, State Department.

Mr. PASSMAN. AID is not a private agency.

Mr. VAUGHN. I said I have worked for private agencies.

Mr. PASSMAN. What agencies?

Mr. VAUGHN. I have had my own business. I have worked in my father's business.

Mr. PASSMAN. What Government agencies?

Mr. VAUGHN. The State Department, USIA, AID, all your favorites.

Mr. PASSMAN. All spending programs.

You are saying your agency is better than theirs?

Mr. VAUGHN. By a long shot, in every way.

Mr. PASSMAN. If they attempt to refute that, will you come in and defend yours?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Thank you. We will send for you if we need you.

CORPSMAN TRAINING PERIOD

Let us take just one corpsman and carry him through.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. When he is solicited or let us say through proper encouragement——

Mr. VAUGHN. When he gets the message.

Mr. PASSMAN. When he is solicited or through adequate encouragement he comes in and says, "I want to work for the Peace Corps," without getting into Shriver's territory in VISTA, how long do you train him? Six weeks?

Mr. VAUGHN. Our pattern for the past 3 years, Mr. Chairman, has been 12 to 14 weeks.

Mr. PASSMAN. Let us say 14 weeks. Do you pay for his food during that 14 weeks?

Mr. VAUGHN. Yes, sir; we do.

COMPENSATION OF VOLUNTEERS

Mr. PASSMAN. How much money does he get per week during those 14 weeks?

Mr. VAUGHN. Depending upon where he is. If he is in a Mexican village——

Mr. PASSMAN. I mean while he is in training here in the United States. Did you say a Mexican village?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Give us the average because this could go on all night. What is the average?

Mr. VAUGHN. I would say the average is a dollar and a quarter a day.

Mr. PASSMAN. He gets his food and he gets a dollar and a quarter a day cash. That would be for 30 days about $37.50. What else accrues to his benefit?

READJUSTMENT ALLOWANCE

Mr. VAUGHN. His readjustment allowance starts accruing in training.

Mr. PASSMAN. His what?

Mr. VAUGHN. His readjustment allowance.

Mr. PASSMAN. How much is that?

Mr. VAUGHN. Seventy-five dollars a month.

Mr. PASSMAN. That starts accruing?

Mr. VAUGHN. Yes.

Mr. PASSMAN. From the very day he goes in training. He gets that when he is separated?

Mr. VAUGHN. He does. It is held in escrow.

Mr. PASSMAN. When he goes overseas who pays for his transportation?

Mr. VAUGHN. The Peace Corps.

Mr. PASSMAN. What does he get while he is overseas, on the average?

Mr. VAUGHN. The monthly stipend for room and board and incidentals runs from $45 to $167.

Mr. PASSMAN. Up to $167 per month?

Mr. VAUGHN. Yes.

Mr. PASSMAN. What is the average?

Mr. VAUGHN. I can't give it to you because you have to weight it in so many ways.

Mr. PASSMAN. That is something that he gets that doesn't come out of his $37.50?

Mr. VAUGHN. No. He stops getting that. This is just during training. I have been corrected here. The training money he gets during training is shown here as a dollar and a half.

Mr. PASSMAN. That is better. $45 a month. If he is overseas 2 years, you have $1,800 waiting for him; is that right?

Mr. VAUGHN. That is before taxes.

Mr. PASSMAN. Before taxes?

Mr. VAUGHN. Yes.

Mr. PASSMAN. I would assume they would pay taxes.

Mr. VAUGHN. Yes; they do.

Mr. PASSMAN. But if he is 65 years of age and married he wouldn't owe any taxes, would he?

Mr. VAUGHN. He would get a double deduction, isn't that right?

Mr. PASSMAN. $1,800 before taxes. What other benefits does he have? Does he have accrued time in Government? Does it count toward retirement if he goes to another agency?

Mr. VAUGHN. Yes. The Peace Corps enables volunteers to obtain credit for the period of their volunteer service for purposes of retirement if they later become employed in any Federal civilian employment system.

Mr. PASSMAN. Does that give him entry to positions that may be open?

Mr. VAUGHN. It is a big entry.

Mr. PASSMAN. How often are they privileged to go out of the country in which they are stationed into another country?

OVERSEAS VACATION ALLOWANCE

Mr. VAUGHN. Once or twice during their tour. They are given 45 days of leave during the 2-year period.

Mr. PASSMAN. They are given 45 days vacation to visit other nearby countries?

Mr. VAUGHN. There are certain restricted areas. They can't go to Europe.

Mr. PASSMAN. I know, but I am talking about underdeveloped countries. You do not have any Peace Corps men in Europe?

Mr. VAUGHN. Not yet.

Mr. PASSMAN. Are you planning any?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. When they go out on these vacations seeking additional knowledge, does the Peace Corps agency pay that expense?

Mr. VAUGHN. It does not pay the transportation but it pays them a vacation allowance of $7.50 a day.

Mr. PASSMAN. Is that right?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. If they can hitch a ride you don't object to it?

Mr. VAUGHN. No; the transportation is up to them.

Mr. PASSMAN. Can they take all their vacation at one time?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Thank you.

Do you have any openings for men of my age?

Mr. VAUGHN. Openings?

Mr. PASSMAN. Yes.

Mr. VAUGHN. Yes.

Mr. PASSMAN. What do you think I could do to make a contribution to your efforts?

Mr. VAUGHN. I think you would be a very strong community developer.

CORPSMEN AND THE MILITARY DRAFT

Mr. PASSMAN. Are the Peace Corps men subject to draft?

Mr. VAUGHN. Yes, they are.

Mr. PASSMAN. How many have been drafted out of the Peace Corps into the armed services?

Mr. VAUGHN. We have had eight drafted out and brought back from overseas, of whom two flunked their physical and rejoined the Peace Corps.

Mr. PASSMAN. Out of how many?

Mr. VAUGHN. Out of 27,419 as of March 31, 1967.

Mr. PASSMAN. You mean 6,000 or six Peace corpsmen?

Mr. VAUGHN. Six.

Mr. PASSMAN. Just six.

Mr. VAUGHN. Who have been drafted during the time of their Peace Corps service.

Mr. PASSMAN. Are they disqualified for physical or mental deficiencies? That is an unusually small number, is it not? This is not meant to be a reflection on them.

You mean only six out of 27,000?

Mr. VAUGHN. The 27,000 were not all males. The present ratio is about 57 to 43 male to female.

Mr. PASSMAN. Two flunked their physical and returned to the Peace Corps and six went into the service?

Mr. VAUGHN. Yes.

Mr. PASSMAN. When their number comes up, is it customary to defer them?

Mr. VAUGHN. It has been. They are given a 2–A deferment in the national interest, which is the same as that given to people doing graduate studies. General Hershey in 1961 indicated that he felt that Peace Corps service was in the national interest but the final decision as to draftability was left up to the local draft boards.

Mr. PASSMAN. Why did they draft these eight?

Mr. VAUGHN. The local draft board had the final authority and voted to call them in.

Mrs. PASSMAN. In other words, the reason you don't get a large number is that the policy of most draft boards is not draft them; is that right?

Mr. VAUGHN. The policy has been not to draft them.

Mr. PASSMAN. That would account for the low number that has been drafted out of the Peace Corps?

Mr. VAUGHN. Yes.

Mrs. REID. Were all eight under the same draft board?

Mr. VAUGHN. No; they are not. From draft boards throughout the country.

Mr. PASSMAN. About 60 percent are male?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. What is the average age?

Mr. VAUGHN. About 24 and a fraction.

Mr. PASSMAN. What is their record for enlisting in the armed services after they return? Do you have any statistics on that?

Mr. VAUGHN. We estimate approximately 210 have entered the Armed Forces after they finished the Peace Corps service.

Mr. PASSMAN. 210 out of how many?

Mr. VAUGHN. 210 out of 8,000 males who have come back. You have to discount that further, because many volunteers have already completed their military service when they go into the Peace Corps. Incidentally, there are 114 ex-volunteers who have worked in Vietnam in civilian capacities as provincial agents and working in refugee centers and health work.

Mrs. REID. Mr. Chairman, would you yield once more?

Mr. PASSMAN. Certainly.

Mrs. REID. Do you have the percentage of those who have completed their military training before they went into the Peace Corps? Could you place that in the record?

Mr. VAUGHN. We will try to.

(The information follows:)

There is no way to arrive at an exact number of returned Peace Corps volunteers who first served in the military without checking each individual application. However, from past samples, we estimate the percentage to be approximately 25 percent.

Mr. PASSMAN. The young man in the back row keeps shaking his head as though you have no records. Is it a matter of guess?

Mr. VAUGHN. No; it is not. It is a research project.

Mr. PASSMAN. Let us get the number. I think it will help you. Supply it for the record.

Mr. VAUGHN. It is a research project.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

EX-CORPSMEN IN GOVERNMENT SERVICE

Mr. PASSMAN. What percentage of the corpsmen that have returned have gone into government service?

Mr. VAUGHN. We have that.

The number going into Federal, State, and local government is 1,253. I do not have the percentage of the total.

Mr. PASSMAN. That is responses to inquiries on 8,098 ex-volunteers, I believe. It would appear that there is a higher percentage going into government than going into business or private enterprise, is that right?

Mr. VAUGHN. That is right.

Mr. PASSMAN. Do you not think that more of these youngsters who are overseas imparting knowledge about the American free enterprise system would be going more into private enterprise than into government? I am talking about those that get into government against those that get into the free enterprise system. Those that went into Federal, State, and local governments, 1,253; business and profit organizations, only 868.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Do they have any special consideration for government jobs when they return?

Mr. VAUGHN. Special considerations in this sense, that all agencies seem to be trying to hire them.

Mr. PASSMAN. By request of the executive. In other words, why are they trying to hire them?

Mr. VAUGHN. Because of the nature of their talent and experience.

Mr. PASSMAN. Wouldn't you think when they are all that smart——

Mr. VAUGHN. They are smart.

Mr. PASSMAN. I know they are smart. Wouldn't you think private business would want them?

Mr. VAUGHN. Business does want them.

Mr. PASSMAN. Is government that much better than private business?

Mr. VAUGHN. I think this would be hard to quantify, sir, but my suspicion is that these people have become more service-oriented by dint of their Peace Corps experience and maybe because of the nature of the individual to begin with. They are motivated toward service to fellowman, to public service.

Mr. PASSMAN. Payroll also comes into it, does it not?

Mr. VAUGHN. I think generally they could get a little more in private business. The recent college graduate does better with private business.

PERCENTAGE OF CORPSMEN WITH DEGREES

Mr. PASSMAN. Are all these people graduates? At one time a very small percentage had a college degree.

Mr. VAUGHN. Of Peace Corps?

Mr. PASSMAN. Yes.

Mr. VAUGHN. At the beginning it was 80 percent. It is now 90 percent.

Mr. PASSMAN. You made the pitch that many of them were only high school graduates?

Mr. VAUGHN. No.

Mr. PASSMAN. They do not have to have a college education to get into this program?

Mr. VAUGHN. That is right.

Mr. PASSMAN. And you were taking many of them even down as low as 18 years of age at one time.

Mr. VAUGHN. We take very few 18-year-olds now.

PERCENTAGE OF EX-CORPSMEN IN GOVERNMENT AND PRIVATE ENTERPRISE

Mr. PASSMAN. There is 25 percent more going into Government than the private enterprise sector?

Mr. VAUGHN. Yes, more than that really. Thirty-five.

Mr. PASSMAN. Thirty-five percent, yes.

When you finally get this program so big so that the Government can't absorb these returned cropsmen, do you have a program to indoctrinate them to the advantages of the private enterprise sector? Do you have a list of job openings for them?

Mr. VAUGHN. We have a Career Information Service as a clearinghouse for job opportunities, educational opportunities, scholarships,

fellowships. In this sense of being a clearinghouse, and a point of reference, we do give the volunteers all the help we can. We, unfortunately, are not able to take all the scholarships that are afforded. Many scholarships have gone begging.

Mr. PASSMAN. I can place them for you and get you good personnel to fill them. I am looking for some.

Mr. VAUGHN. The trouble is these people are looking for ex-volunteers.

Mr. PASSMAN. A kind of inspired agency.

Mr. VAUGHN. Yes, and high quality.

Mr. PASSMAN. The agency or the volunteers?

Mr. VAUGHN. Both.

Mr. PASSMAN. That is a nice combination. Don't you really think that the time is coming when we are going to have to try to get more people into the private enterprise sector rather than into Government? You have so many new agencies and new programs. I think we have created two or three new Cabinet posts just since I have been in the Congress. Do you actually have a better exchange of information between Government agencies than you do in the private enterprise sector?

Mr. VAUGHN. No, I don't think we do.

Mr. PASSMAN. What do you have?

What is your setup between the private enterprise sector and your agency for assisting these youngsters that are returning home?

Mr. VAUGHN. The progressive and larger agencies, businesses and companies, know of the Peace Corps, know where we are and how we can be reached.

Mr. PASSMAN. If that is true, then you shouldn't have to spend all this money advertising this outfit. If the business people know that, why wouldn't the youngsters know this?

Mr. VAUGHN. We just have a point to bring them together. When the volunteers have been overseas for a couple of years, they do not know what the job opportunities are and where to go.

Mr. PASSMAN. Certainly not. I would think you would have that for them.

Mr. VAUGHN. We do.

Mr. PASSMAN. What is it?

Mr. VAUGHN. We have a Career Information Service which makes known to volunteers and ex-volunteers job opportunities, education, scholarships and other opportunities. That is as far as we go. We just pass along the information we have of job openings and career and educational opportunities.

Mr. PASSMAN. It seems strange that 35 percent more would go into Government than would go into business and the profit organizations.

Mr. VAUGHN. I don't think so.

Mr. PASSMAN. I do think so. We just don't agree there. The success of America is having people in the private enterprise sector, not in Government. I think we have too many people working in the Government and I think it would be a significant service and credit to you if you could have a real strong desk in your agency placing these youngsters out in the private enterprise sector.

Mr. VAUGHN. They didn't come into the Peace Corps to make money.

Mr. PASSMAN. Mr. Vaughn, I am just as proud of these Americans as you are. I don't buy this stuff at all that it is a sacrifice because

when they get back home, after having spent almost 2 years overseas in some foreign country, they have $1,800 in cash waiting for them, a lot of experience, and in all probability a good job if they have been good folks. Anyway, if you don't think well of it, don't pursue it.

Do you have any written evaluation reports that could be inserted in the record at this point?

Mr. VAUGHN. Evaluation reports of what, sir?

Mr. PASSMAN. On the progress these youngsters have made that have gone into the free-enterprise sector.

Mr. VAUGHN. We have included some in my statement, sir.

Mr. PASSMAN. Do you have any specific information, on not one or two, but say 100 ex-volunteers that went into the free-enterprise sector, as to the progress they have made? I have nothing but commendation for those who have gone back to the field of education to increase their knowledge, but I am interested in those who come back and go into the free-enterprise sector.

Mr. VAUGHN. That is fine.

Mr. PASSMAN. America became great, free, strong, and wealthy built around incentive and the initiative of the free-enterprise system.

Mr. VAUGHN. Mr. Chairman, would you like two or three examples from this list of the 800-plus?

Mr. PASSMAN. Give us 25 if you can.

Mr. VAUGHN. Yes.

Mr. PASSMAN. Pick up the biggest and best jobs they have. It is to your credit to have it in the record.

Mr. VAUGHN. Yes, sir.

(The information follows:)

1. During his tour in Ghana, William Kaiser served with the Ghana Geological Survey. Mr. Kaiser is a University of Wisconsin graduate, receiving both his BS and MS in Geology from that University. He is now employed as a petroleum geologist with the Humble Oil and Refining Company.

2. After receiving her BA from Stanford, Vicky Samow served as as a teacher in Colombia. She is now with the Hughes Aircraft Corporation of California as a math analyst.

3. Stanley Friedman served with one of the early community development projects in the Philippines. A BA graduate in Political Science from Brandeis and an MA in Urban Planning from Columbia, Mr. Friedman now manages his own land development company and is a consultant to "community development" projects in his home state of Virginia.

4. Martin Kaplan is now a chemical researcher for the Bell Telephone Laboratories. A graduate in chemistry from City College of New York, Mr. Kaplan received his MS in Chemistry from Florida State. While in the Peace Corps he served as a teacher in Somalia.

5. David Hancette received his BA in Architecture from Syracuse University. During his tour of duty in Tunisia, Mr. Hancette was employed as a government architect. He is now with Gerald McCue Associates of San Francisco.

6. While in Malawi, Anne Hardy served as a secondary school teacher. A BA in Speech from Shorter College, Georgia, Miss Hardy is now a language arts consultant for McGraw Hill, Inc.

7. Roger Harper is now employed with the Sherwin and Williams Company as a research chemist. After graduating from Northwestern with a BS in Chemistry, Mr. Harper taught secondary school in El Salvador.

8. After an outstanding scholastic undergraduate career at Stanford, Robert Ishikawa served one year as a university instructor in India and one year as a cooperative officer in a remote Himalayan area for the Peace Corps. A native of Illinois, he is now a graphic designer with the Wadsworth Publishing Company of Belmont, California.

9. After receiving an AAS from State University of New York, Frank Erwin trained and was selected for a Rural Electrification project in Brazil. After suc-

cessfully completing his tour Mr. Erwin is now employed as a Field Planning Trainee by the New York State Electric and Gas Company.

10. Walter Haan is now a staff trainee with the advertising section of Dow Jones, Inc. After receiving his BS in Printing Management from Rochester Institute of Technology Mr. Haan was assigned to a secondary school as a teacher in India.

11. After his two years as a surveying instructor in Malaysia, George Hagen returned to his position as a refinery engineer with the Standard Oil Company of California. Mr. Hagen graduated from the University of Minnesota with a BS in Engineering.

12. Adrienne Hall taught in Nigeria's secondary school system for his two years. A BA graduate in mathematics from San Jose State College of California, Mr. Hall is now a systems engineer with IBM.

13. Karen Bunde served in Peru as the only co-op coordinator for arts and crafts in the country. A BFA from the University of Illinois she is now employed as a graphic designer with "The Art Group" of Los Angeles.

14. Phillip Burnette received his BS in geology from Bowling Green University. Assigned to Ghana, Mr. Burnette was a public works instructor in that country. He is now employed by Rand McNally and Co. as a cartographic researcher.

15. A graduate of Wayne State with a BS in engineering, John Bush served in Tanzania. He is now employed by the Ford Motor Company in Detroit as a Testing Engineer.

16. A native of Nebraska Michael Eiland graduated from the University of Nebraska with a BA in Business. After serving with a nutrition project in Peru, Mr. Eiland accepted a position as a managerial trainee with General Dynamics in Ft. Worth, Texas.

17. After graduating from Florida State with a BA in Business Boyt Lee Elam served as a community developer in Colombia. He is now a claims representative with the Continental National American Group in Tampa.

18. Mrs. Janet Crites is now employed by the North West Bell Telephone Company as a marketing representative. Mrs. Crites and her husband both served in one of the early Peace Corps Public Health projects in Brazil. Mrs. Crites is a liberal arts graduate of the University of Oregon.

19. Joe T. Adair taught History and English to secondary school children in Ethiopia. He has received both his BA and MA from State College Iowa and is now a lecturer for Ralph Windaes Travelogues, Inc.

20. Jerome Adams has returned to his home state of North Carolina to accept a position as a reporter with the Charlotte Observer. While in the Peace Corps Mr. Adams served as a community developer.

21. After receiving his AAS degree from Long Island Agricultural and Technical School, Robert Ahlers taught at a technical school in East Pakistan. Upon returning to the U.S. he accepted a position as staff engineer with A. E. Friegden, Inc. a transportation and consulting firm in New York City.

22. Mary Jane Brown attended The College of St. Benedict in St. Joseph, Minnesota. After completion of her X-Ray technician course, Miss Brown served as a technician in Malaysia. She is now employed by North West Orient Airlines as a reservation agent.

23. A graduate of the University of Toronto in English, Philip Nicholas served in the Philippines in a teaching capacity. He is now with the J. Walter Thompson Company of New York as a staff trainee.

24. An agricultural specialist with the Peace Corps in Tunisia, Gayle Norris is now a field representative with Western Food Products of Hutchinson, Kansas. Mr. Norris is a liberal arts graduate of Kansas State University.

25. Cuyler Adams was a Peace Corps Volunteer leader in Brazil. A liberal arts graduate of the University of Georgia, Mr. Adams is now a sales representative for the C. A. Trussell Motor Company of Athens, Georgia.

TRAINING CONTRACTORS, FISCAL YEAR 1966

Mr. PASSMAN. Would you submit for the record a table showing the number of university and private contracts in program year 1966, showing the name of the university, the cost of the contract, the number of volunteers trained, and the country for which the university or private contractor trained the volunteers.

Mr. VAUGHN. Yes, sir.

(The information follows:)

Peace Corps training contractors, fiscal year 1966

Contractor	Estimated cost	Number of PCT's	Country for which trained
Antioch College	$309,946	160	Colombia.
Arizona State University	121,721	50	Brazil.
Arizona, University of	459,351	147	Venezuela and Latin America.
Boston University	224,807	100	Nigeria and Cameroon.
Brandeis University	396,734	122	Colombia.
Brown University	393,617	130	Tunisia.
California, University of Berkeley	414,176	122	Peru and India.
California, University of Los Angeles	1,364,059	461	Latin America and Africa and Ethiopia.
California, University of LaJolla	712,898	208	Nigeria.
Catholic University Foundation	21,640	[1] 46	Africa and Asia.
Columbia University School of Social Work.	187,930	58	India.
Columbia University Teacher's College	582,629	200	Africa and Peru.
Claremont College	208,432	60	Colombia.
Cooperative League of the U.S.A	20,463	20	India.
Dartmouth College	1,347,638	355	French speaking Africa, Liberia, and India.
Denison University	95,989	31	Ecuador.
Educational Services, Inc	613,320	170	Ethiopia and Philippines.
The Experiment in International Living.	899,451	320	India, Iran, Brazil, and Tunisia.
Frederic Burk Foundation for Education.	638,107	214	Liberia, Chad, nd Niger.
George Peabody College for Teachers	187,234	62	Korea.
General Dynamics Corp	232,899	75	India.
Georgetown University	339,927	114	Brazil.
George Washington University	229,453	109	Colombia and worldwide secretaries.
Great Lakes Colleges Association	113,226	50	Colombia.
Howard University	88,782	60	Guyana.
Humboldt State College	47,192	30	Chile.
Ithaca College	124,415	46	Uruguay.
Kent State College	115,970	40	Bolivia and Ecuador.
Kentucky, University of	621,003	165	Turkey and India.
Lincoln University	128,088	50	British Honduras.
Litton Systems, Inc	156,278	33	Venezuela.
Los Angeles State College Foundation	723,702	232	Colombia, Dominican Republic, Thailand, and Venezuela.
Loyola University, Illinois	137,217	37	Brazil.
Marquette University	189,492	60	Do.
Missouri, University of	702,127	289	India, Peru, and Thailand.
Montana State University	164,589	73	Ecuador.
Morehouse College	182,646	72	Nigeria.
Nex Mexico, University of	1,087,950	466	Latin America.
New Mexico State University	483,915	170	Colombia, Guatemala, and Paraguay.
New York University	142,308	35	Turkey.
North Carolina, University of	176,110	45	Malawi and India.
Northern Illinois University	371,320	300	Thailand and the Far East.
Notre Dame, University of	284,549	93	Bolivia.
Occidental College	191,218	60	Turkey.
Oberlin College	291,353	100	Francophone Africa.
Ohio University	95,249	42	India.
Oklahoma, University of	811,705	[2] 496	Latin America, El Salvador, and Togo.
Organization for Social and Technological Innovation.	170,979	50	India.
Pennsylvania, University of	356,708	135	Do.
Portland State College	97,725	42	Turkey.
Princeton University	238,836	72	Libya and Morocco.
Ranken School of Mechanical Trades	12,874	[3] 25	Guinea.
Reed College	160,167	42	Iran.
Roosevelt University	257,386	100	Sierra Leone.
San Diego State College Foundation	152,222	90	Jamaica.
Sacramento State College Foundation	242,421	120	Brazil.
San Jose State College	589,527	185	Philippines.
St. John's College, Maryland	461,964	128	Do.
St. John's College, New Mexico	210,626	61	Bolivia, Ecuador, and Venezuela.
South Florida, University of	98,547	30	Venezuela.
St. Louis University	188,846	71	El Salvador and Honduras.
Stanford University	180,629	40	Philippines.
Southwest Texas State College	144,254	45	Costa Rica.
State Universities of New York	239,846	100	India.
Syracuse University	1,285,288	644	Africa and Peru.
Texas Technological College	160,003	55	Costa Rica and Ecuador.
Texas, University of	1,278,529	443	Afghanistan, Brazil, Iran, Morocco, and Turkey.
Utah State University	277,490	118	Iran and Bolivia.
Utah, University of	323,174	115	Ethiopia.
Virgin Islands, College of the	117,387	[4] 145	India and West Africa.

See footnotes at end of table, p. 376.

Peace Corps training contractors, fiscal year 1966—Continued

Contractor	Estimated cost	Number of PCT's	Country for which trained
Westinghouse Electric Corp.	$1,054,652	255	Chile, Iran, and Trust Territory of the Pacific.
Wisconsin, University of Milwaukee	1,077,212	441	Africa, Latin America, and the Near East.
Williams College	202,586	67	India.
YWCA, Washington, D.C.	2,450	45	Physical education/secretaries.

[1] Training in area studies, world affairs, communism, and health only.
[2] Instructional support at Peace Corps training camp in Puerto Rico.
[3] Training in diesel mechanics skills only.
[4] Cultural studies only.
[5] Physical education only.

COST OF IN-HOUSE TRAINING

Mr. PASSMAN. Last year we had some discussion on the fact that you were estimating that in-house training would run 10-percent cheaper than contract training in 1967. What has been your experience in in-house training?

Mr. VAUGHN. We estimate—since we have a few months left to go in this program year—that the contract price will be $2,750 per trainee.

Mr. PASSMAN. For how long of training?

Mr. VAUGHN. Thirteen or fourteen weeks is the average. The $2,750 cost compares to a cost for in-house Peace Corps training of $2,506 per trainee.

Mr. PASSMAN. What is an in-house trainee?

Mr. VAUGHN. An in-house trainee is one who is trained by the Peace Corps in our own training center—for example, in Puerto Rico or the Virgin Islands—where we have primarily direct hire Peace Corps staff training the volunteers in a camp that we run.

Mr. PASSMAN. Do you plan to expand the in-house training program?

Mr. VAUGHN. Yes; we do. We have reduced the cost by about 10 percent, from $2,750 to $2,506.

Mr. PASSMAN. The Peace Corps started off with the in-house training program rather than the university contract training program, did it not?

Mr. VAUGHN. No; it did not.

Mr. PASSMAN. How did it start off?

Mr. VAUGHN. It started off with the university contract. The Puerto Rico camp was not in operation until July 1962.

Mr. PASSMAN. I am the papa of the Peace Corps. That is one reason I don't like it too much. Some members only wanted $10,000 to do some research on a possible program. I carried the ball, and look what we have gotten into. You didn't know I was papa of this thing, did you?

Mr. VAUGHN. Yes; I did.

Mr. PASSMAN. I wish I could disown it, but it is a matter of legal record and I can't do anything about it.

Mr. VAUGHN. I think the best way would be for the honorable chairman and myself to take a trip overseas together and see what goes on.

Mr. PASSMAN. I just might go with you.

Mrs. REID. Mr. Chairman, would you yield at this point?

Mr. PASSMAN. Yes, I yield.

TRAINING IN THE VIRGIN ISLANDS

Mrs. REID. When was the Peace Corps started in the Virgin Islands? That was fairly recent, was it not?

Mr. VAUGHN. No; we have had the training project there for some time. We have recently expanded it. We have more than doubled the facilities.

Forty-seven trainees in Gabon school construction did their field training in July 1965 at the Virgin Islands—the first Peace Corps group to train there. The first stage of their training had been conducted at Southern University.

Mrs. REID. Is it in the trust territory where it is most recent?

Mr. VAUGHN. Yes. We are trying for the first time an all-overseas and in-house training project there this summer, in which there will be no U.S. training. The overseas training will be done by the Peace Corps.

(Discussion off the record.)

MOVE TOWARD IN-HOUSE TRAINING

Mr. VAUGHN. In answer to your earlier question, we are planning on expanding the ratio of in-house training to contract training.

Mr. PASSMAN. Toward in-house?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. I would encourage that. It would take a book, no doubt 3 or 4 inches thick, to list the names of all the recipients of this foreign aid program. It would go into the tens and tens and tens of thousands. So as to keep this propaganda machine going for more aid, practically every school or college or university or workshop has one or more contracts going.

How can you expect to ever bring this program under control when you may have 150,000 individuals, for selfish reasons, plugging for it? It is quite a subsidy to these colleges and schools. These contracts are rather large. It gives them also an opportunity to weed out some of their personnel. Are you familiar with what I am talking about?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. You are just the type of fellow that would be. I think it would be a lot better to move away from these lucious contracts with these colleges and universities. So I commend you on that score. I hope you go all the way.

Mr. COHELAN. If the chairman would yield at this point, what are you going to do for faculty? You have to have qualified people. Are you going to use the material that you have had and benefit from the accumulation of training data and materials that you have?

Mr. VAUGHN. We have the big benefit, because so much of our training takes place during the summer, of being able to tap the people from regular academic institutions who can make a contribution. These people know us and like us. We can get them on sabbatical. We can get ex-Peace Corps volunteers who are graduate students, Ph. D. candidates, and recent graduates. We don't anticipate this will be a problem.

I think this is especially true with regard to the availability of ex-volunteers who have been back for 2 or 3 years, who are really mature, savvy people, who have decided to specialize in the area where they served as volunteers.

TRAINING MATERIALS

Mr. COHELAN. How about the updating of training and teaching materials?

Mr. VAUGHN. This is a very important aspect. We are not always able to keep up. But the procedure is to have the training project director go to the country 2, 3, 5 months, before training begins to get all the materials, to make sure he knows exactly what he is training for, to update the data.

This is a routine process we go through. The man in charge of the training goes to the country before training starts.

Mr. COHELAN. Thank you.

Mr. PASSMAN. I have always assumed that you have had adequate training personnel in your inhouse operation in Puerto Rico and in the Virgin Islands.

Mr. VAUGHN. Yes, sir.

TRAINING STAFF TURNOVER

Mr. PASSMAN. It is a permanent staff, is it not?

Mr. VAUGHN. It is a permanent staff but we have had a very high turnover in Puerto Rico.

Mr. PASSMAN. What has been the turnover?

Mr. VAUGHN. I would say the average tenure has been less than a year.

Mr. PASSMAN. What is the size of the faculty?

Mr. VAUGHN. It is 29.

Mr. PASSMAN. How about the Virgin Islands?

Mr. VAUGHN. Twenty-two. They are in the rain forest in Puerto Rico and it is rather confined, and it is hard for us to keep staff as long as we would like.

Mr. PASSMAN. Why keep them in Puerto Rico if you find that the turnover is so high that you cannot keep a balanced faculty? Why don't you locate them elsewhere? Why Puerto Rico?

Mr. ASHABRANNER. One of the reasons for the high turnover, Mr. Chairman, is the continued change and variety of training projects that must be done. We train many different Latin American projects there. Therefore we want some percentage of the staff to turn over rapidly because if we are training a project for Venezuela we would like to have people who are very knowledgeable about Venezuela. But if the next project is for Ecuador then we would like to bring in people who are more knowledgeable about Ecuador. That accounts for part of the turnover.

Mr. PASSMAN. That is part of it. I thought you indicated it was living standards.

Mr. VAUGHN. It is to some degree.

Mr. PASSMAN. What is the turnover in the Virgin Islands?

Mr. VAUGHN. I don't know specifically but I feel it is less.

Mr. PASSMAN. Supply for the record the rate at both locations.

(The information follows:)

The turnover rate for the two Training Centers was 58% (18 separations) in calendar year 1965 and 49% (20 separations) in calendar year 1966. Comparable rates for all Peace Corps Washington personnel, including the Training Centers, were 45% in 1965 and 49% in 1966.

COST OF TRAINING CONTRACT IN HAWAII

Mr. PASSMAN. Have you had in-house training programs anywhere else?

Mr. ASHABRANNER. No, sir.

Mr. PASSMAN. Hawaii?

Mr. ASHABRANNER. No, sir; that is a contract with the University of Hawaii.

Mr. PASSMAN. That is more or less a continuing contract?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. What is the annual cost of that contract?

Put that in the record.

(The information follows:)

Peace Corps expenditures for training at the University of Hawaii by fiscal year

	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
Expenditures		$121,593	$18,800	$824,930	$424,321	$2,609,918
Do		287,408	532,091	120,544	827,211	
Do		226,893	385,624	478,135		
Total		635,894	936,515	1,423,619	1,251,532	2,609,918

BERKELEY TRAINING CONTRACT

Mr. PASSMAN. Do you have a contract with Berkeley?

Mr. VAUGHN. We have trained at Berkeley.

Mr. PASSMAN. Do you have a training program going on there now?

Mr. ASHABRANNER. No, sir, we do not.

Mr. VAUGHN. Do we have one scheduled for this summer?

Mr. ASHABRANNER. I don't believe we do.

Mr. PASSMAN. Why did you discontinue it?

Mr. VAUGHN. We have an on-and-off arrangement with many universities. We are training in many fewer universities this summer than before.

MOVE TO IN-HOUSE TRAINING

Mr. PASSMAN. Do you ever see the time when you will have all of your trainees in an in-house training program?

Mr. VAUGHN. No, sir; I foresee the time when we would have the majority but not all.

COST OF ADVANCED TRAINING PROGRAM

Mr. PASSMAN. If I recall correctly, in the fiscal year 1965 you started this advanced training program, is that correct?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. What has been the fiscal year cost for this type of training since you started the program?

Mr. VAUGHN. In fiscal 1965, $1,174,000; for fiscal 1966, $4,253,000. The current estimate for fiscal 1967 is $825,000 and for fiscal 1968, we are requesting $430,000.

Mr. PASSMAN. What number of trainees will receive this type training in fiscal year 1968?

Mr. VAUGHN. For the 100 trainees planned to enter in fiscal year 1968, the total cost is estimated to be $430,000.

Mr. PASSMAN. Specifically, what did they do?

Mr. VAUGHN. They participate in a full-time intensive training program after their junior year and continue their studies, usually specialized studies—languages—during their senior year followed by phase III, which is a foreshortened final training period before they go overseas.

RESEARCH PROJECTS

Mr. PASSMAN. Mr. Vaughn, in view of your statement that the research studies will give the Congress and the American people the hard facts with which to assess whether the Peace Corps is justifying the taxpayer's investment in it, would you submit to the committee a copy of each research study that has been financed by the Corps since the inception of the program?

Mr. VAUGHN. Yes, sir.

(The information follows:)

THE PHILIPPINES PEACE CORPS SURVEY

Thomas W. Maretzki, Department of Anthropology, University of Hawaii—PC-(W)-395

This study focuses on the problem of Peace Corps impact from the point of view of Filipinos, some 2,200 of whom were interviewed. From this research, we learned that 90 per cent of Philippine principals and teachers interviewed felt that Volunteer teachers had had lasting impact on their schools through the introduction of new teaching techniques, books, equipment, and facilities. But, while about one quarter of the Volunteers' co-workers interviewed felt that their English-speaking ability had been improved, they did no better on a written test than a control group.

Other findings:

Over one third of the co-workers indicated that the Volunteers had introduced changes in their teaching techniques.

Volunteers were considered by the Filipinos as diligent, trying to do a good job of teaching, interested in objective standards for rating pupils, and favoring teaching techniques that permitted maximum participation of their pupils.

A PARAMETRIC STUDY OF LANGUAGE TRAINING IN THE PEACE CORPS

John Carroll, School of Education, Harvard University—PC-(W)-226

Carroll's findings have implications for al training projects and all overseas programs, since language mastery is probably the single most important factor in Volunteer success. To get trainees from no competence in a given language (an S–O, in FSI terms) to the minimum level for doing a job overseas (S–2), Carroll reported, the Peace Corps needed to substantialy increase language study in training. A Volunteer who goes overseas with an S–2 rating in language can expect to be somewhat handicapped in his work for about one month. On the other hand, Carroll found, a Volunteer who goes overseas without an S–2 rating may be handicapped for up to six months, or one-quarter of his term of service.

Carroll's advice was taken immediately. It is now a requirement for every Peace Corps training program that language study account for at least 300 hours, which in most training programs means 50 per cent of the study schedule.

VALIDATION OF PEACE CORPS SELECTION PROCEDURES

Robert Krug, American Institutes for Research, Pittsburgh—PC-(W)-59—Completed 10/62

This told us how well the Peace Corps selection program was working in the first eighteen projects. It showed that the original Peace Corps placement tests could be reduced by approximately 50 per cent without loss of validity, and

thereby saved us approximately $130,000. It also told us that letters of recommendation were an excellent predictor of success for Peace Corps Volunteers. Without this research we would have been unaware of this important fact because in most business and government experience letters of reference are not reliable predictors of success. We are fortunate that most Americans seem to take very seriously this obligation to accurately evaluate the suitability of their friends and associates for the Peace Corps service.

Research and Measurement of the Effect of the Peace Corps/Plan Nacional Program in Peru

Allan Holmberg, Department of Anthropology, Cornell University—PC–(W)–155

Description

A study of Peace Corps impact and Volunteer effectiveness in Peru.

Approach

Impact—a scale of community services was applied to 20 communities, in 15 of which PCV's served. Measures were taken in all 20 in 1962 and again in 1964.

Effectiveness—largely direct observation plus language tests, an attitude questionnaire and staff evaluations.

The researchers worked very closely in a quasi-supervisor/counselor role with PCVs.

Findings in Brief

Impact:

(1) Andean Indian communities in which Peace Corps Volunteers worked increased their number of community services faster than comparable communities where Peace Corps Volunteers did not work.

(2) Peace Corps Volunteers were most successful in bringing about rapid community development when they worked in combination with the local inhabitants, local community action organizations and national or foreign technical assistance organization rather than alone.

Volunteer Effectiveness:

(1) Volunter characteristics are important determinates of success or failure, especially when the assignment is a difficult one.

(2) Transferring Peace Corps Volunteers from one assignment to another is justified, since the chances are two out of three that the Volunteer will be successful in his second assignment.

(3) The ability to communicate effectively is a necessary requirement for achieving significant program impact, but not the only one. Good Spanish language ability is key, although some Volunteers were able to substitute appropriate inter-personal and technical skills. Non-verbal communication, such as attitudes toward belongings, is another important part of effective communications.

(4) The successful Volunteers have more contact with community members than the less successful ones.

(5) The Volunteers who were most successful in their assignments were rated highly by their peers during training.

(6) More staff counseling is needed for all but the most successful Peace Corps Volunteers.

(7) There are no differences between the effectiveness of married and single Peace Corps Volunteers.

Impact on Peruvian National Opinion:

(1) The Lima Press which exerts an important influence on the rest of the nation, reports Volunteers' activities in a consistently positive straight forward manner.

(2) The Peace Corps Volunteer is evaluated by Peruvians in part by their reaction to his personality, in part by the nature of their relationship with him and in part by the standards of judgment used. In general, members of Indian communities judge Volunteers on their ability to work hard, while members of Mestizo communities tend to judge Volunteers on their language fluency and social graces.

Development of New Data Transmittal Methods for Peace Corps Staff Overseas

Claude J. Bartlett, Performance Research, Inc., Washington, D.C.—PS-80-1507

During the training phase, the Peace Corps learns a great deal about its Volunteers. Because the training staff and the overseas staff are different and because there has been no systematic approach to getting information about the Volunteer from the training site to the overseas post, there has been no gurantee that essential information about the Volunteers will reach the overseas staff in time and in proper form to affect placement decisions. We've met this problem partially by arranging for overseas staff to visit training centers. This study, which should produce forms for development and communication of the essential information, is another approach to solving the problem.

Evaluation of Peace Corps Volunteers in Nigeria

Harley Preston, Institute for International Service, Washington, D.C.—PC-(W)-48—Completed 12/64

Evaluation of Peace Corps Projects in Ghana

M. Brewster Smith, Department of Psychology, University of California, Berkeley—PC-(W)-55—Completed 10/64

These were in-depth studies of the actual performances of Volunteer teachers in two African countries.

They taught us some important lessons. It was found that psychiatric interviews, previously given to all trainees, were needed only by a minority—this was an important saving in selection costs. We found that Volunteers without previous teaching experience in the classroom could be effective teachers—this broadened the field of applicants from whom we could choose. We found that practice teaching was extremely important, so we gave it greater emphasis in training.

A Review of Selection Methods for Overseas Assignment

Elliott McGinnies, Department of Psychology, University of Maryland—PC-(W)-9—Completed 6/61

Evaluation of Performance Overseas

Albert Gollin, Bureau of Applied Social Research, Columbia University—PC-(W)-49—Completed 3/63

These were two early studies. The first made available to our Selection Division in 1961 the experience of other organizations who had selected Americans for service overseas. The second study performed similar service for our Evaluation Division, giving it the experience of other agencies in self-criticism and suggesting several improvements in the Peace Corps evaluation process which were made almost immediately.

Development of a Realistic Training Technique Under Which Peace Corps Trainees Must Deal With Situations Similar to Those They Will Encounter Working Overseas

Calvin W. Taylor, University of Utah, Salt Lake City—PC-(W)-405

Like everyone else who has tried to train people for real life problems, the Peace Corps has found that it's one thing to tell its trainees about the problems they'll face but quite another to get them to feel those problems in their bones so that they will (1) make a realistic decision about whether they want to go oversease and face those problems every day and (2) so that they will really understand the importance of doing everything they can in training to prepare themselves to deal effectively with those problems in the field. The tests developed under this contract involve trainees and training facility in playing the roles of Peace Corps Volunteers and host nationals in typically difficult and sensitive situations that occur during the Volunteers' life and work overseas. Much of the material has already been used at some training sites and has been enthusiasti-

cally acclaimed by trainees and training staff alike for its realistic, non-academic approach.

12. Development and Validation of a Method of Spotting Weaknesses in Peace Corps Training Programs While Programs Are Still in Progress so That Weaknesses Can Be Corrected Quickly (Two Contracts)

George Stern, Department of Psychology, Syracuse University—PC–(W)–273

The best source of information on Peace Corps training is the trainees. Often there is something rather minor which the institution is doing—or not doing—which is seriously hampering the training program from being as effective as it could be.

The first part of this project designed a questionnaire to be sent to trainees with questions such as: "It's difficult to get in to see a professor here"—yes or no: "students are treated as adults here"—yes or no. This has proved an inexpensive way of catching faults in training.

The second part of the project is to revise the questionnaire in the light of overseas experience to make sure that we are asking the trainees all the questions that need to be answered.

Statistical Research on Supply and Demand of Middle Level Manpower

A. J. Jaffe, Columbia University—PC–(W)–103—Completed 9/62

This early study permitted us to allocate our Volunteers where the needs were greatest. We knew that we were in the business of supplying middle level manpower, but we didn't know specifically what kinds of manpower were needed in what countries. This study gave us estimates of the future needs of 24 nations. We found, for example, that the greatest need in the period 1960–75 was going to be in teachers.

Evaluation of Peace Corps Project—Brazil

Wayne Holtzman, Department of Psychology, University of Texas, Austin, Texas—PC–(W)–116—Completed 4/66

This was a study of the actual field performance of Volunteers in one project in Brazil, a major Peace Corps country. The main lessons learned were in the all-important field of Volunteer selection. We learned that three of the selection devices we had used (peer ratings, final board ratings, Edwards personal preference schedule) were particularly good at predicting performance. This helps us improve our accuracy in choosing volunteers.

Despite these results, this was probably our least productive research project. What happened is that the program in the field was drastically changed while the research was going on. Thus we did not find out what we had hoped to find out about the circumstances under which those particular Volunteers were working. While we are not pleased with the loss to research, it was obviously far more important for the Brazil staff to reorganize the program when the need for this became clear.

Use of Computer and Skilled Computer Personnel to Get Rapid Response to Research Questions That Can Be Answered from Information Developed During Selection Process or from Completion of Service Questionnaires

Charles F. Wrigley, Computer Institute for Social Science Research, Michigan State University—PC–(W)–401

We collect a great deal of information about applicants, test them in different ways during their training, and then observe their performance overseas. By now we have collected a great deal of statistics on both background and performance.

Because Peace Corps lacked a computer, we contracted with Michigan State to process all this information. This will provide a valuable guide to our choice and assignment of Volunteers by showing us what kinds of people have done best in what kinds of jobs.

Examples of what we've learned from the computer:

How well Field Selection Officers predict overseas performance.

How overseas attrition is affected by region, type of job, age and education of PCVs.

1. Survey of Invitees to Micronesia

Louis Harris and Associates

In May of 1966 the Peace Corps conducted a special recruiting campaign in order to fill the newly created Micronesian program. The campaign was wildly successful: an unprecedented 3,000 applications were received. This Harris survey was designed to find out what caused this avalanche of applications.

By comparing applicants from the Micronesia program with applicants for other programs who had also applied in May and applicants who had been polled in a recently completed Peace Corps survey (Louis Harris survey of College Seniors) Harris concluded that:

The seniors that this intensive recruitment attracted were the same as seniors who regularly apply. In short, they were of Peace Corps calibre.

Seniors whose decision to apply for the Micronesia program wasn't made against a longer term interest in the Peace Corps did not accept invitations to join.

This intensive, last-minute recruiting effort had not, as some had feared, produced a group of less qualified Volunteers for Micronesia.

In general, recruiting at the end of the college year should not produce less qualified Volunteers—only Volunteers who, for various reasons, have not been able to make post-graduation plans until the last minute.

Research in the Effectiveness of Methods of Education in Training for Health Among Peace Corps Volunteers

Donald T. Rice, School of Public Health, UCLA—PC-(W)-381—Completed 3/67

The researchers set out to answer two questions about health training. First, which is the better teaching method for getting health information to Peace Corps trainees and convincing them to follow good health practices—listening to lectures or participating in group discussions? Answer: discussion groups are no better than lectures.

Second, did health training have a lasting effect on the trainees attitudes toward disease and its prevention? Answer: training convinces most volunteers that illness is avoidable, but by the time they have finished their service, the effects of training are erased. They think sickness is unavoidable and stop taking many of the necessary precautions.

1. Volunteer Effectiveness in Colombia's Educational TV Program

George Comstock and Nathan Maccody, Institute for Communication Research, Stanford University—PC-(W)-276

Because Colombia was the first country in which the Peace Corps undertook an educational television (ETV) project, it was decided that the effort should be examined through close, thorough, and continuing research. The study was contracted to the Institute for Communication Research at Stanford and lasted two years.

Stanford showed that educational television can be very effective in increasing learning and upgrading the competence of inadequately trained teachers. It also showed that Volunteers are especially valuable working with these teachers, conducting seminars and counseling sessions designed to give the classroom teachers the skills to use their television resource to its fullest potential.

Continuing feedback from Stanford during the course of the research helped to turn the Peace Corps role in the project away from its more technical beginnings to an emphasis on upgrading teachers and teaching.

The results of this study may be even more far-reaching than originally expected, since President Johnson has become very interested in the potential that ETV might have for Latin America; and we are anticipating increased Peace Corps participation in such programs.

The total cost of this project to the Peace Corps will be $133,956. The FY '67 payment is the final one.

DECLINATION STUDY

Stanley Seashore, Survey Research Center, University of Michigan—
PC–(W)–219—Completed 11/63

REACTIONS OF COLLEGE STUDENTS TO THE PEACE CORPS

George S. Fabian, Young and Rubicam, Inc., New York City—
PC–(W)–338—Completed 10/65

ATTITUDES OF COLLEGE SENIORS TOWARD THE PEACE CORPS

Louis Harris and Associates, Inc., New York, New York—
PC–80–1513—Completed 6/66

The three studies were not all the same.

The first, in 1963, studied only those applicants who became Volunteers as compared to those who were accepted but decided not to join. One finding was that the length of time between application and invitation was a key factor in the decision not to join. We therefore reduced that time lag. Another finding was that the decliners appeared to be as good potential Volunteers as the accepters.

The second, in 1965, was a sample of seniors at 20 colleges in which we had a particular interest. This study found the 15% figure of those seriously interested and identified the differences such as financial concerns between those who join and those who don't.

The third, confirmed the findings of the second study on a broader basis—it sampled the entire college population. It added to our knowledge of the difference in background between those interested in Peace Corps and those not interested.

Why three studies on the same general subject? The case for continuing research in this area is similar to the case for continuing market research. The market changes, so the firm keeps on studying it. Similarly, the college population changes, the students' interests change, and the Peace Corps itself changes—as does the students' view of the Peace Corps. It is clear that even a tiny percentage increase in applications by qualified students will be worth many times the cost of this continuing "market research."

DEVELOPMENT OF TRAINING MATERIALS BASED ON CRITICAL INCIDENTS REPORTED BY PEACE CORPS VOLUNTEERS

Paul Spector, American Institutes for Research, Washington, D.C.—
PC–(W)–387—5/25/66

In the beginning, Peace Corps did not have nearly enough training material related to the actual problems Volunteers would encounter overseas.

This project took actual incidents reported by Volunteers at Completion of Service Conferences and developed cases to be used in trainee discussion groups. These cases cover typical Volunteer problems in:

Community Development in Latin America
Teaching in West Africa
Teaching English as a Foreign Language in Turkey
Poultry in India
Teaching in Thailand
Teaching in Ethiopia

Those of you who attended law or business school and are familiar with the case study method will understand the value of this approach in making our training more realistic and practical. Returned Volunteers now on training staffs are particularly enthusiastic about it.

EVALUATION OF PEACE CORPS VOLUNTEERS IN COLOMBIA

Morris Stein, Department of Psychology, New York University—PC-(W)-54—Completed 1/64

A STUDY OF YOUNG ADULT PERFORMANCE IN A SERVICE PROGRAM

NIH Grant (MH-09188-01), Morris I Stein, New York University

Description

Two studies of the first Peace Corps community development project in Colombia, the second at no cost to the Peace Corps.

Value

These studies told us that we had to pay more attention to site selection, to matching the Volunteer to the site, that we needed to increase our language training. They also told us that this first group of sixty Volunteers had in two years helped their communities organize to build over 200 miles of rural road, 65 classrooms, 27 aqueducts and over 1,000 latrines.

The Volunteers worked to a large extent with Colombians who had no prior experience with North Americans. Virtually all knew that the Peace Corps was a U.S. Government Agency.

86% of the children interviewed wanted "to be like the Volunteer" when they grew up.

97% of the children had heard adults say good things about Volunteers.

94% of the adults said that Volunteers had helped their communities.

INCREASE IN ADMINISTRATIVE EXPENSES

Mr. PASSMAN. The estimate for administrative expenses for the Corps in 1968 is $28,400,000, an increase of $3,900,000, above fiscal 1967.

How does the percentage increase in administrative expenses compare with the percentage increase in your program expenses?

Mr. VAUGHN. The limitation as originally approved was $24.5 million. An increase to $24,916,000 is necessary for fiscal 1967 and has been requested.

Mr. PASSMAN. Why do you need an additional $416,000 for administrative expenses?

Mr. KANDLE. The limitation originally provided in the appropriation act is $24.5 million. The difference of $416,000 is the cost of the Federal employees' pay raise which we are absorbing within the entire appropriation but which the Bureau of the Budget has included in the omnibus pay bill submitted to the Congress.

Mr. PASSMAN. You are absorbing the 1967 portion?

Mr. VAUGHN. Yes, sir.

Mr. KANDLE. We have not requested any additional funds for 1967 and are not asking for any supplemental for the pay raise. We are only asking that our administrative limitation be increased by the amount of the pay raise.

Mr. PASSMAN. Because you will have $2 million unobligated on June 30?

Mr. KANDLE. Yes, and we have absorbed the $416,000 cost of the pay raise for this purpose.

Mr. PASSMAN. The 1967 limitation was in excess of needs because you are absorbing the Pay Act costs and you are going to turn back to the Treasury on June 30 $2.5 million. We are dealing with money, Mr. Controller, however, I am thoroughly convinced if it were nothing but money there is no need to worry.

I think we are going to have to start being tighter on your appropriations. If you had a hard program, I don't believe you would be overestimating your appropriation requirements by 3 or 4 percent.

Mr. KANDLE. We have provided you with a cost reduction exhibit in Mr. Vaughn's presentation, which indicates, that if in fiscal 1967, we had paralleled the costs and methods of doing business in 1966, this agency would need $7.5 million more than is now before you.

Mr. PASSMAN. Every testifier for every agency, experts all, always point out how much money they are saving.

Nevertheless, for fiscal 1968, the President is requesting $172,400 million which is about $2,458 for every one of the 70 million Americans who will be working in fiscal 1968.

It is $172,400 million when you include everything; $135 million is only the administrative budget.

Mr. KANDLE. Mr. Chairman, may I point out that every cost factor of program expense controllable by the Peace Corps in 1967 and 1968 is less than the comparable factor for 1966.

Mr. PASSMAN. Maybe you had too much in 1966. So, whatever you have proven——

Mr. KANDLE. I have proven that if we had come in here as you suggested we might have, on a program based on our cost and experience of 1966, the budget request before you would be considerably higher.

Mr. PASSMAN. You wouldn't get the amount of money you are asking for on that basis.

I have nothing but respect for any individual who stands on his convictions, liberal or conservative. But, on the other hand, I am worried as to the direction in which we are traveling.

Our world markets will be gone and people will lose faith in their government. I love this country with a passion. But I don't believe we can continue letting programs expand and creating new programs when we have to borrow money from the unborn generation.

As far as I am concerned, I am going to do my part to cut back expenditures. I assure you that there is nothing personal about it, but I am going to vote to trim your fiscal wings, if I am given an opportunity.

You make a good case, but you should hear the other people who come before us and tell us how much they are doing.

INCREASED PROGRAM FOR AFRICA

I note that the Peace Corps proposes to expand its activities in Africa in 1968. How do you justify this proposal when AID is in the process of phasing down its commitments to Africa?

Mr. VAUGHN. Mr. Chairman, our planned expansion in Africa will be to three new countries.

We have programed on the same basis in these three cases as we have programed in earlier years; namely, on the basis of genuine interest on the part of the country to be served; legitimate requests, and discussions which lead to specific placements of certain kinds of volunteers.

We have never programed jointly with AID except in one case, the Dominican Republic in 1963. We have never claimed to be a substitute for AID. We think we have different capabilities, different ap-

proaches and values from AID and that the two agencies are not substitutable.

So, I don't see any relevance at all between AID cutting back in Africa and our going into Africa because AID has never been in two of the three countries, Lesotho and the Zambia.

They have been in Upper Volta in a program which I set up in 1960. I don't see any conflict there.

AID CUT BACK IN AFRICA

Mr. PASSMAN. A good part of AID is technical aid—health, education, agriculture, and so forth. The same as some of yours. It all falls in the overall program of assistance to people abroad.

Have you discussed with AID why they are cutting back?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Why are they cutting back?

Mr. VAUGHN. They are cutting back because of a decision to concentrate on a certain number of countries; to emphasize regional projects as distinct from bilateral projects. As a result of the Korry report a new strategy has emerged for Africa.

Mr. PASSMAN. I know they had a program in Lesotho and Zambia in 1967.

Mr. VAUGHN. I mentioned the program in Upper Volta. I was not aware of a program in Lesotho.

Mr. PASSMAN. Sometimes we can't wait for these countries to become independent. We get permission from the mother countries, France, Belgium, and the United Kingdom, to start giving away our resources before the country gains its independence.

Could you check to see why AID is cutting back on their program in Africa in 1968?

Mr. VAUGHN. They cut back on their program years ago in 1961.

Mr. PASSMAN. But you have expanded your program there.

Mr. VAUGHN. In 1961, AID made a worldwide effort to cut back on direct hire technical assistance—in Asia and Africa. I happened to be the head of the AID program in Senegal at the time.

Mr. PASSMAN. How about 1968? That is when AID is cutting back. Do you know whether AID is cutting back on its technical aid program for Africa for 1968?

Mr. VAUGHN. Yes, they are. They cut back in 1961.

Mr. PASSMAN. AID is cutting back and you are cutting up.

Mr. VAUGHN. But we are talking about technical assistance.

Mr. PASSMAN. In the last 3 years technical assistance for Africa has doubled.

Mr. VAUGHN. AID is, in effect, leaving 18 African countries.

Mr. PASSMAN. They are cutting down in Africa and you propose to increase yours.

ALLOCATION FOR AFRICA IN FISCAL YEAR 1967

What did you allocate for Africa in fiscal 1967?

Mr. VAUGHN. We don't allocate our funds by region.

Mr. PASSMAN. But you put the totals together.

Mr. KANDLE. I have it now.

Mr. PASSMAN. Off the record.

(Discussion off the record.)
Mr. PASSMAN. On the record.
Mr. KANDLE. The total of $11,214,800 for 1967.
Mr. PASSMAN. Off the record.
(Discussion off the record.)

NUMBER OF CORPSMEN IN AFRICA

Mr. CONTE. How many volunteers have you in Africa?
Mr. VAUGHN. 3,525 by June 30, 1967.

ALLOCATION FOR AFRICA FOR 1968

Mr. PASSMAN. You are increasing it in fiscal year 1968 by how much money?
Mr. KANDLE. I don't have the Africa region priced out. We can provide it for you and compute it. I think it will be substantially what we have now.
(The information follows:)

The cost of Peace Corps programs for Africa is estimated to be $24.6 million in FY 1967 and $24.5 million in FY 1968. Although there is a slight increase in Volunteer man-years from 3320 in FY 1967 to 3355 in FY 1968, the average cost per Volunteer is estimated to decrease from $7400 to $7305 thus accounting for the over-all decrease in cost.

Mr. PASSMAN. But you are increasing your program.
Mr. KANDLE. Yes; it could go up by some thousand for the new countries.
Mr. CONTE. Using Mr. Vaughn's figure of 3,525 volunteers by June 30, 1967, computed at $7,400 per Peace Corps man it comes to $26,085,000.
Mr. KANDLE. Our average is worldwide. This is new country expenses. That is what the chairman asked for and does not include the cost of training the volunteers, preselection and the Washington overhead.
Mr. PASSMAN. I could just as easily have asked the question the other way.
If we multiply the $7,400 by the number of corpsmen, the total cost would be, using Mr. Conte's figure, $26,085,000.
How many corpsmen do you think you will use in Africa in fiscal 1968?
Mr. VAUGHN. 3,560 by June 30, 1968.
Mr. PASSMAN. 3,560 times $7,400?
Mr. VAUGHN. With an increase of 35 volunteers, Mr. Chairman.
Mr. PASSMAN. On these projects using the $7,400, your estimated cost would be $26,085,000. In the 1968 projection, your present estimate, you will have 3,560 corpsmen which will cost $26,344,000.

AID AND PEACE CORPS PROGRAMS

Mr. PASSMAN. To what extent have you coordinated this with AID? We will have to ask them why they are cutting back. While they are cutting back you are increasing yours.
Mr. VAUGHN. I have tried to make the case that AID and the Peace Corps are not substitutable, mutually or otherwise. We have never

programed in consonance with AID because we don't do the same things. We have never had joint programing.

We never tried to replace AID, so there is no reason why we should coordinate the withdrawal of AID with the Peace Corps.

Mr. PASSMAN. In previous years both agencies testified that in many areas you did the same work. You were in the field of teaching how to build fences or grow corn. You know very well that AID and you have had the same programs.

Mr. VAUGHN. AID doesn't provide teachers.

Mr. PASSMAN. What do you call people who teach?

Mr. VAUGHN. The ones I know have been advisers.

Mr. PASSMAN. What is the difference between a teacher and an adviser?

Mr. VAUGHN. The AID technician traditionally has been on a consulting-advisory basis.

Mr. PASSMAN. Aren't they teachers?

Mr. VAUGHN. They are advisers.

Mr. PASSMAN. I can't see how you could disassociate yourself from the AID agency when they are doing some of the same work you are doing, and yet you plan to tie yourselves up with Sargent Shriver and his community builders. It doesn't add up, that you are giving AID the cold shoulder.

Mr. VAUGHN. We are not. We collaborate with AID. When I was a U.S. coordinator for the Alliance for Progress, I prepared a joint airgram to the field in Latin America to start cooperating more.

Then I was assigned to the Peace Corps and signed it; I sent it out. I signed in both places and we have done a great deal more cooperating at the country level with AID than ever before, but this doesn't mean that we are doing the same kind of work, in the same places, at the same level.

Mr. PASSMAN. Similar work?

Mr. VAUGHN. In similar fields, but at different levels. They are at the tree tops. We are at the grassroots.

Mr. SHRIVER. Would you put some more examples of the relationship of your program to the economic development program of AID?

Mr. VAUGHN. You have read the couple of pages we gave in my introductory statement. We have other examples we will be pleased to add.

Mr. PASSMAN. What kind of chairman do you like? One that will cut back to the minimum to try to save money so we won't have to indirectly repudiate the debt, or one who would give you anything you ask for? Wouldn't you rather have one who tries to save money?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Is it contemplated that any Peace Corps project will go into Indonesia? Off the record.

(Discussion off the record.)

ORIGIN OF REQUEST FOR COUNTRY PROGRAM

Mr. PASSMAN. How does the Peace Corps request originate? By solicitation directly from the head of the Peace Corps to the nation, or through the Ambassador to you?

Mr. VAUGHN. A Peace Corps project originates from a formal request from that country.

Mr. PASSMAN. Direct or through the Ambassador?

Mr. VAUGHN. Through the country's ambassador in Washington, the foreign office, or another ministry. What happens before the formal request comes varies. It may be the President's idea. It may be because they have heard about or seen the Peace Corps in a neighboring country. There is no standard procedure.

Mr. PASSMAN. Then we could say many, many different ways.

Mr. VAUGHN. Sometimes it is started by a nongovernmental group in the country.

Mr. PASSMAN. Where is "Chicken" Davis now?

Mr. VAUGHN. He is with AID.

(Discussion off the record.)

BIRTH CONTROL FOR INDIA

Mr. PASSMAN. We were talking about "Chicken" Davis and his participation in the chicken and egg field and the program to educate the Indians to eat eggs. We have some knowledge of the sacred cows and monkeys and other sacred animals in India and I understand recently that they have started a birth control program among the livestock. Have you heard about that?

Mr. VAUGHN. I was talking to a member of our National Advisory Council who mentioned an outstanding veterinarian in the United States who had perfected an interuterine loop to use for birth control of cattle.

Mr. PASSMAN. Wouldn't a pill be cheaper?

Mr. VAUGHN. The people think it would not be cheaper.

Mr. PASSMAN. They don't permit abortions in cattle.

Mr. VAUGHN. This was an experiment he worked on and he perfected this contraceptive device and I don't know how widely it is being used.

Mr. PASSMAN. Birth control among livestock. Would this come under the Peace Corps supervision if it should become a fixed program?

Mr. VAUGHN. We have already undertaken a population control project in India.

Mr. PASSMAN. Of livestock?

Mr. VAUGHN. No, but we have our first group of volunteers working in population control—50.

Mr. PASSMAN. What would work with humans, would work with livestock?

Mr. VAUGHN. I don't know what progress has been made in providing pill-type birth control for cattle, but I think it would be unfeasible. I think with the loop it is a lot more feasible.

Mr. PASSMAN. Wouldn't they have to insert the loops secretly?

Mr. VAUGHN. I don't think so. There was no objection on the part of the Indians, according to this man's experience. He practiced birth control methods with cattle.

Mr. PASSMAN. Why wouldn't it be more successful to sterilize the male member of the cow family?

Mr. VAUGHN. You perhaps read last month that the new direction of birth control among people in India has been toward sterilization of the male.

They apparently are not pleased with the progress being made with loop insertions and pills and sterilization is more feasible for the male.

Mr. PASSMAN. Mr. Vaughn, I am keeping my promise to you to not interrogate to any great depth because of the short notice I gave you for this hearing.

I want to live up to that promise and I also want to indicate for the record that the program this year is no different than in previous years—there are a lot of uncertainties in it. At this point I yield to Mr. Shriver.

EFFECTS OF COUNTRY POLITICAL CHANGES

Mr. SHRIVER. Are your programs affected by the changing political picture in the various countries? Would you cut back programs in Bolivia because that country has previously issued anti-American statements?

Mr. VAUGHN. No, sir. We have taken the position from the beginning that the Peace Corps is not programed or manipulated on the basis of political changes.

We feel that it is none of our business what happens in the politics or political trends of the country we are serving. We never programed Peace Corps as a part of U.S. foreign policy.

We instead look at the need and opportunity and interest of the country. We have had some difficult times back during the days when Nkrumah was President. It was a very difficult situation in many ways—harrassments, denunciations—on the part of the President, but we stayed there and suddenly he was gone and the harrassment was gone. We have had a wide variety of changes with regard to how the local government or the incumbent government looks at us.

We have situations where one individual minister will be seemingly hostile to the Peace Corps, but the administration will be favorably disposed to the bulk of it, depending on the parties and the nature of the political parties. But we take that and don't react to it.

We merely say, "If the Government wants us we understand there will be criticism from individuals and parties." We see a continuation of a drumfire from the Communists.

You may be aware of the fact that for 6 years Radios Havana, Moscow, and Peking have been claiming that we are overseas for purposes of espionage and germ warfare, and this continues, so there has been harassment in the background from certain groups.

This is not increasing. It is not unique this year. I would say, in general terms, there has been more criticism and difficulty, in a sense, in Africa in the past year than in previous years.

EFFECT OF VIETNAM WAR AND VISTA PROGRAM ON PEACE CORPS RECRUITING

Mr. SHRIVER. Has the war in Vietnam and has the VISTA program had any more pronounced effect on your recruiting efforts this year than last year?

Mr. VAUGHN. We don't believe so. This is the peak of our recruiting season when college seniors make up their minds about what they are going to do after graduation. We anticipate that this will be as good a recruitment year as ever.

Ten percent of the graduating class at Stanford have applied, and at Swarthmore, 18 percent. It is holding up well. I can detect no difference or difficulty stemming from Vietnam, the draft, or from any other element. We think it is going to be a banner year for us.

Mr. SHRIVER. Has the male-female ratio remained as you testified last year?

Mr. VAUGHN. The only change there has been a very slight increase in the number of females in the last 6 months.

NO COMMUNIST COUNTRIES IN PROGRAM

Mr. SHRIVER. Last year you stated not all Communist countries would be necessarily included. Would any Communist countries be included in your program for 1968?

Mr. VAUGHN. None.

ESTABLISHING OF PEACE CORPS PROGRAMS IN COUNTRIES OPPOSED TO PROGRAM

Mr. SHRIVER. In answer to Mr. Conte's question a little while ago in connection with Indonesia, your agency would not go into a country if the official representative of the country or the ambassador did not think it advisable.

Mr. VAUGHN. No, we wouldn't. You will remember in the early years of the Peace Corps many of our Government officials, including ambassadors, were not really excited about the prospect of having a Peace Corps program largely because they didn't understand it.

It hadn't been tried and proven. Many were saying that we have too many Americans overseas already. This is going to mean more headaches for the ambassador. The Peace Corps has been in 57 countries and the story I get from my ambassador friends today is, "This is the best thing the United States is doing in my country. Send us more."

If we were violently opposed, it would be difficult no matter how much the country wanted to have it.

COUNTRY DEMAND FOR CORPSMEN

Mr. SHRIVER. Have all the countries to which the Peace Corps volunteers have been sent requested additional corpsmen?

Mr. VAUGHN. No, I don't think so. We have a few countries where we have been a short time where they are just now digesting their first groups. I would say the overwhelming majority of the countries have requested them.

Mr. SHRIVER. Which countries?

Mr. VAUGHN. Mauritania. We have 13 volunteers in Mauritania and they have been there just a few months, and to my knowledge, they have requested no additional volunteers.

Mr. ASHBRANNER. Libya has asked for a small additional number.

Mr. VAUGHN. Yes. In Uganda they have requested an additional number.

Mr. SHRIVER. All the rest want more?

Mr. VAUGHN. Yes, and sometimes they are disappointed in the number they get because we can't always predict the number that will go overseas. The average rate of training attrition is 25 percent but sometimes it will be as high as 40 percent which may mean they are 10 teachers short.

RESULTS OF NEW PROGRAM PLANNING AND BUDGETING SYSTEM

Mr. SHRIVER. Last year you said you were moving into a new program system to help obtain results for the program. What is the status of this system and can you furnish examples of the tangible results?

Mr. VAUGHN. It is a Government-wide program, the program planning and the budgeting system which is aimed at permitting us to better determine our priority input, to tell us where to put our resources, in what kinds of projects, and in what countries.

The system has just been installed and part of the description that I provided in my introductory statement is a result of this program planning, and budgeting system. It is set up to measure accomplishment and perhaps even more importantly to help us determine through analysis where our resources should go, what number and why.

Mr. SHRIVER. If you want to enlarge upon that concerning the results, accomplishments of the new program system you might put that in record.

Mr. VAUGHN. We would be pleased to.

(The information follows:)

The establishment during the past year of a planning, programming and budgeting system in the Peace Corps already has had appreciable benefits.

(1) The stress on longer-range planning has permitted program directors longer lead times in designing specific programs and projects in host countries. With more advanced specific information on Volunteers' jobs it has been possible to issue invitations to applicants several months earlier than in the past and thus possible to initiate field investigations of the applicants at an earlier point. This eliminates the cost of sending unsuitable applicants into training. We estimate that this will result in a savings in training costs of over $800,000 in the present program year.

(2) Longer-range planning also has permitted more advanced decisions on the training required for the Volunteers, with earlier decisions and actions on the necessary contracts with training institutions. This has resulted in lower costs in some instances, and often, better training contracts.

(3) Concurrently, longer lead times in training have permitted more careful studies of the merits of in-house training, at the Peace Corps sites in Puerto Rico and the Virgin Islands, and overseas in-country training, as compared to contracts with non-Federal institutions in the U.S. The result has been an increase of in-house and in-country training. We believe that this permits an improvement in certain types of training, and that it will result in lower training costs.

(4) The PPBS has also enabled the Peace Corps to improve its programming, to focus on critical problem areas in host countries. The result is greater Volunteer effectiveness and greater impact of the Peace Corps in each country.

ATTRITION RATE DURING TRAINING PERIOD

Mr. SHRIVER. You said 25 percent of the volunteers you accept during Peace Corps training are eliminated during the training due to results of civil service investigations.

Mr. VAUGHN. That is not correct. The 25 percent attrition we have experienced in the past few years has been the result of what we ob-

served during the 14 weeks of training and includes all reasons for attrition.

Incidentally, we intend to reduce this percentage substantially this summer because we have increased our entrance requirements for trainees.

We have learned a lot about predicting success in training. We expect the attrition rate, beginning this summer, will be closer to 20 percent.

Mr. SHRIVER. What percent of the Peace Corps applicants who qualify for training declined the invitation?

Mr. VAUGHN. Our acceptance rate is in the range of 45 percent, between 40 and 45 percent of those invited.

Mr. SHRIVER. Has it improved any?

Mr. VAUGHN. No.

RELATIVE COSTS OF VARIOUS TRAINING PROGRAMS

Mr. SHRIVER. Would you furnish for the record the relative cost of the various training programs used for the incoming volunteers?

Mr. VAUGHN. Yes.

(The information follows:)

The following table compares the unit costs (cost per trainee) of the various types of Peace Corps training programs:

	Cost per trainee		
	Fiscal year 1966	Fiscal year 1967 estimate	Fiscal year 1968 estimate
Regular complete training			
1. By contract	$2,912	$2,750	$2,725
2. At Peace Corps training centers	2,676	2,506	2,506
3. In host countries:			
(a) Completely in host country	----------	2,200	2,200
(b) Partial (part in United States under contract and part in host country)	----------	2,500	2,500
Advance training:			
1. Advance training program (ATP)	4,106	3,396	3,396
2. Degree program	----------	2,750	2,725
3. Peace Corps/VISTA Associates training	----------	[1] 2,200	[1] 2,200

[1] Of which $1,000 is the VISTA Associates training segment; the balance of $1,200 is for follow-on Peace Corps training.

GUYANA PROGRAM

Mr. SHRIVER. Does Great Britain have a general assistance program in Guyana, formerly British Guiana?

Mr. VAUGHN. They do provide some support in the way of personnel and technical assistance, I am sorry I don't know the dimensions of that program.

Mr. SHRIVER. Your program is at the present time taking over their former responsibility?

Mr. VAUGHN. It is not. In no way.

POSSIBLE NEW PROGRAMS

Mr. SHRIVER. In the justifications which we have there is an item "New Countries" for the number of volunteers. What is that item?

Mr. VAUGHN. This is an estimate of what could happen if there are requests from Tonga and Fiji. It is not clear at this point whether we will start a program there for 1968 or not.

Mr. SHRIVER. What is the population of the Windward Islands?

Mr. VAUGHN. More than 200,000 people.

Mr. SCHRIVER. You are proposing 90 volunteers. What project would you be having there?

Mr. VAUGHN. These are mainly in teaching. One of our programs was in Saint Lucia. Then we moved to Barbados 90 percent of the volunteers had been teachers and we felt our best prospects were for future programs in teaching.

POPULATION OF RECIPIENT COUNTRIES AFFECTED BY PEACE CORPS PROGRAMS

Mr. SHRIVER. Can you furnish a table showing the approximate percentage of the total population of the recipient countries which are being affected by your program?

Mr. VAUGHN. We will try.

(The information follows:)

This varies a great deal from country to country. At one extreme, perhaps, is Micronesia, where virtually the entire population is affected by the efforts of the Volunteers. At the other end, an example would be India, where more than a million people are affected, comprising a fraction of one per cent of the population. In the latter case, however, we believe that by programming in such critical areas as food production the indirect effect will be greater.

UNDERDEVELOPED COUNTRIES NOT REQUESTING VOLUNTEERS

Mr. SHRIVER. What underdeveloped independent countries have not requested volunteers? I am wondering why those countries would not be interested. You may supply that for the record.

Mr. VAUGHN. This would be a rather long treatise because you would have to differentiate between the underdeveloped and the developing.

Mr. SHRIVER. I am talking about the underdeveloped independent countries.

Mr. VAUGHN. How would you rate, for example, Argentina?

Mr. SHRIVER. I would think that would be a developed country. It depends upon your viewpoint.

Mr. VAUGHN. I would say, Mr. Congressman, the largest group you would find meeting that definition would be in the Middle East like Egypt, Algeria, Jordan.

(The requested information follows:)

The following countries in the less-developed world have not requested volunteers: Cuba, Haiti, Nicaragua, Mali, United Arab Republic, Burundi, Zambia, Brunei, Algeria, and Jordan.

ASSISTANCE TO MICRONESIA

Mr. SHRIVER. Have we had any other assistance programs furnished by our Government to Micronesia?

Mr. VAUGHN. Yes, sir.

Mr. SHRIVER. What others?

Mr. VAUGHN. Micronesia after the war was given to the United States in trust by the United Nations to develop, and the Department of the Interior has been working in a major way there for some 20 years.

Mr. SHRIVER. How much money has this country put into that area of the world?

Mr. VAUGHN. I don't know, but I can get that figure for you.

Mr. SHRIVER. All right.

(The information follows:)

Insofar as can be determined, the following amounts represent Federal Government non-defense funds for administration and assistance of the U.S. Trust Territories of the Pacific Islands:

Department of Interior, Office of Territories

Fiscal year:	*Thousands*	Fiscal year—Con.	*Thousands*
1948	$1,022	1958	$5,960
1949	1,125	1959	6,378
1950	795	1960	6,818
1951	1,014	1961	6,133
1952	4,267	1962	6,304
1953	5,493	1963	[1] 15,000
1954	4,293	1964	15,000
1955	5,738	1965	17,500
1956	5,550	1966	17,344
1957	5,657	1967 (estimate)	[2] 17,500

[1] Assumed administration of the northern Marianas from the Department of the Navy on July 1, 1962.
[2] Increase in authorization to $25,000,000 approved for fiscal year 1967.

DROP IN SCHOOLS RECRUITED FOR VOLUNTEERS

Mr. SHRIVER. As I understand it, you are dropping approximately 200 schools from the recruiters' itinerary. Are those schools that have not shown interest in the program?

Mr. VAUGHN. Where it has seemed to us it is not the best investment of our funds and recruiter's time.

Mr. SHRIVER. In my part of the country, the Midwest, in my own State, for instance, have any schools been dropped?

Mr. VAUGHN. I haven't seen the list of those being dropped. The final list will be determined next month or in June for our recruiting plans for 1967–68. It is interesting to see where the volunteers come from traditionally whether there have been recruiters on the campuses or not. The top six are Berkeley, Michigan, Wisconsin, Stanford, the University of Colorado, and UCLA. Then there are certain private schools or smaller schools which on a percentage basis do even better. For example, Antioch, Oberlin, Swarthmore, and schools like that. There are certain schools—and I don't understand this—which give us virtually no volunteers but would seem to be our kind of school.

For example, Northwestern gives us virtually no volunteers. The same is true of Purdue, although the other "big 10" schools are high on the list. We feel we can't go every place to get the word out, for we have a fixed budget. We tend to go to the known producers, which may not be the wisest or the most democratic thing to do. I don't know how we can cover all schools, which is what I would like to do, even the schools with a student body of 400 or 500. I would like to go there and give them the message, too.

Mr. SHRIVER. I would think particularly the church-related schools which are small in terms of student population would be a really good area of interest and concern.

Mr. COHELAN. What about junior colleges?

Mr. VAUGHN. Junior colleges have never been high on our priority list. We have taken many AA graduates but actually we prefer the maturity and the skills that come with the college degree; that is, another 2 years' experience and maturing.

TRAINING PROGRAM IN MICRONESIA

Mr. SHRIVER. You are planning on training 400 volunteers in Micronesia?

Mr. VAUGHN. Yes, sir.

Mr. SHRIVER. Do you anticipate that the expense will be less by doing that? How do you explain that, especially with transportation costs involved?

Mr. VAUGHN. We expect that the attrition rate will be much less than the traditional 25 percent. We know that the training costs and living costs—food, shelter, and all the rest—will be sharply less. I think this will more than compensate for the extra transportation cost of those trainees who go over but don't make it.

Mr. SHRIVER. You think the attrition will be less for the reason that they are quite a ways from home?

Mr. VAUGHN. No; because of the stimulation and the opportunity to see firsthand what the opportunities for service are.

Mr. SHRIVER. It will be more exciting?

Mr. VAUGHN. Yes, sir; and more realistic. We find that is the pattern. If we get them out of the stultifying classroom where they have been for 4 years, as we say these days, we can turn them on.

Mr. SHRIVER. Thank you.

Mr. COHELAN. Mr. Vaughn, it has been called to my attention that last year in the hearings you indicated we were going to do recruiting for Micronesia and there seems to have been some lag in setting up the training program. Can you account for that?

Mr. VAUGHN. Yes, sir. We had a belated recruiting program which began in early May and we had over 3,000 applications for service in Micronesia. We trained in several places, including an abandoned movie setting on Key West and we sent 450 volunteers to Micronesia where they have been serving, some of them since last October. We currently have about 440 volunteers there and are going to add roughly 300 but not all in one group. About 175 will be from the first new group.

REQUEST BY WESTERN SAMOA FOR PROGRAM

Mr. COHELAN. How did you happen to get into western Samoa? What generated that requirement?

Mr. VAUGHN. The communications facilities are not the best in that part of the world, but the islanders in the Pacific heard about the Peace Corps and said they wanted us. We received the formal request about 2 weeks ago.

Mr. COHELAN. Don't you anticiapte any problems because, of course, American Samoa is adjacent to it and we have a very well developed Interior Department program there? Won't there be a kind of invidious comparison?

Mr. VAUGHN. We don't mind really if people are jealous of us. We might give them some technical assistance after a while if they need it. I don't see any problem.

Mr. COHELAN. They asked for it?
Mr. VAUGHN. Yes.

VOLUNTEERS FROM CALIFORNIA

Mr. COHELAN. I listened with great interest to your discussion on the distribution of volunteers throughout the Nation, and I just want to say I am very proud of California and the fact that so many of our people from Berkeley and from UCLA seem to have made successful volunteers.

Mr. VAUGHN. They had in fact, Mr. Congressman. The pattern has been that Berkeley provides us almost twice as many volunteers as the next ranking university.

Mr. COHELAN. This is a fact, may I say to my colleagues, that we try to remind people of when we hear so many other things about that great institution.

LACK OF VOCATIONALLY TRAINED VOLUNTEERS

When we started out the Peace Corps program, the idea was that we would have a mix of input. The young man who was mechanically-minded, who had vocational skills and so on. I take it from the trend we are not getting many of those. Can you comment on that?

Mr. VAUGHN. I would be pleased to. I recall an effort that was made to mount an industrial arts vocational training project in Jamaica and we enlisted the support of the UAW and put on a major recruiting campaign in the State of New York. We got two applications. We have had projects with labor unions. We had one in Guinea and we anticipate having one in the Gambia in industrial arts and vocational training, but it is very difficult to get them.

My belief is that the men who would be just right for these kinds of programs are men who are married, with children, are in debt, and they are not available for Peace Corps service. We certainly could get more retired people. I don't know how to do this but I do know that it costs us four or five times as much money to reach the retired former master mechanic or shop worker than it costs us to reach a university student.

Mr. COHELAN. That 5 or 8 percent consists of nondegree people or of elderly people who are in the Corps?

Mr. VAUGHN. Yes.

Mr. COHELAN. I note, too, that we have medical doctors abroad, so we have some highly skilled people, too.

Mr. VAUGHN. We have about 20 volunteer physicians.

DECLINING INPUT OF VOLUNTEERS IN VARIOUS COUNTRIES

Mr. COHELAN. From the justification sheet can you explain the countries, for example, Nigeria which has gone from 697 to 600, and Tanganyika which has gone from 322 to 200, Togo from 144 to 100, and so on. What is the reason for the decline in input?

Mr. VAUGHN. It is different in every country. In the case of Tanganyika, or Tanzania, the reason is that they have decided they will have no foreigners teaching at the elementary level. Many of our volunteers

a year or two ago were elementary school teachers. What were the other countries?

Mr. COHELAN. That roughly would be the reason, some in-country reason.

Mr. VAUGHN. In some cases it is just a matter of phasing and there will be a bigger input this summer which will boost the total back up.

Mr. SHRIVER. I notice in your statement you say in Sierra Leone the income has been increased.

Mr. VAUGHN. For this particular group, as I recall.

WORK IN FARM COOPERATIVE GROUPS

Mr. SHRIVER. The farmers cooperative group. You helped them in developing marketing procedures, new agricultural procedures, and so forth. To what extent was this particular group able to increase their income? Have you some figures on that?

Mr. VAUGHN. We do have specific figures, yes. We shorthanded all these accomplishments because if we had given you a full treatment it would have been too long.

(The information follows:)

The vegetable co-op was run by Peace Corps Volunteer Bob Baggett in the Kabal area of Sierra Leone. The extent of the income rise experienced by the co-op farmers is indicated by the twelvefold rise in co-op membership in the last year. This sort of membership increase, despite a deeply ingrained African rural conservatism, can only be brought about by hard, demonstrable, financial gains on the part of the original co-op members. In a less direct way, the potential income of these farmers has increased manyfold by a willingness to accept new methods of agriculture and crop diversification. This was the first time that these farmers experimented in non-subsistence farming and, due to their financial success, the experiment is growing throughout that part of Sierra Leone. In terms of U.S. dollar increase, the cooperative has increased its capital in 20 months from $0 to $17,000. Individual farmers realized varying increases in income from $70 to $400 per year. This contrast with the average per capita income in Sierra Leone of $140 per year.

Mr. SHRIVER. That stood out as relating to one of these small underdeveloped countries.

Mr. VAUGHN. We have found, incidentally, that in Latin America at least one of the things we do best is working in co-ops. We have found there is general acceptance of this as a democratic, liberal, open, nonpolitical concept. We have recently done a survey of three countries in Latin America where volunteers work in co-ops, and it is about the most exciting thing we are doing today. It is going very well, it is educational and democratic, it gets people involved and educated, and it has a real economic benefit.

Mr. SHRIVER. It has been very successful in this country as well.

Mr. VAUGHN. Yes.

PROGRAM IN ETHIOPIA

Mr. COHELAN. Over the Easter vacation I had the privilege of reviewing World Bank projects and the program in Tunisia, Ethiopia, Kenya, and the Ivory Coast. We had an opportunity to meet our Peace Corps people and see rather superficially some of the things they were doing. It was all very exciting and encouraging. I was wondering what your evaluation of the program was in Ethiopia, where we were, by the way.

Mr. VAUGHN. I have been impressed that the Ethiopian program is one of the best we have. There are some who say we should be working in agriculture more where, as I indicated earlier, it has been almost exclusively teachers. We have an outstanding man, Dave Berlew, as director there. I think it is more orderly and better planned and more responsive to Ethiopian needs now than at any time in our history. I am very proud of that program.

FRENCH ASSISTANCE TO THE IVORY COAST

Mr. COHELAN. I was impressed that the Ivory Coast is a very rich country, rich in the same sense that Indonesia is. I was also impressed with the continuing influence of the French there as a former colonial area. There is a continuation of French support in that area. Do the French do anything there at all in terms of support?

Mr. VAUGHN. Yes; they do. They have a little different arrangement than we have. I should say here that it is now a rare country where we send volunteers where there are not volunteers from other countries. For example, in Iran there are volunteers from six countries. In Ethiopia the Swedes have a major effort with 64 volunteers.

In the case of the ex-French West African countries, the French have a system related to their military and to their draft, so that after a basic program the young man has the option of finishing out his service in the military as a conscript or of going to a former French colony to teach. We find many hundreds of French conscripts are working as volunteers throughout these former colonies.

Mr. COHELAN. Are there any conflicts or irritations involved with our people and some of these other groups?

Mr. VAUGHN. Not to my knowledge. There is a little dating that goes on, but I do not know anything worse than that.

RUSSIAN ASSISTANCE OF THE PEACE CORPS TYPE

Mr. RIEGLE. I am just wondering, is the U.S.S.R. or any other Iron Curtain country in this program as we are now?

Mr. VAUGHN. No. There have been some major inputs of technicians from the bloc countries and from China, but they operate on a much different basis. They live in a stockade. They herd everybody in at night and bar the doors and then they let them out the next day to do their technical work, whatever it is. They have even menial laborers working on this basis. They don't fraternize with the people. They are not at liberty to seek their own jobs or to live on a level with the people.

Mr. RIEGLE. If the program is as successful as a lot of folks believe it is, I am curious why it isn't being copied. The Russians are great copiers of things we have done which are successful. Why are they so slow to move in this area?

Mr. VAUGHN. The only reason I can think of is that the Russians perhaps are concerned with their young people defecting. I can't think of any other reason.

CONTROLS TO AVOID DUPLICATION WITH OTHER COUNTRY ASSISTANCE

Mr. COHELAN. Tell me this, Mr. Vaughn. Where we do have these other foreign countries that are making some kind of contribution to

a developing country, to what extent is there any duplication, or are we channeling our work in different areas?

Mr. VAUGHN. We have some ways of coordinating this. We have the ISVS, the International Secretariat for Voluntary Service, and we have our own small office in the Peace Corps, the Office of National Voluntary Service Programs, as the coordinating or liaison point to make sure there is not duplication. To my knowledge there has never been competition or rivalry.

I was just noticing, going back to an earlier question about the nature of the involvement of Great Britain in Guyana, there are 14 Canadian volunteers, 28 United Kingdom volunteers, and 43 U.S. volunteers in that country. We have the capability of coordinating these efforts in the country because of our staff. I have found, after many years of being a bureaucrat, that the best way to coordinate foreign assistance programs is in the field where the work is going on and not from Washington. I don't think much gets coordinated from Washington. We have that capability because we have a supervisory staff in the field.

Mr. COHELAN. Then we do actually have cross communication with some of the other groups?

Mr. VAUGHN. Yes.

Mr. ASHABRANNER. We rather frequently have had meetings with heads of some of the other foreign volunteer programs to discuss the kinds of activities that they were carrying on. For example, some times these meetings were held with the Indian Government officials. In at least one case in India there is some cooperation between another volunteer program and the Peace Corps program in a small project in the State of Kerala. This sort of thing is possible and does go on.

Mr. COHELAN. That is very encouraging.

Mr. VAUGHN. In the last analysis we must look to the host country to do the coordination.

SITUATION IN NIGERIA

Mr. COHELAN. Continuing in Africa, turning our attention to the situation currently in Nigeria, do you expect any problems? Are you watching that situation?

Mr. VAUGHN. Very carefully.

(Discussion off the record.)

GRIPES OF VOLUNTEERS AND STAFF

Mr. COHELAN. Mr. Vaughn, you described earlier very impressive budget control and cost accounting and a cut in per capita cost. I asked you whether there have been any qualitative changes and you responded at least to my satisfaction. My question now is, Are you getting any gripes from the volunteer corpsmen because of some of the restrictions in their incomes and their privileges?

Mr. VAUGHN. Yes. I have had a large number of gripes. First, I think the most vociferous resulted from my decision to abolish Peace Corps hostels. There were many complaints and great unhappiness in a number of countries, especially two or three in particular. This, I think, is the main item. On the other hand, I have had many gripes from staff members that we were pinching pennies too hard and too

much and we were becoming bureaucratic because we had better fiscal controls and were insisting upon greater fiscal responsibility. It is very tough to remain within a tightly controlled budget. I would say there have been more gripes from staff than from volunteers with the exception of that one issue which resulted from our abolishing about 65 hostels.

STRENGTHENING OF ENTRANCE REQUIREMENTS

Mr. COHELAN. You said earlier that you had more or less increased the entrance requirements for the corps.

Mr. VAUGHN. Yes.

Mr. COHELAN. I take it by that you mean you are tightening up the standards.

Mr. VAUGHN. We are.

Mr. COHELAN. What is the reason for that?

Mr. VAUGHN. The reason for that is I want a stronger and more competent Peace Corps. I have been told by dozens of exiting volunteers that their main problem overseas, at least from the psychological standpoint, was the presence of a small percentage of volunteers who were not good enough. I am concerned about the high cost of putting 25 percent of these people into training who do not make it through. That costs us a lot of money. I think that by raising our criteria based on what we have learned and being able to predict successful training and success overseas that we can cut this 25 percent attrition rate by about 5 percent.

Mr. COHELAN. Has this affected your recruitment program? Does it make it harder to recruit people?

Mr. VAUGHN. I do not think so. I think the kind of people we want would take the kind of pride I take in having a better and stronger Peace Corps.

Mr. COHELAN. Couldn't it be of greater value to have a higher dispersion throughout the country of volunteers?

Mr. VAUGHN. Yes; but I am not sure there is a link here between raising our standards and the source of volunteers. We are not talking about academic standards. We are talking about character and ability and intelligence and skills and flexibility and performance, being leaders in their lives before the Peace Corps.

Mr. COHELAN. Have you had time to evaluate these new standards?

Mr. VAUGHN. No; I have not. They were instituted about 3½ months ago. I am convinced, Mr. Congressman, that for the remainder of this year there will be several thousand people who won't be invited to Peace Corps service who would have been invited last year.

Mr. COHELAN. But you do not think this will affect your ability to go out and get the people that you need?

Mr. VAUGHN. I think there may be a little of the reverse.

Mr. COHELAN. That is to say it will be more attractive to get into.

Mr. VAUGHN. Yes, sir.

Mr. COHELAN. Even with these higher standards, how do you explain the rather substantial attrition rate?

Mr. VAUGHN. We will know by next month what the effect has been. The new standards went into effect 3 or 3½ months ago. There are projects now in training that will reflect these new higher standards. That training is not over yet. I am willing to give very attractive odds

in a bet that we will be able to see a sharp reduction in the attrition rate visible starting next month.

Mr. COHELAN. I would merely comment, Mr. Director, I am all in favor of the high standards. I just hope that it does not in any way affect our program adversely.

Mr. VAUGHN. I hope it doesn't make it less democratic.

Mr. COHELAN. This is what I am driving at. While I am very proud of the inputs from California and some of the larger States. I do think it is awfully important that this be a national program.

Mr. VAUGHN. I want to assure you, Mr. Congressman, that your daughter could have gotten in under these new standards, too.

Mr. COHELAN. As you know, I perhaps should disqualify myself as an interrogator because I have quite an emotional commitment to this operation. I want to ask you a very serious question. As you know, I am not without some information.

FATALITIES AMONG CORPSMEN

How many fatalities have we had?

Mr. VAUGHN. Forty-one.

Mr. COHELAN. How many did we have last year?

Mr. VAUGHN. Forty-one to date since the beginning of the Peace Corps. I do not have that right at hand but I will get it for you.

Mr. COHELAN. Have you got any data there, and I think you ought to put it in the record, what were the causes of death?

Mr. VAUGHN. Yes; we have this. We can put this in the record if you like, sir.

Mr. COHELAN. That is fine.

(The information, follows:)

Deaths by cause through April 14, 1967

Cause of death	*Number*
Accident:	
Airplane	7
Vehicle [1]	10
Motorcycles	3
Falls	2
Exposure	2
Electrocution	1
Poison	1
Asphyxiation	1
Attacked and killed by crocodile	1
Illnesses	7
Drownings	6
Total	41

[1] Includes: jeep, auto, truck, and so forth.

Mr. RIEGLE. Could you give a couple of examples?

Mr. COHELAN. Airplane accidents, seven; motor vehicle, 10; falls, two; exposure, two. What would that mean? Was a volunteer on some kind of a holiday?

Mr. VAUGHN. A volunteer couple in Turkey were on holiday skiing in the mountains. There was a blizzard and they were trapped and froze to death. This happened just 3 months ago.

Mr. COHELAN. Electrocution, one; poison, one.

Mr. VAUGHN. This I think was in the Philippines. The electrocution was in Thailand. I am sorry I do not know the specifics of that.

Mr. COHELAN. It was not anything criminal.

Mr. VAUGHN. I do not know.

Mr. SHARLOT. It was an overdose of a malaria suppressant, an accident.

Mr. COHELAN. Asphyxiation, one; attacked and killed by crocodile, one; illnesses, seven; drowning, six.

This was through last year. How many were last year?

Mr. VAUGHN. There were 13 in 1966.

Mr. COHELAN. Were they pretty well distributed throughout the world?

Mr. VAUGHN. Ecuador, Ethiopia, Peru, Nepal, Thailand, and Nigeria.

Mr. COHELAN. What do you do when a death is reported? Do you advise the next of kin?

Mr. VAUGHN. Yes. This is one of the most bitter things you can imagine. It is just awful. We advise the next of kin and sometimes bring the body back escorted. We have a former volunteer from that country or a staff member from Washington accompany the body to the funeral. We do everything we can for the next of kin.

ILLNESS OR DISABILITY FROM SERVICE

Mr. COHELAN. As we both know, there is a high frequency of dysentary and hepatitis. My next question is directed at permanent disabilities as a result of Peace Corps service and residual disability.

Mr. VAUGHN. This is handled through the Bureau of Employees Compensation. If there is a service-connected illness or disability, the former volunteers can apply for this compensation as can any other Government employees and be awarded a certain stipend or have their medical bills covered by this agency.

Mr. COHELAN. What if a volunteer gets amoebic dysentary and is hospitalized and released and ultimately terminates and comes back home and has the recurrence? How is that handled?

Mr. VAUGHN. If it is established that it is service connected, they have this source of help.

Mr. COHELAN. Have you had any such cases?

Mr. VAUGHN. Yes, sir, we have.

Mr. COHELAN. How about hepatitis?

Mr. VAUGHN. Hepatitis is less of a problem because as you know, we pioneered the use of gamma globulin in the prevention of this and reduced it to the point where it is really not a serious problem any longer. Now the State Department and AID give gamma globulin shots routinely.

Mr. COHELAN. I do not want to labor this, but will you supply for the record any detail you have on this in terms of disability and so on?

Mr. VAUGHN. Yes.

(The information follows:)

The U.S. Department of Labor Bureau of Employees' Compensation statistics for the Peace Corps are as follows:

1961	(1)
1962: 1 injury	$5,840
1963:	
1 disease	13,279
3 injuries	25,955
1964:	
2 diseases	9,287
8 injuries	86,284
1965: No diseases, 3 injuries	93,859
Total diseases, 3	22,566
Total injuries, 15	211,938

[1] No cases filed with BEC.

NOTE.—Cost includes medical treatment and disability compensation. The Bureau of Employees' Compensation could not furnish statistics beyond the year 1965.

Mr. COHELAN. I take it when you consider it in relation to the 5-year program and in the course of human events and considering the known hazards that it is a relatively small figure, is it not?

Mr. VAUGHN. It is. The chances of death in the Peace Corps are less than the chances of a young adult in the United States, I would say. Our insurance premiums are the lowest any place.

Mr. COHELAN. Needless to say there are many questions I would like to ask but I do not want to take up any more time.

I merely conclude my own questioning by saying I am extremely proud of the Peace Corps and I am very proud of the job you have done since you have been aboard.

Mr. VAUGHN. Thank you, sir. I deeply appreciate that.

Mr. PASSMAN. Mr. Conte?

REDUCTION OF BUDGET REQUEST FOR FISCAL YEAR 1968

Mr. CONTE. Mr. Vaughn, you state that an amendment was submitted reducing your original budget request of $124,400,000 which was submitted to Congress in January, to $118,700,000. When was that amendment submitted? What was the time period between the last opportunity to change the budget request that was to be submitted to Congress in January and the date that you determined that less money would be needed.

Mr. VAUGHN. On November 1, 1966, the Peace Corps formally submitted to the Bureau of the Budget the fiscal year 1968 budget estimates. These were based mainly on fiscal year 1966 experience plus approximately 60 days of operation in program year 1967. Between that date and the last week in December 1966, the Bureau held hearings and reviewed in detail the initial submission of the Peace Corps. During that last week in December 1966, the Bureau of the Budget gave the Peace Corps an approved budget total of $124.4 million to be included in the budget submitted to the Congress in January 1967.

The $124.4 million estimate contained in the President's budget remained constant during the January–February 1967 time period. In March 1967, after 6 months experience in program year 1967, a review of training costs, a reassessment of training methods and the firming up of certain selection criteria, in combination, indicated that a revision to the 1968 estimate was in order. Further, a judgment could then

be made that it would be possible to use available fiscal year 1967 funds as an offset to some fiscal year 1968 requirements.

During the period of April 5 through April 12, 1967, the Bureau of the Budget staff was informally briefed and provided with detailed material concerning the proposed revision to the January congressional budget request. The Bureau staff then informally advised us that they concurred in the proposed revision. The formal action—a letter from the Director of the Peace Corps to the Director of the Bureau of the Budget—was taken on April 19, 1967, and indicated that the new obligational authority for fiscal year 1968 should be revised from $124.4 to $118.7 million.

Mr. CONTE. Would you expand on the factors which resulted in your being able to reduce your requests by almost $6 million and why it was not possible to determine that this money would not be needed at an earlier date?

Mr. VAUGHN. Four major contributing factors became apparent subsequent to the submission of the January budget and dictated the reduction in the fiscal year 1968 request:

(*a*) A factual indication that contract training which averaged $2,912 per trainee in fiscal year 1966, was averaging $2,750 thus far in fiscal year 1967 and that a possibility existed to further reduce this unit cost to $2,725 beginning in fiscal year 1968. This information was not factually solid enough to indicate a further reduction in fiscal year 1968 until this time. In fact, it would be even more preferable to assess this possibility in the May–June 1967 period when the major contracting effort will be substantially completed.

(*b*) The decision that success in training could be increased from past experience of 75 percent to a projected estimate of 80 percent. This involved a measure of certainty that a "successful trainee profile" could be developed and that the necessarily higher selection criteria could be applied to future training programs. That determination was made during March 1967 and the higher selection criteria scheduled for application during spring-summer training for program year 1967 and for all future programs. This decision and its implementation made an economic impact partially on fiscal 1967 funds and fully on fiscal year 1968 funds.

(*c*) Historically, the Peace Corps has accomplished its regular training almost completely by contract. During program year 1966, a proportion of this training—less than 10 percent—was accomplished in-house in the Peace Corps training sites at Puerto Rico and the Virgin Islands. During program year 1967, a pilot in-host-country training program was conducted. Its results became available and were reviewed subsequent to the submission of the January budget.

Those results indicated that it was feasible, desirable, and more economical to divert a portion of the traditional contract training to in-host-country training. Further, they indicated that this training could be conducted to an extent completely in-house by the country staff and by a combination of contract and in-house.

Additionally, the Peace Corps/VISTA associate training program was not at all contemplated in the January budget. This training innovation was firmed up during February 1967 and the cost and procedures agreement with VISTA was consummated in March 1967. This training will shift 500 trainees from the regular contract seg-

ment into the PC/VISTA segment. The program is scheduled for both 1967 and 1968. Its unit cost per trainee is estimated to be less than the comparable unit cost for regular training.

(*d*) The above points have had an impact on the fund availability for fiscal year 1967. Other operating program economies have also been effected.

The time required for such an assessment exceeded the January budget cutoff date. (Since the Peace Corps operates on the program-year concept (August 31) the nearer to that point in time, the more susbtantive such judgments can become.) As soon as it was possible to estimate with a reasonable degree of certainty that some fiscal year 1967 funds could be available for prudent application to fiscal year 1968 requirements, the decision was made to adjust the budget request accordingly.

Mr. CONTE. You realize, Mr. Vaughn, that every time you request and receive approval from the Bureau of the Budget for more money than you determine a few months later that you need, you have prohibited the Bureau of the Budget from allocating that extra sum in the most beneficial manner, taking into account the overall picture that the Bureau deals with? Your Department has now done this, I believe, three times in the last few years.

Mr. VAUGHN. It is again necessary to stress that the Peace Corps operates on a program-year basis (September 1 through August 31) for volunteer and trainee strengths and for contract training entries. This, in itself, requires cost and program assessments to be made as close as possible to those dates in order to get the most substantial "actual" base possible.

The Bureau of the Budget has been kept completely informed of the close and constant surveillance of costs in the Peace Corps. It should be pointed out that the initial request sent to the Bureau last November 1, 1966, did in fact exceed the amount finally approved for submission to the Congress. The difference between the two amounts may be accounted for substantially by the facts that became available between November 1, 1966, and the cutoff date for those estimates.

The Peace Corps did not decrease the fiscal year 1967 request except for a decision with respect to the size of this year's research program. Congress did not authorize or provide funds for the proposed partnership exchange program which accounts for the difference in fiscal year 1967 between the request and the appropriation.

EXCHANGE PEACE CORPS

Mr. CONTE. You have not proposed this year the Exchange Peace Corps program which was not authorized last year by Congress. Have you dropped this plan permanently or do you intend to attempt to initiate it again sometime in the future?

Mr. VAUGHN. When we proposed an exchange Peace Corps program last year, it was the view of the House Foreign Affairs and Senate Foreign Relations Committees that the Peace Corps should not administer such a program. It was their further view that sufficient authority existed under the Fulbright-Hays Act to permit a pilot project along the lines of our proposal to be conducted by the Bureau of Educational and Cultural Affairs in the Department of State. Although the Peace Corps provided some assistance in the initial stages

of this pilot program, we have had no continuing role in its development. According to the information I have, the pilot project will bring about 100 young men and women from around the world to work in the United States beginning this summer.

If this pilot program is successful, Congress may determine that such a program should be conducted on a permanent basis. I have no intention at the present time to propose that the Peace Corps be the agency which would administer such a permanent program.

DROP IN PROJECTED VOLUNTEERS

Mr. CONTE. In the President's budget message you project 16,225 volunteers as of August 31, 1967 and 19,240 volunteers as of August 31, 1968. In your statement you project 15,300 volunteers as of August 31, 1967 and 17,750 volunteers as of August 31, 1968. What has accounted for these changes? Is it in any way related to a lack of what you would consider sufficient qualified people to fill the jobs?

Mr. VAUGHN. The earlier projection in the budget message was based on an anticipated input of 10,500 trainees in fiscal year 1967. This was reduced to 9,550 and thus reduced the projected volunteer and trainee strength as of August 31, 1967. This reduction was substantially a result of strengthening selection standards. With the more stringent standards, however, we intend to assure a higher success-in-training rate, and are able to invite substantially fewer people into training. With these better qualified people entering training, we expect that the success-in-training rate will increase from 75 percent to about 80 percent.

These same considerations applied to fiscal year 1968 have caused a corresponding reduction in those figures.

ABILITY TO MEET REQUESTS

Mr. CONTE. The budget message also states that requests from countries for volunteers continue to increase. Could you give us the figures on the amount of requests that you have had, how many you have had to turn down and how many were turned down because the projects involved were not appropriate. Also could you tell us, how many were turned down because of lack of manpower and what were the countries which have made requests that were not able to be fulfilled because of lack of manpower?

Mr. VAUGHN. The development of Peace Corps programs begins in the field, with discussions between our field staff and officials of the host countries. In choosing the critical areas of work for volunteers, areas that we and the host country agree are critical, many potential requests are thus eliminated and never become actual requests.

In the priority areas chosen, we are often unable to fulfill completely the requests for particularly skilled volunteers; for example, those skilled in agriculture and those with undergraduate degrees of mathematics and the sciences are always in short supply. For this summer's programs, we could have used 100 more volunteers with degrees in math or science in the Philippines, 50 in Malaysia, 5 in Guyana, and so forth, to a total of more than 350 in all countries. We would have placed also an additional 300 skilled in agriculture.

TEACHING EXPERIENCE

Mr. CONTE. As I understant it approximately half of the volunteers are engaged in teaching and approximately half of those have not had any teaching experience before. Have you found this lack of teaching experience to be a hindrance at all to the success of those without it?

Mr. VAUGHN. The lack of previous teaching experience has not been a hindrance to volunteers in teaching programs. A part of their Peace Corps training is training in teaching, and this includes actual teaching of classes. Host countries continue to request these volunteers despite their lack of experience.

INCREASE IN AGRICULTURAL DEVELOPMENT SERVICE

Mr. CONTE. According to the budget message you plan to increase from 15 to 30 percent the number of volunteers serving in agricultural development, and related activities. What effect will this have on the other categories of assignments? Will these increased forces in agricultural development be fairly well spread around or will they be concentrated in any particular countries?

Mr. VAUGHN. This earlier projection has since been modified. The actual number of volunteers and trainees in agricultural development and related activities is expected to increase by more than 400 between August 31, 1967, and August 31, 1968. This is an increase of about 18 percent; at each point in time, however, the volunteers and trainees in this field will remain approximately 15 percent of the total number. Instead of being concentrated in just a few countries, the increased number of volunteers will be placed in Latin America, Africa, and NANESA, where they will expand on-going projects and begin pilot projects.

APPLICATION OF PPBS

Mr. CONTE. Again refering to the budget message, the statement is made that the new planning, programing, budgeting system has assisted in focusing programs more sharply on key problems in the developing countries. Could you expand on that statement and also could you inform us what else is being done under PPBS? Also, last year you stated that you were studying the advisability and feasibility of establishing an "in-house" computer service. What conclusions have you reached concerning this?

Mr. VAUGHN. Under PPBS we begin our considerations of any Peace Corps programs and projects with questions about the importance of the proposed work in relation to the problems of the host country in question. This requires study, with the host country, of the country's major needs and identification of those problems most suitable for our type of assistance. Within these problems we try to establish priorities. We try to make decisions, in other words, on which are the most critical problems, requiring more immediate attention, and which are less critical.

As a result we have been able to identify specific health tasks in Micronesia and Korea, teaching of mathematics in the Philippines, food production in India, and construction of wells in Upper Volta. In Latin America, where our community development work was previously very general, we are now emphasizing such critical areas as agricultural productivity and development of cooperatives.

We did decide that a computer was justified for many Peace Corps needs. By December 1966, a computer had been rented and installed, and since then has been used for payroll and accounting work, and also for sorting through tens of thousands of volunteer applications to find needed skills and backgrounds. We expect to unite this selection processing system with the volunteer records, and this integrated system will show the status of all programs, in training and overseas. Later we plan to use this basic model for program projections within the PPBS system.

ADDITIONAL COUNTRY PROGRAMS

Mr. CONTE. Would you state for the record the five new countries which you plan to add to the program?

Mr. VAUGHN. This summer the Peace Corps will enter the Gambia, Upper Volta, Western Samoa, Lesotho, and will reenter Ceylon.

JUSTIFICATION FOR INCREASED PERMANENT PERSONNEL

Mr. CONTE. You state that the administrative expenses for fiscal year 1968 is projected at 23.9 percent of the total appropriation, a small increase over fiscal year 1967 which was 23.2 percent. The budget message indicates more than 400 requested new permanent positions over those for fiscal 1967, whereas fiscal year 1967 required only 50 additional permanent positions over 1966. Could you explain what has accounted for this need for more than 400 new permanent positions?

Mr. VAUGHN. The fiscal year 1968 budget message requests approval for 1,670 permanent positions for the Peace Corps as of June 30, 1968. This figure represents a total increase of 430 positions over the authorized fiscal year 1967 end-year ceiling of 1,240 employees.

Approximately two-thirds of the requested increase (285 positions) is in the area of foreign national employment; the remaining one-third (145 positions) is proposed in the area of permanent, full-time positions to be filled by U.S. citizens.

FOREIGN NATIONAL EMPLOYEES

The principal reason for the Peace Corps' request for 285 additional foreign national employees is to implement the agency's decision to comply, as a matter of policy, with the views of the Comptroller General on the use of contractor personnel. The position of the Comptroller General, as expressed in House of Representatives Report No. 188, 89th Congress, 1st session (1965), is, in brief, that personal services are often obtained by contract when they should be obtained by direct hire. Persons directly hired would, of course, be counted against the agency's employment ceiling.

The Peace Corps has, however, as a matter of practice, contracted with many foreign nationals for the provision of services and in many cases did not count these personnel against its employment ceiling. This was done pursuant to the extraordinary authority of the Peace Corps Act, section 10(a)(4), which authorizes such contracts and specifies that no such person shall be deemed an officer or employee or otherwise in the service or employment of the U.S. Government for any purpose. The result of this practice is illustrated by a personnel survey made in early fiscal year 1967. On August 1, 1966—at a time

when the foreign national end-year ceiling was 100 positions—Peace Corps overseas posts reported some 315 foreign nationals were divided into various categories based on the nature of the relationship with the Peace Corps (direct hire or contract), the source of funds (host country contributions or appropriations), and the nature of the duties (custodial, clerical, full time, intermittent, etc.).

Although the language of section 10(a)(4) appears sufficiently broad to permit the Peace Corps to contract for all such services by foreign nationals, the decision on whether or not a particular person should properly be counted against our employment ceiling was based upon the nature of each "employment" category. These categories were created after a thorough examination of the limitations placed upon the language of section 10(a)(4) by its legislative history and with a desire to satisfy the objectives of the Comptroller General and of the Bureau of the Budget which was also interested in this area of personal services.

In response to the Bureau of the Budget's expressed desire for uniformity in the reporting of numbers of personnel, the views of the Comptroller General, and a simplification of our own system of obtaining necessary services abroad, it has been decided that our present procedures should be changed. This will require the conversion of full-time local personnel (except those providing custodial services), whose services have previously been provided under contract, to regular Foreign Service local (FSL) appointments.

To implement this decision, it has been estimated that permanent foreign national employment requirements will increase to the requested level of 405 by June 30, 1968.

It should also be emphasized that these 285 foreign national positions do not represent an actual net increase since these personnel are already providing services under one of the various arrangements mentioned above.

U.S. EMPLOYEES

The 145 remaining positions will provide for an increase of 70 overseas staff (56 of whom will be required for new countries), and 75 Washington staff members.

During fiscal year 1967 it became apparent that overseas staff requirements warranted priority consideration. Within the allocated ceiling of 1,240 positions, therefore, the Peace Corps elected to forgo needed additions to the Washington staff in order to strengthen overseas staffing to provide improved project supervision and volunteer support. By way of illustration, it is estimated that Peace Corps/Washington staff levels on June 30, 1967, will by 29 positions fewer that were on board on June 30 of the preceding year. We therefore consider it essential that 75 Washington positions be provided to keep pace with growing requirements, particularly in the functional areas of recruitment, selection, and training.

The 70 additional positions requested for overseas assignment are closely related to program growth and development in the Peace Corps programs abroad. Fifty-six of this number are requested to staff new country programs anticipated during fiscal year 1968, and the remaining 14 positions are destined for those countries whose governments have requested additional Peace Corps programing.

REDUCTION IN TRAVEL ESTIMATED

Mr. CONTE. One other question based on figures set forth in the budget message: I see that you have managed to reduce, according to your estimations, travel and transportation of persons expenses from $15,250,000 for fiscal year 1967 to $14,724,000 for fiscal year 1968. Could you set forth for the record how this has been accomplished.

Mr. VAUGHN. Travel funds for fiscal years 1967 and 1968 were originally estimated for the fiscal year 1968 President's budget as $15,250,000 and $14,724,000, respectively. The decrease of $526,000 between the 2 years was principally due to the elimination of home leave for volunteers after training. This resulted in a savings of $1 million over fiscal year 1967 since travel and per diem for the return trip to the volunteer's home are no longer required. Offsetting this were increases of $0.5 million for in-country travel of the larger number of volunteers in fiscal year 1968 and post assignment travel of additional overseas staff.

VALUE OF 5-YEAR EMPLOYMENT LIMIT

Mr. CONTE. You presently have legislation which places a 5-year maximum on the time which people can work for the Peace Corps. Although this provision has value in preventing or limiting the development of detrimental bureaucratic procedures, it also results in the lack of developing expertise in your organization. This need for expertise might be especially important in places like your Washington office which is the center of your operations. Would you comment on how, in your opinion, this 5-year limitation affects staff operations—does it result in higher costs because of the continuing need to train new employees; does it in effect lead to increased high turnover because no one can stay there a long time in the first place?

Mr. VAUGHN. In my opinion there is great merit in having a fixed maximum for Peace Corps service. However, I believe the agency might benefit in terms of greater professionalism, lower employee cost, greater continuity, better language skills and increased attractiveness to prospective employees, were the maximum period to allow for three full "tours," with some combination of overseas and Washington tours. Since standard Peace Corps appointments are for 30 months in Washington and 36 months overseas, this would involve extending the present 5-year statutory maximum to 8½ years. We are considering, in the light of our experience to date, seeking such an amendment of the Peace Corps Act sometime before October 10, 1970, when the 5-year limit will have run for employees on board when our new personnel system was initiated.

RECRUITING ORGANIZATION, STANDARDS AND ACCOMPLISHMENTS

Mr. CONTE. What is the size of your campus recruiting staff? You state that the recruiting teams are operating out of Chicago and San Francisco for the most part. Are the supervisory personnel at these places former volunteers? Also what role is the recruiter playing in the decisionmaking function of selecting applicants to joint the Peace Corps?

Mr. VAUGHN. The size of the campus recruiting staff numbered 110 from September to December 1966, and 62 from January to April

1967. Our four regional offices are as follows: One in Chicago, one in San Francisco, and two in Washington, D.C. In all of the regional offices the supervisory personnel (regional director and deputy director) are returned Peace Corps volunteers. In addition, the Director of Campus Recruiting and all recruiters are also returned volunteers.

The recruiter's role is to communicate the Peace Corps message to all segments of the college community. He in no way performs or influence any of the selecting processes. Selection of Peace Corps trainees is left entirely to the Office of Selection.

Mr. CONTE. You state that you have continued to improve selection standards which has resulted in an increase in your success-in-training rate to 80 percent. Could you describe this improvement in selection standards?

Mr. VAUGHN. Each applicant is rated on a 1 to 5 scale according to five characteristics (1) motivation (measured by past performance, academic achievement, involvement in social service activities, extracurricular involvement, and the applicant's statement on motivation to join the Peace Corps), (2) language ability (indicated by school grades and the score on the modern language aptitude test), (3) technical skills (developed through previous training, experience and education), (4) interpersonal relationships (obtained from references), (5) emotional maturity (also indicated by references).

Following these ratings, an overall suitability rating of 1 to 5 is assigned and only those applicants receiving a rating of 3 or above are invited to a training program. The new criteria were developed by analyzing those applicants rated as 3's, with the view toward identifying the characteristics among those 3's which were associated with unsuccessful as against successful training performance. In general, poor or uneven academic performance, low language aptitude, and unenthusiastic or mixed references indicating possible emotional immaturity are associated with unsuccessful training performance. In the past, the Peace Corps has taken the calculated risk of placing such applicants in training and making the finl determination to send them overseas on the basis of their training performance. It is reasonable to assume that reducing the number of marginal 3's (approximately 30 percent of the total rated 3's) can result in lowering the attrition in training by approximately 5 percent.

TRAINING PROGRAM

Mr. CONTE. Could you supply for the record the statistics for the last seven years on the number of applicants, the number invited to join the program, the number who accepted and the number who successfully completed training and entered the program? Can you project what the answer would be to these same questions concerning applicants for fiscal year 1968?

Mr. VAUGHN. We can provide you this.

(The information follows:)

Applications, invitations, and acceptances by program year

Year	Applications	Invitations	Acceptances	Successfully completed training
1961	12,614	172	134	97
1962	20,058	7,750	4,251	3,188
1963	33,762	10,411	5,267	3,950
1964	45,653	14,331	7,950	5,962
1965	42,114	21,212	8,738	6,554
1966	42,656	24,707	10,200	7,650
1967	[1] 24,578	[2] 17,109	[3] 5,968	[4]

[1] As of Mar. 31, 1967.
[2] As of Mar. 31, 1967.
[3] As of Mar. 31, 1967.
[4] As of Mar. 31, 1967, is too soon to say.

Year	Applications	Invitations	Acceptances	Successfully completed training
1968	38,000	26,190	11,000	8,800

Mr. CONTE. Last year you stated that 50 percent of those processed and invited to train decline the invitation. You attributed this in part to the lack of followup by the Peace Corps and said steps were being taken to improve this? What has been accomplished along these lines and what is the percentage for this year of those who decline invitations to train?

Mr. VAUGHN. This year the applicant services direct mail program to applicants was started as an effort to fill the communication gaps between application, invitation, and training. It takes approximately 12 weeks for the Office of Selection to process, classify, and invite the average applicant. This is a long, anxious period in the life of a career-anxious college senior as pointed out by the Lou Harris survey of last year on the declination problem.

Therefore, the continuous direct mail problem was launched in November to concentrate on "prime" applicants and lower classmen "futures." While we will not be in a position to prove statistically the success of this program until late summer, the Office of Selection reports that the accept rate for summer invitees is the highest in Peace Corps history—now running about 58 percent for acceptances to specific programs versus about 48 percent last year.

Selection, too, is making a concentrated effort to invite earlier than it did last year. (A finding in the Lou Harris report indicated that the shorter the time lapse between application and invitation, the higher the accept rate.) This seems to have had some positive results with summer programs practically filled at this point. Last year it was not until the end of June that all programs were staffed.

Mr. CONTE. Last year you also pointed out that many applicants were arriving at training institutions without even the most basic understanding of the Peace Corps and the job of a Peace Corps volunteer. What steps have been taken to deal with this problem?

Mr. VAUGHN. In an effort to increase the volunteer applicant's understanding of the Peace Corps and his future work overseas prior to his arrival at the training site, the Peace Corps now sends a wide selection of reading material to each prospective trainee. In addition to de-

tailed reporting instructions, each applicant receives regular mailings from the Peace Corps including the following: the Peace Corps Handbook, the Volunteer magazine, the Peace Corps Reader, general information about the regional area to which the trainee has been invited, a short description of Peace Corps operations there, a suggested reading list, background information on training, and so forth.

Based on increased effectiveness in the agency's planning and programing operation, trainees can be identified much earlier this year than in any previous year. This has permitted experimentation in the pretraining area. In some programs, for example, language materials are being sent to trainees before the start of training for advance language preparation; testing and evaluation will be carried out to measure the effectiveness of this innovation. Reading materials aimed at increasing trainee cross-cultural understanding are being sent to participants in several projects. Nearly all training sites will be in direct communication with their prospective trainees before arrival at the site this year. As a result, trainees should understand both the Peace Corps and their volunteer jobs far better than in earlier years.

EFFECT OF VIETNAM WAR ON RECRUITMENT

Mr. CONTE. What effect would you say the war in Vietnam has had on your program in terms of applications and applicants?

Mr. VAUGHN. The war in Vietnam has had no significant effect on our application input. More numbers of both college men and women are applying; however, for the first time, a smaller percentage of men are applying to the Peace Corps. The Nation's total college seniors for 1966–67 represented a 60:40 enrollment ratio, men-to-women. Students are applying to the Peace Corps in approximately a 57:43 men-to-women ratio, which varies slightly from all previous years when the applicant ratio remained at 60:40, men-to-women, reflecting the student enrollment.

Mr. CONTE. Does the war and the interplay of Thailand in the activities there, give you any problems in terms of our program in Thailand?

Mr. VAUGHN. Both the war in Vietnam and the rising incidence of terrorism in Thailand have affected the Peace Corps program. The war in Vietnam has, of course, led to a buildup of U.S. forces in Thailand, and wherever there are large concentrations of Americans, military or otherwise, certain problems do develop. Needless to say, a large number of Americans in a community make it a little more difficult for one or two Americans to maintain an effective presence within the community. In many situations where volunteers are more or less exclusive, they often can use this special role to stimulate community organization and development. This is not always possible when Americans become commonplace.

In a few areas of northeast Thailand, the outbreaks of terrorism have been severe enough to preclude the assignment of volunteers. We have always been very careful about site assignments, and do not have volunteers in the most volatile areas.

As yet however, these problems are not considered to be serious inpingements upon our Peace Corps program.

PRIVATE INDUSTRY TRAINING CONTRACTS

Mr. CONTE. Could you comment on the private industry training of volunteers that has been carried out to date? Also, you point out that field training is presently shifting the focus of attention from the classroom to slum areas, migrant camps, and other real problem environments. Would this indicate that private industry training may become more valuable to the Peace Corps?

Mr. VAUGHN. Since January of 1966 five training contracts have been signed with private industry. The first contract was entered into as a means of obtaining more specialized preparation in blue collar jobs for Venezuela than universities can normally provide. Since that point, we have sought private contractors for a variety of programs, including teacher training, agricultural development and public works.

Our experience with private industry has been sufficiently encouraging for us to select several programs a year for implementation in this fashion. Peace Corps training, while different from university academic education, is also far from the normal kind of training with which industrial enterprises are familiar. In each case there are advantages and inherent difficulties to be overcome as training institutions—public or private—gain experience with Peace Corps volunteer needs. The Peace Corps is discovering that many universities are happy to move training off the campus and into the community while still retaining the high quality staff that is often found in the academic environment. Thus, as we seek more realistic training settings both the universities and the private industrial groups are useful to us—and the Peace Corps to them. We continue to seek a variety of training sites and models, one source of which is private industry.

Mr. CONTE. Do you presently have any plans to increase private industry training programs? Can you fairly evaluate at this time the costs for private industry training compared to university and in-house training?

Mr. VAUGHN. Eighteen months ago there were no training programs being run by private industry. Since early 1966 there have been six—Venezuela (Litton), Iran (Westinghouse), India (General Dynamics), Micronesia (Westinghouse—two programs), Morocco (Westinghouse). Several more are about to be offered for bids by private contractors. It is likely that approximately half a dozen may be contracted in this way each year if present plans continue. This will permit needed flexibility in training styles and designs without significantly increasing the number of such contracts during the coming year. Costs of these training programs have averaged approximately $3,000 per trainee, somewhat higher than average costs of university contract training and in-house training. This is partly attributable to complicated programs, fixed-fee costs, and contractor inexperience with Peace Corps training.

USE OF RETURNING VOLUNTEERS IN TRAINING

Mr. CONTE. You state that returning volunteers are now heavily involved in training. Could you give us the figures on this?

Mr. VAUGHN. In program year 1967 it is expected that 900 returned volunteers will participate in training programs, an increase of 250 over last year's total. They are working as project directors, coordinators of studies, technical studies instructors—master teachers for

practice teaching, teachers of public health, agriculture, community development, engineering, and so forth—supervisors of field work, language informants, assistants to other training faculty members in relating subject matter to the particular host country environment and the role of the volunteer, seminar leaders, resource people for psychiatrists, sources of information in Peace Corps orientation, and so on. Returned volunteers play an increasingly important role in preparing future volunteers.

IN-HOUSE TRAINING

Mr. CONTE. Last year you stated that you had programed on the basis that the cost of in-house training would run some 10 percent lower than contract training. Has this proven to be the case? How did you program these items this year?

(The information follows:)

The costs of In-House and Contract training, based on the latest available data, are as follows:

	1966 actual	1967 estimate	1968 estimate
Contract	$2,912	$2,750	$2,725
In-house	$2,676	$2,506	$2,506
Difference in-house versus contract (percent)	−8	−9	−8

The cost for the In-House training has continued to be lower than contract training by approximately 8%.

The unit cost of in-house training for FY's 1967 and 1968 of $2,506 per trainee is $406 or 14% less than the $2,912 cost per trainee for contract training experienced in FY 1966.

PACIFIC TRUST TERRITORIES

Mr. CONTE. Last year you told us of a special recruiting drive that had been launched for Peace Corps volunteers in the Pacific Trust Territory. You expected 375 volunteers to be on their way by late fall. Has that program proceeded as expected? Did you get many former volunteers to join this program?

Mr. VAUGHN. Last year's special recruiting drive for the Pacific Trust Territories brought an overwhelming response of approximately 3,000 applications. The first wave of volunteers began training in August. By late fall, 320 volunteers were in the field; 460 were overseas by February.

Fifteen Peace Corps volunteers reapplied for another 2 years so that they could train and go overseas with the first Micronesia contingent. Micronesia volunteers are working in health, education, and community development. Their jobs have surpassed our expectations and the Micronesia program has opened up the entire area of the South Pacific to Peace Corps possibilities.

IN-COUNTRY TRAINING

Mr. CONTE. You state that Peace Corps volunteers will be trained this year in Micronesia and in Ghana and that the costs for in-country training will be less than the costs of traditional full contract training in the United States. Can you give us the comparative figures on that?

(The information follows:)

Comparative costs per trainee for regular contract training and in-country training are as follows:

	Cost per trainee		
	Fiscal year 1966	Estimate	
		Fiscal year 1967	Fiscal year 1968
Regular contract training	$2,912	$2,750	$2,725
In-country training:			
(a) Completely in host country	----------	2,200	2,200
(b) Partial (part in United States under contract and part in host country)	----------	2,500	2,500

Mr. CONTE. You also state that approximately 1,300 trainees will enter in-country training programs this year. What does that include in addition to the 400 in Micronesia and the group for Ghana?

Mr. VAUGHN. In addition to the 450 Micronesia and 40 Ghana trainees who enter in-country training programs this year, 835 others will have some training in the country of assignment as part of their regular training in 1967. During the spring, approximately 100 volunteers will train in Afghanistan and Bolivia. In the summer, approximately 735 will train in Colombia, Ethiopia, Iran, India, Turkey, Bolivia, Peru, Uruguay, the Caribbean area, and Nepal.

Mr. CONTE. When you say your own staff will be responsible for the training in Ghana do you mean a part of your in-house training force who usually trains here in the United States?

Mr. VAUGHN. The Ghana in-country program will be conducted by the Peace Corps/Ghana country staff. An Associate Peace Corps Director in Ghana will act as project director and will be assisted by other staff members and host country citizens. No staff of regular in-house training centers will take part in the Ghana project. Peace Corps/Washington will, however, send a trainee performance assessment officer to Ghana for the entire 12-week period as well as a training officer who will provide guidance to the local staff. A psychiatrist will also be present for approximately 3 weeks.

ADVANCED TRAINING PROGRAM

Mr. CONTE. Can you give us an evaluation of your advance training program? What will the attrition rate be for this year? Last year I think you said it was anticipated to be approximately 35 percent. Also, you stated last year that a lack of followup by the Peace Corps was a factor in the size of this attrition rate. Have you increased the followup in the advance training program and has it been successful in reducing the attrition rate?

Mr. VAUGHN. An initial evaluation is currently being carried out by the Office of Evaluation and Research, but preliminary reports from the field indicate that volunteers trained in ATP's have been better prepared for their service as a result. Overseas attrition has continued to decrease from 11 percent in 1965 to 5 percent in 1966. Even fewer volunteers are expected to terminate early this year. Last year the actual training attrition rate was 41 percent; this year we

estimate 40-percent training attrition between the first and third phases.

Followup during the senior year has increased. Trainees who participated in phase I of advance training programs in the summer of 1966 have continued a number of Peace Corps-related activities during the academic year. Community involvement projects, correspondence with volunteers overseas, additional course work, frequent contact with foreign representatives on campus, and continued language study are among the activities in which they have been encouraged to participate on their own. Support from the training institutions has come in the form of newsletters, language tapes, and other language support, materials sent trainees from overseas, telephone and written contact among training staff, trainees, and volunteers, conferences, contact with university advisers, and trainee visitation. The effectiveness of increased followup in reducing the attrition rate this year will not be known until trainees report for phase III this summer.

CONTINUITY OF PROJECTS

Mr. CONTE. Mrs. Hansen raised a very important point last year regarding provision for the continuity of projects in order to prevent programs from lapsing in the middle because the term of a volunteer is up? You stated at that time and I quote "I suspect that we do not know as much about it as we should." I think that Mrs. Hansen brought up a vital point here and I would like to know if any steps have been taken to place you in a better position to maintain continuity in work that has been started in these countries?

Mr. VAUGHN. While it is the Peace Corps aim in most instances to work itself out of a job in its overseas activities, this often cannot be accomplished in the 2 years of a volunteer's tour, or 4 years or 6. Some of our goals, we know, will take much longer. Continuity of projects and programs therefore is important; and during the past year the planning, programing, and budgeting system, perhaps more than anything else, has contributed materially toward greater continuity.

One key to this is advance programing of volunteers to replace those whose terms are completed—in many cases even so they can arrive in a country a few weeks before the departure of the previous group. With the more precise planning and programing afforded under PPBS, we can begin this process only a few months after the first group has arrived overseas. PPBS makes it easier to pinpoint activities and needs and has training and overseas departure dates. We are working constantly to improve the process, allowing room for making improvements in the work of replacement groups based on our experiences with the initial groups.

VOLUNTEER OPINIONS

Mr. CONTE. You presently have your volunteers fill out a questionnaire as they are leaving the Peace Corps. Do you also have a program where, say a year after that have left the Peace Corps, they are asked for their reactions. If not, don't you think it would be very valuable to get the impressions and feeling of these volunteers at a point after they have been removed from the Corps for a period and have had some time to reflect on their experiences?

Mr. VAUGHN. At their completion of service and while they are still overseas, all volunteers are asked to fill out unsigned, confidential questionnaires concerning their reactions to the Peace Corps, its goals, and their jobs. These questionnaires serve as the basis for 12 hours of discussions between the volunteers and Peace Corps staff members who are trained conference leaders. The results of these discussions are reported in detail for use by the various offices of Peace Corps/Washington. The questionnaires are then returned to Washington where certain information is extracted from them, and they are then destroyed.

The Peace Corps publishes a provocative magazine, the Volunteer, which encourages volunteers and returned volunteers to make their attitudes and opinions known to the Peace Corps staff. In addition, volunteers who have recently returned to this country are asked to complete a questionnaire indicating their present activities, future plans, and feelings about their post-Peace Corps experience. Because of your questions, the Peace Corps will now include a space for Volunteers to write their impressions of the Peace Corps as a whole.

The Peace Corps feels that much of the most significant information has and will continue to come from returned volunteers who have been terminated for more than 1 year. A final questionnaire is subsequently sent out to returned volunteers for this reason. Also with this specific reason in mind, a conference of 900 returned volunteers was held in March 1965 to discuss attitudes and opinions held by the very people who had had the Peace Corps experience. The value of this conference is demonstrated by the following statement by a participating returned volunter:

> * * * the Peace Corps gives vent to potential. I know that potential is not enough—it wasn't overseas, and it isn't enough here. It must be accompanied by a sense of responsibility and a willingness to extend oneself. This, I believe we have. And this is why this conference is so important—for us, the volunteers, to communicate our ambitions—and for you * * * to help convert this potential and responsibility into a vital force in American life. I see this conference as a great dialog from which both will learn and both will profit.

The Peace Corps recognizes the importance of developing further methods of continuing this dialog.

PEACE CORPS EFFORTS FOR INDIA'S AGRICULTURE

Mr. CONTE. In light of the very difficult problems that India has experienced in supplying herself with sufficient food, I wonder if you could furnish for the record, a summary of the work being done there and the success we have had in helping India with her agricultural problems?

Mr. VAUGHN. We will provide this.

(The information follows:)

Responding to an Indian request for greatly increased numbers of Peace Corps Volunteers to help India become more self-reliant and self-sufficient in coping with its serious agriculture problems, the Peace Corps in less than a year has increased the number of Volunteers involved in rural development from 480 to over 1,100.

The main part of the increase has occurred in actual village-level foodgrain production programs which vary from an improved rice cultivation project in West Bengal with 56 Volunteers to one introducing new crops in an area of new irrigation in Mysore State with 48 Volunteers. The 434 Volunteers working in village-level food production assist the farmers in an average of 8 villages apiece. 3,500 villages do not bulk large against the 550,000 in all of India. But

when one considers that the Volunteers are located in villages included in the Intensive Agricultural Areas (IAA) Program (10% of India's districts/villages with the greatest likelihood of immediate food production increases), then 3,500 of 55,000 villages illustrates the importance of this Volunteer effort. In terms of the Volunteers' counterparts, such as Block Development officials and Village-Level Workers, each Volunteer is working closely with an average of 10 official counterparts, whose future work and motivation is being positively influenced. These 3,500 development workers form a considerable portion of India's development manpower. By concentrating Volunteer efforts, in line with the Indian Government's own priorities, the Peace Corps is effectively meeting the challenge of direct participation in India's development effort.

The IAA Program has already shown dramatic results in many districts such as Ludhiana (Punjab) where wheat production was increased 50% in four years. The basic Volunteer job is to aid the farmer in getting such food production increase—bearing inputs as credit, fertilizer, better water supply and seeds, and other farming method improvements. The inputs come from Indian programs and sources within the Indian development program as well as from A.I.D. and other foreign sources. The missing ingredient is unfortunately a lack of communication between officials and farmers and motivation to cooperate, implement programs and in general to give actual development the push it so badly needs. Working with both officials and individual farmers, Volunteers are today providing this stimulus.

For the first four years of the Peace Corps India program, poultry development was the main field of agricultural involvement. "Peace Corps eggs" and "Peace Corps chicken" have now been added to India's vocabulary. To cite a few relevant statistics: as of January 1, 1965, there were 285,000 chickens on poultry farms which were initiated or assisted by Peace Corps Volunteers. These chickens were producing 370,000 eggs per week. At this time it is estimated that there are about 900,000 chickens producing over a million and a half eggs per week on poultry farms assisted by Peace Corps Volunteers. And, the use of grains as feed has been proven to be a good investment: 30 pounds of eggs alone from 18 pounds of poultry feed which might otherwise be consumed.

There are now less Volunteers working in poultry than there were in 1965–66, and Peace Corps will progressively phase out of poultry, except for special projects like the current one in Kerala State, where Volunteers are aiding in the introduction of an *entirely* new poultry stock. Poultry raising would no doubt have increased in scope without the Peace Corps. But it was Peace Corps Volunteers who provided at the right time the motivational and organizational spark which led to not just increased egg and chicken meat production, but also the essential concomitances of distribution, marketing and dietary acceptance.

Aside from the Volunteers now working directly in village-level food production projects (434) and in poultry development (215), another 450 Volunteers are working in ancillary activities in rural areas which also have an important bearing on India's basic agriculture/food supply problem.

54 Volunteers in Rural Public Works programs are assisting Indians in constructing village-to-market roads, small irrigation projects, and improved food storage facilities. 47 Small Industries Volunteers are concerned with increasing production, most of it of an agro-related type, such as mass-produced, cheap plastic pipe for irrigation, and agricultural implements. 230 are in two types of important nutrition projects: Applied Nutrition work directly with rural Indian families and nutrition/health education training in teacher-training and regular schools.

It is not enough for India just to produce more food; the average Indian diet, health standards, and child-care have continued to be substandard even in years of "surplus" or "sufficient" foodgrain production, particularly in rural areas.

With 120 Volunteers in foodgrain production and 20 in an improved nutrition project to be trained this summer, Peace Corps is further implementing the recent joint determination with the Government of India that India's desperate agricultural situation demands this be the primary effort focus.

SELECTED PROGRAM REDUCTIONS

Mr. CONTE. Could you tell us why you are programing down volunteers in Tanzania by 125?

Mr. VAUGHN. The Peace Corps program in Tanzania is being programed down as a result of the Tanzania Government's increased

ability to meet its own teaching requirements in the field of upper primary education. The cutback of 125 represents the number of volunteer upper primary teachers who would have been programed this year.

An official in the Ministry of Education recently stated that the number of Tanzanian teachers in teacher training courses had substantially increased and that: "In view of this we have no further need for large scale overseas assistance in this field and we are cutting back all volunteer programs. These programs, in particular the Peace Corps volunteer program which is by far the largest, have helped us over a most difficult period when our supply of trained teachers was quite insufficient to meet the requirements of our primary school system, but as you know, it was never intended that these programs should continue indefinitely or any longer than was strictly necessary."

The reduction of volunteer strengths in Tanzania is not a result of dissatisfaction with the performance of volunteers. On the contrary, it is the direct result of an excellent Peace Corps teaching program which met its objectives.

HOST COUNTRY CONTRIBUTIONS

Mr. CONTE. Could you give us a list of the countries who are presently making host country contributions to the program?

(The information follows:)

HOST COUNTRY CONTRIBUTIONS

The following host countries are providing contributions either in cash or in kind, to Peace Corps programs in fiscal year 1967.

Africa
Cameroon
Ethiopia
Gabon
Ghana
Guinea
Ivory Coast
Kenya
Liberia
Malawi
Niger
Nigeria
Senegal
Sierra Leone
Somali
Tanzania
Togo
Uganda

East Asia and Pacific
Korea
Malaysia
Philippines
Thailand

Latin America
Bolivia
Brazil

Latin America—Continued
British Honduras
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
Guatemala
Guyana
Honduras
Jamaica
Panama
Peru
Uruguay
Venezuela
West Indies

North Africa, Near East and South Asia
Afghanistan
India
Iran
Morocco
Nepal
Pakistan
Tunisia
Turkey

EMPHASIS ON LATIN AMERICAN COMMUNITY DEVELOPMENT

Mr. CONTE. What is the philosophy of having twice as many or 50 percent of the Latin American volunteers engaged in community development programs as are engaged in teaching assignments?

Mr. VAUGHN. The philosophy behind Peace Corps/Latin America's emphasis on community development is the belief that the greatest need—both developmental and psychological—in Latin America is the integration of individuals into their communities and the integration of these communities into the nations. Carlos Fuentes has written that the immediate challenge—

> * * * is to fill the power gap in Latin America with social, cultural and economic organizations. Latin Americans must learn to exert the power of citizens free from the vertical relationship of serf and sire, of client and satrap. * * * Latin America urgently needs intermediate echelons between the powerless masses and the all-powerful army, government, landholders * * *."

The rhetoric may be dated, but the development of local organizations remains as the critical factor in the progress of Latin America. Further, we believe that it is in basic development work with small communities that the young liberal arts graduate, or "generalist" volunteer, can make his or her most effective contribution in Latin America. Community organizations can mobilize local resources; they can serve as training grounds for leaders; they can make effective use of and coordinate external resources; they can fill the power gap—and eventually become part of the power structure; and they can provide an institutional base to withstand the gusts of political change.

In practical developmental terms, such organizations are necessary to combine local resources with national governmental resources, both of which alone are inadequate. By linking local and national efforts, community organizations can successfully complete projects which neither the community nor the government could effect without mutual cooperation.

In the intangible realm of attitude change, community development helps break down an archaic social system which not only excludes the majority of the population from participation in the society, but which has for centuries bred apathy and indifference among the "outsiders." Community development encourages this majority to realize that they can change their lives through self-help and cooperation.

This philosophy is supported by the increased priority given community development and self-help efforts by Latin American governments. Thus, Peace Corps/Latin America is placing its resources in support of host government initiatives.

Practical difficulties have limited our entrance into the formal education system. These include a lack of requests in this field from host country governments—particularly at the teacher training level where we believe the greatest impact and multiplier effect is possible; the lack of volunteers who have both education degrees or teaching experience and the facility with the language which would be required for this work; and the difficulty of training volunteers to a proficiency in Spanish or Portuguese high enough to be able to teach effectively in these languages.

In spite of these problems, we anticipate increased Peace Corps involvement in education in Latin America over the next few years—particularly in programs of inservice teacher training. In this type

of teacher training, volunteers work not in teacher training colleges but actually in the rural schools where untrained or inadequately trained teachers are, by necessity, already teaching. Here their work focuses on upgrading the teachers' knowledge of subject matter, methodology, lesson planning and use of such teaching resources as simple easy-to-make visual aids. By working in education at this level, volunteers can effect the quality of teaching at the basic primary level and at the same time participate in the development of the rural communities in which they live.

VOLUNTEERS EXTENDING THEIR TERMS

Mr. CONTE. You state that a good number of volunteers have extended their term of service. How many of those have gone on to drop out of this extended program? Do you think a study of the people who have extended would be valuable from a recruitment standpoint?

Mr. VAUGHN. Actually, 1,707 volunteers had extended their term of service as of December 31, 1966. Of this number only 114 (6.6 percent) left their countries before their extended term of service was finished. The large majority of those who do extend, however, want to complete a specific project or program they are engaged in with the host country. Although we have a few programs of 27 to 29 months in length, the normal period of service for volunteers has remained at 24 months. After that period, some volunteers may wish to stay on in the host country to make an additional contribution, while others feel that they would like to return to the United States to continue their education or engage in other kinds of work. We do not regard the extension, by itself, as the only indicator of the commitment of a volunteer. There may be many reasons for a volunteer leaving his host-country after the normal 2-year tour.

PREVOLUNTEER AND POSTVOLUNTEER GOALS

Mr. CONTE. You have supplied a chart of what the returned volunteers are doing. I wonder if you presently have any statistics available for comparison of what these people before they joined the Peace Corps intended to do after the program was over? Do you question regarding this before they join and do you feel that such a comparison would be helpful in evaluating what effect the Peace Corps has had on those who serve as volunteers?

Mr. VAUGHN. Before joining the Peace Corps, volunteers are not asked to comment on their post-Peace Corps career goals. However, the Peace Corps does try to develop this information at the time of the volunteer's termination by means of the completion of service questionnaire in which the volunteer is requested to elaborate on career goal changes. The attached statistics (table 1) regarding career goal changes, taken from the March 1965 conference of returned volunteers, indicate the effect of Peace Corps service on post-Peace Corps plans. In the April 1967 conference sponsored by the New York State Department of Education for the recruitment of returned Peace Corps volunteer teachers, volunteers were again asked questions concerning pre- and post-Peace Corps career objectives.

The Peace Corps does feel that comparisons of this type are valuable in assessing the contribution of the returned Peace Corps volunteer to

American society. A compilation of various data indicate that about 50 percent of returned volunteers have changed their goals. These data also indicate that more and more volunteers seek service-directed professions especially in the fields of health, education, and international programs.

The Peace Corps is anxious to develop new and better methods of studying and utilizing the talents and ideas of the returned Peace Corps volunteer.

(The table follows:)

TABLE 1.—*Career information service*

	Pre-Peace Corps goals		Post-Peace Corps goals	
	Number	Percent	Number	Percent
Career goals not defined	732	34.4	261	12.2
Teaching (all levels)	527	24.8	633	29.7
Business and industry	208	9.8	230	10.8
Social service	83	3.9	231	10.8
Health professions	119	5.6	127	5.9
Government	231	10.9	424	20.2
Agriculture and crafts	81	3.8	80	3.8
Other	144	6.8	140	6.6
Total	2,126	100.0	2,126	100.0

VOLUNTEERS' SOCIAL BACKGROUND

Mr. CONTE. Some people have taken the position that Peace Corps recruitment may be aimed too heavily at individuals with college and middle-class backgrounds. I see in the information you have supplied us with that 95 percent of your volunteers to date have attended college and 80 percent have at least a B.A. degree. Would you comment on this question of whether more recruitment should be made from other types of backgrounds than is presently being made?

Mr. VAUGHN. We are continuing to strengthen our special recruiting efforts for volunteers with skills in short supply and for those from minority groups.

Special efforts for skill groups are directed primarily toward blue collar workers, persons with agricultural backgrounds and degrees, and members of the medical professions. In addition, we seek skills such as electrical engineering or teaching of the deaf for special individual placement. During the 8-month period from September 1, 1966, to April 1, 1967, the following numbers of prime specialists submitted applications:

Agriculture degrees (including foresters)	210
Agriculture backgrounds	830
Registered nurses	267
Other medical and paramedical	176
Technical skills	355
Vocational education/industrial arts degrees	47
Construction	57
Secretaries	82

This fall we will also begin a 5-year bachelor's degree program with Wilmington College of Ohio which will result in students with strong agricultural backgrounds and training spending 2 years as Peace Corps volunteers in partial fulfillment of their acedamic requirements.

We have also been attempting to make it possible for persons from deprived backgrounds to serve in the Peace Corps. A current example of this effort is Operation Peace Pipe. Under this program, pretraining will be offered to culturally deprived persons to help them qualify for regular Peace Corps training.

SYRACUSE UNIVERSITY TRAINING PROBLEM

Mr. CONTE. In an article in the New York Times on February 4, 1967, the statement was made that Syracuse University had informed the Peace Corps that it would not train any more volunteers for the program. The article pointed out that Syracuse was one of the top three schools in having training volunteers for the Peace Corps and that there had been disagreement between the school and the Peace Corps on how the training should be conducted? Could you comment on this?

Mr. VAUGHN. Syracuse University trained more than 20 Peace Corps programs during its 5 years as one of the Peace Corps' contracted training institutions. Although the majority of those programs were for Tanzania (or Tanganyika) and Malawi, the university also trained volunteers for service in Bechuanaland, Liberia, Peru, and Somalia.

For some time prior to the expiration of the Syracuse annual training contract on January 31, 1967, training officers, evaluators, volunteers, and overseas Peace Corps staff had criticized the university's Peace Corps training, and from Syracuse there was considerable criticism of our activities. Late in 1966, when representatives of the Peace Corps met with a group of Syracuse officials, the former explained that the contract would not be renewed until a mutually satisfactory resolution of our problems had been achieved. In the absence of any spring programs which could be assigned to Syracuse, we suggested that the spring of 1967 be used as a time for discussions of training philosophies and priorities and that Syracuse then train a summer project. It was the hope of the Peace Corps representatives that an understanding would be reached during this period of self-evaluation, leading to a new and strong long-term relationship. Syracuse soon thereafter declined this opportunity.

The Peace Corps has no desire to challenge the autonomy of the universities with which we contract, but we believe that we now have expertise to establish cooperative arrangements in which the mutual interests of both institutions are well served and were the experience of the Peace Corps will be used in programs designed to train Peace Corps volunteers.

OBJECTION TO PERSONALITY TEST

Mr. CONTE. Last fall Senator Ervin made the statement that personalty testing of Peace Corps volunteers called for true or false answers to statements that were an invasion of privacy. Would you comment on this and on whether any changes have been made in the testing?

Mr. VAUGHN. One element of our selection process received special attention recently. Last year, two congressional committees, the Senate Judiciary Committee's Constitutional Rights Subcommittee and the

House Government Operations Committee's Special Subcommittee on Invasion of Privacy, held hearings on invasion of privacy.

From the start, the Peace Corps has tried to safeguard the confidentiality of the data which our selection process develops about Peace Corps volunteer applicants. But these hearings caused the Peace Corps a review and reevaluation of our procedures.

As a result, the following new procedures were established:

1. No Peace Corps trainee will be required to take any psychological test or answer any particular question on such a test. A trainee's decision not to take a given test or answer a particular question will not disqualify him.

2. The express permission of the Peace Corps' Selection Office will be obtained before any trainee is given a psychological test other than those tests already reviewed and approved by the Director of Selection.

3. Trainees will not be asked to answer test questions whose answers are not actually used in the selection process unless required to develop new selection procedures.

4. After final selection is completed, the training program psychologists will promptly send to Peace Corps/Washington by registered mail all data developed by the selection process. Generally, this data will be promptly destroyed if the trainee was not enrolled as a volunteer and assigned overseas. If he was assigned overseas, it will generally be retained but only until after his service is completed. However, all psychological test data will be destroyed promptly after the end of training unless required for necessary research.

5. Individual answer sheets to personality inventories are machine scored and the answer sheets are destroyed immediately following the scoring, so that true and false answers to any specific question are completely private.

As has always been the case, selection process data will generally be collected only by, and available only to, fully qualified psychologists. They are obliged by the ethics of their profession to preserve its confidentiality and use it only in the Peace Corps' selection process.

Mr. CONTE. In closing, Mr. Vaughn, I would like to take this opportunity to point out, as I have done in the past, that I have the greatest respect and admiration for the job being performed by the Peace Corps and for the many valuable contributions they have made and continue to make. It is a program that we all can and should be proud of and it has done much to bring and demonstrate the best of the United States to the countries and nations of the world.

Mr. VAUGHN. Thank you.

Mr. PASSMAN. Mrs. Reid?

CAMPUS RECRUITING

Mrs. REID. Thank you, Mr. Chairman. Mr. Vaughn, I am pleased to hear that you are upgrading or at least aiming for higher standards in the Peace Corps. I understand you are conducting campus recruiting drives. Is this one reason you are having these drives?

Mr. VAUGHN. No. Since we found where the boys were in 1963 we have gone to the campuses as our prime source of volunteer talent. All of our recruiters are ex-volunteers, and the main area where they operate is on college campuses. Recruiting begins in September and continues through May. We do recruit in other places. Of course, we

get $26 million worth of advertising through the National Advertising Council and we have the media approach to recruiting. But our bread and butter, so to speak, is the college campus.

COLLEGE TRAINING PROGRAMS

Mrs. REID. You may have answered this in your colloquy with Mr. Passman but I did not hear the answer. How many programs do you have which offer a college education as a part of the job training program through joint agreements? I understand there is one in Wilmington College, Wilmington, Ohio.

Mr. VAUGHN. Yes.

Mrs. REID. Are there others?

Mr. VAUGHN. We have two. The other is at Brockport, N.Y., in conjunction with the State university, New York State university system. It is an attempt to meet two needs we have not been able to meet otherwise. Both programs are for Latin America. In the first instance, the one you cited, we have great difficulty getting people who are trained in agricultural sciences who speak Spanish. This is an attempt to train people and to turn out people who will have an agricultural skill. Wilmington gives an A.B. in agriculture, and the trainees in the program will have semiprofessional agricultural skills and be fluent in Spanish. The Brockport program is for math and science teachers who can teach in Spanish. This is the objective in these two programs.

Mrs. REID. Do you anticipate more of these programs?

Mr. VAUGHN. Yes, we do. We anticipate there will be three more next year.

Mr. ASHABRANNER. We are discussing the possibilities of three more

Mrs. REID. Is the Peace Corps committed to hire such graduates?

Mr. VAUGHN. No, we are not. We will apply the same selection criteria as we do otherwise. Surprisingly enough this kind of program is no more expensive than our regular 14-week after college program.

DISSATISFACTION WITH SYRACUSE U. CORPSMEN

Mrs. REID. According to the New York Times of February 4, 1967, the Peace Corps turned down the bid by Syracuse University for training Peace Corps volunteers. I have a quote of yours, Mr. Ashabranner, "For some time countries for which Syracuse had trained corpsmen had expressed dissatisfaction with the training corpsmen they had received."

Then on the other hand, Syracuse said it was dissatisfied with the way the Peace Corps administered its training program. Aren't the guidelines clear on what is required or what was the situation in this case?

Mr. ASHABRANNER. So far as the country complaints mentioned, we did have some feedback from Tanzania that the volunteers or some of the volunteers who had been trained at Syracuse were not trained as well as they would like them to have been. One of the complaints seemed to be that more emphasis than they thought necessary had been placed on cultural or historic studies rather than on practice teaching and other things of that sort. Actually, the facts in the break with Syracuse are that for several years we have had an annual contract with Syracuse to train a fairly significant number of volunteers in three cycles.

We felt, because there had been some feedback, that training might be improved that we should not enter into another annual contract at this time, but that we should have a period of taking stock. We were quite prepared to go on with Syracuse but not on an annual-contract basis at this time.

We suggested that we have a moratorium on training during the spring to discuss with the officials of Syracuse the problems that we had defined. We suggested that we carry on a dialog with them and with our people from the field, and that after this period of analysis we have a program in the summer again at Syracuse, and if this pleased all concerned, Syracuse as well as the Peace Corps, we would consider an annual contract. At this time Syracuse chose not to go ahead on this training. That is where it stands now. We are certainly still receptive to possible future training at Syracuse.

TANZANIA CRITICISM

Mrs. REID. I have a question I would like to ask about Tanzania. It was reported in the New York Times on March 6, 1967, that the President of Tanzania said that the Peace Corps had become "infiltrated by people whose motives were no good." He said at a news conference, "The character of the Corps has changed" and that much of its idealism had gone.

Is this part of the Syracuse situation?

Mr. ASHABRANNER. I do not think so.

Mr. VAUGHN. No; this is an interesting episode, and there was much to be found in the footnotes to this press conference. It was the last question asked in a long conference. He later said that he felt that some of his officials questioned the motives of the Peace Corps. He was only reflecting this and not his own views.

VOLUNTEER CRITICISM

Mr. LONG. If the gentlelady would yield, did you see the article by, I believe, a Harvard graduate in the Reporter magazine some months ago on the Peace Corps?

Mr. VAUGHN. Yes.

Mr. LONG. What was the name of the man; do you recall?

Mr. VAUGHN. I think it was a girl.

Mr. DINE. A girl who served as a volunteer in the Ivory Coast.

Mr. LONG. No; it was a man that wrote it. It was a rather disillusioning article. He still felt there was much there that was worth while, but he has indicated that attitudes were less than completely idealistic. Among other things he pointed out that in his particular operation they did not work more than several hours a day. He was discouraged by this, only to find that a friend visiting from another Peace Corps group, was amazed at how hard his group worked.

Some of the things that were brought out were disturbing to me. If you are not acquainted with this article, you ought to read it and take account of it. Whoever wrote it was an intelligent and perceptive person.

Mr. VAUGHN. I do not think anyone has suggested that the Peace Corps is all idealism. There are volunters who are quite content to teach 4 or 5 hours a day and that is all. Others have outside jobs. This

is an open society, the most open you can find. We tend to leave the volunteer alone to decide if he wants to moonlight, if he wants to have three jobs going for him, if he wants to work on weekends. We do not give him a B or C as a grade. We say instead, "Here is an opportunity and we would like to point you in the direction of significant service and you take it from there."

Many of them do not have the initiative or the tenacity of the stamina to get two or three jobs and to work 10 hours a day; some do. But you find all sorts. Unfortunately, some of the least successful are the most articulate.

Mrs. REID. I would like to return to Tanzania for a moment and ask you if there would have been any way in which you could have anticipated this situation and perhaps taken out the volunteers from that area before this situation occurred?

Mr. VAUGHN. I would like to answer that off the record.

(Discussion off the record.)

SOUTH AFRICA'S PEACE CORPS

Mrs. REID. I understand that South Africa has established a Peace Corps of its own.

Mr. VAUGHN. Yes.

Mrs. REID. What changes will this bring in your African program?

Mr. VAUGHN. None at all. I do not know where they plan to send these volunteers, whether it is to the dependent or semidependent states like Southwest Africa or not. Do you know if they have sent them to Botswana?

Mr. DINE. Yes; they have.

Two nongovernment volunteer organizations have been formed in the Republic of South Africa. The South African Voluntary Service was set up last year at the University of the Witwatersrand. To date, 15 of their volunteers have participated in a 2-week building construction project at a Botswana school. A similar project in Swaziland is planned as well as work camps in Lesotho, Zambia, and Malawi.

The Afrikaanse Studentebond (ASB) has been only recently formed and anticipates sending volunteers to the African countries bordering the Republic.

Mr. VAUGHN. I think this is a good sign. That is the only way I can read it. We would look at it the same way we would look at other countries sending volunteers, because if they are on the younger side that means they are going to be less biased than some of the old hard-liners. If they are there to serve and work for the other fellow, I do not see any reason to fear them. I would think if the Soviet bloc countries could ever get up the confidence to send volunteers out, the Czechs or Poles or Yugoslavs, we would have nothing to fear from them in any sense.

PEACE CORPS AND THE CIA

Mrs. REID. The Washington Post reported on March 13 that a secret pact was entered into in 1961 with CIA regarding the hiring of former Peace Corps men, the so-called hands-off policy. You, Mr. Vaughn, were quoted as follows: "As far as I know the Peace Corps is the only Federal agency which from the beginning has taken the posi-

tion that there will be no involvement of any kind with intelligence agencies."

Mr. VAUGHN. Yes.

Mrs. REID. What understanding does your agency have with CIA concerning personnel policies?

Mr. VAUGHN. The first understanding was reached between President Kennedy and the Director of CIA. As I recall it was in the form of a telephone call and a reporter named Charles Bartlett was present. This was later formalized and it was reiterated by President Johnson. This reiteration is in the form of a letter of commitment from the Director of CIA, the so-called Helms Letter, guaranteeing that there will be no involvement and no attempt at involvement. We also have made conditions such as the following: A former Peace Corps volunteer cannot be employed by the CIA until he has been out of the Peace Corps for 5 years. We have had no volunteers out of the Peace Corps for 5 years yet. In the case of the military, if an ex-volunteer is an enlisted man, he cannot work in military intelligence at all. If he is serving as an officer he cannot be employed in the military intelligence until he has served as officer for 4 years.

Mr. SHARLOT. If he is a draftee he is not to serve in any branch of military intelligence, period. Even commissioned officers who are former volunteers are never to serve in the country to which they were assigned as volunteers. That is also true of civilian employment with intelligence agencies.

Mr. VAUGHN. I can give you the kind of example which will illustrate how tight and rigid and all-inclusive this is. Some months ago we had a letter from a volunteer overseas, directed to the Central Intelligence Agency, who said some day I would like to work for you. I would like to know the job possibilities when I get out of the Peace Corps. The CIA sent us that letter. The volunteer was back and out of the Peace Corps within 24 hours. This is the way we have always played it and intend to. If it were otherwise, I do not think the Peace Corps could last a week.

Mr. RIEGLE. If the gentlewoman would yield at that point, I am all for your maintaining this strict division and this integrity of your operation. Wasn't that kind of a harsh penalty for this fellow who made that inquiry, or is your policy so clearly stated that this was a clear breach of his contract with you?

Mr. VAUGHN. It is clearly stated to the trainees and volunteers. Any compromise or any hint of involvement or correspondence is something we cannot tolerate. We cannot be partly pregnant.

RETURN OF CEYLON PROGRAM

Mrs. REID. I understand. You mentioned Ceylon earlier. Ceylon recently invited the Peace Corps back after the program had been terminated in 1964.

Mr. VAUGHN. Yes.

Mrs. REID. Why was this program terminated and why have you been asked to return?

Mr. VAUGHN. This was part of the general trend of the times. The government which came in was somewhat hostile to the United States. There was an expropriation of U.S. property, and the Hickenlooper amendment to the foreign aid legislation was invoked, and all foreign

aid had to cease. The Peace Corps group was allowed to finish its tour, but no others were requested.

We are now placing 81 volunteers there, mainly in agriculture. They will be arriving in the fall.

Mrs. REID. You are launching a program there?

PROGRAM FOR BOTSWANA

Mr. VAUGHN. Yes; we have also launched a program in Botswana. The first group arrived last fall.

Mrs. REID. What type program?

Mr. VAUGHN. The first program was in education. It will be mainly an educational program in the future. However, the next input will be in health. I am sorry, I do not remember the projected numbers for the 1968 program, but there will be a substantial increase involved in health and education.

Mr. COHELAN. What about the language problem there, Mr. Vaughn?

Mr. VAUGHN. We do not have too many problems with language teaching. I think we do the best language teaching in the United States. We teach more languages than any other institution. There are certain languages that are especially difficult, like Thai. We have difficulty sometimes developing text material. We have no place to go, so we have to pay the cost ourselves.

When we go out to a place like Gabon, we have to develop planning material. The language of Korea, the languages of other Eastern countries really do not pose any special problem. The biggest problem, I think, comes from a place like Micronesia, where we had to teach five different languages during training. So we brought a number of Trukese and Yapese and their families to the training center to teach.

REVERSE PEACE CORPS PROGRAM

Mrs. REID. I understand the State Department is planning to bring about 100 young men and women to the United States from Latin America, the Near East, Asia, and Africa, as a reverse Peace Corps. How do you handle this as far as screening the volunteers who come to this country? Who pays for them? What does it cost?

Mr. VAUGHN. This has resulted in a compromise. You may recall that last year this reverse Peace Corps program was not authorized. It was the decision of Congress that authority already existed in legislation and funds were in State's Bureau of Educational and Cultural Affairs to bring a pilot group to the United States. Assistant Secretary Frankel's office handles that. The Peace Corps has no involvement.

We had worked out our procedures, and we helped them in getting organized. It will be done more on the traditional pattern of exchange visitors. The Peace Corps proposal was much more radical. Ours would have been the mirror image of the Peace Corps. We were not going to say, "Be careful, we don't want any Communists." We were going to say to them, "We want you to send the best people that you have to help us, and you pick them and you train them and you finance them. They will come here representing your culture and coun-

try, not as individuals." We were not going to screen them or pay for them. We were going to help out if we could in placement, and so forth, but they were going to have somebody in their Embassy to provide staff support, and they were going to work as volunteers, not as scholars or exchange students.

What we have now is something of a compromise. I am not saying this critically, but it has worked out to be more along the lines of the traditional exchange of teachers.

It is fine and necessary, but it is not the same program we proposed last year.

Mrs. REID. Are they screened so far as being Communists, for instance?

Mr. VAUGHN. I am really not in a position to say, but I assume that they would be screened the way exchange teachers, grantees, and fellows are who come under the traditional USIA and State Department program are screened, but I am not sure of that.

Our idea, if we had had the program, was to let the sponsoring country screen them.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

Mrs. REID. Could you comment on International Secretariat for Volunteer Service?

Mr. VAUGHN. Yes. This organization just recently had its World Assembly in New Delhi. It was a landmark, and perhaps a turning point as well. It was called to take stock, to see what function, if any, this organization could have in the future.

We have made a major contribution in terms of funds and seconded personnel. We have cut back the number of personnel during the past 2 years to encourage it to be more truly international. A U.S. citizen on the Peace Corps payroll has been the Secretary General up until this meeting, and now a Swiss has taken over as Secretary General.

I think the ISVS has served a very important function. It has served as a clearinghouse for information and a limited source of technical assistance, as a stimulus to volunteer programs, as a way to continue the dialog. I cannot predict the future of this organization, but Mr. Ashabranner was the chief U.S. delegate to the World Assembly which was held last month, and he might have a comment to make on what he thinks of the future of this operation.

Mr. ASHABRANNER. The Assembly was attended by 31 member nations and by an additional 25 observer nations. A fairly substantial number of public and private international and national organizations sent observers. The tone throughout the meeting on the part of nations that received Peace Corps volunteers or other kinds of volunteers was very positive.

There was an equally positive tone by those nations supplying volunteers. The Council, which is a group made up of the nations that actually make a financial contribution to ISVS, recommended a 3-year extension of ISVS's life because its legal life was coming to an end. The Latin American nations, however, decided that there should be at least a 4-year extension and moved that there be a 4-year extension of the program, giving the Secretary General an opportunity to serve two full 2-year tours. This was adopted.

Again, that is some evidence of the general positive tone as to voluntary service on the part of both receiving nations and nations furnishing volunteers.

(Off the record.)

POLICY TOWARD THE CLERGY

Mrs. REID. What is your official policy with the clergy? It was reported that official Catholic policy discouraged priests and seminarians from participating in the Peace Corps, and they cited the reason that the life was not in keeping with the religious discipline required.

Mr. VAUGHN. Our policy has been that we are looking for good people, both for the staff and for volunteers. We seem to have a special appeal to the clergy. We appeal to people like Bill Moyers. We have a Catholic Brother on our staff in Nigeria. We have a priest from Marquette who is in our program in Korea. We have former Baptist, Presbyterian, Lutheran, Methodist, and other ministers as volunteers and staff.

We try to be open and practical. We do not have any bars. We prefer not to have all of our staff ex-missionaries or ex-priests or ex-ministers. I would say in regard to what you mentioned that there are certain factions within the Catholic Church which take a more negative attitude than others.

(Off the record.)

EX-VOLUNTEER OPINION ON THE VIETNAM WAR

Mrs. REID. It was reported on March 6, 1967, in the Washington Post that a letter signed by 800 former Peace Corps volunteers was being sent to President Johnson to the effect that the American role in Vietnam is eroding the effectiveness of the Peace Corps' worldwide efforts. As the Director, can you comment on this?

Mr. VAUGHN. As you know, the Peace Corps at no time attempts to brainwash or orient the thinking of volunteers or trainees. They are free to say what they please before, during and after their service so long as they don't exploit their unique status as Peace Corps volunteers. If this is true during Peace Corps service, it certainly is doubly true after they are out of the Peace Corps.

That 6 or 7 percent of the former volunteers to date would sign such a statement, especially with strong lobbying and good organization behind the effort to get 800 signatures, does not surprise me at all. There are all shades of opinion and political philosophy among the volunteers, present and past.

I do not think the statement is true that it has eroded the influence or caused problems for the Peace Corps volunteers. I have had no indication that this is the case. If it is the case, it is not nearly so much a problem as the civil rights problems we have in the United States.

This is a problem for most volunteers who work in nonwhite countries when so much about our race relations is wrong and when so much of the rest of it that isn't so wrong comes out badly distorted. This is a cross many volunteers have to bear.

Mr. RIEGLE. I wonder how they got the mailing list of the alumni of your organization in order to solicit 800 signatures from around the country.

Mr. VAUGHN. I do not have any indication that they did have a mailing list. The ex-volunteers are a very clannish group, at least in a local sense. The volunteers in the New Haven area, in Cambridge, and in the Washington, D.C., area largely know each other. Just by word of mouth, especially if there is good organization, they can get a large number of names to solicit.

The head of our congressional relations is an ex-volunteer named Tom Dine. He may know more about this than I do, but I was not aware that they used a list, certainly not a general list. I do not think all ex-volunteers were solicited, but it was a well-organized operation.

Mr. RIEGLE. Apparently it was. Because to get 800, it seems to me you would almost have to have a list of the alumni and solicit them by mail. I am wondering how they ever developed that list. I am sure you would not make such a list available.

Mr. VAUGHN. No.

Mr. DINE. Many ex-volunteers in the United States reside on college campuses as graduate students, and some campuses, like Ann Arbor, have ex-volunteer lists.

THE "PAUNCH CORPS" VERSUS PEACE CORPS

Mrs. REID. I have read about the so-called paunch corps, a nonprofit group of companies assisting in undeveloped countries. I have heard they are doing a good job. Is there any direct connection between that and the Peace Corps?

Mr. VAUGHN. There is not. I was in the country to which the first "paunch corps" member came—Panama. The system is different. These individuals receive a salary commensurate with the kind of job. If they are senior industrial consultants they might get a very good salary. Also they have a shorter term, sometimes they go for just 2 or 3 months.

Mrs. REID. A salary?

Mr. VAUGHN. From the companies they work for, not from the "paunch corps." I think the number is very small relative to the Peace Corps. I have had nothing but the very warmest endorsement and laudatory reports about the work they have done. I think they are well selected and are doing a fine job.

PRIVATE TRAINING CONTRACTOR

Mrs. REID. I understand—this was mentioned briefly, I think—that volunteers are being trained by private industry—for instance, General Dynamics and Westinghouse. What is the nature of these agreements? How do they differ from, for instance, the college contracts?

Mr. VAUGHN. They do not differ at all. It is a specific contract for a specific group of trainees being prepared for a specific country. We contract with them because we feel they have special competence in training. The work they have done in skill training and intensive training of other kinds may be very applicable to what the Peace Corps wants.

This has been on a somewhat pilot basis, although we have had a dozen training programs done by contractors of this kind.

Mr. COHELAN. Has Litton done that?

Mr. VAUGHN. Litton has been in it. Westinghouse, Litton, General Dynamics, American Institute for Research, Center for Research and

Education, Educational Development Center, United Auto Workers, and the Experiment in International Living.

We plan to continue to experiment to see if these people do have any techniques that are better than those we have tried before. We are groping to find just the right training center or technique for the various kinds of things to be trained for.

I do not know how well they have done. In some cases we have been a little rough on them in not giving them enough leadtime to do the job they want to do, but we plan to continue to experiment along these lines.

GOAL OF THE PEACE CORPS

Mrs. REID. You mentioned at one time, Mr. Vaughn, that the long-range goal of the Peace Corps is to work itself out of a job. Do you feel there are any areas where the Peace Corps has worked itself out of a job, and what is your prediction for the future?

Mr. VAUGHN. I may be one of the few men in town who has ever made that statement. I think the central problem of many technical assistance and related programs is that they have never worked themselves into a job. They have never found a way to be fully effective in building an institution with promise.

I will settle for the time when the Peace Corps has really worked itself into an important, priority, full time, sensitive, meaningful job. That is my goal. We will wait for the next century to talk about working ourselves out of a job.

What these nations need, obviously, cannot be provided or acquired in a decade or even in a generation. It has to be long-range, and it has to be done better than we are doing it now. I use "we" in the broadest context. So, I would make that statement.

RECRUITING NEGRO VOLUNTEERS

Mrs. REID. I have heard that some of the African countries have been critical that you have not sent more Negro volunteers. Is this because you do not have Negro volunteers to send?

Mr. VAUGHN. Yes. We have made a special effort in this area. We do not know how many Negroes we have, actually, because we do not have any way of telling from their applications. We do believe that most Negroes who come into the Peace Corps should serve in Africa.

We do better than most agencies in attracting them. We find the Negro university students are on the conservative side. They are interested in finding social mobility in their own society and paying off their educational debt. They have a little different viewpoint from the white Anglo-Saxon.

We are doing better than we have ever done before. I personally have been involved in recruiting at Negro schools. I find there is more interest although we are not doing nearly well enough. I cannot give you the percentage of Negroes in our total society, but I guess we should confess we do have a special problem. We want them very badly, but we are not able to get as many as we should like.

Mr. COHELAN. In my travels, it has been a source of great pride to me that in the Philippines and the Ivory Coast, you have two very able Negroes as directors of these programs.

(Off the record.)

Mr. COHELAN. From my empirical inspection and as one who has observed the Peace Corps in the field, considering the problem you have described, I would hardly think you have to apologize, because there is a very substantial contribution being made by young Negroes in the Peace Corps. You recall Franklin Williams was one of the early leaders of the Peace Corps. I am happy to hear, personally, that you are still working on it.

Mr. VAUGHN. Our percentage of questionnaires from Negroes has gone up fivefold or sixfold in the past 3 years. It was on a very small base to start with. We cannot take much pride in that, because we can do better. It is a complex process.

MALE-FEMALE RATIO

Mrs. REID. What would you say is the current male-female ratio in the Peace Corps?

Mr. VAUGHN. Fifty-seven percent male, 43 percent female. It has been at about that level for some years.

Mrs. REID. When a country requests a Peace Corps mission, does the country specify the number of men and women?

Mr. VAUGHN. Sometimes they do. Sometimes they talk about married couples.

Here is another interesting change. Three years ago, 4 percent of the volunteers were married couples. Today, it is over 19 percent. I cannot account for this, but I like it, because they seem to do better in general in adjusting, having each other and having their own security blanket and all.

I think we face just about everything. Some requests by host countries are very specific. They want males with an engineering degree, over 25. Others are very casual about the requirement.

CITIZEN DEMANDS FOR BETTER GOVERNMENT SERVICE

Mrs. REID. Is is not rather a delicate problem where little has been done for people by the Central Government itself? For instance, was this part of the problem in Turkey?

Mr. VAUGHN. No; this was not part of the problem in Turkey. I think it was something else which I can discuss later.

To answer the first part, I think I come out on the side of feeling this is just where volunteers should be sent. The peasant who has never really had any service from the Government, the health worker, the agricultural extension agent—it has never reached him. To have him kind of pull on the bureaucrat to come and help him is a good thing. To stand up as a citizen and demand a little better service or a little greater involvement, I think is a good thing.

I am not saying this should happen overnight. I remember this letter, one of the best I have ever read, from a volunteer at Colombia, appealing to his draft board not to pull him out after 8 months. He said:

> The only thing I have accomplished during 8 months is, the fellows I work with in my village, the leaders of my village, the elders, no longer look at their feet when they talk to me or talk to the mayor. They look him right in the eye and they look me right in the eye.

To accomplish that in 8 months was a miracle. It comes that way and it begins with a feeling of equality and importance and dignity, and leads then to demands for certain support from the Government. So, I think this is pretty much the name of our community development game.

There are some dangers of going too fast, of not being sensitive enough to the local situation, but this is also what development is, I think.

Mrs. REID. Last fall Senator Williams of Delaware commented in the Senate about the fact that lists of volunteers obtained from the Peace Corps were used for purposes of mailing political literature; this was September 28, 1966, in the Congressional Record. How were such lists obtained and under what conditions were they released by Peace Corps headquarters?

Mr. VAUGHN. This was the only time I really became angry in fiscal year 1966. I told the Senator this had no basis at all in fact, and in fact it did not. It was false.

Mrs. REID. The lists were not obtained from the Peace Corps you say?

Mr. VAUGHN. That is correct.

PUERTO RICAN TRAINING CENTER

Mrs. REID. You mentioned earlier the in-house training in Puerto Rico.

Mr. VAUGHN. Yes.

Mrs. REID. And the turnover in this program is mostly because of the living conditions.

Mr. VAUGHN. Yes.

Mrs. REID. Why is it necessary to locate in Puerto Rico and also in such a remote area as the Rain Forest?

Mr. VAUGHN. Part of this is inherited. In fact, all of it is inherited. The Puerto Rican Government was so cooperative in giving us the space, the area, the facilities. It is free of distractions. It is there for one purpose, to train, to learn. It is quiet and apart. It is a good facility. It is one of the best we have. It is controllable. We can control just about every element that is important there. I guess in most situations you have to pay for certain things. If you get exactly what you want, there are certain things you have to give up and comfort and convenience and feeling in the modern world are not things you get there. There have been suggestions made that we move it into a more urban or populated area, but I like it. I think it serves us very well. I think we can cope with the cloistered feeling staff members have which makes them want to leave after about 6 months. It might be a plus on balance to have them leave and rotate rather rapidly.

I wish, incidentally, that you could go down there one day. It is really worthwhile.

Mrs. REID. I have been to Puerto Rico but I did not observe the program.

Mr. VAUGHN. It is very special and we think very good. I would like you to see it. You can participate, you can run those 5 miles before breakfast, you can go to the Spanish classes and you can see every-

thing that is there exposed for you to see; as a professional teacher, as a public servant, as a taxpayer, I think it is most important to see that.

Mrs. REID. I hope to have the opportunity some time. Thank you.

NEGROES IN THE PROGRAM

Mr. COHELAN. One thing you said in connection with the minority distribution which disturbed me, if I understood you correctly, you did not have any percentages which implied you do not have identification in your applications and then you made reference to a percentage. Can we square that for the record so we do not have it cluttered up?

Mr. VAUGHN. I think as it stands now the Negro population of the United States is in the range of 11 or 12 percent. The Peace Corps percentage is not nearly that high. Maybe we should not be shooting for that. By visiting the country programs and by visiting training projects we get a feel for about how many there are. If we look at their records, we can see if they went to an all Negro school in the South, the chances are they are Negro. I may have misspoken, but I did not mean to infer that we knew of a range, whether it was 3 percent of all volunteers were Negroes or 2 or 4. I do not know. Maybe some people here do, but I do not.

Mr. COHELAN. Would it be fair for me to assume you do not consciously try to collect that data, but you know who is in a particular unit. If Ashabranner is in Bombay you know who is working for him and he knows who they are and where they came from.

Mr. VAUGHN. Yes. I am saying we never tried to total this up to give us a total volunteer figure. We have on the staff side, and then we convert this to a percentage.

Mr. COHELAN. This is consistent, I hope, with your original statement that there is no identification data on your intake application.

Mr. VAUGHN. No. There is none.

Mr. ASHABRANNER. During the training program the pictures of the volunteers come out and that is one way of telling. But I know of no statistical study.

Mr. RIEGLE. As I said the other day when Mr. McNamara was here, it was late then but a little earlier than this, this is one of the conditions that goes with being low man on the seniority totem pole. If you will suffer with me I will suffer with you as we talk about these things.

I have some questions I would like to ask. Before I do let me give you a frame of reference. I, too, happen to be a person that thinks that the Peace Corps is a good idea and has made headway for us.

Mr. VAUGHN. Thank you.

Mr. RIEGLE. I just had occasion to be in South America and had a chance to stop at Lima, Peru, and get outside of Lima into the slum city of Comas and see some of our people there at work in the Peace Corps and to see some papal volunteers at work and get some first-hand appreciation of what we are up against in some of these real tough problem areas.

DETERMINATION OF THE BUDGET REQUEST FOR FISCAL YEAR 1968

I want to develop a line of reasoning with you to get some feel of how you decided that this $118 million is what you need now rather than some number that would be larger or smaller. What basically are

the practical limits to the Peace Corps at this time? How did you decide overall that this is where you plant your flag in terms of an amount?

Mr. VAUGHN. The determinants in rate of growth and size are, first of all, the quality of applicants we receive. Since 93 percent of our volunteers come from college campuses, and are recent seniors, we can predict with some precision what the level of applications will be. The ongoing program is another determinant. We have in almost every case programed on the basis of a continuing presence and a replacement of the group overseas. So just the replacement of existing groups can be projected for several years to give us a level. The third factor is the requests we have in our pocket for programs. We could move to a kind of promotional approach where with just an indication that we are ready to provide more volunteers to country X we could get a request for hundreds more. So I guess to put it in terms of year-to-year planning we base it principally on what we have in the way of an ongoing program. If we did not put any more volunteers overseas in the coming program year we would still have a major program to finance. If we can project on the basis of five new countries, a total of some 550 volunteers and the adjustment from country to country where we are going to expand or replace a project or add a few more we can then come up with a level.

We try to draw this into some proportion with the number of recruits we think we will get.

Mr. RIEGLE. So when you make a decision to go year to year, from the present fiscal year to the coming fiscal year, up 8 percent, basically you are taking on some new business.

Mr. VAUGHN. Yes.

BASIS FOR DECISIONS TO ADD PROGRAMS

Mr. RIEGLE. How do you make that decision? I take it there is a kind of infinite amount of new business you can take on within your constraints of qualified applicants and your ability to go ahead and build a program in a country.

Mr. VAUGHN. We had never been very professional or precise in tailoring or structuring this until last year when we upgraded our programing and planning office and we instituted the PPBS system. We have a planning, programming, and review process now which permits the top management in the Peace Corps to make these crucial decisions as to what we do and what we do not do, what our priorities are, where we are going and how much we will span.

Mr. COHELAN. What about the Bureau of the Budget? Did you ask for more this year than the Bureau allowed you?

Mr. VAUGHN. We asked for more than they allowed us.

Mr. COHELAN. So the Bureau of the Budget is one of the determinants?

Mr. VAUGHN. But the Bureau of the Budget decided to go along with us in part. They gave us a markup and we made our case on the basis of what we had going for us and what we wanted to do. They agreed to take our higher figure over what their mark was and then we subsequently reduced that on the basis of the economies that we have effected and the projection of those economies into fiscal year 1968.

Mr. COHELAN. So in effect the Bureau allowed you in its estimates more than you are actually using.

Mr. VAUGHN. Yes.

MEASUREMENT OF BENEFIT DERIVED FROM INCREASED DOLLAR INPUT

Mr. RIEGLE. What I am interested in trying to get some feel for is what sort of incremental benefit do you see accruing to the Peace Corps and then, of course, to the country as a whole or I guess to the world, for this increment of $8.7 million in expenditure? This is apart from your ability to digest and use those funds.

In other words, what do you see the payoff as being? What is really the substantive justification for the expenditure of that amount versus maybe half that amount in terms of yield to this country?

Mr. VAUGHN. I do not think this can be quantified. What we are dealing with here is an individual volunteer, one more, 100 more, but always an individual, and what that individual will accomplish for himself, for his country, for the Peace Corps is always a question mark. Some will do outstanding work. This is one of our problems, Mr. Congressman, where we are asked to generalize and synthesize from this output, and you cannot add apples and oranges. We can give you literally hundreds of case histories of volunteers who appear to have done a fantastic amount of good in terms of technical assistance and construction and students taught and people helped, and so forth. But I do not think we can break it down into round numbers of a thousand. What can you get that will justify the cost by the addition of another thousand volunteers? Why not 500? I am in quicksand when that kind of question is asked.

Mr. RIEGLE. I can certainly understand your answer and it was the answer that I would expect. It seems to me if we do take a look and we try to come up with the best nonspecific measure of what the Peace Corps accomplishes, first of all, I think just by being in existence at whatever dollar level, $80 million or $100 million or whatever, it represents our tangible recognition as a nation that we want to do something in this form for the people of the world. I think this is an advantage.

Mr. VAUGHN. Also we may have something to learn.

Mr. RIEGLE. I think that is right. The existence of the program at some substantial level, $75 million or above, I think achieves in the large sense much of that advantage. I think the increment to that advantage probably does not grow very much by individual volunteer; by some amount certainly, but basically not a great deal.

Mr. VAUGHN. Yes.

Mr. RIEGLE. Then I think you could say at the second level if we go into a specific country where we have not been before, the good that radiates out from our effort in that country is a measurable increment. It is something that was not there before.

Mr. VAUGHN. Yes.

Mr. RIEGLE. It seems to me when you go to the third level, that you go to a country where you are, and you have essentially gotten the first two levels of advantage or yield or achievement, when you go from 35 Peace Corps people to 37 that the increment of gain for those last two people is by definition somewhat smaller.

Mr. VAUGHN. I agree.

Mr. RIEGLE. This is apart from their individual contribution.

Mr. VAUGHN. I agree with that.

Mr. RIEGLE. The reason I want to try to pin this down is that I also sit on the District of Columbia Subcommittee and we have just gone through the agony of knocking item after item out of their budget that the District needs. The summer program for the kids in the city for example, having to chop that up and many necessary school programs, which have had to be set aside because there are just not funds available. The basic problem we face is that we have to decide where we are going to put our dollars.

I have to find some way in my mind to reconcile these two demands for dollars. I have to see how it is that two and a half million as an increment in the Peace Corps is worth more from the point of view of our national and international interests than an additional two and a half million going to fund the summer program in the District.

Quite frankly, I do not have today what I need to make that decision. This is why I am bringing this up. I think it is a critical matter and we face this now in much more pointed form each day as the cost of the war in Vietnam goes up.

Mr. VAUGHN. It would be a lot easier, I think, for us all if we were able to decide between two options. You have to compare these possibilities with all others, I think, in the Federal Government. What we are asking for for fiscal year 1968 in the way of increases is about what it would take to buy three jet fighters. This is another kind of comparison that may be helpful to make to get it in the context where an intelligent decision could be made.

LARGE PROGRAM FOR MICRONESIA

You mentioned the various stages. We have entered into still a fourth, and that is what happens when the Peace Corps goes to a country for keeps. Where we have gone to Micronesia, an island area that has about 90,000 people and we are going to put 700 volunteers there. We are going to try to help them move to the point of independence and self-sufficiency. We have lawyers and small industry people and teachers and health workers and agriculturists. It is a major effort to do something not in the typical or traditional sense of the Peace Corps objective, but to do something rapidly and significantly for the society and the economy of that country or that area.

INTERNAL NEEDS VERSUS EXTERNAL AID

Mr. RIEGLE. I am all for doing that. I am not sure we can afford to do that now. It seems to me, too, that we cannot really use a jet fighter example for this reason. I mean we could but I would suggest maybe what we have to do here is set aside our defense-type expenditures and talk about the money that the Government is going to spend in the area of social problems as apart from the defense operation. If we take what is available for social-problem solving and we talk about Washington, D.C., or some other area in the United States versus expenditures externally or around the world, one of the immediate problems we have, and it is one I think we have to deal better with—we here have to deal better than we are now—is the whole question of

a "crisis of expectation" here at home. I am all for helping the people of Micronesia, but it is a very different situation when you have a person in Micronesia that has a problem and does not realize the severity of his problem and you have someone here in our country who has a problem of rough equivalence and he does realize the severity of the problem and what is not being done about it. These are not equivalents in terms of the remedy you have to think about when you approach these two problems. These are not equal situations. I am trying to get a feel for how I can gage the critical nature of taking this kind of initiative in Micronesia at this time. I net out by saying, given my understanding of what is happening here, I just do not think we can do it.

INTERNAL BENEFITS FROM PEACE CORPS EXPERIENCE

Mr. VAUGHN. I think the last or at least the later consideration is very important from what we have learned to date, that you add in the ingredient of what happens 2 years later. I am convinced, for example, that Sargent Shriver could not have established OEO had it not been for the Peace Corps. You look at who is staffing Headstart and Job Corps and VISTA. It is ex-Peace Corps staff and ex-Peace Corps volunteers. You look at the young people who are teaching in the slum schools of the United States, and you look at how many ex-volunteers have gone into teaching and social work. I was at Ann Arbor for the sesquicentennial celebration of the University of Michigan a month or so ago and as usual I was cornered by ex-volunteers for breakfast at 7 o'clock. I was told there are 20 former Peace Corps volunteers from Latin America who are working on their master's degree in social work at the University of Michigan. That would not have happened had it not been for Peace Corps. So there is another phase and another benefit, perhaps the major one to our own society, in helping to solve our own problems that comes from having had the Peace Corps experience.

Mr. RIEGLE. I will buy that. I think that is necessary and that is sound and that is a plus that grows out of this program. But I would assume that kind of plus also grows out of a VISTA program, out of a program that is domestically oriented rather than internationally oriented. I think you have to do both. The question is one of relative balance and this becomes a very pointed issue when we are out of money, as we are.

Mr. VAUGHAN. Yes.

JUSTIFICATION FOR MICRONESIA PROGRAM

Mr. RIEGLE. Quite frankly, I think if the allocation question were put to the American people, if we were to put Micronesia in one hand, and you picture a slum center in this country that is crying for help on the other and hold your referendum, we won't get a dollar for Micronesia. But basically, we still have not answered the question why we ought to go this way. In other words, I would like to hear a good sound argument as to why, in the face of what I have just labeled this "crisis of expectation" which I think is a very critical problem here at home, why the money ought to be going to Micronesia at this time. Why ought we to be moving into that particular culture and en-

vironment with a substantial program at this time, given our financial pressures, given our inability to respond adequately to our domestic problems?

Mr. VAUGHN. I think the answer in that particular case is clear and easy. We took on a commitment to help bring these people toward the 20th century. We have been at it for 20 years. Some Micronesians were heard to say last year, would you please let the Japanese come back. We have not been able to move Micronesia; yet, we have a commitment to do this with the United Nations and with the Micronesians themselves and in front of the world. Secondly, I think that without wanting to sound like Wendell Wilkie, I think the Great Society is no longer the United States. I think the Great Society has to be the world, at least the free world. We cannot leave major pockets behind while we take care of all our own problems.

Mr. RIEGLE. But you see you can turn that argument around the other way. We also have a commitment to Harlem and Anacostia that we are not meeting.

Mr. VAUGHN. That is right.

Mr. RIEGLE. You can argue that the Micronesian commitment is greater or smaller. I do not believe it is greater. We are not meeting these internal commitments. Again when you are in a bind, when the people here that are suffering and realize what they are missing out on, they do not want to be left behind either. I do not want to leave them behind today to assist a Micronesian. Quite frankly, if I have to pick between one and the other, I am going to deal with this problem here at home because I think it is a more acute one. If there is a justification over and above the commitment, the fact that we have made a promise in prior years and we have to live by it and this is a program that is a sound program and makes sense, if it can be afforded, then I want to know what it is, because I do not want to fight this issue if I should not be fighting it.

NEED TO RETAIN PRESENT PROGRAMS

Mr. VAUGHN. I think part of our problem here, and part of our dilemma, comes from two facts: One, the Peace Corps kind of effort cannot be an instant success. What we are after in the way of achieving the Peace Corps objectives of teaching and learning and knowledge, promoting progress and change, social and otherwise, has to be a long-range thing. We have started down the road. We have a lot of momentum. We have an implied commitment to most of the 52 countries where we are. To think about a sharp cutback, totally or in specific countries, I think would defeat a lot of what we are trying to do. It may be too late in a sense to talk about a major cutback. It would be better not to go to new countries I am sure of that, and to stick with the people we have learned to work with and do a job. We have had several suggestions in the last year that we concentrate on a couple of dozen countries and make a real effort and a real impact for the long pull and not try to do everything for everybody and go in five or six or seven new countries every year. This may be the right thing to do.

NEED FOR NEW PROGRAMS

Mr. RIEGLE. We are falling short of the mark here at home. When you are spending something well over $20 billion and probably closer to $30 billion in Vietnam, there are a lot of things you cannot do. There are promises that you make in the past that you just cannot keep. We are in that bind. As I say I feel, this is my job to sit here and weigh off these priorities. I am afraid we are in a severe enough bind at home today that international programs of this kind, which I think are sound and are good, can really only afford to proceed as fast as we can afford them and our ability to afford them given Vietnam and the other conditions that come along. I think it becomes almost impossible to justify, on the basis of the critical strategic need, an increase in the program.

In other words, I would fight to defend the program where it stands today on the theory that we are at this point. I think the program justifies itself to that extent. But if you are going to take on new problems, I really feel uncomfortable in saying let us take on the problems of the Micronesians incrementally rather than the problem of the kid in Harlem or right here in Washington, D.C. I do not think as a practical matter we can afford to, as a nation or political leaders or directors of programs or whatever they may be.

NEED FOR SOLUTION TO U.S. POVERTY

Mr. VAUGHN. I may be disclosing my bias but I have the strong feeling that much of the problem in our urban slums with regard to doing something in a significant way is not because of the lack of money; it is because of other things.

What kind of people do you need? How political does it have to be; where do you start? I think we stand a better chance of finding some of these answers in the work we are doing than any other group I know.

Have you ever heard of anybody telling you how you—I am talking philosophically, organizationally, mechanically, technically or in any other way—how you can change Watts or begin to change Watts, not just give them more money but to transform that urban ghetto? I have not heard a persuasive description of how this can be done. This is the kind of problem we are working on. This is the kind of people we are training in the Peace Corps.

Mr. RIEGLE. I have not heard that answer yet, either, but I think there is an answer and I think we have to find it. I think the million dollars is part of finding that answer. I am afraid we may be to the point right now where what money is left for social problem solving is so small in relationship to our domestic need, after we take the cost of the war in Vietnam off the top, that we may be in a situation right now where the social money that we can afford to spend is almost for prevention of major calamities. In other words, I think we are heading to a position where we have to hit a lot harder on these internal problems which may mean that we do no more than stay even.

The question is not slipping deeper into the hole so that Watts is duplicated in 50 other communities across the country. Again I could not agree more that dollars alone will not solve this problem but we

are not going to solve it without some dollars. We do not have enough dollars today.

Again, how do I make the trade-off between that reality and Micronesia?

Mr. COHELAN. If the gentleman from Michigan will yield, may I suggest that he has made his point. This is going to be our judgment to make when we get to the markup. I would suggest, too, at that point that perhaps we might argue about that because I would like to discuss this topic with the gentleman. But I think you have thoroughly interrogated the Director and made your point. May I suggest we move on.

I think you have other questions. I do not think he can answer your question.

Mr. VAUGHN. I am sorry you said that, Mr. Congressman.

Mr. COHELAN. I am sure you have opinions.

Mr. VAUGHN. I certainly cannot make the judgment.

(Discussion off the record.)

Mr. COHELAN. May I suggest to the gentleman that you might ask the Director if he would like to submit a further statement on this subject.

Mr. RIEGLE. I would certainly be interested.

Mr. VAUGHN. No, I do not think I would.

NO PROGRAM FOR INDONESIA

Mr. RIEGLE. I notice we have no action underway in Indonesia. I notice this has been a kind of public cauldron for some time. But it appears it has stabilized to some degree. Would this not be a good place to try to establish a Peace Corps operation again?

Mr. VAUGHN. I think the chances are good at this point.

IMPACT OF PUBLIC OPINION

Mr. RIEGLE. Do we have any public information survey type information in any of the countries we are operating in, to give us a substantive feel for the impact that our Peace Corps operations are having on public opinion generally?

Mr. VAUGHN. Not to my knowledge.

(Off the record.)

Mr. RIEGLE. What is your own personal objective feel for this? Do you think we are really delivering the basic message embodied in the Peace Corps to the people of these countries who may not be directly involved with Peace Corps people, or where our communications are so haphazard that we should not expect that?

Mr. VAUGHN. I think we are communicating. It is just very hard to summarize because it varies so much. In some places the President himself is intimately familiar with what we are doing and understands it. In other cases the head of state is not aware at all of what we are doing or trying to do.

EFFECT OF BUDGET CUTS ON FISCAL YEAR 1968 PROGRAMS

Mr. RIEGLE. I would like to go back and ask the first part of that question again and put it on the record. If you were to have to oper-

ate the Peace Corps in the coming year at an amount, say, $3 or $4 million less than the $118.7 million, would this put your program in serious jeopardy?

Mr. VAUGHN. Such an occurrence would not put our overall program in serious jeopardy, but it would put certain new programs, new countries, in serious jeopardy. It would cause us either to renege on or postpone certain commitments. It would cause us to have to realine and reallocate certain of our categories of costs.

We understand as members of an operating agency that this is always a possibility.

Mr. RIEGLE. The essential thrust of your organization being to head the parade of the international nonmilitary group, basically you could maintain your effectiveness with an amount of $110 or $112 or $114 million?

Mr. VAUGHN. I would be worried that you would be taking our green beret off. The stigma would be that the Peace Corps is going to stop growing and we are going to flatten out psychologically and fiscally in terms of numbers of volunteers. That might not be a very good omen.

Mr. RIEGLE. But that, in fact, happened in the last 2 fiscal years. Your expenditures in 1966 were, in fact, higher than in 1967. You have survived that problem before. Do you not think you could again?

Mr. VAUGHN. There is absolutely no question but what we would survive it. We could survive a 50-percent cut, but there are real implications here.

Mr. RIEGLE. The basic jeopardy, then, falls in the area of new programs. Actually, you would not try to undertake new programs.

Mr. VAUGHN. The new programs and planned expansion and perhaps on the administrative side certain improvements we want to make. We could do many things in the way of adjusting. We could eliminate research.

Mr. RIEGLE. Would the Micronesia program be one that would come out if your budget were reduced by $4 or $5 million?

Mr. VAUGHN. If we had to do this, I would probably have to pare numbers of volunteers across the board, instead of canceling programs. We are very proud of keeping our word, making a commitment and giving them a firm handshake and doing it, producing on time as we said we would with the right kind of volunteers, I would think the action we would have to take would be to trim back where we could without hurting too much, but not to eliminate certain programs.

Mr. RIEGLE. So, the net of your answer is, this is the money you feel you need, but if the appropriation were some $5 million less than this, you would still get the essential part of your job done?

Mr. VAUGHN. Yes; and it leads one to the feeling that maybe we should have played the old bureaucratic game all along. You know, we could have done what we were doing in 1966 and 1965 and had a lot of fat to be trimmed. We have gone through the most serious, far-reaching cost-cutting operation that I have ever seen in Government. We have really pared down. We are leaner in every category than we have ever been, I dare say than any other Federal agency has been.

We are down to rock bottom. We have reduced costs $7 million, and now we are asked about a cut on that basis. If we had been at the early 1966 level, with the same kind of program and operation, and you

suggested something like this, I would have smiled inwardly and said that is OK, we can soak that up. But on our present basis, where we are so lean, I question that we could do much in the way of savings without nicking nerve and muscle.

Mr. RIEGLE. I appreciate that answer, and I appreciate what you have just said. I think if we were back to that point in 1966, the outlook would be altogether different, because the cost of the war in Vietnam was lower at that time and we had more money to meet some of our critical domestic problems. We were not quite so much to the wall in terms of having to make the tradeoff between international social problems and domestic social problems.

It leaves us with a very unsatisfactory choice when you have to do some nicking of muscle and nerve somewhere, as to where you do it.

I very much appreciate your comment today, and I wish you well.

Mr. COHELAN. Thank you, Mr. Riegle.

If there are no further questions or comments, the committee will adjourn until 1 p.m., tomorrow, when we will take up the International Development Association.

TUESDAY, APRIL 4, 1967.

MILITARY ASSISTANCE PROGRAM

TESTIMONY OF THE SECRETARY OF DEFENSE

WITNESSES

HON. ROBERT S. McNAMARA, SECRETARY OF DEFENSE
JACK L. STEMPLER, ASSISTANT TO THE SECRETARY OF DEFENSE (LEGISLATIVE AFFAIRS)
PETER R. KNAUR, ASSISTANT FOR CONGRESSIONAL AND SPECIAL PROJECTS, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)
LT. COL. ALBERTUS B. OUTLAW, U.S. AIR FORCE, OFFICE OF LEGISLATIVE LIAISON, OFFICE OF THE SECRETARY OF DEFENSE
MRS. NAN HARLEE, LEGISLATIVE PROGRAMS COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order. We shall consider this afternoon the fiscal year 1968 budget request for the military assistance program.

The Honorable Robert S. McNamara, Secretary of Defense, will testify for the budget request.

COMPARISON OF 1967 APPROPRIATION WITH REQUEST FOR FISCAL YEAR 1968

First, however, we will indicate for the record that the 1967 appropriation is $792 million, as compared with the budget request for fiscal 1968 in the amount of $596 million. But so that this figure will be comparable to the one that the Secretary testified to last year for fiscal 1967, we should indicate that there is $241,700,000 not included in the 1968 estimate, is that correct, Mr. Secretary?

Secretary MCNAMARA. Yes, that is correct. The comparable amount included in the figure of last year was $278 million.

Mr. PASSMAN. Is the grand total for fiscal 1968 compared to fiscal 1967, higher or lower?

Secretary MCNAMARA. In total obligation authority, it is lower. In new obligational authority, it is higher, because there are fewer recoupments than last year.

Mr. PASSMAN. Mr. Secretary, if you have a statement, the committee would be pleased to hear from you at this time.

Secretary MCNAMARA. Yes, I do, Mr. Chairman. I would be happy to have an opportunity to go over the statement with you and then attempt to answer your questions.

Mr. PASSMAN. You proceed in your own way, Mr. Secretary.

Secretary MCNAMARA. I will read the statement.

You may wish to have in front of you at the time I do the table of military assistance program amounts.

(A classified table was submitted for the committee's use.)

Mr. PASSMAN. I am sure you would like to have in the record at this point, as we are dealing with the new appropriation request, that when you include the program for Laos, Thailand, the International Military Headquarters in NATO, and infrastructure, then the request would be $837,700,000 as compared to an appropriation of $792 million for last year.

Secretary MCNAMARA. Yes, that is quite right, Mr. Chairman. I am sure you would like to have in the record at the same place the total obligational authority for the 2 years on exactly the same basis, which was $1,025 million for fiscal 1967; and the comparable figure—the amount we are asking for total obligation authority for 1968—is $930 million. So, in terms of the country programs, there has been an actual reduction of $95 million. The reason why there appears to be a slight increase of $45 million in new obligational authority, despite the $95 million in program reduction, is that there are fewer opportunities for recoupments in fiscal 1968 than in fiscal 1967.

Cancellation of the Pakistan and Indian programs in 1967, which made it possible to have a larger total program with less new obligation authority, of course will not affect 1968.

Mr. PASSMAN. I do appreciate that statement, but if we were to go back beyond 3 years we would also have to include the amount that we had for the Vietnam program that has been transferred to the Defense Department?

Secretary MCNAMARA. Yes. The table that lies in front of you shows this on comparable basis, with and without Vietnam, with and without the other nations, back to 1961 by year. If you will examine the data, I think you will agree that excluding the war in Vietnam, support of which certainly is not a function of the military assistance program, and should not cloud comparison of fiscal 1968 military assistance with prior years—the fiscal 1968 program, on any basis you wish to examine it—represents a reduction from prior year programs, as I think it should.

I have told this committee in the past that it was our intention gradually to phase out military assistance. That has been our intention. It still is our intention. As a matter of fact, it is what we are doing. If I may go ahead with the statement, I think that will become more apparent.

Mr. PASSMAN. I want the record to note that I am not arguing with you. All I am trying to do is to let the record show what would it have

been if you had not removed the Vietnam program and the other programs.

You may proceed with your statement, Mr. Secretary.

General Statement

Secretary McNamara. The first year in which it was my privilege to testify before this committee in support of the military assistance program, the Congress appropriated almost $1.2 billion in new obligational authority—excluding $400 million for five programs, one of which has since been transferred, and four of which have been proposed for transfer, to the regular Defense budget. That was for fiscal year 1962. Today, we are asking $596 million for continuing support of the program which, despite reductions in scope and changes in composition during the interim, remains a key instrument of our national security and foreign policy. For those country programs remaining in the fiscal year 1968 proposal, the reduction has been more than 50 percent over the 6-year period. This is the result of a sustained and concerted effort to streamline military assistance and to sharpen the program's focus on primary objectives.

TRANSFER OF PROGRAMS FROM MILITARY ASSISTANCE TO THE DEFENSE BUDGET

A major step this year, related to the scope of the program, but not counted as a saving in the fiscal year 1968 figure I have just given you, is the removal from MAP of programs totaling $242 million which are not directly related to its basic purpose. I shall first address these proposed transfers.

VIETNAM

The military assistance program was not designed to support forces actually engaged in combat operations, but rather to equip and train forces and provide stocks of combat consumables essential for the initial defense phase. For this reason, the administration last year proposed the transfer of support for South Vietnamese forces and the direct and related costs of other free world forces engaged with us in Vietnam from the military assistance program to the regular Defense budget. That transfer, which was approved by the Congress, has greatly facilitated logistics management in South Vietnam, and has relieved the military assistance program, worldwide, of the constant risk of crippling raids on resources caused by the large and unpredictable combat demands in Vietnam.

LAOS AND THAILAND

For fiscal year 1968, similar considerations underlie the proposed transfer of support for the Lao and Thai forces from the military assistance program to the regular Defense budget. Laos is engaged in a war to defend itself against North Vietnamese aggression working through the instrument of the Pathet Lao, and to prevent the use of Lao territory by the North Vietnamese to infiltrate personnel and supplies into South Vietnam. Laotian forces are now constantly engaged in combat operations closely associated with the free world effort in Vietnam. Their requirements are large, especially for ammunition and light aircraft; and, being combat-related, they are subject to frequent change.

Thailand too is an integral part of the Vietnam war effort. Indeed, Thailand has agreed to commit more than 2,000 troops to South Vietnam in support of the free world effort there. Access to Thai bases is of great importance to the United States; and the great majority of the almost 35,000 U.S. military personnel in Thailand are there in support of that effort. The outcome of the Vietnam war is of vital concern to Thailand, which is situated just across the Mekong from Laos and the infiltration trails. As you know, Peking and Hanoi are continuing their campaign to foment insurgency in Thailand.

Unanticipated increases in Lao and Thai requirements, stemming from changes in the overall military situation in Southeast Asia, have in the past had to be financed by reducing grant programs to other important countries of the free world. Such shifts in the allocation of finite assets (most notably to meet rising Vietnam requirements in 1965) have greatly complicated management of the total program. They have also caused understandable concern on the part of the other MAP recipients whose programs were adversely affected. The proposed transfers will remedy this situation; at the same time they will simplify the logistics management in Southeast Asia. If the Congress approves this proposal, all unexpended balances of fiscal year 1967 and prior year military assistance programs for Laos and Thailand will be transferred to the accounts of the military departments as of July 1, 1967.

NATO AND INTERNATIONAL MILITARY HEADQUARTERS PROGRAM

Two other transfers from the Military Assistance program to the regular Defense budget are also proposed by the administration. The first involves the NATO Infrastructure program, which provides for the construction and maintenance of facilities needed by the United States and other NATO forces in Europe. The second involves the International Military Headquarters program, which supports the integrated command structures of NATO, CENTO and SEATO. These programs are not military assistance. They represent the United States' share of the total costs of two international endeavors; they go to the support of United States forces and therefore are more appropriately financed by the regular Defense budget.

All four of the transfers we propose to make in fiscal year 1968 reflect a continuing effort to provide military assistance on an increasingly selective basis, in order to attain those specific objectives of U.S. military strategy and foreign policy for which MAP is the best available instrument.

BASIC CRITERIA APPLIED TO MAP

In consonance with this effort, we are applying to our military assistance planning five basic criteria:

The first is that each program should relate very directly to important U.S. security and foreign policy interests, and should contribute to the optimum politico-military approach to the threat faced by the recipient country.

The second is that aid should be responsive to changes in our interests and in the threat, external or internal.

The third is that precautions must be taken to reduce the chances, however remote, that assistance may be put to unintended purposes, such as regional conflicts or the support of undemocratic regimes.

The fourth is that grant aid should be terminated, and essential military equipment provided thereafter on a sales basis (with credits as necessary), when a recipient country has developed the ability to bear its own defense burden.

The fifth, but not least, is that—at a time when the conflict in Vietnam makes major claim on our total national assets—we must concentrate resources on programs which are not merely desirable, but indispensable.

There is, of course, nothing new about the essentials of these criteria. The differences between the thrust of our fiscal year 1968 effort and that of recent years are those of emphasis rather than of principle. The program I am presenting to you today represents the carefully considered and highly selective allocation of funds required to make effective use of military assistance in those cases where MAP can better serve the national interest than any other available military, political, or economic instrument.

FUND REQUEST FOR FISCAL YEAR 1968

The total program proposed for 1968 (Total Obligational Authority plus MAP assets) is $688 million, for which $596 million in New Obligational Authority is being requested. I believe there is no foreseeable way of accommodating a cut in these amounts without doing serious damage to our security interests. One-time accretions, such as occurred in fiscal year 1967, cannot be counted upon to cushion the impact of any reductions in new obligational authority. It is, for example, unrealistic to expect a repetition of the program adjustments in recoupments and reappropriations such as those which released for use in fiscal year 1967 some $54 million more than the original estimate of $110 million. As you know, this substantial sum, available from prior-year suspended and undelivered balances, plus $53.8 million in additional assets accruing in connection with a change in logistic policy, augmented our new obligational authority in fiscal year 1967. Without them we could not have lived within the reduced fiscal year 1967 new obligational authority figure without decimating the program. There is, as I say, no prospect of any comparable accretions in fiscal year 1968. Neither do I foresee any likelihood of reduced requirements for military assistance during the coming year.

This being the case, I don't hesitate to state my conviction that the future effectiveness of the Military Assistance Program as an instrument of national defense and of U.S. foreign policy depends upon authorization and appropriation of the full amount requested by the administration for the coming year.

ALLOCATION OF THE PROPOSED BUDGET

About three-quarters of the proposed total is allocated to five nations adjacent to the U.S.S.R. and Red China where military assistance contributes directly to strengthening their ability to defend themselves against the threat of aggression by Communist neighbors. These countries are Greece, Turkey, Iran, Republic of China, and Korea.

Their MAP-supported forces are vitally important to our forward strategy for free world common defense.

The remaining fourth of the program is divided between grant assistance for all other recipient countries, on the one hand, and funds required for credit assistance and nonregional expenses, on the other. Less than one-fifth of our anticipated total obligational authority for fiscal year 1968 is allocated to grant programs for countries which are *not* directly exposed to the threat of aggression by Communist neighbors. The fact that these latter programs are nevertheless important to the attainment of specific U.S. objectives will, I believe, emerge as I proceed to a region-by-region summary of our proposals for the coming year.

Far East Programs

The situation in Vietnam and our relations with Red China are the pivots of military assistance planning for the Far East. Although one result of the internal upheaval in mainland China has been a temporary reduction in Chinese interest in the outside world, there has been no diminution in that regime's support of the insurgency against Vietnam and Thailand. The potential for Red Chinese aggression against peripheral nations remains real and cannot be discounted in our global defense planning.

A continuing major objective of military assistance in the Far East is therefore to enable independent nations on the fringes of the Chinese land mass to protect their own security by participating in the strategic containment of the regime in Peking. U.S. power and purpose are, of course, indispensable ingredients in such containment; but MAP-supported forces of countries directly exposed to the threat are manning the forward defense line aganist the expansion of Red Chinese influence in Asia. For this reason, more than 88 percent of the $282.1 million to be allocated to the Far East area in fiscal year 1968 will be used to strengthen the military capabilities of two nations—the Republics of China and Korea.

Republic of China

The Republic of China continues to be threatened by Peking's designs. Our security commitment to the defense of Taiwan and the Pescadores remains essential to the survival of the Nationalist Chinese regime, and so do its own efforts. Although that regime has been increasingly successful in improving its military logistics system, maintaining its equipment, and bearing an increasing share of its own defense costs, we will have to continue to supply Taiwan with certain types of military equipment which cannot be produced locally or which are beyond its present means to purchase. Provision of grant assistance remains essential, for example, to insure the maintenance of effective air and naval forces, which constitute the first line of defense for an island 100 miles from the Chinese mainland.

The proposed program of grant aid therefore continues to be essential to our self-interest, as well as to the free world posture in that area.

KOREA

As you know, the Republic of Korea is directly participating in the Vietnam war—a fact of major importance to itself, the area and the United States. Some 46,000 capable Korean troops, including two full combat divisions, are now in Vietnam fighting side by side with our own forces and the South Vietnamese. This contribution attests to the value of our past assistance, both economic and military.

Korea is also continuing to develop politically and is playing an expanding role in regional cooperation. The Korean economy is making impressive progress. There remains, however, a requirement for considerable grant aid to South Korea because the military threat from North Korea has not been removed. Recurring North Korean violations in the Demilitarized Zone, in which the United States and South Korea have suffered casualties, attest to continued North Korean militancy. Moreover, the Red Chinese capability for reintroducing forces into the Korean peninsula cannot be ignored. U.S. forces in Korea, together with our substantial program of military assistance, remain vital to the security of Korea and to general stability in that part of the Pacific area.

SUPPORT FROM THE PHILIPPINES

As the Vietnam conflict progresses, we have relied increasingly on United States bases and facilities in the Philippines. In this regard, we have received excellent support from President Marcos. He is taking steps to deal with the nation's domestic problems, including internal security. Like President Park of Korea, he has taken a strong interest in regional security matters. He hosted the Manila Conference. Under this leadership, the Philippine Government has sent an engineering construction battalion with supporting security troops (totaling 2,000 men) to Vietnam. The support we provide to the Philippine armed forces through military assistance is thus clearly in our national interest and is consistent with the importance of that country's role in the regional defense efforts of the Pacific area.

Near East and South Asia Programs

The Near and Middle East remains of strategic significance to the United States because the area is a political, military and economic crossroads; and because the flow of Middle East oil is vital to the West. We accordingly have a large stake in the area's stability and steady development. We also have a strong interest in maintaining our alliance relationships with Greece, Turkey and Iran, for these three countries stand between the Soviet Union and the warm water ports and oil resources of the Middle East. Our substantial military assistance to Greece, Turkey and Iran over the past two decades has been a major factor in deterring Soviet aggression against these countries and in erecting barriers against subversion. We propose to allocate some 97 percent of the $233.9 million in military assistance for the entire region to these three key countries.

GREECE

Greece has been heavily dependent upon military assistance for its equipment needs since World War II. The program is responsible for the effective and relatively modern Greek forces which now contribute substantially to the NATO deterrent on the southeast flank. MAP has provided modern aircraft, weapons, ships and the educational and technical base to support them.

Greece has made a determined effort to procure or to produce locally articles previously provided as military assistance. This has permitted the termination (in 1966) of commercial consumable support, but the Greek armed forces still remain dependent upon MAP for major items of military hardware. Accordingly, the proposed fiscal year 1968 program for Greece is designed to provide the equipment essential for operating requirements and for vitally needed modernization of the ground forces in the areas of tactical mobility, artillery and communications. Secondary emphasis is to be placed on continued modernization of the air force and the navy.

TURKEY

Military assistance has also enabled Turkey to develop strong and relatively modern armed forces which help to block Soviet expansion southward. Like Greece, Turkey has improved its in-country production to the extent that MAP support for commercial consumables was terminated during fiscal year 1967. The proposed program for fiscal year 1968 therefore seeks to meet the urgent need for modernization of ground forces by providing trucks, tanks, artillery, armored personnel carriers, and communications equipment. These items are beyond the capability of Turkey to produce or procure. Secondary emphasis is to be placed on continued modernization of the air force and navy.

IRAN

The military assistance program has helped to promote Iranian stability and security, and has fostered Iran's economic and political development in directions compatible with U.S. interests. Our present grant assistance commitment to Iran will be completed in fiscal year 1969; and we have been effecting a progressive shift from grant aid to cash and credit sales since 1964, assisted materially by the steady growth of Iran's oil revenues.

The U.S.S.R. has continued its efforts to extend its influence in the Arab world by means of military and economic aid. Since 1955, the Soviet Union has provided substantial quantities of military equipment to the United Arab Republic, Syria, Iraq, and Yemen. The United States has sought to avoid becoming a principal military supplier for any of these Middle Eastern countries, but Soviet action has forced us to supply certain defensive weapons to selected countries in the area, including Israel, Lebanon, Saudi Arabia, and Jordan. Except for a small portion of the Jordan program, this has been on a sales basis. In each instance, we have sought, in consultation with other countries, to supply only the minimum amounts necessary to meet the legitimate needs of the recipient and to prevent dangerous imbalances in the area.

JORDAN

At the request of Jordan, the United States agreed in December to provide certain supplementary items of military equipment to strengthen the defensive capability and the morale of the Jordanian armed forces following the unfortunate Israel retaliatory raid at Sammu. A substantial portion of this equipment was airlifted to Jordan. With stability now hopefully restored, we expect the fiscal year 1968 program to be of modest proportions.

Apart from Greece, Turkey, Iran, and Jordan, grant assistance planned for countries in the Near East South Asian area in fiscal year 1968 is limited to modest amounts for training.

INDIA AND PAKISTAN

As you know, the United States halted all military shipments to India and Pakistan in September 1965, as a consequence of the outbreak of hostilities in the subcontinent. Since then, no grant military assistance has been provided to either country and none is proposed for fiscal year 1968. The undelivered balances to these countries, as mentioned earlier, were recaptured and used to complement the fiscal year 1967 new obligational authority for other country programs. Since February 1966, we have permitted these countries to make limited cash and credit purchases of nonlethal military equipment previously supplied under MAP.

PURCHASE OF SPARE PARTS BY INDIA AND PAKISTAN

I want to interject a statement that is not in the unclassified paper but does represent a recent development with respect to India and Pakistan aid. We have now decided to permit them to purchase spare parts on a case-by-case basis for all military equipment previously supplied, as well as to consider single item replacements to replace accidental losses of such equipment when that question arises.

CONTINUING CONTRIBUTION OF THE UNITED KINGDOM

At this point I would make a passing comment on the great value we attach to the continuing contribution of the United Kingdom toward maintaining peace and stability in the whole broad area east of Suez. British forces in the Middle East and in the Far East have performed invaluable services over the past years, and their continued presence contributes significantly to peacekeeping and security.

EUROPEAN PROGRAM

Fiscal year 1967 marked the virtual termination of the once massive military assistance program for Western Europe. For the most part, European countries are now capable of meeting their military needs from resources generated by their own revitalized economies. Former European recipients of U.S. grant aid now satisfy a large percentage of their military requirements by purchases from the United States and through weapons-producing consortia within NATO in which U.S. companies participate. These arrangements make an important contribution to the U.S. international balance-of-payments problem.

SPAIN AND PORTUGAL

Because of these past successes, military assistance to Western Europe in fiscal year 1968 will be limited to small programs for Spain and Portugal, where special considerations are involved.

AFRICAN PROGRAM

The military assistance programs for Africa are quite limited, amounting to a total of $31.2 million in fiscal year 1968. The amount earmarked for equipment is well within the $25 million ceiling set by the Foreign Assistance Act.

NORTH AFRICA

The materiel programs for northern Africa are designed to further stability in the Maghreb. There has been a substantial flow of Soviet arms to Algeria in recent years. We have responded by agreeing to provide very limited amounts of military assistance to Algeria's neighbors. In this way, while avoiding an unnecessary arms race, we have assisted in the development of modest defensive forces that will contribute to stability and thus to a sense of security essential to economic and social progress.

ETHIOPIA

The program for Ethiopia reflects a relationship of mutual cooperation that has existed for some years. The main purpose of our grant aid to Ethiopia is to provide a firm basis for peace and stability within Ethiopian borders as that country continues its program of economic development.

CONGO AND LIBERIA

The remaining equipment programs are for the Congo and Liberia. In the Congo, our program continues to supplement the efforts of Belgium and other countries to make the Congolese forces capable of maintaining internal order. The rebellion of 1964–65 has been brought under control, but the seeds of dissidence remain and there will be a continuing need for effective Congolese security forces. The program for Liberia is intended to improve the ability of the Liberian National Guard to carry its responsibility for maintaining order, and also to carry out civic action programs useful to Liberia's economic development.

AFRICAN PROGRAMS THAT ARE BEING TERMINATED

No materiel will be programed next year for Senegal, Mali, and Guinea. These programs, begun in earlier years, were designed to equip and train engineer construction units for civic action work. We have now been able to provide the equipment needed by these units and, accordingly, the programs are being terminated.

TRAINING OF AFRICAN MILITARY PERSONNEL

In addition to the foregoing, we propose to provide training in the United States for limited numbers of African military personnel. This training will increase their technical skills, and will also provide an opportunity for them to examine at firsthand our open society and our political institutions.

Latin American Programs

In Latin America, the primary goal of the United States is to promote the social, economic, and political development of each nation so that their people can live in peaceful, prosperous societies. While progress is being made, that goal is far from achieved. Social tensions, unequal distribution of land and wealth, unstable economies, and the lack of broadly based political structures create a prospect of continuing instability in many parts of Latin America. The answer to these and other associated problems, if one is to be found, lies in the Alliance for Progress, to which we and our Latin American friends are devoting large resources. But the goals of the Alliance can be achieved only within a framework of law and order.

Our military assistance programs for Latin America thus continue to be directed to the support of internal security and civic action measures. We have sought, with considerable success, to avoid diversion of Latin American resources to the creation or support of unnecessarily large or sophisticated military forces. Our purposes have been to insure that their limited resources are applied to social and economic objectives, and to forestall a regional arms race. While our fiscal year 1967 military assistance programs for Latin America total about $55 million, our programs for economic assistance, by way of contrast, total more than 15 times that amount.

It is highly unlikely that any Latin American country will soon face a direct military attack from any nation outside the hemisphere, or from Cuba. The principal threat to Latin America takes the form of materiel and leadership support for internal subversion and insurgency, sometimes imported. The Cuban Government, for example, has trained about 5,000 young people from various parts of Latin America in revolutionary ideology, terrorism, and guerrilla warfare. The Communist Tri-Continental Conference, held in Havana in January 1966, established a permanent organization to provide support for so-called "national liberation" movements, particularly those which had already reached the fighting stage. The Communist parties in Latin America increasingly stress the creation of broad popular "anti-imperialist" fronts. They continue their efforts to penetrate student and other intellectual groups, to control organized labor, and to organize the peasants.

Objectives of the Latin American Programs

The need to counter these threats by appropriate means is the basis upon which the fiscal year 1968 military assistance programs for Latin American countries are predicated. More specifically, the primary objective in Latin America is to aid, where necessary, in the continued development of indigenous military and paramilitary forces capable of providing, in conjunction with police and other security forces, the needed domestic security. A secondary objective is to increase the ability of Latin American armed forces to perform effective civic action.

Allocation of Latin American Program Funds

In support of these objectives, we propose to allocate $45.5 million in grant aid to Latin America in fiscal year 1968. Of this total, $13 million will be used for training. Within the legislative ceiling of $85

million established last year on the value of military assistance and sales (other than training) to Latin America, therefore, $32.5 million is programed for grant aid equipment and related services; $52.5 million is allocated for cash or credit sales and for the value of ships transferred under ship loan legislation.

Our continuing effort to hold down Latin American defense forces and expenditures accounts for the fact that the major component of the grant program ($34.7 million, or 76 percent) is for internal security, with emphasis on communications, mobility, and training. Another $3.9 million (or 9 percent of the total grant program) is allocated for equipment and training directly associated with civic action. The remaining $6.9 million (or 15 percent of the total) is earmarked for supply operations, regional activities, and other articles and services.

The grant program will provide no tanks, artillery, fighter aircraft or combat ships. The emphasis is on vehicles and helicopters for internal mobility, communications equipment for better coordination of incountry security efforts, and spare parts for maintenance of existing inventories. The program includes training for Latin American military personnel at U.S. schools and in the Canal Zone. In addition to developing military skills, such training continues the close and valuable relationship between United States and Latin American military personnel.

Credit Assistance for Foreign Military Sales

The proposed fiscal year 1968 military assistance program includes an allocation of $60 million for credit assistance associated with foreign military sales. I wish to emphasize my belief that the controlled sale of appropriate types of military equipment to allied and friendly nations is in the national interest. The basic purpose of the credit assistance program is essentially the same as that of the grant program—to promote the defensive strength of allied and friendly nations in support of our overall foreign policy objectives. The sales program not only reduces the cost to the United States of maintaining a common defense posture, but also has favorable effects on our international balance of payments. Accordingly, we propose to continue to facilitate such sales and to provide credit assistance when necessary and feasible. But, as I have repeatedly said, we will not sell equipment to any country which cannot, in our judgment, afford it; and we will continue to discourage sales of military equipment to countries which seek to acquire it primarily for prestige purposes, just as we discourage sales which we believe contribute to an arms race among neighboring states, or divert local resources from urgently needed economic development. We will continue our efforts to get other economically developed countries to cooperate with us in this policy.

Supporting Assistance by AID

Although, as I point out each year, my responsibilities do not include planning for or administering supporting assistance, I want once again to express my conviction that such assistance is an integral part of our total effort to promote free world peace and progress. I therefore consider it appropriate to advocate favorable legislative action

on the administration's $745 million fiscal year 1968 request for supporting assistance which will be presented by the Agency for International Development. The use to which AID plans to put that amount of new obligational authority clearly reveals the important role played by supporting assistance in complementing military programs in developing areas where internal security and economic progress are interdependent. Some 90 percent of the $745 million total will be allocated to four countries where the need is most obviously urgent—Vietnam, Korea, Laos, and Thailand—and where our military programs are of the greatest importance.

CONCLUSION

The most productive possible use of every dollar appropriated for the military assistance program remains a primary objective. I have satisfied myself that the proposals I have been discussing this afternoon represent as direct an approach as can be devised to this objective in fiscal year 1968. Every element of the program we propose has met our carefully established criteria and is designed to generate maximum security benefits at minimum cost. I know of no element which can be removed or substantially reduced without serious jeopardy to our national defense and foreign policy interests. I therefore urgently recommend that this committee report favorably on the administration's budget request for the proposed fiscal year 1968 military assistance program.

Secretary McNamara. Mr. Chairman, I will be happy to attempt to answer your questions and those of the members of your committee.

Budget Estimates for Fiscal Year 1968

Mr. Passman. Thank you very much, Mr. Secretary. I do not find myself any less confused this year than I have been in previous years. Occasionally I attempt to support the administration but usually I get into an argument or there is some misunderstanding about the way I make the record so that I can understand it. I am going to attempt once more to get in the printed record what I think you, also, would like to have in the record, because I have to answer many hundreds of letters from practically every State in the Union about the amount that the President's budget has been reduced. As I read the President's message to the Congress on page 3, and I quote verbatim:

> My proposals for programs authorized by the Foreign Assistance Act in fiscal 1968 will require total appropriations of slightly over $3.1 billion. Of this, some $2.5 billion will be devoted to economic aid. Almost $600 million will be for Military Assistance. Funds for the regional development banks would be authorized by separate legislation.

The only thing I want to establish for the record is the fact that if we keep chipping away at certain items or programs normally considered as mutual security, eventually a large percentage of the total foreign aid program will be carried in other appropriation bills and there would not be, in reality, an actual reduction in the amount that is requested of or appropriated by this committee.

When reading the President's statement that he requested $3.1 billion in new appropriations I think, in order to be able to compare that request with the previous year's appropriation we would have to

add—in new obligational authority—$241,700,000 that is proposed to be included in the Defense bill. So the total, if you include that which you propose to transfer to Defense, would be $3,368,120,000, which would only be a $17.8 million reduction in the request for new obligational authority this year as compared to the request last year at approximately the same time.

That is all I want to show for the record. I do not know—it may be good or it may not be good—to get the entire military assistance program out of the mutual security bill and put it all in the Defense bill. I would not think so. If the powers in being chip away and each year take out a little more, you finally wind up with only a very small part of it left in this bill. In my opinion, it should all be in this bill or all of it should be transferred out.

As long as I handle this bill, I want the record to show that as we transfer out programs, we are not making all these reductions in the foreign aid program that public statements would indicate.

REDUCTION IN MILITARY AID PROGRAM

Secretary McNamara. On that point, may I make two statements? First, I quite agree with you that the figures for prior years should be put on the same basis as those for fiscal 1968 in order to assure an appropriate basis for comparison. I have done that in the table that lies before you. That table shows, on any basis you wish to examine it, excepting only the combat costs of the military operations in South Vietnam, very substantial reductions in the military aid program in fiscal 1968 compared to prior years. I think that should be a matter of record before this committee and before the Congress and before the American people.

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Also, it is true, although it is not shown on the table, that as the dollar amount for the military assistance program has been reduced by roughly 50 percent between 1962 and 1968, excluding only the combat operations in Vietnam, the number of countries for which material and service aid has been provided has dropped from 58 to 35. I mention these points because I know it has been the desire of the Congress, and I think the wish of the American people, that the military assistance program be shrunk as our security interests permit it to be reduced.

We recognize that as a mandate, if you will, from the people and the Congress, and I think we are proposing a program for fiscal 1968 in accordance with that mandate.

Mr. Passman. Thank you, Mr. Secretary, for a very excellent statement. I wish I had some way of assuring that what you said would get as much press coverage as what the President said. The press picked up $3,100 million as the cost of the foreign aid program and that is the figure with which I am having to fight. You cannot compare that figure to the 1967 request. That is the only thing I am trying to clear up. If we can get as much coverage on your statement as Mr. Johnson's statement, the American people will understand it.

Secretary McNamara. I would be delighted to work with you to show that the military assistance program in 1968 is half of what it was 6 or 7 years ago.

Mr. PASSMAN. I am twice as old as I was 32 years ago. I am only comparing this year's estimate with last year's estimate. I am trying to be completely fair about it. I am not trying to win a case. I am trying to be a hawk in this one instance. But I do want the American public to know that the total foreign aid program is not $3.1 billion. It is really $3.3 billion if you include those funds that you propose to transfer over to the defense appropriation bill.

Secretary MCNAMARA. Mr. Chairman, as you know, and I believe would agree, the country programs, with or without the transfer, for fiscal 1968 are less than for fiscal 1967.

Mr. PASSMAN. By $17 million, as I read the figures.

Secretary MCNAMARA. By a total of almost $60 million.

Mr. PASSMAN. I am talking about the total program, Mr. Secretary, as the President speaks of it to the public.

Secretary MCNAMARA. I understand. I simply want to point out to you what I think you understand and agree with, that the country programs for military aid for 1968 are almost $60 million less than for 1967. In 1967, there were two financial adjustments which are unique and cannot be expected to recur in 1968.

Those financial adjustments contributed about $100 million in fiscal 1967 that will not be available in 1968. Therefore, with the country programs going down $60 million, the financial adjustments going down $100 million, there is a net increase of about $40 million in the new obligational authority requested for military aid for 1968 above the level appropriated for fiscal 1967.

These are the facts and the complete facts regarding a comparison of fiscal 1967 and 1968 military aid programs.

Mr. CONTE. Mr. Secretary, shouldn't we actually be looking at the bottom line of your classified fact sheet which shows an increase of about $14 million in fiscal 1968? You have $2,158,300,000 in 1967 and in fiscal 1968 you have a figure of $2,172,200,000.

Secretary MCNAMARA. Yes. I think you should look at that. The $2 billion figure includes an important portion of the war in South Vietnam, the remaining portion of which is financed in the basic defense budget. The basic defense budget for 1968, excluding this $2 billion, is on the order of $71 billion and for fiscal 1967, excluding the $2 billion we are talking about, is on the order of $66 billion. If you will add the $66 billion to the 1967 figure, and the $71 billion to the 1968 figure, then I think you have comparable figures.

The point I am trying to get at is that the $2 billion figure includes two very different types of expenditures, one for the war in South Vietnam, the other for what I would call a military aid program. It is confusing, I know, to include them in the two columns. I tried to do so only to show on every conceivable basis a comparison of 1968 with prior years.

Mr. PASSMAN. I am sure that the President, after reading these hearings, if they are brought to his attention, will issue a new statement that the estimate for the foreign aid program is $3,368,120,000 and not $3,126,420,000.

NUMBER OF COUNTRIES RECEIVING EQUIPMENT AND SERVICES

Last year the budget proposed a grant aid program for 54 countries, of which 14 were programed for training only. What is the number of countries receiving military equipment from the fiscal 1967 appropriation?

Secretary McNamara. Thirty-seven, I believe, received equipment in the fiscal 1967 program compared to 58 in 1962 and 35 in 1968. That is equipment and services, excluding training. So that they may be comparable, each figure includes Vietnam, Laos, and Thailand.

Mr. Passman. I am talking about the total.

Secretary McNamara. That is right.

TRAINING AND EQUIPMENT RELATED

Mr. Passman. Usually these countries move from training only to equipment countries.

Secretary McNamara. On the contrary, sir. That is not correct.

Mr. Passman. You say that is not correct. I have a right to assume if you train people to use military equipment, if they do not get equipment from our country, they will get it from somewhere else. I only want to know the number of countries that get either military training or military equipment. You can separate them for the record.

Secretary McNamara. Mr. Chairman, you may have the right to assume that the provision of training leads to a materiel program, but that is not supported by the facts.

Mr. Passman. What do you train them for?

Secretary McNamara. That is not the question at issue.

Mr. Passman. What do you train them for?

Secretary McNamara. That is not the question at issue. You said the provision of training leads to aid programs in materiel, and I simply say, as a matter of fact, that it is not the case. The fact is that the number of materiel programs has dropped dramatically from 1962 to 1968. It was 58 in 1962 and it is 35 in 1968.

Mr. Passman. Mr. Secretary, I respect your position, but what do you train them for? Why are they trained in the use of military equipment?

Secretary McNamara. We are training them to provide internal security in their respective countries. That is the primary function of the training for the countries receiving training-only programs. It is those to which you are alluding.

Mr. Passman. In the event, after they have been trained, it is necessary for them to have military equipment for internal security purposes, is it provided?

Secretary McNamara. In these training-only countries, No.

Mr. Passman. Then what would be the purpose of training them if they are not going to have military equipment to use internally?

Secretary McNamara. It is a non sequitur to suggest that because we train them, we must also provide the equipment.

Mr. Passman. I did not say we had to provide it. I said, Could it be assumed that if you train them then they may need equipment subsequently?

Secretary McNamara. Of course it may be assumed that they have need for equipment, not subsequently, but at the time they are trained and concurrently with the training.

The point I want to make is that it is not correct to say that be-

cause we have training-only programs, they are leading into larger military aid programs, including material. That is not a fact. It is not a fact supported by history, and it is not a basis for appraising our potential military aid programs.

Mr. PASSMAN. I was in South Vietnam when we started a small military aid program. It was mainly to train those people for internal security purposes; is that correct?

Secretary MCNAMARA. In the years that I have been associated with South Vietnam, we have had materiel aid in every program that I am familiar with.

Mr. PASSMAN. I am going back to 1957.

Secretary MCNAMARA. I am not familiar with the details of the program at that time.

Mr. PASSMAN. Let me say for the record, and it is in the record of prior years, that we were furnishing military advisers primarily for training those people for internal security. It would appear to me that in many countries where we could have trouble, that these people now are wanting more and more military equipment. Algeria is even buying or getting military equipment from other countries.

Secretary MCNAMARA. Algeria is not part of our military aid program.

Mr. PASSMAN. She does receive U.S. economic aid, though.

Secretary MCNAMARA. Let me simply say this, sir. The record is very clear on this point. I examined it during the past week to make certain I was correct. We have added one country to the materiel program since 1962, and that is the Congo. During that same period, we have discontinued materiel and services programs for about 23 countries. So I do not see any basis for concluding that training programs, as we are administering them, lead to expansion of training-only programs into material aid programs. They do not.

NUMBER OF COUNTRIES RECEIVING MATERIEL AND/OR TRAINING

Mr. PASSMAN. I am not going to argue that point with you because we would be here until 6 tonight. I only asked a simple question: Last year the Budget proposed a military assistance program for 54 countries of which 14 were programed for training only. I only wanted to know the total number of countries that you intend to provide either training or military equipment in fiscal 1968.

Secretary MCNAMARA. If you include Vietnam, Laos, and Thailand, it is 53 countries for materiel and/or training. This total of 53 includes 16 countries for training only in the United States and two countries for which we propose training in and outside of the United States—Venezuela and Saudi Arabia.

Mr. PASSMAN. How does this compare with last year?

Secretary MCNAMARA. As finally implemented, the program for last year includes a total of 63 countries. The difference between this figure and the number of countries we discussed last year is largely due to small amounts of training in the United States only for 10 additional countries funded in area programs.

Mr. PASSMAN. Then the fiscal year 1967 total is actually 63 rather than the number we discussed last year.

Secretary MCNAMARA. Yes. This year's total of training-only countries is less, and the number of materiel countries drops from 37 to 35, if you include Laos, Thailand, and Vietnam.

Mr. PASSMAN. You would not really feel offended if I tried to clear the record again—as I read the record the fiscal year 1967 total is actually 53 plus 10 countries in the area programs.

Secretary MCNAMARA. Yes. This year the comparable figure is 53. The number of materiel program countries has dropped from 37 to 35 and training-only countries are down eight.

NEW COUNTRIES PROGRAMED TO RECEIVE MILITARY ASSISTANCE IN FISCAL YEAR 1968

Mr. PASSMAN. Mr. Secretary, does the fiscal 1968 budget contain any funds for the first time for any country?

Secretary MCNAMARA. None for materiel programs, and I do not believe any for the first time for training only. I would like to check the latter point.

Mr. PASSMAN. How about Ceylon?

Secretary MCNAMARA. No equipment for Ceylon.

Mr. PASSMAN. How about training?

Secretary MCNAMARA. Yes; Ceylon is on the program for the first time. It is training in the United States only. Ceylon is one of the 16 countries receiving a total of $1,600,000.

NUMBER OF COUNTRIES RECEIVING TRAINING ONLY

Secretary MCNAMARA. The training-only in the U.S. countries, of which there are 16, in total, are budgeted at $1,600,000. Ceylon is one of the 16 countries receiving a total of $1,600,000.

MILITARY ASSISTANCE PROGRAM FOR TUNISIA AND MOROCCO

Mr. PASSMAN. I note from the section 634(d) report that you increased the military assistance program for Tunisia by $——— million.

Secretary MCNAMARA. Yes, that is correct.

Mr. PASSMAN. According to the Presidential determination the program for Tunisia is necessitated by the ——— threat from ———.

Secretary MCNAMARA. Yes, both Morocco and Tunisia are facing problems partly because of Russian military aid ———. This is a matter of concern both to Tunisia and Morocco and to us because it could tend to destabilize relationships in north Africa. We are seeking a program of $——— million for Tunisia and $——— million for Morocco to ——— introduce stability into the area.

U.S. ECONOMIC AID TO ALGERIA

Mr. PASSMAN. Mr. Secretary, how can our Government justify a military program for Tunisia, based on Soviet assistance to Algeria when Algeria is getting economic assistance from the United States?

Secretary MCNAMARA. You mean based on military aid to Algeria while Algeria is also receiving economic aid from the United States.

Mr. PASSMAN. Yes.

Secretary MCNAMARA. I think it is just a matter of practical international relationships ———. We can advance the interests of Tunisia and Morocco, and in a very real sense of Algeria, by reducing the military vacuum. That is what, at least to a very slight degree, we seek to do with these very small military programs.

Mr. LONG. May I ask a question at that point?

Mr. PASSMAN. Yes; when I get the answer to this question:

How can we justify economic assistance to Algeria?

Secretary MCNAMARA. If you do not provide economic assistance to Algeria, you have an economic vacuum, sir. There is going to be ———. This is a question of our own self-interest. We are trying to dampen down the fires that erupt into international incidents, that increase the risk of military conflict this country may be engaged in. That is the entire purpose of our military aid program, and it is an important purpose of our economic aid program. We think that economic aid to Algeria and miiltary aid to these other two nations, small as the amounts of military assistance $——— million are, in one case and $——— million in another, are well justified in relation to this objective.

UNITED STATES-RUSSIA AID RECIPIENTS

Mr. PASSMAN. Do we find any instances where the United States is giving economic aid and Soviet Russia is giving military aid to a nation, and other cases where were are giving military aid and Soviet Russia economic aid to a country?

Secretary MCNAMARA. A limited number of cases. In the case of India, we, along with other Western nations, are providing economic aid, and the Soviet Union has provided military aid.

Mr. COHELAN. United Arab Republic.

Secretary MCNAMARA. To a lesser degree, but yes. I would simply ask whether you feel it is in our self-interest to do so. One must be a pragmatist here. I do. I think it is in this way that we must deal with the realities of the world. We dampen down the fires of controversy and reduce the involvement of our Nation in military conflict. That is my responsibility as Secretary of Defense.

Mr. PASSMAN. I just do not comprehend, and I do not have all the answers, but it is a new concept, nevertheless, to try to keep America secure by dissipating our wealth. When I try to reconcile this with my understanding of how we became great, free, strong, and wealthy quickly, and then look at the 98 nations we will be disbursing military and economic assistance funds to this year, and when I think practically every time the President goes out of the country he must be cloaked with the authority to make commitments, or if some potentate comes to this country usually he is looking for an aid commitment, it just may be that the times have gone off and left me. I do not know. To me it does not add up.

Mr. LONG. It does seem to me that the chairman has a point, and I am not sure I understand your answer to it. Tensions exist between two countries which we have chosen to alleviate by spending money on both sides. Why can't we solve the problem by not spending money on both sides. What is our reason for supposing that we have achieved a better result by spending money on both sides than we would have by cutting down on both sides?

Secretary MCNAMARA. Dr. Long, we start with nations that were not born yesterday which bring into their relationship ———. ——— very serious economic problems. ———. We cannot change that situation. ———. That economic chaos is going to break out or erupt into civil disturbances that will eventually cross borders and which therefore become a danger to us.

One way of meeting the problem is to provide economic aid. So that, by itself, we think is a reasonable step. ———.

Mr. LONG. What you are saying here is that we can't control how they are going to spend the money we give them and that there are going to be tensions anyway. But we really have chosen to go into a situation which, in a sense, we have said we can't solve.

Secretary MCNAMARA. No.

Mr. LONG. I am wondering why, in a situation which we admit we can't solve, we don't stay out until we see a clearer picture?

Secretary MCNAMARA. I think that is a very good question, and a very basic one. ——— we believe that as a Nation we, the United States, are better off for having given economic aid to Algeria, thereby advancing its growth, while making very small grants of military assistance to Tunisia and Morocco. We shouldn't close our eyes to how small these military aid grants are, $——— million and $——— million ———.

BENEFITS OF RELATIVELY SMALL ASSISTANCE PROGRAMS

Mr. LONG. If we are not giving them enough money to do much harm with, then we are surely not giving them much to do much good with either. And since we don't see our way clear to solve the situation, why don't we stay out until we can see where it leads to.

Secretary MCNAMARA. I don't think it is correct to say that, because the amounts are small, they don't play a significant role in preventing conflict between small nations. They do. Very, very small amounts of military assistance—in this case $——— million and $——— million—could give such strength to those two countries ———. We have seen illustration after illustration of this. The Congo is one. Jordan is another. Ethiopa is a third, and I think these two countries are fourth and fifth examples.

Mr. LONG. Then they are significant sums of money.

Secretary MCNAMARA. Not significant sums of money in absolute amounts to us, certainly.

Mr. LONG. But we are looking at it from the point of view of those countries.

Secretary MCNAMARA. They are significant to those countries in dollar amount, and they are significant particularly in military equipment. So I disagree. But I think your question is a good and basic one. My answer is a clear and simple one: We should never provide military aid when we can avoid doing so without unreasonable risk. Now, I think all of us must recognize that if north Africa became inflamed, trouble would spread to the Middle East very quickly. So we must try to preserve peace in north Africa and the Middle East. This is what our very small military aid program to both of those areas is designed to do. But your basic theme—that we should not introduce military assistance in areas in which our direct political, military and economic interests are not involved—is one I would strongly support and agree with.

Mr. CONTE. Would you yield there?

Mr. PASSMAN. Yes.

BASES IN ETHIOPIA, LIBYA, SPAIN, AND PORTUGAL

Mr. CONTE. That makes a lot of sense, but then why do we support the military assistance program to a country like Libya?

Secretary McNamara. I think that is a good question. May I answer it in two steps?

First, let me try to put the whole program in perspective for you. It has taken me 6 years to get it clear myself, and to get it cut back to a size and scope that I am satisfied with—and I now am.

We are talking about $596 million of obligational authority, excluding Laos, Thailand, Vietnam, and the NATO Infrastructure and International Military Headquarters programs. Maybe we shouldn't, but let's exclude them for the moment. What is this $596 million for? It is easy to think of it in these terms: first, 75 percent of it is for five countries, $480 million for five countries on the Soviet Union and China periphery, Greece, Turkey, Iran, Republic of China, and Korea. Why we do this is very clear. Whether it should be this amount, is open to discussion. Why we have aid to those five countries, I think is crystal clear to us. Now, we have $23 million in addition to the $480 million for the five countries, and that $23 million is for four other countries with respect to which the "why" is also very clear ———.

Mr. Conte. Not ———?

Secretary McNamara. ———. Now, I want to go off the record here just a second.

(Discussion off the record.)

AID TO LATIN AMERICA

Secretary McNamara. In any case, there are four countries receiving $23 million ———. There are 15 countries in Latin America receiving a total—if you can imagine this—$32 million in materiel aid and $13 million in training, for a total of $45 million to the entire Latin American Continent. It is a very small amount ———. This $45 million, by the way, is a very substantial reduction from prior years. It was running $84 million in 1966. So we are cutting back, as I think we should, to meet Dr. Long's point that we shouldn't be involved militarily in countries which can have some peace without our military aid.

Now there are——

Mr. Long. I wonder if I could ask a question at this point, Mr. Secretary.

Secretary McNamara. Yes.

Mr. Long. Your proposal ———, has a definite decision on that been made?

Secretary McNamara. No, no: this is a plan. I don't want to say a decision has been made. It hasn't been, but this is our plan.

We have discussed it with the State Department.

Mr. Long. It is only in the planning stage?

Secretary McNamara. It is in the planning stage. We have a 5-year plan for every element of the Defense Department program. We lay out the programs, we don't try to obtain final decision or final agreement on a far-forward year in a current year, but we do obtain enough agreement to think that it is a reasonable basis for planning.

Mr. Long. When do you think a decision on that might be made?

Secretary McNamara. I think we will review it each year. ———. Now let me go to just two other points to answer this question.

CREDIT ASSISTANCE FOR MILITARY SALES

What else remains? I have accounted for $480 million to five countries, $23 million for four ———, and now the next major item is $60 million for credit assistance. This, I submit to you, is an extremely important program, and one very much in our self-interest because it will be the seed corn that will finance sales of about 300 million which have the incidental advantage of benefiting our corporations and our labor but, more importantly, of supplying needed arms, without cost to us, to foreign nations.

Mr. SHRIVER. Could that not be done through some bank like the Export-Import Bank?

Secretary MCNAMARA. The answer is "Yes." Almost all of the funds on this particular program will be used to finance the guarantee of Export-Import Bank loans. We have worked out an arrangement with them under which we sell our receivable papers, with a guarantee of 25 percent. This is working very well, indeed. We will do the same with Export-Import or a private bank. So this, in effect, is seed corn to make sales that react to our advantage.

SPECIAL PROGRAMS

Now, what I have left out, and the only thing I have left out of the $596 million program is $46 million to eight special countries; and I think these are the ——— programs, although not in dollar cost—$46 million to eight countries. They are ———, Indonesia, the Philippines, Jordan, the Congo, Liberia, Morocco, and Tunisia. Each one is special, each one of these programs, I believe, is in our interest for a unique reason. So that, then, is the total of the $596 million program.

Mr. PASSMAN. Thank you, Mr. Secretary.

PROGRAM IN IRAN

Mr. Secretary, on page 48 of the justifications you indicate that the major objective of the military assistance program for Iran is to withstand Soviet pressures and to limit the U.S.S.R.'s influence in the Persian Gulf area. Upon what basis can our country reconcile that statement with the recently reported purchase by Iran of $110 million of Russian military equipment?

Secretary MCNAMARA. Mr. Chairman, I would like to be completely frank. ———.

It began very shortly after I became Secretary of Defense. The Shah came to this country. He met with the President. The President asked me to join them. ———.

Mr. MCFALL. Would you yield at that point?

Mr. PASSMAN. Yes.

PROGRAM IN ALGERIA, TUNISIA, AND MOROCCO

Mr. MCFALL. Will you discuss the Algeria, Tunisia, Morocco triangle with reference to your previous explanations that you have given? What is the situation in those countries?

Secretary MCNAMARA. Yes, although, in the case of the Iranian situation, I was a personal participant in the negotiations over a period of 6 years; and I am sufficiently familiar with it to be certain of

the detail I gave you. In the case of Algeria, Tunisia, and Morocco, I haven't been participating in the Algerian negotiations because these are nonmilitary, and only peripherally in the Tunisian and Moroccan negotiations. So I will give you a statement and then, if necessary, correct it for the record after I check all the details.

The basic problem that we start with is that the Red Chinese and the Soviets have been trying to move into Africa. We have been trying to refrain from interference in African affairs. I see Dr. Long has left, but following exactly the principle Dr. Long proposed a few minutes ago, we shouldn't engage in a military aid program with a country not directly associated with our national interests. ———.

Now, it is a fact in the last 6 years at least, both China and the Soviet Union have sought to move those countries out of a neutral orbit into a Red Chinese or Soviet orbit ———.

Mr. PASSMAN. Thank you, Mr. Secretary.

Mr. MCFALL. A little later on I am going to ask you this question, Mr. Secretary, and I will put the question in now and then we can get to it later because I don't want to interfere with the way the chairman is running the committee.

Mr. PASSMAN. That is not an issue. I am going to finish and yield to all members and they may take as much time as they need.

JOINT FOREIGN AID PROGRAM BETWEEN UNITED STATES AND RUSSIA

Mr. MCFALL. When it is my turn, the question I will ask is: With reference to the talks that are going on with the Soviet Union now, is it possible that we may be able to arrive at some kind of an understanding on a joint foreign aid program? ——— if we could arrive at some kind of an understanding on a joint foreign aid program, wouldn't this be an immeasurable progress on the road to peace between the United States and Russia, and so on?

Secretary MCNAMARA. Yes, I think it would be; and I would hope we can move in that direction. In certain areas, it is more likely than in others. ———.

Mr. MCFALL. The parallel type?

Secretary MCNAMARA. Parallel types of action. You could anticipate a situation in which the Soviet Union and the United States would contribute to the development of a particular nation. ——— there will be continuing requirements for these very small military aid programs to prevent small vacuums from developing, and if we can prevent a small vacuum from developing, we avoid, I think, a potentially very large military risk.

Mr. MCFALL. I used the term "joint foreign aid program" because I think that was the term used by the then Under Secretary of State George Ball in an address——

Secretary MCNAMARA. Yes, I think, in principle, they are highly desirable. I think we will have to move toward them by parallel action. ———. I don't think they offer unlimited opportunity for us to eliminate these small military aid programs that are preventing vacuums from developing in many areas of the world, which vacuums the Soviets would take advantage of were they to develop.

Mr. MCFALL. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Secretary, we could revert back to a condition of normalcy and let people operate like they used to and save Russia

money and save the United States money. Foreign aid is such a new concept, there is always a possibility that we will let these nations be normal again as they existed for thousands of years; but I like to point in that direction.

Secretary McNAMARA. Mr. Chairman, I agree with you, and I would like to point in that direction; but it takes two—in this case three—to achieve normalcy. It takes the nation involved, and it takes us and the Soviets ———.

PURCHASE OF MILITARY EQUIPMENT FROM RUSSIA BY IRAN

Mr. PASSMAN. Thank you, Mr. Secretary. We think of Iran as an underdeveloped nation and over the years we have given Iran net economic aid of $691 million. So this aid has helped them build a strong economy. Then if we look at the record this year, you are requesting $——— million for Iran and, at the same time, if this report is true, Iran is getting ready to purchase $110 million worth of military equipment from Russia. Now, I just don't know how to reconcile what we did to build up their economy and to see them now taking their money and trading with Russia. Will you please try to help me understand that? I would appreciate it.

U.S. AID TO IRAN

Secretary McNAMARA. Yes. I will be happy to, Mr. Chairman.

The facts on U.S. military aid to Iran are these: It ran $70 million in 1963. We have been cutting it back since that time by agreement with them. It is down to the $——— million proposed for fiscal 1968. ———.

PURCHASE OF RUSSIAN MILITARY EQUIPMENT BY IRAN

Mr. PASSMAN. That is a very fine statement, Mr. Secretary, but it doesn't answer the question in my mind that we have given this country $691 million net in economic aid. Now, we are gradually reducing the military assistance program to Iran and you are dealing today with military assistance, and you should. But, on the other hand, we see where Iran is, in all probability, placing an order with Russia for $110 million worth of military equipment.

Now, how can the committee, after reading this statement, get the facts that it is true or is not true? If it isn't true, of course, we would be very pleased. But if it is true, it would appear, then, that we have fattened up Iran and now they are taking the money we have given them or that they have been able to make from what we have given them and are spending it with Russia. Are you familiar with that $110 million sale that I mentioned?

Secretary McNAMARA. I am not familiar with any deal under which they are buying $110 million worth of equipment from the Soviet Union, in those terms, Mr. Chairman. In the first place, I don't think the deal has been consummated as yet. In the second place, I think the deal that they are talking about is a barter arrangement under which they would barter some gas that has heretofore been burned at the wellhead for some Soviet equipment ———.

Mr. PASSMAN. That is exactly what I am saying. ———. We fattened them up, thereby making it possible for them to buy—I don't

care whether it is with gas, oil, gold, or what have you. We are trying to find out whether or not they are actualy bartering, bargaining, purchasing, or receiving from the Soviets $110 million in military equipment. That is all we are trying to find out.

Secretary McNAMARA. Mr. Chairman, whether we fattened them up or didn't fatten them up doesn't have anything at all to do with the Soviet deal because they are not using foreign exchange for that purpose. ———. As I say, I don't think that the deal has been consummated as yet. ———.

Mr. PASSMAN. Thank you very much, Mr. Secretary. I don't think that at this point I would be in a position to tell people that Russia is providing, if this is the correct amount, $110 million in military equipment for some gas that Iran couldn't market.

Secretary McNAMARA. No, I am not prepared to make that statement today because, as I say, I don't think the deal is consummated. But it is incorrect to say that the Iranians are using, in effect, foreign exchange or assets acquired from us to purchase military equipment from the Soviet Union because I don't think that is the case. I don't think that is their intention, and I don't think that is what will happen.

Mr. PASSMAN. Thank you, Mr. Secretary. I will argue as long as I am in Congress, and as long as I have breath in my body, that if you give economic aid to a country, that enables them to release what they earn from their exports to buy military equipment or to do whatever they want with their money.

Secretary McNAMARA. I strongly agree with your basic thesis that, as a matter of principle, we should not allow a nation to take economic aid from us, and then let it either produce military equipment it doesn't need or purchase military equipment it doesn't need. I don't believe they are doing that. ———.

Mr. PASSMAN. One statement off the record, Mr. Secretary.

(Discussion off the record.)

Mr. PASSMAN. Mr. Riegle.

Mr. RIEGLE. I would like to pursue that a little further because it is still not clear to me if we know beforehand, in the light of our desire to want to drive a tough bargain, that they were, in turn then, going to do something like $100 million worth of business with Russia. It is still not clear to me why it isn't still in our best interest to be a party to that transaction.

Secretary McNAMARA. The reason is that we couldn't accept the method of payment, assuming it to be gas at the wellhead that they previously were burning. It is not of any value to us, and it really isn't of any value to them—or wasn't of any value to them. The Russians wouldn't buy it, but they would accept it in return for weapons. So, in a very real sense, the Iranians got the Russian weapons free. ———.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Chairman, do you have any questions?

Mr. MAHON. No questions at this time.

Mr. PASSMAN. Mr. Shriver.

TOTAL EXPENDITURES FOR PETROLEUM PROGRAMS

Mr. SHRIVER. Mr. Secretary, what is the total expenditure in dollars in the military assistance program for petroleum products for 1966, 1967, and estimated for 1968?

Secretary MCNAMARA. I can't answer the question. I will try to get it for the record for you.

(The information follows:)

Petroleum in MA programs

The Military Assistance programs as proposed for fiscal years 1966, 1967 and 1968 included the following amounts for petroleum:

	Millions of dollars
FY 1966	31.4
FY 1967	19.9
FY 1968	15.1

PETROLEUM PURCHASED FROM FOREIGN SOURCES

Mr. SHRIVER. How much of this is purchased from foreign sources?

Secretary MCNAMARA. The total foreign exchange expenditure for all types of products in 1968 is on the order of $50 million, I believe. I believe excluding petroleum.

Mr. SHRIVER. I think I asked you similar questions last year and the year before.

Secretary MCNAMARA. I will be very happy to get it. It is a very small amount.

(The information follows:)

MAP EXPENDITURE IN FOREIGN EXCHANGE

The $50 million of foreign exchange expenditures for FY 1968 represents payments for materiel and services offshore which are purchased directly with funds appropriated by the Congress for Military Assistance programs. This does not include petroleum, since the Defense Fuel Supply Center procures all of the petroleum products required for the U.S. Forces and for the Military Assistance programs using Department of Defense Funds. When material is delivered to a foreign recipient, the Defense appropriation is reimbursed from MAP funds.

The Defense Fuel Supply Center, which procures petroleum products for both U.S. forces and MAP, is authorized to fill MAP requirements from the most economic source whenever limited local petroleum handling facilities necessitate reliance upon in-county distributors and their inventories or whenever the cost, laid down at destination in the recipient country, of a United States origin product is greater by 50% or more than the cost for a foreign origin product.

The Military Assistance program has included petroleum requirements of $31 million in FY 1966, $20 million in FY 1967 and $15 million in FY 1968. Past experience would indicate that approximately 90 percent of the petroleum requirements for the Military Assistance program is procured from offshore sources. Over the years, the offshore source has varied for each of the MAP recipients involved. Specific examples of prior year actions are purchases in Korea for Korea, in the Philippines for the Philippines, in the Persian Gulf (Iran) and Singapore for Laos, and from Caribbean sources (through interim storage facilities in Italy) for Turkey.

Mr. SHRIVER. Last year you furnished for the record the information as to the sources of these offshore petroleum purchases. Purchases are made, I think you said, in bulk from the Persian Gulf and the Caribbean and in packages from local in-country companies. I want the information as specific as you could get it.

Secretary MCNAMARA. Sure. I will be happy to get it.

FREE WORLD COUNTRIES RECEIVING MILITARY AID FROM THE UNITED STATES AND RUSSIA

Mr. SHRIVER. Would you supply also for the record a list of the free world countries receiving military aid from the United States and the U.S.S.R.?

Secretary MCNAMARA. Yes.

Mr. SHRIVER. In fiscal 1967.

Secretary MCNAMARA. Yes. I will be happy to.

(A classified table was supplied to the committee.)

Mr. SHRIVER. Please include in this a separate list of those countries which are receiving military aid and which are purchasing supplies from the Communist bloc.

Secretary MCNAMARA. Surely.

(A classified table was supplied to the committee.)

TRANSFER OF PROGRAMS TO DEFENSE BUDGET

Mr. SHRIVER. Last year South Vietnam was removed from the military assistance appropriation and transferred to Defense, and this year the same thing is proposed for the programs for Laos, Thailand, the NATO infrastructure and International Military Headquarters. Now, my question is: Are future changes contemplated along this line?

Secretary MCNAMARA. No, other than to follow the same principles that have led to the proposals for moving Laos, Thailand, and Vietnam.

Mr. SHRIVER. I am not critical of it.

Secretary MCNAMARA. No, I understand that. My answer is: No, we don't propose to move other countries from military aid into the regular Defense budget except in accordance with the principle that when combat operations are undertaken in a particular country, we think it is wise, both for the purposes of control and efficient supply management, to move the financing of those combat operations and associated assistance to the countries involved, into the regular Defense budget. We did that at the time of Korea, and we found we gained immeasurably then; and we have found that we gained in doing the same thing in the case of Vietnam.

Mr. SHRIVER. I am not familiar with the Defense request. Is it separated in the budget presentation?

Secretary MCNAMARA. It is separated in the budget presentation, but it is not separated from the legislative authorization or in the appropriation. However, the Congress has asked that we report periodically upon that portion of the regular Defense budget that is expended for assistance to, in this instance, Vietnam. We make such statistical reports to the Congress, and we would be very happy to do the same in the case of Laos and Thailand, should programs for those countries be handled in the same fashion.

Mr. SHRIVER. You say to the Congress. You mean to a committee?

Secretary MCNAMARA. To the congressional committees, yes. We report quarterly.

TOTAL MILITARY ASSISTANCE REQUEST FOR FISCAL YEAR 1968

Mr. SHRIVER. What, then, is the total military assistance request for fiscal year 1968?

Secretary McNamara. Well, if you include the total Vietnamese expenditures in the form of assistance to Vietnamese forces, it would be $2,172 million. It is, in a sense, a meaningless figure because a major part of that, roughly $1,300 million is actually being expended in combat. But that would represent the total assistance.

There is also and perhaps it should be added to that, some assistance for Korean forces in South Vietnam, financed by the Defense Department. This is separate from the Korean military aid program. We had thought we could keep all military aid programs for Korea in the military assistance program; but, in the regular Defense budget, we do finance the equipment for the forces in South Vietnam and certain other costs associated with that.

Mr. Shriver. Did the chairman want to ask any questions?

Mr. Passman. No. Off the record.

(Discussion off the record.)

Mr. Shriver. To be realistic, what should be the figure that I am talking about, leaving out——

Secretary McNamara. I think you should not include combat expenditures in Vietnam.

Mr. Shriver. I would agree, certainly.

Secretary McNamara. In a nonmilitary aid program, that is. That figure—the remaining figure that is—would be $838 million inclusive of Thailand and Laos; you immediately run into problems. In Laos, there is no real difference between expenditures ———. The Laotian element of the $838 million is $——— million. So whether you take it out or not, I don't know. I think that, from the point of view of control and administration, it is wise to remove it from the military assistance program. Then you immediately face Thailand; for which $——— million is provided, some uncertain amount of which is going to be associated with the combat operations. I say "uncertain amount" because the Thai forces haven't yet moved into combat in any significant degree in Vietnam, ———. It is for that reason we would like to see the Thai program moved. I don't think it makes too much difference which is in the total and which is out of the total so long as you follow the same standard in looking at prior years. We have tried to do that. That is why I have given you three or four different subtotals on this sheet.

Mr. Shriver. Yes. Now, I have just seen this sheet.

Secretary McNamara. The bottom line includes Vietnam, then you keep going up. First we take out Vietnam, that gives you the $838 million. Then we take out several others and that gives you the $596 million.

Mr. Passman. Would you yield?

Mr. Shriver. Yes.

TRANSFER OF NATO PROGRAMS TO DEFENSE BUDGET

Mr. Passman. Let's say that the argument would not be too strong, maybe, to hold Laos and Thailand in the military assistance appropriation request, if you hadn't jumped over all the way to Europe with the recommendation that the NATO infrastructure and military headquarters items come out. This committee has handled those two programs ever since their inception. If you had not included those two items you might have had a stronger case.

Secretary McNamara. Well, this is a matter for the Congress to decide. I think, in a year in which there is such a realinement of International Headquarters Infrastructure in Europe—a realinement brought about by the movement out of France—that there is an advantage to associating these expenditures with our regular defense budget. But, frankly, those two elements are not as important from the point of view of internal management of the Defense Department as are the other two—Laos and Thailand.

We don't obtain as much advantage in internal management from transferring the Infrastructure and the International Headquarters from MAP to the regular budget as we do in transferring Laos and Thailand. In my opinion, however, we obtain advantage in all four cases.

Mr. Passman. This effort started many, many years ago to get the military assistance program included in the Defense budget. I no longer have any strong feeling about it as long as it is properly identified and justified. I would just as soon give it up if that be the will of the Congress, but this is nothing new, Mr. Secretary. For many, many years—it may have started back in the Eisenhower administration—the effort has been to transfer the military assistance program to the Defense Department Subcommittee.

Mr. Shriver. From the standpoint of congressional review, that is the only thing worrying me about taking all the military assistance out.

Mr. Passman. If you can keep it in one package I think it would be better.

Secretary McNamara. I think congressional review is a problem for the Congress. I don't wish to comment upon it. How the Congress assigns such review to its committees is for it to decide. I do think there is an advantage to associating combat operations and the financing of them with the regular Defense budget. There is a definite advantage to managing the distribution of supplies for combat operations through the regular Defense channels. If it is financed by the military assistance program it can't be; it has to be accounted for separately, managed separately. This, above all else, is why, in the case of Korea, during the Korean war, in the case of Vietnam last year and now, we believe in the case of Laos and Thailand, the financing should be separate from the military assistance program. But again, this is a matter for the Congress to decide. I am not proposing to argue it. I simply present to you the reasons why we are recommending what we are recommending.

U.S. DOMESTIC EXPORTS TO EASTERN EUROPE

Mr. Shriver. On page 558 of last year's hearings you furnished a table showing the U.S. domestic exports to Eastern Europe, including the U.S.S.R. by commodities for 1962, 1963, and 1964. Would you now supply an up-to-date version of this statement?

Secretary McNamara. Surely, I will be happy to.

(The information follows:)

The following table, which has been reproduced from the Seventy-eight Quarterly Report on Export Control submitted by the Secretary of Commerce on January 31, 1967, to the President, the Senate, and the House of Representatives, furnishes the data requested concerning our trade with the Communist Bloc nations:

U.S. exports to Eastern Europe by principal commodities, 1963, 1964, and 1965

[In thousands of dollars]

Commodity	Total to Eastern Europe			Eastern Europe excluding U.S.S.R.[1]			U.S.S.R.		
	1963	1964	1965	1963	1964	1965	1963	1964	1965
Exports, total	166,814	339,923	140,009	146,573	195,370	94,848	20,241	144,553	45,161
Meat and preparations	420	1,328	22	420	1,328	22	-------	-------	-------
Dairy products [2]	3,633	9,922	3,963	3,633	9,922	3,963	-------	-------	-------
Wheat [2]	52,772	179,573	3,166	52,772	69,155	3,166	(3)	110,418	-------
Rice	694	10,360	-------	694	2,974	-------	-------	7,386	-------
Barley	3,967	3,157	2,506	3,967	3,157	2,506	-------	-------	-------
Corn	8,871	6,401	5,846	8,870	6,401	5,846	1	-------	-------
Rye	836	973	-------	836	973	-------	-------	-------	-------
Grain sorghums	18,283	5,414	13,583	18,283	5,414	13,583	-------	-------	(3)
Wheat flour [2]	2,166	1,146	1,567	2,166	1,146	1,567	-------	-------	-------
Fruit and vegetables [2]	2,924	1,109	1,455	2,141	1,109	1,455	783	-------	-------
Feedstuffs for animals	1,389	4,470	7,922	1,389	4,470	7,922	-------	-------	-------
Lard and other prepared edible fats [2]	983	1,161	68	983	1,161	68	-------	-------	-------
Food, other [2]	3,815	2,470	494	3,552	2,474	492	203	5	2
Tobacco and manufactures	3,943	4,204	2,335	3,943	4,204	2,299	-------	(3)	36
Hides and skins, except fur skins, undressed	6,672	4,537	12,433	3,120	3,306	6,263	3,552	1,231	6,170
Soybeans	6,468	8,322	16,759	6,468	8,322	10,385	-------	-------	6,374
Rubber, synthetic	513	2,090	1,219	509	2,064	1,219	4	26	-------
Pulp and waste paper	1,129	1,949	2,596	287	979	610	842	970	1,986
Cotton, unmanufactured	13,289	25,451	2,217	13,289	25,140	2,217	-------	311	-------
Manmade fibers and waste	576	1,988	1,519	29	1	166	547	1,987	1,353
Sulfur, crude	776	673	798	776	673	798	-------	-------	-------
Coal, coke, and briquettes	1,597	4,185	2,415	1,597	4,185	2,415	-------	-------	-------
Petroleum products	1,963	300	108	324	1	106	1,639	299	2
Oils, fats, and waxes [2]	7,672	30,313	29,612	5,601	22,060	12,119	2,071	8,253	17,493
Organic chemicals	6,075	4,995	5,428	559	1,448	1,062	5,516	3,547	4,366
Inorganic chemicals	2,912	922	669	553	159	665	2,359	763	4
Medicinals and pharmaceuticals [2]	1,472	1,441	1,325	1,455	1,278	1,012	17	163	313
Plastic materials	344	1,261	814	142	560	288	202	701	526
Insecticides and similar preparations	1	2,757	449	-------	1	63	1	2,756	386
Chemicals, other	323	1,151	646	296	1,024	511	27	127	135
Wood manufactures, except furniture	246	575	547	246	575	541	-------	-------	6
Paper, paperboard, and manufactures	22	78	713	20	78	688	2	-------	25
Textile yarn and thread	984	957	530	599	957	514	385	-------	16
Construction and mining machinery	318	1,580	1,396	95	28	288	223	1,552	1,108
Mineral crushing and similar machinery; glassworking machinery	1,128	240	448	1,128	240	448	-------	-------	-------
Mechanical handling equipment	131	818	1,248	26	287	775	105	531	473
Nonelectric machinery, other	2,193	3,329	4,014	1,470	1,747	2,959	723	1,582	1,055
Electric machinery, apparatus, and appliances	764	1,094	1,449	734	483	1,001	30	611	448
Transport equipment	84	854	2,179	31	121	107	53	733	2,072
Clothing, except of fur [2]	521	524	480	384	465	395	137	59	85
Professional, scientific, measuring, and controlling instruments and apparatus	411	489	742	293	343	655	118	146	87
Unspecified commodities for relief	299	1,661	937	299	1,640	937	-------	21	-------
Other and unspecified domestic exports	2,907	3,113	3,030	2,309	2,747	2,435	598	366	595
Reexports	298	579	362	285	570	317	13	9	45

[1] Includes exports to Estonia, Latvia, and Lithuania.
[2] Includes relief shipments.
[3] Less than $500.

Mr. SHRIVER. Including the total values by year.
Secretary MCNAMARA. Yes, I would be very happy to.

GOALS SET FORTH AT TRI-CONTINENTAL CONFERENCE

Mr. SHRIVER. You mention in your opening statement the Tri-Continental Conference held in Cuba in 1966. It might be of some help in connection with the justifications for military assistance requests for Latin America if we had a copy of the goals set forth at that Conference.

Secretary MCNAMARA. Surely.

(The information follows:)

THE HAVANA TRI-CONTINENTAL CONFERENCE

The agenda of the Tri-Continuental Conference [1] was as follows:

I. *Fight against imperialist, colonialism, and neocolonialism.*

1. Support of the heroic struggle of the Vietnamese people against the North American imperialist aggressions, and for the liberation of South Viet-Nam, and the reunification of all the country.

2. Struggle for complete national liberation, people's right to self-determination, consolidation of independence and national sovereignty in the three continents, and against imperialist aggression, subversive conspiracies, interference in the internal affairs of independent countries and isolation of the peoples who fight for peace and independence.

3. Intensification of all forms of struggle, including the armed struggle of the peoples of the three continents against imperialism, colonialism, and neocolonialism led by North American imperialism.

4. Support to the just struggle of the Cuban people against North American imperialism and for the defense of national sovereignty. Support to the patriotic fight of Latin American peoples against imperialism and its instruments, such as the OAS.

5. Elimination of foreign military bases in the three continents and measures against the policy of military pacts.

6. Struggle for the prohibition of the use, production, experimentation and storing of nuclear arms, for the total destruction of the nuclear arms already made, for the elimination of all means to produce them, and for world peace.

7. Measures against Apartheid and racial segregation; support to the negro people of the United States in their struggle for the right to equality and freedom and against all forms of discrimination and racism.

8. Ways and means to help the national liberation movements of Africa, Asia and Latin America in general and specifically the armed struggle for liberation.

II. *Urgent problems of the anti-imperialist struggle in the countries of the three continents and particularly in Viet-Nam, the Dominican Republic, the Congo, the Portuguese colonies, South Rhodesia, Southern Arabia and Palestine, Laos, Cambodia, South Africa, Korea, Venezuela, Guatemala, Peru, Colombia, Cyprus, Panama, South West Africa, and North Kalimantan.*

III. *Anti-imperialist solidarity among the Afro-Asian-Latin American Peoples in the economic, social and cultural aspects.*

1. For the economic emancipation and social and cultural liberation of the peoples of the three continents:

a. Start of an action intended to attain and consolidate the economic emancipation of the countries of the three continents and struggle against exploitation and economic aggression of imperialism, colonialism, and neocolonialism.

b. Steps to eradicate in the economic, social and cultural fields the consequences of colonial domination.

c. Actions against the blockade policy and economic boycott applied by imperialism to the countries that struggle for their liberation and to the countries which have achieved it.

d. Economic planning and mobilization of the natural and human resources for the economic development and achievement of a real economic independence based on self-reliance.

e. Agrarian reform in the three continents.

f. Problems related to the formation of national cadres.

[1] English version published by the Tri-Continental Conference, in Havana.

2. For the development of economic, social and cultural relations:

a. Aid and cooperation among the peoples of Africa, Asia, and Latin America in the economic, social and cultural fields.

b. Fundamental principles of economic and technical cooperation among the countries of the three continents based on equality and mutual interest.

c. Bases of a new economic policy among the peoples of the three continents and the rest of the world; establishment of economic, commercial and financial relations with the advanced countries on such bases that will allow our own development.

d. Working out of a definition of the pacific co-existence concept common to the countries of Africa, Asia and Latin America.

3. Coordination of the activities of the workers, students, women and cultural organizations of the three continents.

IV. *Political unification and Organization of the African, Asian and Latin American efforts in their common struggle for national Liberation.*

The Conference created the Afro-Asian-Latin American Peoples Solidarity Organization with the following objectives:

To unite, coordinate and encourage the struggle of the peoples of Asia, Africa and Latin America against imperialism, colonialism, and neo-colonialism, headed by U.S. imperialism.

To give effective support to the national liberation movements in the three continents, using all the means within its reach.

To support the revolutionary struggle, as an inalienable and imprescriptible right of the peoples before imperialism, colonialism and neo-colonialism.

To give firm and solidary support to the liberated countries of the three continents, which, as a consequence of the revolutionary process carried out by their peoples, are the victims of all forms of imperialist aggression.

To defend the right of the peoples to give themselves the government and the law of their choice as well as the socio-economic system that their sovereign will determine, without any foreign interference.

To cooperate with those of our peoples who are liberated in our continents, to secure their independent development and halt the attempts of the imperialist powers directed towards the destruction of their political, economic and cultural development.

To organize the solidarity of the peoples of the three continents and serve as permanent link among the different movements which are members of the organization.

To give the firmest and broadest support to the battle against racialism and all forms of racial discrimination in the three continents.

To take charge of the implementation of the measures adopted at the First Tri-Continental Conference.

COUNTRIES SELECTED AS TARGETS OF TRI-CONTINENTAL CONFERENCE

Mr. SHRIVER. Also would you supply which countries are to receive special attention from the members of the Conference and what we are going to do to prevent the success of their efforts.

Secretary MCNAMARA. I will be very happy to do so. Of course, Venezuela was really the No. 1 target, but the Conference established other objectives as well, and I will be happy to extract from their statements, and include those extracts in the record.

(The information follows:)

THE HAVANA TRI-CONTINENTAL CONFERENCE

Several areas were designated during the Tri-Continental Conference as "target areas." The following Latin American countries received special attention: Venezuela, Guatemala, Peru, Colombia and the Dominican Republic.

Military Assistance Programs for all Latin American countries continue to focus upon internal security requirements. We have given special attention to the above countries mentioned during the Conference as specific targets.

The Conference put Latin American countries on notice of the realities of the Communist threat. This Communist advocacy of increased insurgency has strengthened their resolve to improve and better coordinate their counterinsurgency activities. As a result, Latin American authorities have been keeping a close

watch for any Communist activities which reflect decisions made at the Conference.

The Latin American governments and press have expressed strong indignation over the Tri-Continental Conference. Denunciations were made by all members of the OAS Council, including the U.S., followed immediately by the COAS resolution of February 2, 1966. The latter (1) condemned the Conference for its policy of intervention and aggression, (2) denounced as contrary to the peace and security of the hemisphere and as a violation of UNGA Resolution 2131 (XX) of December 21, 1965, the open participation of certain official or officially-sponsored delegations from UN member states; and (3) asked that the COAS Special (Lavalle) Committee of which the U.S. is a member, submit a report on the Conference, with recommendations. This resolution was followed by a similar denunciation contained in a letter of February 7, 1966, to the UN Security Council signed by all members of the UN Latin American group except Mexico.

The Lavalle Committee Report was submitted to the OAS Council, which on November 28, 1966, adopted a resolution (1) forwarding it to OAS member governments with a general endorsement; (2) urging them to adopt appropriate measures based on the Reports' recommendations; and (3) referring it to the UN for the information of members. The report recommends (1) various measures to strengthen individual and collective capability to deal with the threat; (2) steps to be taken in the international field in an attempt to discourage future official and semi-official participation in the permanent organizations established by the Conference and future conferences; and (3) a new effort to persuade friendly non-member countries to restrict trade with Cuba.

COST-SHARING PLAN FOR MILITARY PURCHASES

Mr. SHRIVER. For several countries we offer a cost-sharing plan for military purchases. How does that work?

Secretary MCNAMARA. When you say cost-sharing plan, do you mean a——

Mr. SHRIVER. What is the percentage of the costs paid by the United States for each of the countries?

Secretary MCNAMARA. Generally speaking, we don't have cost-sharing plans. There have been established in the past what you might call consortia. There was one established in Western Europe to build F–104's. This was organized back in the late fifties, and we agreed to supply x percent of the costs of the F–104's. With a minor number of exceptions, we haven't been engaging in any of those in recent years. We either have been providing the material through grant aid or on a sales basis. When we provide it on a sales basis, it is either for cash or for credit. If for credit, we get others to finance it to the extent we can without a guarantee from us. To the extent necessary, we supply 25 percent guarantee. You may be thinking of the credit sales with a 25-percent guarantee.

Mr. SHRIVER. I got it out of reading the justifications. So we will leave that for now.

CIVIC ACTION PROGRAMS

About what percentage of the military assistance funds for 1968 will be spent in civic action programs?

Secretary MCNAMARA. I would say about 2 percent, roughly, on the order of $10 million.

Mr. SHRIVER. And you work with AID in connection with that?

Secretary MCNAMARA. Yes, we do.

ASSISTANT TO DOMINICAN REPUBLIC

Mr. SHRIVER. What is the present situation in the Dominican Republic? How many Americans are still there? What are your plans in the future in regard to military and economic assistance?

Secretary MCNAMARA. The number of military personnel, there are 62. The military assistance program, as you know, is also planned at a very low level, about $——— million. The Dominican Republic has advanced politically, I think, better than any of us would have anticipated 2 years ago when the crisis developed. This, I believe, indicates the wisdom of the action taken at the time, which I think the other Latin American nations also recognize. We don't have any special plans for military assistance. I don't think any large program is required. The problems the country will face—and they will be serious—will be economic and political problems, primarily; only secondarily will they be military.

Mr. SHRIVER. You mentioned in your statement at the beginning the importance of aid to the governments, and I presume we would be continuing to give a great deal, a great amount of supporting assistance.

Secretary MCNAMARA. Yes. As I said, Dominican problems promise to be primarily political and economic, and the need will be particularly for economic aid. Only secondarily will they be military; and only a very small military program, on the order of $——— million is required.

Mr. SHRIVER. You mentioned, but I don't think you put into the record, anything about future plans or whether you would want to put into the record anything on that.

Secretary MCNAMARA. Yes. Well, I don't like to indicate that these programs—that these plans are so firm as to represent decisions on the part of the Government. They don't; but they do serve as a guideline for our day-to-day activities. I will be happy to——

Mr. SHRIVER. I would be interested.

REDUCTION OF MILITARY ASSISTANCE

Secretary MCNAMARA. I would be happy to tell you in general about them. I have said to this committee many times that I believe we should reduce military assistance as the threat changes or as the capability of the recipient nations to finance their own military programs increases. Therefore, as I mentioned a few minutes ago, we have reduced the number of countries receiving materiel aid from 58 in 1962 to 37 in 1967 and to 35 in 1968.

Now, dealing only with the countries, excluding Vietnam for the minute because that is such an unusual case, we have $838 million planned in new obligation authority for 1968. That is the $596 million we are asking for, plus the $242 million the chairman referred to. I think we can cut that another, I would say, $100 million in the next 2 years, assuming a termination of the conflict in Southeast Asia, because there is in that $838 million an abnormal amount for Laos and Thailand. But assuming we can terminate the conflict in that period of time, I believe we could cut about $100 million out of the $838 million; $100 million would include a cut in ——— of some amount, it wouldn't eliminate the programs entirely, but it would reduce them. It

would also include a further reduction in the ——— programs. In 1968, we have a total of $——— million. I think we could cut that almost in half in the next 2 years down to about $——— million or $——— million. There will be a few other programs phasing out in that period of time. As we go beyond 1970, 2 years from 1968, I think we may expect still further reductions. So I am looking for a gradual reduction in the military assistance program in the years ahead.

Mr. SHRIVER. What you said should remain on the record.

Secretary MCNAMARA. Sure, I will be very happy to put it there, with the qualification that it doesn't represent an approved Government program but it represents our policy.

Mr. SHRIVER. And planning.

Secretary MCNAMARA. Tentative objectives and our current plan—that is correct.

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

Secretary MCNAMARA. You are welcome.

TRAINING PROGRAMS LEAD TO MILITARY EQUIPMENT PROGRAMS

Mr. PASSMAN. Mr. Secretary, you know I am in politics. The testimony at the beginning of today's hearings could make me look stupid, when I indicated that when you start a training program in a nation, it could lead into a military equipment program. It is all right for me to insert in the record, is it not, the number of nations in which we started with a training program that eventually turned into a military equipment program?

Secretary MCNAMARA. Mr. Chairman, obviously you should introduce into the record whatever you choose.

Mr. PASSMAN. No, not what I choose, I just want the facts.

Secretary MCNAMARA. Introduce the facts you choose; but I hope that in the course of introducing them, you will emphasize that, from 1962 to date, only one country has been added to those for which we have materiel programs—the Congo. So, at least during this period of time, training programs have not evolved into materiel programs.

Mr. PASSMAN. I was not limiting my comment to 1 or 2 years. I am speaking of the time since we started the military assistance program and nations who went from training only to military equipment programs. Your own people inserted this chart in the record last year. It indicates that up until last year there were seven countries that had moved out of the training only category to an equipment category.

Secretary MCNAMARA. Yes. I was covering a 6-year period—1962 to 1968. I wasn't talking 1- or 2-year periods.

Mr. PASSMAN. Your experts put this table in the record. I thought I was right when I made the statement. I am going to put in the record an excerpt from page 640 of last year's hearings, to show I did know what I was talking about.

(The information follows:)

NATIONS HAVING PREVIOUSLY TRAINING ONLY PROGRAMS

Mr. PASSMAN. Do you have the nations that are equipment nations now that were previously training-only nations?

Admiral HEINZ. This is the one I am going to supply.

Mr. PASSMAN. The colonel has that information now, I believe. The number since the inception of the military assistance program?

Colonel RETTGERS. Sir, I can only identify five.

Mr. PASSMAN. Read them.

Colonel RETTGERS. Bolivia, Costa Rica, Dominican Republic, Panama, and Paraguay.

Mr. PASSMAN. You did a bit of research there. You didn't have all of this information readily available, did you?

Colonel RETTGERS. No.

Mr. PASSMAN. I want you to finish your research to see if there are more than five nations who were originally training-only and graduated to military equipment countries.

(The information follows:)

MILITARY ASSISTANCE—MATERIAL-TRAINING

The following list of countries, included in the FY 67 Military Assistance Program as countries having a material program, is annotated in columns 2, 3, and 4 to indicate the content of the first year programs for each country.

Country	Material and training	Material only	Training only	Country	Material and training	Material only	Training only
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Denmark		X		Philippines	X		
Norway		X		Thailand		X	
Portugal	X			Argentina			X
Spain	X			Bolivia			X
Greece	X			Brazil		X	
Iran		X		Chile		X	
Jordan	X	X		Colombia		X	
Nepal		X		Costa Rica			X
Turkey		X		Dominican Republic			X
Congo	X			Ecuador		X	
Ethiopia	X			El Salvador			X
Guinea	X			Guatemala	X		
Liberia	X			Honduras		X	
Libya	X			Jamaica	X		
Mali	X			Nicaragua		X	
Morocco	X			Panama			X
Senegal		X		Paraguay			X
Tunisia	X			Peru		X	
China, Republic of		X		Uruguay		X	
Korea		X					
Laos	X						

In additon to the above list, the following countries included in the FY 67 Military Assistance Program, now have a "training only" program: Afghanistan, Iraq, Lebanon, Syria, Saudi Arabia, Yemen, Nigeria, Sudan, Japan, Malaysia, and Mexico.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Cohelan.

Secretary MCNAMARA. Mr. Chairman, may I, before we go to Mr. Cohelan, ask the Chair's permission to include in the record here an indication of the number of countries that have had training programs and have moved into materiel programs in fiscal years 1962 through 1968?

Mr. PASSMAN. Yes.

(The information follows:)

Since FY 62 there have been no countries, for which grant aid was initiated as training only, which moved into a materiel program category.

Mr. PASSMAN. I would prefer to go back to the time we started the military assistance program. That is the only thing I am interested in, to show that along the way certain nations that were receiving training only eventually went to military equipment. That is all I want the record to show.

Secretary MCNAMARA. I understand.

Mr. PASSMAN. I thought it was four countries, but I find it is seven. This table was related to countries in the 1967 program only.

Secretary MCNAMARA. I understand, Mr. Chairman, that you have already introduced that, or will introduce that in the record. I ask your permission following that to introduce the figures covering the movement of countries from training only programs into materiel programs in the years that this administration has been responsible for, fiscal 1962 through fiscal 1968. May I have that permission?

Mr. PASSMAN. There is nothing wrong with that.

Secretary MCNAMARA. Thank you, sir.

Mr. PASSMAN. We are not working under just one administration. Sometimes these administrations do not last as long as they would like to last. I am talking about the length of time you have had a military assistance program. I repeat: From little acorns big trees grow.

Secretary MCNAMARA. I understand. I take it I have your permission to put it in the record.

Mr. PASSMAN. Mr. Secretary, you can put anything in the record you want to.

Mr. PASSMAN. Mr. Cohelan.

PROGRAM FOR INDONESIA

Mr. COHELAN. Mr. Secretary, I wonder if you could elaborate on the program for Indonesia either on or off the record.

Secretary MCNAMARA. It is plannned at $——— million. It is planned entirely for civic action type equipment. I have a detailed listing of it here which I would be happy to put in the record. I will go through it very quickly. ———. Obviously nonmilitary supplies to be used by Indonesian military forces in nonmilitary, civic action type activities. Indonesia is in economic chaos at the present time. This is a very modest effort to assist their military forces to begin to apply their personnel and their strength to the development of the economy of that nation.

Mr. CONTE. Would the gentleman yield?

Mr. COHELAN. Yes.

Mr. CONTE. Mr. Secretary, this fall I was pleased with what I found there with some of the new leaders, Suharto and others. They seemed to be quite concerned at that time that we were not providing any funds for uniforms. I think one of the most demoralizing things for an army is not to be properly uniformed. Can't we squeeze some money out of this budget to provide some money for uniforms?

Secretary MCNAMARA. Mr. Conte, I won't be categorical in stating there is not uniform money in the budget. It may be in here but in such small amount that it does not show in the totals I have in front of me. I will check for the record to make sure. ———.

Mr. CONTE. Maybe we could provide the material and they could make their own uniforms.

Secretary MCNAMARA. That is right. I understand the point you make. My recollection is that they asked us for some, and I cannot recall whether we did or did not accede to their request. I do know that the administration, and certainly I and the Department of Defense, have adopted a policy of ——— limiting our military assist-

ance program financed aid to the types of civic action support to which I referred.

TRAINING

Mr. COHELAN. Mr. Secretary, I have not had a chance to study this as carefully as I would like to, but I notice that in the justification sheets they have $377,000 for training for 1967. That would be in addition to the 1968 request.

Secretary MCNAMARA. Yes, we have carried on training in the past years for Indonesia. ———. We have tried to keep up the training programs; but until this year, the materiel programs have been canceled for a number of years.

Mr. COHELAN. As I would interpret this from my own experience in this problem and having visited the country, I know that this reflects an effort to concentrate on training and the contributions that we will be making, assuming that this is approved this year, would be more in civic action and engineering.

Secretary MCNAMARA. That is correct.

Mr. COHELAN. In terms of your force data they obviously have a very substantial force. I notice that they have aircraft equipment in some profusion as well as naval equipments. My question, Mr. Secretary, is, how are they supporting this? Are they getting it from other sources?

EQUIPMENT AND CREDIT FROM RUSSIA

Secretary MCNAMARA. They obtained a billion, 118 million dollars through 1966 in military equipment from the Soviet Union.

Mr. COHELAN. I realize that, but is that to say, then, that they are continuing to support their other operations through the Russian credit?

Secretary MCNAMARA. They are attempting to renegotiate the credit and trying gradually to cut back unneeded military activities. They cannot at one stroke eliminate military forces and throw them onto an economy that already is burdened with unemployment and underemployment. But they quite obviously recognize the need substantially to reduce the cost of their military activities.

NEED FOR MILITARY SUPPORT

Mr. COHELAN. Either on or off the record, in terms of our policy, how do we reconcile military support at the time when they are getting the same kind of support, although for more highly volatile——

Secretary MCNAMARA. I do not really think that this is military support in the strict sense of the term. It happens to be financed under the military assistance program because the equipment is going to be used by uniformed personnel in the military forces. But it is not not going to be used for military purposes and it is not military equipment—road graders, cement mixers, portable saws. So, in any normal sense of the word, it is not military support. I think our Nation would be well advised to assist the current leaders of Indonesia to begin to introduce some stability into their economy through some means such as this. Whether you wish to do it through economic aid or military aid, I think is relatively unimportant.

According to the law, it should be financed in the military assistance program, and that is why we provided for it, even though it is not military equipment in any formal sense of the word.

Mr. COHELAN. But actually it is considered to be sound policy on our part to make this kind of contribution.

Secretary MCNAMARA. It is indeed. Indonesia is a nation which is seeking to pull itself up from near anarchy, and it badly needs help toward that end. If it does not achieve the objective of evolving peacefully, both economically and politically, I am sure its 100 million people let loose in a disruptive, anarchistic way in that area would adversely affect our interest therein.

(Discussion off the record.)

Mr. COHELAN. I yield to Mr. McFall.

SOURCE OF EQUIPMENT FOR INDONESIA

Mr. MCFALL. Mr. Secretary, with reference to the equipment, bulldozers, et cetera, that you described as going to Indonesia, where will this come from, the United States, or will it partially be taken from excess equipment which may now be in Vietnam?

I believe I am correct in saying that the Navy and the construction forces in Vietnam have excess equipment. If we could transfer this to Indonesia, I think it would save the Government some money.

Secretary MCNAMARA. If there is excess equipment in Vietnam over and above our foreseeable needs, it will be used to fulfill this requirement. However, it is not clear that there is such excess equipment. I have read the same stories that you alluded to, indicating that the civilian contractors have such excess equipment ——— we are seeking to transfer any such equipment from the civilian contractors to military construction battalions when that can be done. We are making quite a careful inventory of excess equipment there. If it shows that there is still additional equipment available for this purpose, then it will be used. I am not very confident that we will find excesses in these types of items.

WITHDRAWAL OF FORCES FROM KOREA

Mr. COHELAN. Mr. Secretary, turning to Korea, on the force data it shows they have ——— divisions in their general purpose forces. That war has been over since 1953. There are how many divisions in Vietnam?

Secretary MCNAMARA. Two Korean divisions.

Mr. COHELAN. So they have ——— divisions. From all the reports we get, they are acquitting themselves quite well. My question is, Why do we not phase out our two divisions in Korea to something like a military assistance advisory group?

Secretary MCNAMARA. ———.

Mr. COHELAN. I was there a few years ago exploring this general area. I continue to have some reservations ———.

I am just trying to get current. I would like you, Mr. Secretary, to express your own view.

Secretary MCNAMARA. ———.

Mr. COHELAN. Mr. Secretary, turning——

Mr. RIEGEL. Would you yield for a moment before you change the subject?

Mr. COHELAN. Yes.

(Discussion off the record.)

ASSISTANCE TO GREECE AND TURKEY

Mr. COHELAN. I am familiar with the Greece-Turkey situation and their history. I am troubled that in both cases their forces seem rather substantial. In fact, I think some authorities could argue that they might be overstrength. I wonder if you would comment on this in respect to our assistance.

Secretary MCNAMARA. The Grecian level has been cut back. It was running quite a bit more than it is at the present time. It was running in 1961, $109 million; in 1962, it was $112 million. We are down to $——— million. Turkey was running $180 million in 1961 and $160 million in 1962. We are now down to $——— million. Considering inflation and so on, these are substantial cutbacks. ———.

I do not believe that our aid gave them a foundation for armed conflict. The conditions that would have led to armed conflict are conditions which originated hundreds of years ago. It is not the U.S. military aid which might lead to military action, but rather the religious and political antagonisms of the past. ———.

I think we have to recognize that contrary to what some believe, we not only have not fueled the fires of conflict, we have actually dampened them down by military assistance programs for these countries.

(Discussion off the record.)

TURKISH-RUSSIAN RELATIONS

Mr. COHELAN. Mr. Secretary, I read in the newspapers and periodicals that the Turks are showing some interest in talks with the Russians.

How does all this tie in with our military assistance?

Secretary MCNAMARA. I do not believe it affects the military assistance in any way. The Turks are strong members of NATO. They are strong in the sense that they fully support the political objectives of NATO. They are strong in the sense that they have a tradition of maintaining a strong military force and they are strong in the sense that when they do engage in combat, they fight with great effectiveness. I believe that it is in their interest and ours to dampen down the potential frictions between the Soviet Union and Turkey—to have some conversation between them. Here, as elsewhere in the world, there are literally centuries of conflict that lie between the two nations. To the extent that some of this can be eliminated by discussions, I think it is in their interest and ours.

Mr. COHELAN. In other words, as far as you are concerned, you do not regard this as a threat to our posture there?

Secretary MCNAMARA. No, on the contrary, I think we have to build a few bridges between Turkey and the Soviet Union for the purpose of dampening down the age-old conflicts, which is very much in our interest.

PROGRAM IN KENYA

Mr. COHELAN. Mr. Secretary, I would like to talk about Africa just briefly. Mr. Conte and I just returned from Africa. Why don't we have a program in Kenya?

Secretary MCNAMARA. For the reason that Dr. Long referred to and endorsed a moment ago. We do not have a military aid program in any part of the world in which our vital interest is not engaged or potentially engaged, ———.

ETHIOPIAN PROGRAM

Mr. COHELAN. I notice from the map Somaliland has a common border with Ethiopia and Kenya ———.

Secretary MCNAMARA. ———.

(Discussion off the record.)

Mr. PASSMAN. Let us state for the record the age of Ethiopia. How long have you had a Government in Ethiopia? Would you insert that in the record?

(The information follows:)

ETHIOPIAN GOVERNMENT

Ethiopia is a Christian kingdom which has existed for centuries in the highlands of East Africa. Christianity was introduced in the 4th century by missionaries from Syria and Egypt. The modern history of the country is generally considered to begin with the reign of the Emperor Menelik II (1889–1913), under whom the kingdom began to emerge from its medieval isolation. Upon Menelik's death his grandson, Lidj Yassu, succeeded to the throne. In 1916, Memelik's daughter Zauditu became Empress, and her cousin, Ras Tafari Makonnen, was proclaimed her heir and successor. The Empress died in 1930, and on November 2 of that year Ras Tafari Makonnen, adopting the throne name Haile Selassie, which means "The Power of the Trinity," was crowned Emperor. The reign of Haile Selassie I was interrupted in 1935 by the Italian invasion and occupation.

The Government of Ethiopia is a constitutional hereditary monarchy. Ethiopia's first constitution was promulgated by the Emperor in 1931 and a revised Constitution was promulgated in 1955.

Secretary MCNAMARA. This particular one, under Haile Sellasie, dates back to the midthirties. I know this because I read a very moving speech he made to the League of Nations in 1938, I would say to you that you must make this choice. ———. That is the immediate problem. If we ever moved out of that problem and away from it, then we would have an entirely new situation.

Mr. PASSMAN. It is one of the oldest countries in the world. It is the oldest Christian country in the world. That goes back thousands of years.

Mr. COHELAN. Mr. Secretary, I will say finally, and you have been very patient and I appreciate your candor. It has been very helpful to me. I am greatly concerned about the weight of the military establishment in some of these developing countries. I have no hesitation in saying this about Ethiopia. I have the greatest sympathy and hopes for Ethiopia and want to see their legitimate economic and social objectives achieved. But I still feel, in relation to their economic development problems, excessive military support may be self-defeating.

That is all I have, Mr. Chairman, and thank you Mr. Secretary.

Mr. CONTE. Mr. Secretary, at the outset, I want to say what I have said in the past. I want to compliment you for a very fine, clear, con-

cise statement, and hard-hitting statement you made here today. I thank you at least for myself for the great contribution you have made to this great country.

Secretary McNamara. Thank you very much, Mr. Conte.

(Discussion off the record.)

Mr. Conte. Mr. Secretary, with regard to Ethiopia, I think that your thinking on this is at odds with the Red Sea Basin theory.

Secretary McNamara. A moment ago, I indicated that I felt that the current aid program was justified ———.

PROGRAM IN INDONESIA

Mr. Conte. Another thing, you mentioned Indonesia. I think the record is replete in the last 5 years that you have been coming before the committee, and many of us have taken a lot of lumps from back home in regards to Indonesia ———.

Secretary McNamara. ———.

Mr. Conte. ———

Secretary McNamara. You are quite right.

Mr. Conte. And it did not cost one American life.

Secretary McNamara. It did not; and, as a matter of fact, even the expenditure of American dollars for military aid was very small.

INDUSTRY PROFITS FROM GOVERNMENT CONTRACTS

Mr. Conte. Mr. Secretary, in yesterday's Washington Star there was an article which stated that you have started a secret study of the profits which industry makes from nearly $40 billion in defense contracts awarded by the Government each year.

The article indicated that the study would be concerned, among other things, with excessive profits and with the relationship between the level of profits by defense contractors and the investment and risk involved in their activities. Could you comment on this as it may relate to the expenditures we have been making in our military assistance program?

Secretary McNamara. Yes, sir.

I had a press conference yesterday afternoon. One of a regular series of press conferences, at which I was asked a question about that article, which I had not seen at that time. I stated that there was no foundation whatsoever to the story. I am at a loss to know how it came about, except that possibly the reporter became aware of a study of the profits of defense contractors, which I started 5 or 6 years ago, and which is still continuing.

It was my feeling then, and it still is, that defense profits vary insufficiently in relation to performance. At a time when a very high percentage of defense contracts was placed on a cost-plus basis, there was really no reason for a wide variation in defense profits. All contractors, certainly all cost-plus contractors, should receive essentially the same fee or profit as a percentage of cost, and hence you have a very narrow range of contractor profit.

However, as we began to move away from cost-plus contracts seeking both more competition and also more incentive for grater efficiency, a wider range of profit rates per contractor was to be expected. So we began a study, as I say, 5 or 6 years ago, which we have not publicized

and which I do not believe we have ever publicly discussed, designed to examine profits by contractor and by contract and by type of contract. And I now have data, imperfect as they are, but nonetheless beginning to be useful, that show the extent to which our purchasing agents are holding down profit rates on cost-plus contracts because the Government bears the risks, not the contractor, and allowing higher profit rates on negotiated contracts in which there is a fixed price or a fixed-price incentive and in which, therefore, the contractor bears more of the risk and the Government less of a risk, and allowing still higher profits on fixed-price contracts in which the contractor bears all the risk.

We are seeking to establish profit guides to our purchasing agents for each of these categories of risk and in relation to performance in that category of risk. These profit analyses have been underway and have been very difficult to get because the contractors' data have not been readily available, and the contractors themselves have been very reluctant to give us certain profit information. There is no legal requirement that they do so on many types of contracts. But through the Defense Industry Advisory Council we have obtained the cooperation of about 65 of the largest contractors; and we are accumulating this information. As a matter of fact, we reported a short time ago to the Defense Industry Advisory Council in a meeting here in Washington upon the preliminary results of this study. My guess is that some of that leaked and the press misunderstood or misinterpreted and reported it as a new study, which it is not.

Mr. CONTE. It would apply to military assistance?

Secretary MCNAMARA. That is right. It applies to all defense contracts.

TRANSFER OF NATO INFRASTRUCTURE AND INTERNATIONAL MILITARY HEADQUARTERS PROGRAMS TO DEFENSE BUDGET

Mr. CONTE. You requested transfer of the NATO infrastructure and International Military Headquarters program from the military assistance program to the regular defense budget, stating that these programs are not military assistance. Can you tell me why these programs were considered military assistance in the past and all of a sudden today they do not fit this description.

Secretary MCNAMARA. I do not honestly know why they were so considered in the past. I do know that, in the case of Western Europe, whether or not this is transferred out of military aid, we should integrate more fully than we do the bases and the facilities that we utilize for U.S. troops which are jointly financed or infrastructure financed, on the one hand, and those which we use that are not so financed.

My own feeling is that over the years the United States has financed a much higher percentage of the property it uses in Europe than has any other nation, and I do not see why. I believe that one of the reasons is that we have two funds from which we finance it. It is really quite easy for us to get a base financed out of the regular defense budget, and it is very difficult for us to get a base financed out of the infrastructure. Particularly so when I have two separate organizations handling it and two separate budgets in which it is all handled. From my point of view, I want to see it put together. I want to see

U.S. bases all on one sheet. I want to know why we should finance any of it.

Now, as I say, I am positive that the United Kingdom, for example, or the Federal Republic has a larger percentage of its facilities infrastructure financed than we have. I believe one of the reasons is that we have split this responsibility into two separate bills and two separate budgets.

TRANSFER OF PROGRAMS FOR LAOS AND THAILAND TO DEFENSE BUDGET

Mr. CONTE. Mr. Secretary, the justification of the proposed transfer of the support for Laos and Thailand from the military assistance program to the defense budget, as I understand it, is the direct relationship and their involvement in the struggle in South Vietnam.

Secretary MCNAMARA. That is correct.

Mr. CONTE. To what extent does this requested transfer to Defense forestall the continuing buildup of military commitments in these two countries?

Secretary MCNAMARA. I don't really think it affects that one way or another. I can't make the argument we should transfer these programs to the defense budget because it will forestall the commitment. I do not think that is the case. But it would make more efficient, I believe, the distribution of supplies financed by the money involved.

Mr. CONTE. Off the record.

(Discussion off the record.)

IMPACT OF WAR IN VIETNAM ON CAPABILITY TO MEET REQUIREMENTS OF THE MILITARY ASSISTANCE PROGRAM

Mr. CONTE. Have the demands of the war in Vietnam placed a significant strain on our capabilities to meet the requirements of the military assistance program? Are we capable of giving the necessary priority to items for the struggle in Vietnam and at the same time supplying the requests created by our aid program?

Secretary MCNAMARA. As I have previously stated, changes in the overall situation in South Vietnam resulted in increased military operations and large increases in requirements. This was a burden on military assistance program resources intended for other MAP countries. A portion of the increased requirements for MAP-supported forces in South Vietnam had to be financed by reducing grant programs for other important countries of the free world. The shrinkage in military assistance program resources available for other countries led to extensive reprograming and to deferrals in the ordering of materiel for these countries.

As a result of congressional approval last year, the requirements of the South Vietnamese Armed Forces and other free world forces in Vietnam have been included in the regular defense budgets, thus permitting more timely ordering of materiel to meet other military assistance program requirements. We are capable of continuing to give the highest priority to forces in Vietnam and at the same time meeting military assistance program requirements.

MILITARY ASSISTANCE OUTLOOK—SOUTH VIETNAM, THAILAND, AND LAOS

Mr. CONTE. Can you give us any idea of what the long-range military assistance needs are going to be for South Vietnam, Laos, and Thailand after we have satisfactorily brought hostilities to an end in Vietnam?

Secretary MCNAMARA. This depends to a great extent on the nature of the settlement which is eventually achieved in Vietnam and for all of Southeast Asia. We hope and seek for peace and cooperation among all countries interested in the area.

As President Johnson explained in a July 12, 1966, address:

> The Peace we seek in Asia is a peace of conciliation: between communist states and their non-communist neighbors; between rich nations and poor; between small nations and large; between men whose skins are brown and black and yellow and white; between Hindus and Moslems and Buddhists and Christians. It is a peace that can only be sustained through the durable bonds of peace; through international trade; through the free flow of people and ideas; through full participation by all nations in an international community under law; and through a common dedication to the great tasks of human progress and economic development.

Under such conditions, the long-range military assistance needs should be reduced to support of a capability to maintain internal security free from outside interference, and of a limited capability to deter overt aggression. Two years ago, when we presented the budget request for the fiscal year 1966 military assistance program, we presented illustratively to the committees a so-called "normal program" for Vietnam of $88 million, along with the requested "combat program" of $230 million. While it is impossible today, as it was then, to foretell the many facets of the international situation in Southeast Asia when open hostilities cease in Vietnam, I sincerely hope that our illustrative "normal program" of 2 years ago will not prove to have been unrealistically low. I hope for Laos and Thailand as well, as I know you do, that their energies and resources, as well as our assistance, can be devoted to peaceful pursuits and the welfare of their people.

PROGRESS IN REVOLUTIONARY DEVELOPMENT/PACIFICATION

Mr. CONTE. These long-range military assistance needs would be related to success in our pacification program in Vietnam. Can you give your observations on the progress of this program?

Secretary MCNAMARA. ———.

VIETCONG FATALITY RATES

Mr. CONTE. Mr. Secretary, last year you testified before this committee that high Vietcong fatality rates would have a strong effect on the will of the north to continue the struggle. Have you found that this effect has developed as you expected?

Secretary MCNAMARA. Enemy casualties have increased during the past year as expected. This of course, is only one of the factors which might be expected to influence Hanoi's position. Losses in men and material are having an adverse effect on Communist morale. However, there are no firm indications that the North Vietnamese are losing their determination to continue supporting the war in South Vietnam.

FUTURE COMMUNIST CHINESE ACTIVITY IN VIETNAM, LAOS, AND THAILAND

Mr. CONTE. Can we look for greater activity on the part of China with respect to Vietnam, Laos, and Thailand when the internal struggle in China is resolved?

Secretary MCNAMARA. As I stated to the Senate Armed Services Committee on January 23:

> We have only a very imprecise understanding of the role which foreign policy issues play in the curent upheaval. . . . One result of the internal upheaval has been a temporary reduction in Chinese interest in the outside world. However, there has been no diminution in their support of the Communist efforts in Vietnam and in Thailand.

With reference to the current upheavel, we must accept the situation that Communist China is currently undergoing major changes and that the probable effect of these changes on the Chinese leadership and future Chinese domestic and foreign policies is difficult to foretell.

Nevertheless, as the President declared in his recent state of the Union message:

> We shall continue to hope for a reconcillation between the people of mainland China and the world community—including cooperation in all the tasks of arms control, security, and progress on which the fate of the Chinese people, like the rest of us, depends.
>
> We would be the first to welcome a China which had decided to respect her neighbors' rights. We would be the first to applaud were she to concentrate her great energies and intelligence on improving the welfare of her own people. And we have no intention of trying to deny her legitimate needs for security and friendly relations with neighboring countries.
>
> Our hope that all of this will someday happen rests on the conviction that we, the American people and our allies, will see Vietnam through to an honorable peace.

PRECAUTIONS TO PREVENT UNINTENDED UTILIZATION OF MILITARY ASSISTANCE

Mr. CONTE. You state one of the basic criteria being applied to military assistance is the taking of precautions to reduce the chances that assistance may be put to unintended purposes such as regional conflicts or the support of undemocratic regimes. Could you elaborate on how these precautions have been taken?

Secretary MCNAMARA. United States actions in South Asia are representative of measures we have taken to prevent the unintended utilization of military equipment. In 1965, all military shipments to India and Pakistan were halted, thereby minimizing the possibility of U.S. arms being used to continue hostilities on the subcontinent ———.

When developing nations in the Middle East, Latin America, and Africa desire military equipment, it is our policy to avoid the provision of materiel which could contribute to conflicts or arms races and encourage only essentially defensive hardware. For example, in the Middle East we have resisted arms requests because we suspected that the items might be put to unintended purposes such as regional conflict or the support of undemocratic regimes. To date we have denied the efforts of Latin American countries to obtain supersonic aircraft and we have encouraged other free world nations to do likewise. Similarly, our programs in Africa are minimal and confined to internal security and civic action requirements.

Finally, foreign military personnel receiving U.S. training are exposed to the democratic philosophy as to the proper role of the military vis-a-vis its civilian leadership.

MILITARY AID FOR GREECE AND TURKEY

Mr. CONTE. Greece and Turkey are two of the five countries to receive 75 percent of the proposed military aid. In light of the conflicts which have in the past arisen over Cyprus, what steps have been taken to minimize our winding up in the same situation here that we found in the India-Pakistan conflict of our weapons fighting our weapons?

Secretary MCNAMARA. We have refrained from intervening directly in the Cyprus dispute for the last 3 years, believing that the solution to the problem must be found by the parties concerned. We normally work through the U.N. to dampen tensions. ———.

Both countries are aware of the threat of the loss of MAP if MAP supplied equipment is converted to purposes other than those for which it was furnished.

We urge both Greece and Turkey to pursue a dialog aimed at a Cyprus solution.

EXPLANATION OF CHANGES TO THE FISCAL YEAR 1967 MAP AS SUBMITTED IN FISCAL YEAR 1967 CONGRESSIONAL PRESENTATION DOCUMENT

Mr. CONTE. On page 25 of your justification there are $86 million worth of major changes listed which occurred during fiscal year 1967 up to January 1967. What accounts for such large numbers of changes and does this indicate that the projections for the various uses of funds appropriated have not been as accurate as they should have been?

Secretary MCNAMARA. The projected fiscal year 1967 budget was accurate when presented. However, the reduction in appropriated funds, legislative limitations, and changes in policy and requirements worldwide has necessitated the reprograming shown on pages 20 through 25.

REGIONAL ASSISTANCE TO LATIN AMERICA AND AFRICA

Mr. CONTE. As you are well aware Mr. Secretary, I have been very unhappy with our program of providing military aid to Latin America on an individual country rather than on a regional program basis. My views have not changed on this subject and I would like to know if any steps have been taken to develop means to provide regional assistance to Latin America and Africa as well, as opposed to this highly dangerous independent assistance?

Secretary MCNAMARA. While the executive branch is mindful of the intent of the Congress to provide military assistance to Latin America on a regional program basis, as expressed in section 511(b) of the Foreign Assistance Act, there are certain obstacles to the effective implementation of this intent. The major thrust of military assistance to Latin America is internal security, which is most effectively dealt with internally by each country. Moreover, countries resist efforts for others to become involved in their internal security problems and programs. Therefore, it is difficult to attempt to channel military assistance for internal security purposes on a regional program basis.

A further obstacle to providing military assistance on a regional program basis is the absence of an effective military coordinating body within the OAS. The advisory defense committee provided for by the OAS Charter has yet to be convened. The United States has supported efforts to amend the OAS Charter to strengthen the military planning and coordination mechanism within the OAS. To date, however, the proposals have not received the required support from the OAS member states. Moreover, it is doubtful that such proposals will be adopted in the near future because of apprehension on the part of many Latin American countries that a regional organization to deal with internal security could lead to unwanted interference in their internal affairs.

Pursuant to section 511(b) of the Foreign Assistance Act, the executive branch has rendered semiannual reports to the Congress on the implementation of that subsection. These reports have indicated that military assistance has been provided to some extent for regional or subregional programs such as: assistance to the Central American Defense Council; support for an expanded program of combined military exercises, regional seminars, and conferences with the pur-

pose of achieving greater multilateral planning for, and operation of, Latin American military forces; and, support of Latin American units appropriate for OAS or U.N. peacekeeping assignments, communication networks, and logistical support forces.

In Africa, our materiel assistance is selective, limited to only certain countries whose security requirements are not being met adequately by other means and where U.S. security interests are involved. A regional approach, such as through the OAU, would pose serious practical problems in retaining this selectivity and limiting the number of MAP recipients.

MILITARY ASSISTANCE TO INDONESIA

Mr. CONTE. You have requested $——— million for Indonesia for next fiscal year after having given her $——— million in 1967 and nothing in 1966. Can you for the record set forth why this was done and do you have any figures on what Russia is presently giving to Indonesia?

Secretary MCNAMARA. Military assistance to Indonesia was canceled in March 1965, because of the increasingly hostile attitude of the Sukarno-led government. Following the abortive Communist coup d'etat in October 1965, and the emergence of the Indonesian Army as the leader of a new government, Indonesia adopted a friendlier policy toward its neighbors and the United States, rejoined the United Nations, and has concentrated its energies on solving its massive economic problems. In view of this, it was decided in September 1966, that it was in the U.S. interest to resume limited MAP to the new Indonesian Government, primarily in support of the Army's civic rehabilitation program. ———.

———

Our best information is that the Soviet Union is not providing any grant or credit military assistance to Indonesia. ———.

———

CONTROLLED SALES OF MILITARY EQUIPMENT

Mr. CONTE. In your statement you emphasize your view that the controlled sale of appropriate types of military equipment to allied and friendly nations is in the national interest. Senator McCarthy of Minnesota in an article in the Saturday Review of July 9, 1966, quotes the following from a Defense Department phamphlet entitled "Information and guidance on military assistance.":

> The Department of Defense has embarked on an intensified military assistance program. * * * Achievement of * * * objectives calls for a very substantial increase over past sales. Success in this endeavor will be dependent in large measure upon effective sales promotion.

Would you comment on this in terms of your reference to the importance of controlled sales of appropriate military equipment?

Secretary MCNAMARA. In reply, I believe the following points are pertinent:

1. Three basic standards govern the conduct of our foreign military sales program:

(*a*) We will not sell equipment to a foreign country which we believe it cannot afford.

(*b*) We will never ask a potential foreign customer to buy anything not truly needed by its own forces.

(*c*) We will not ask any foreign country to purchase anything from the United States, which it can buy cheaper or better elsewhere.

2. Every proposed sale is consonant with overall policy established by the Department of State or specifically subjected to a careful and thorough review within the U.S. Government before negotiation is initiated. This review involves not only the Defense Department, but the State Department, AID, and other relevant agencies. This review is concerned with the military legitimacy of the requirements, the recipient's ability to pay, the potential effect on peace or stability in the area, and on other foreign policy considerations. These reviews are conducted at very high levels of Government.

3. The mix of U.S. military grant aid and credit sales has changed in recent years, but the aggregate grant-sales program today is about the same as it has been for the past 5 years—approximately $3 billion. In terms of total value, U.S. military exports in the 10-year period, fiscal years 1962–71, are not expected to be measurably higher than in the decade, fiscal years 1952–61; the big change will be the shift in the way these exports are financed—from grant aid in the 1950's to military sales in the 1960's.

4. Almost 90 percent of U.S. cash and credit military sales has been to NATO, Australia, and Japan; military sales to underdeveloped countries have announced to only about 10 percent of the total. Requests from countries of the Middle East, Latin America, Africa, or other underdeveloped areas for the purchase of arms are subject to the most intensive review and debate within the U.S. Government. Usually, serious efforts are made to reduce the requests in either quantitative or qualitative terms. Many sales have been turned down as unjustified. For example, in the case of Latin America, we have refused to make available at this time any advanced aircrft, such as the F–5—even in the face of offers by other countries to do so.

5. Extensions of credit by the United States are carefully controlled. The Eximbank does not finance any military sales without assurance from the Departments of State and Defense that such sales are consistent with our national objectives. The credit sales fund of Defense is used to finance sales to those countries which can repay only over longer periods than the Eximbank terms will allow; Treasury, together with AID and Defense, are primarily responsible for determining the terms under which sales are made. Defense has accounted to the Congress for the use of the credit sales fund every year since its inception in 1957.

6. Our sales have created about 1.4 million man-years of employment in the United States and over $1 billion in profits to American industry over the last 5 years. The military sales program involves less than 7 percent of U.S. military production and is not carried on for the purpose of generating business for American industry, but the fact is that a large number of jobs and substantial profits are attributable to U.S. military sales abroad.

In summary, although we sell arms abroad, we do so in a very responsible manner and, in this foreign military sales program, I believe that we have established all the necessary policy and administrative safeguards to insure that this will continue to be true in the future.

GAO REPORT ON USE OF FOREIGN CURRENCIES FOR SHIPMENT OF MAP MATERIEL

Mr. CONTE. Would you comment on the report of the Comptroller General of the United States to Congress dated December 13, 1966, which concludes that "the potential for interest savings, and the realization of savings through a reduction in the dollar outflow, by using U.S.-owned foreign currencies for the payment of transportation costs of military assistance program cargoes warrants a determined effort to work out whatever arrangements would be necessary to accomplish this?"

Secretary MCNAMARA. The Department of Defense concurs with the GAO conclusion that a potential exists for interest savings and the realization of savings through reduction in dollar outflow if ocean carriers can be persuaded to accept excess U.S.-owned foreign currencies for payment of ocean transportation charges for military assistance program as well as other Department of Defense cargo. In this connection, the Department of Defense contacted members of the ocean carrier industry with this proposition in August 1966. The carriers contacted expressed their willingness to accept such currencies from the Department of Defense and from other Government agencies making similar requests, to the extent that such currency can be used to meet expenses in the country concerned. However, the carriers maintained their position taken in response to similar Department of Defense efforts in December 1964, to the effect that some guarantee must be given regarding convertibility of unneeded foreign currencies accepted in payment of transportation charges. The Department of Defense cannot at present offer such guarantees since the Treasury Department has not authorized this Department to accept foreign currencies of commercial carriers or any other private concern. However, the Department of Defense is presently engaged in discussions with the Treasury Department to determine the feasibility of providing a foreign currency convertibility guarantee as requested by the carriers.

INCREASED MILITARY SALES VERSUS ARMS CONTROL

Mr. CONTE. Mr. Secretary, we have had a tremendous growth in the sale of weapons and other military equipment from an average I believe of $300 million in the fifties to a range today near $2 billion a year. Furthermore, Mr. Kuss of your staff predicts much greater increases of sales in the future. How can we continue to take these steps and at the same time hope to achieve a workable arms control program for this country and the world? If you follow the theory of "preemptive selling" so that you sell to countries because otherwise they will buy from other countries, how can we ever establish a solid foundation for achieving arms controls?

Secretary MCNAMARA. With respect to the first part of your question, our total sales exports have increased tremendously but our total

exports including aid have remained about the same. Mr. Kuss has always indicated that in the 10-year period, 1952–61, we exported about $22 billion in military hardware of which $17 billion was paid for by the American taxpayer. He forecasts a complete reverse in the situation with the cash sales increasing to about $15 to $17 billion and the exports paid for by our taxpayer decreasing to about $5 billion. In fact because of the increasing defense budgets by the industrialized nations who receive 90 percent of our sales exports and because of the increasing costs of all military products in the 1960's as compared with the 1950's our proportion of exports of military equipment to meet the legitimate needs of foreign allies will in fact have declined overall even though the cash sales portion will have increased by many times.

With respect to the second question, we talk of preemptive selling only where failure to sell would cause a radical increase in direct or indirect Sino-Soviet influence. In applying such preemptive policies, for example in the Middle East, we encourage purchases of arms from other Western countries before considering our own sources. We do not follow preemptive selling policies as a commercial practice.

Mr. CONTE. Thank you.

Mr. PASSMAN. Mr. McFall.

AID CONSTRUCTION IN VIETNAM, LAOS, AND THAILAND

Mr. MCFALL. Mr. Secretary, I have one question with reference to construction in Vietnam and Laos and Thailand, in your supporting assistance program. Right now the Navy is a military constructor out there, is it not, for the military construction program?

Secretary MCNAMARA. Most of the Vietnamese programs are handled through the Navy, but not all. The Air Force, for example, has so-called "Turnkey."

Mr. MCFALL. Turnkey.

Secretary MCNAMARA. So-called Turnkey, that is right.

Mr. MCFALL. The AID programs—now, this is all unfamiliar to me because I am new on the committee. This military assistance program, is there going to be any construction, and if so, what agency is going to handle it? Is it going to be the Navy again and the four contractors that are out there? Will they be doing this?

Secretary MCNAMARA. I would have to look at the Vietnamese element of this program to tell you whether there is any construction in it. I do not recall any construction in the Vietnamese forces portion of the Defense budget. If there is any, it would be handled by the Navy. But I do not believe there is any.

Mr. MCFALL. The reason I asked the question is I have some information indicating that right now these four contractors have a contraction potential approaching some $48 million a month; that General Westmoreland probably could be satisfied, as far as the military construction program, with somewhat less than this, possibly in the order of $36 million a month. Thus, these people who are there, who are on the ground and have a great efficiency, have a surplus capacity, and that if there is going to be any AID construction, whether it be the other portion of the program which we are going to be considering later, that these contractors could do it more cheaply than some separate organization.

Secretary McNAMARA. I think that is probably correct.

Mr. McFALL. And that there is a possibility that AID may try to set up a separate organization to do this. Now, I do not know whether you are familiar with this or not.

Secretary McNAMARA. That, I am not familiar with. And I would rather doubt it, as a matter of fact, because it would be so much easier and quicker for AID to use any unused capacity we have in these contractors.

It is terribly difficult at times to draw the line between construction in Southeast Asia that should be financed by AID on the one hand, versus military assistance on the other. Take for example, roads. As civilian contractors develop unused capacity they have suggested that we consider utilizing some of it to rebuild the road system in South Vietnam. We won't have to use so much air transportation, for example, if we can get roads in there. It will be much easier to move the rice and the other market produce into the markets if we can reconstruct the roads. So if we have unused capacity in the civilian contractors, we might well consider using it for road construction. Whether it is an AID item or military aid item, is very difficulty to say. But we will be considering with the AID people whether such a program is feasible; and hence I would be very surprised if the two groups which are working together were unaware that this capacity was available—or, if they knew it was available, I would be surprised if our people denied it to them.

So I will look into it, but I haven't heard anything to indicate a lack of cooperation.

MILITARY TAKEOVER OF AID PROGRAMS

Mr. COHELAN. Mr. Secretary, considering the nature of the problem over there, some observers have suggested that this whole effort be performed by the military instead of AID. Would you comment on this idea?

Secretary McNAMARA. Well, I think it would be wrong to militarize or overly militarize the political institutions of South Vietnam. We are trying to go in exactly the reverse direction. ——— and for us to move in, as U.S. military, and establish a civil government organization and, in particular, to take over the economic aid program I think would be very unwise; and it is not necessary.

That is not to say there should not perhaps be some periodic adjustment of responsibilities for pacification, for example, which is at least a semimilitary problem. But it is to say that I think it would be unwise for the U.S. military mission in South Vietnam to take over the total aid program.

Mr. COHELAN. Thank you, Mr. Chairman.

POSSIBLE SURPLUS MATERIAL IN VIETNAM

Mr. McFALL. Then, Mr. Secretary, one other question. Is there a surplus—this is the question I asked earlier but with reference to the equipment that would be going to Indonesia, is there a surplus of materiel that can be utilized in this area by others than the military construction or military assistance program?

Secretary McNAMARA. In Vietnam at the present time?

Mr. McFALL. In Vietnam, yes, or I suppose you could utilize it in Laos or in Thailand.

Secretary McNAMARA. Not that I am aware of.

We are still shipping in huge quantities of almost everything. So I am not aware of any surplus there today. There may be a surplus of such items upon termination of combat operations, and we will have to think about how to use them at that time.

Mr. McFALL. I had some information indicating that there possibly is a surplus, that in many instances this surplus might be utilized by other agencies but that these other agencies, because they do not have to take the transportation cost out of their own budget, they can thus buy new material in the United States cheaper, ship it out there, because they do not have to pay the transportation cost, they will be taking this route instead of utilizing whatever might be out there.

Secretary McNAMARA. Well, it is possible, I guess; but I haven't heard of any such case. If there is anything like that going on it is absolutely wrong and I will be happy to look into it, Mr. McFall, if you will give me or give Mr. Stempler one good case I can track down. As a matter of principle, I will follow up on it.

Mr. McFALL. I am not sure that I have one case. I just heard that this was a possibility and I in this hearing intended to try to track this down.

Secretary McNAMARA. I do not know of anything that we have that is surplus at the moment.

Mr. McFALL. I would be completely satisfied if you would just answer the question for your own satisfaction.

Secretary McNAMARA. Surely, I will do it.

Mr. McFALL. And as far as reporting back in the record, I do not care about it.

Secretary McNAMARA. No; I will check on it, and we will put in the record here the answer we get.

(The information follows:)

USE OF DOD SURPLUS PROPERTY IN VIETNAM BY AID

We have not generated any quantities of surplus in Vietnam except for that property which has been determined to be uneconomical to repair. Surplus property for which no DoD requirement exist is offered to AID on a "where-is, as-is" basis. AID has selected and acquired numerous items of surplus military equipment and property in Southeast Asia. We are not aware of any instance where AID has, instead of utilizing such surplus property, resorted to buying new items in the U.S. and shipping them to Vietnam in order to avoid the expenditure of local transportation funds which would have to be charged to the budget of the AID Mission in Saigon.

Mr. McFALL. If you would just satisfy yourself as to whether or not such a situation does exist——

POLICY OF ASSISTANCE TO AID

Secretary McNAMARA. I would be very upset if it did for a variety of reasons, not the least of which is that I have told the AID administrator in South Vietnam that we will supply him whatever assistance he needs that we can supply by law. We have resources far in excess of what he has. When we can legally bring those to his assistance, we will do so. All he has to do is ask.

That means we, for example, would loan him a military officer to serve in a field capacity. We have done that many, many times. We

can get the military officer there faster than he can recruit a man in this country and send him out.

So we can do many things to assist AID. If the practice you describe is going on, I will be very disappointed, because it runs quite counter to the basic policy we are following. But I will check on it and put my answer in the record here.

CONSTRUCTION IN VIETNAM PERFORMED FOR AID BY DEFENSE

Mr. McFall. As far as any construction program is concerned, it would be absolutely unnecessary for AID to set up a separate organization for themselves?

Secretary McNamara. Unless they needed capabilities of a specialized character that this particular group of companies does not have. That is conceivable, although not very likely. But I will check on that also and put the answer in the record at this point.

(The information follows:)

CONSTRUCTION PERFORMED FOR AID BY DOD CONSTRUCTION AGENCY IN VIETNAM

The Department of Defense construction agent in Vietnam (the Navy) undertakes construction in support of AID programs as requested by AID Vietnam. This arrangement has been working satisfactorily to the mutual benefit of the Department of Defense and AID. Rehabilitation of civilian hospital facilities, upgrading of various waterfront facilities, and construction of a prototype Vietnamese refugee village in the Cam Ranh Bay area are examples of construction support provided to AID by the DoD construction agent.

Additionally, it is my understanding that AID has a small contract construction management capability in Vietnam, which they utilize to initiate contracts with U. S., third country and local contractors for domestic construction and engineering on a small scale. This capability is used to further such AID objectives as the development of local lumber production and the improvement of quaries and institutional facilities for the local production of building materials (brick, concrete block, tile, etc.), unsophisticated types of plumbing and electrical supplies, and so forth. Use of this type of small-scale contracting capability permits utilization of local techniques and knowhow, facilities work in isolated areas, encourages the economic self-sufficiency of South Vietnam, and improves the Vietnamese capability to manage construction in the public sector. I do not believe it can be considered as in competition with, or a duplication of, our construction capability.

Mr. McFall. Thank you, Mr. Chairman.

Mr. Passman. Mrs. Reid.

Mr. Conte. Would you yield?

Mrs. Reid. Yes, of course.

Mr. Conte. I wonder — off the record.

(Discussion off the record.)

Mrs. Reid. Mr. Secretary, I first would like to say that I am very pleased to be a part of this committee and have the opportunity to hear your most informative statement.

Secretary McNamara. Thank you.

Mrs. Reid. And also the manner in which you have answered the questions which have been posed this afternoon.

In reference to your remarks about Laos ———.

(Discussion off the record.)

THAILAND TROOPS COMMITTED TO SOUTH VIETNAM

Mrs. REID. You indicated that Thailand has agreed to commit more than 2,000 troops to South Vietnam. When will this commitment be exercised?

Secretary MCNAMARA. Within a matter of weeks, I would say that within about 90 days they should move in there. They are creating a voluntary force for this. I am told they have had about 25,000 volunteers for I think it is 2,500 places that they are trying to fill.

NORTH KOREAN VIOLATIONS

Mrs. REID. On page 10 you make reference to recurring North Korean violations in the demilitarized zone in which the United States and South Korea have suffered casualties. How frequently and how serious are these?

Secretary MCNAMARA. They are not terribly serious except as an indication of tension that exists between the two nations and the possibility that the North Koreans might take advantage of any weakness that these probes revealed. I would say, that they occur, in any significant fashion, maybe once every 6 months—something like that. There was a relatively serious outbreak of them 2 or 3 months ago. ———. But the main point I would make—the reason I introduced the thought—was to illustrate that there is continuing tension between North and South, and therefore continuing need for military support of the South.

MILITARY ASSISTANCE TO WESTERN EUROPE

Mrs. REID. Now, on page 15, Mr. Secretary, you indicate that military assistance to Western Europe in fiscal 1968 would be limited to small programs for Spain and Portugal where special considerations are involved. What are these special considerations?

Secretary MCNAMARA. ———.

As a matter of fact, for the years 1963 through 1968, the total we had to finance through this aid program was somewhat less than $100 million. It will all be financed through fiscal 1968, for which year the program amounts to $——— million.

In the case of Portugal, ——— we have a very limited aid program. ———.

NUMBER OF MILITARY PERSONNEL ENGAGED IN MILITARY ASSISTANCE

Mrs. REID. Could you give us a summary for the record of the number of military personnel engaged in military assistance and where, outside of Vietnam, we have the greatest number.

Secretary MCNAMARA. Yes. I have a table on that. Perhaps I could put it in the record right here. It is on the order of 11,000, inclusive of Vietnam; exclusive of Vietnam it is on the order of 6,000.

(A classified table was furnished to the committee.)

ATTEMPT OF RED CHINA TO INFLUENCE LATIN AMERICA AND AFRICA

Mrs. REID. Do you feel that the subversive inroads that Red China is making in Africa and Latin America are being effective?

Secretary MCNAMARA. Red China is endeavoring to extend her influence into Latin America and Africa, but so far without much success. I think it is important that we continue to prevent her from achieving any significant success. She tried very hard in the Congo and failed. She has tried various other places. I do not think a massive aid program on our part is required to deter her, but we ought to continue to put the small amounts of aid where it will pay substantial dividends.

FREE WORLD SHIPPING TO NORTH VIETNAM

Mrs. REID. Is the free world shipping on North Vietnamese waters increasing or decreasing?

Secretary MCNAMARA. It is decreasing. There were only 20 free world ships, I believe, that went into North Vietnamese ports in the last half of last year.

Mrs. REID. Can you tell us from what countries?

Secretary MCNAMARA. Yes, I can. Let me think this through. I filed it under ——— and I will have to locate it.

Mrs. REID. ———.

Secretary MCNAMARA. I haven't looked at this shipping question for so long that I just can't locate the material.

Mr. COHELAN. ———.

Mrs. REID. Would you like to provide this for the record?

Secretary MCNAMARA. Yes, I think I had better.

Mrs. REID. All right.

(A classified table was furnished the committee.)

Secretary MCNAMARA. I can tell you this: there were about 20 ships, and I can give you the countries: Cyprus, Malta, and the United Kingdom. I think they were all basically Hong Kong registry and under Chinese Communist charter. This number dropped from close to a conple of hundred the previous year. ———. The 20 that are left that are relatively unimportant and almost impossible to stop because the governments of the owners' countries involved have no real legal basis to stop them.

Mr. PASSMAN. Could you also furnish for the record, if the information is available, the number of free world nation ships that may be going into other ports, unloading, and the materiel is subsequently moved on into North Vietnam?

Secretary MCNAMARA. Yes, I will be happy to do so.

(Classified information was furnished the committee.)

SOVIET AND CHINA SHIPS SUPPLYING NORTH VIETNAM

Secretary MCNAMARA. I think it is very, very small because the bulk of the material is not supplied by the free world but by Red China and the Soviet Union.

Mr. PASSMAN. But you will give us that information if it is available?

Secretary MCNAMARA. Yes, I will.

Mr. PASSMAN. Thank you.

Mrs. REID. Isn't it true that they do have junks coming in from Hong Kong every day?

Secretary MCNAMARA. I don't think there are any significant number of junks from Hong Kong. There are Soviet and Chinese ships coming in from Soviet and Chinese ports, but not primarily Hong Kong. The Soviet shipping, as a matter of fact, is up very substantially in the first quarter of this year over last; but it is primarily Soviet ships carrying Eastern bloc-origin cargo or Red Chinese ships carrying Chinese cargo.

Mr. CONTE. I think what Mrs. Reid meant was that there are Red Chinese junks coming down to Hong Kong, picking up material and bringing it back.

Secretary MCNAMARA. Oh, some, but not a great deal. It is almost entirely Red China-origin cargo in Red Chinese ships or Soviet ships carrying Eastern block cargo.

HAIPHONG HARBOR

Mrs. REID. This question is in my mind and is asked me every time I go back to my district: Why do we not block aid to North Vietnam and close the harbor at Haiphong? Would you answer that?

Secretary MCNAMARA. Yes. ———. It would increase the cost, but not stop the importation of goods into North Vietnam. In a very real sense, we eliminated the use of the port facilities at Haiphong for the importation of petroleum into Haiphong; and yet we haven't stopped the importation of petroleum into North Vietnam. They have simply anchored the ships off the wharves and transferred the petroleum from the ships to lighters and then lightered the petroleum onto the land at night or offloaded into bays and harbors. ———.

Certainly, we could make it more costly to import other goods by forcing them to employ lighterage and other uneconomic ways of offloading; but I doubt that we could eliminate, or perhaps even significantly reduce the importation of goods by sea. That is the first point.

The second point is that they have land routes open to them—over land, rail, and road. So if the sea importation were stopped, they could still import from China by land and road; and it is very difficult to stop that. We have been bombing the bridges on the railroads leading in from China for months and months, and we haven't been able to stop rail traffic.

The third point is that, in relation to the gain that would accrue from mining the harbor—with the gain being measured in terms of increased cost to them of importing supplies, or possible reductions in the volume of such supplies imported—the costs could be very great indeed ———.

CHARACTER OF SHIPMENTS BY SOVIET SHIPS

Mr. MCFALL. Would you complete the picture by explaining the character of the shipments brought in by the Soviet ships?

Secretary MCNAMARA. Yes.

Mr. MCFALL. And how it affects the war in the north and the war in the south.

Secretary MCNAMARA. Yes. The war in the south is fought with weapons supplied from the north, but these weapons are supplied

to the north by China. The Chinese weapons going into the north for subsequent transshipment to the south move over rail routes and not by sea. The imports by sea include practically no weapons. Even the Soviets up to the present time have been using land routes for shipment of the weapons they supply. The Soviet weapons are used primarily in the defense of North Vietnam and not in the combat operations in the south.

The imports by sea, therefore, are made up largely of petroleum, which is probably the largest single import, and more recently, in the last calendar quarter in particular, of food ———.

Mr. McFall. One question, if I may. Fertilizer also, and the SAM's and antiaircraft, none of which goes to South Vietnam. And I believe you said in another committee that the petroleum doesn't get into South Vietnam because we have interdicted it on the way.

Secretary McNamara. That is correct.

EFFECT OF HAIPHONG IMPORTS ON WAR

Mr. McFall. So as far as the imports are concerned in Haiphong, they don't affect the war in the south ———.

Secretary McNamara. That is certainly our current evaluation. I say "current" because we should reevaluate this every day ———.

Mrs. Reid. But you would have to say, Mr. Secretary, that it takes more than weapons to fight a war.

Secretary McNamara. Oh, yes. ———.

CIVIC ACTION PROGRAMS

Mrs. Reid. When I was in South Vietnam, which was a little over a year ago, I witnessed some of the civic action programs in progress. I was very impressed with what was being accomplished at that time. Do you feel that these have been effective thus far?

Secretary McNamara. I think they have been very useful programs, but, in many cases they have not had the military support necessary really to advance the degree of pacification in the area. This is the kind of operation to which we, with the South Vietnamese, are trying to devote increasing attention. We have asked that they assign a major percentage, such as ——— percent, of the regular South Vietnamese forces to the pacification program, which would provide required support for the civic action programs of the kind you are talking about.

The South Vietnamese Government has agreed to do that. They are now retraining their troops; and we hope that, at the end of this year, about ——— percent of those troops will be assigned to that task. Then the civil action programs will, I think, be much more effective.

VIETCONG ATROCITIES

Mrs. Reid. I placed in the record a couple of weeks ago quite an extensive article on the atrocities committed by the Vietcong—deliberate atrocities.

Secretary McNamara. Yes.

Mrs. Reid. This certainly does not make for pleasant reading but I do not understand why the Defense Department has not said more

about this. We hear constantly about the accidents from our side which are certainly not planned, and yet I would say the deliberate atrocities by the Vietcong far outnumber the accidents on our part.

Secretary McNamara. Yes, they do far outnumber the accidents on our part. However, we do report periodically and regularly both in Saigon and here; but the American press does not give the Vietcong atrocity incidents nearly the play that it does to the accidents to which you refer. There is an article in Life this week on Mr. Lockwood's visit to North Vietnam, reporting the damage to civilian structures from our bombing; but I did not notice any comparable report yesterday or the previous week of the harassment and terror being directed against the South Vietnamese who were trying to vote in the latest elections. In one particular area, 12 of the candidates were kidnaped; but that has not received the same play in the press.

You are quite right. Maybe we have not pressed it as hard as we should. I think we have—and I know that Ambassador Lodge has made this a particular point to emphasize in statements to the press, and a particular point to direct the efforts on our personnel to make clear to the public the scope of Vietcong terrorism. But we have not gotten it across; and, we particularly, we have not gotten it across in Europe. If you read the reports of the European press, you get no play on this.

Mrs. Reid. Could you provide for the record here or do you have tabulations on those killed or wounded through the Vietcong atrocities?

Secretary McNamara. Yes.

Mrs. Reid. And then a comparative list of the actual number of civilians accidentally killed or wounded on our part.

Secretary McNamara. We do not have good information on civilian casualties in South Vietnam. Such data are almost impossible to collect although we have tried a number of different ways. But we do have good information on what we call terrorist incidents initiated by the Vietcong. We keep a careful record of those. Such incidents by the Vietcong do not always result in civilian casualties although they are intended to do so.

I will be very happy to list those for you.

Mrs. Reid. Thank you.

(The information follows:)

ACTS OF TERRORISM BY THE VIET CONG

From 1 January 1962 through 28 February 1967 there were over 87,000 incidents of terror and harassment initiated by the Viet Cong in South Vietnam. As a result of those incidents over 9,400 people (approximate) were killed and an additional 38,300 persons (approximately) kidnapped. For the calendar year 1966 these figures were respectively 24,800; 1,700 and 3,800—all figures are approximate. Reliable figures are not available on the number wounded.

AID BY THE SOVIET UNION AND CHINA TO NORTH VIETNAM

Mrs. Reid. I have heard—going back for a moment to the supplies—that at least 80 percent of the military supplies of North Vietnam are furnished by the Soviet Union. Do you feel this is correct?

Secretary McNamara. It depends on what you call military supply. I think the total aid by the Soviet Union to North Vietnam is very large, indeed. But it is more in the form of economic aid, including

petroleum and food, and in the form of weapons for the defense of North Vietnam, such as Mig aircraft or surface-to-air missiles, than it is in the form of weapons or ammunition for use in South Vietnam or the ammunition used for those weapons. The latter items come largely from China.

EXPANSION OF TRADE WITH THE COMMUNIST BLOC

Mrs. Reid. Since these so-called nonstrategic items do have military potential, do you feel that it is wise for us to expand our trade with the Communist bloc?

Secretary McNamara. Yes, I do. As an illustration, the total gross national product of the Soviet Union, I would guess, must be on the order of $350 billion. It is inconceivable to me that the small volume of our trade that we would be expanding, which I would imagine would not amount to more than $50 million a year at the most—it is inconceivable to me that the $50 million a year—I am using this for illustration purposes—could have any bearing whatsoever on the Soviet support of North Vietnam. The trade would be one seven-thousandth of their gross national product. It would not be in critical goods. So I can't believe it would have any effect whatsoever on their support of North Vietnam. I do think it would have some small effect on reducing the frictions between the Soviet Union and the West; and this is very, very much in our interest.

Mr. Passman. If the gentlewoman would yield, is it not true that with the exception of possibly six or seven nations that we have been buying from and selling to Communist nations, including those that we propose to increase the trade with, including Russia?

Secretary McNamara. I am sorry, Mr. Chairman; I did not understand the question.

Mr. Passman. I said, is it not true, that with the exception of six or seven nations, that we have for many years been selling to and buying from the nations that the President proposes to increase certain trade with?

Secretary McNamara. That is true, Mr. Chairman.

Mr. Passman. Including Russia?

Secretary McNamara. Yes, that is correct.

U.S. TRADE WITH THE SOVIET UNION

A further point in answer to this question is that not only would our trade be very small in relation to the Soviet economic capability, and even then in noncritical items; but perhaps even more significantly, if the Soviets do not get the goods involved from us, they will get them from somebody else. There are many other nations of the world that are quite willing to trade with them. I think the fact that we do trade with them in noncritical items gives them more basis to engage in conversations with us on taking over actions that can help reduce the tensions that lie between the East and West. And these tensions, of course, as long as they exist, constitute a source of risk to us.

Mr. Cohelan. Just a point on those figures, Mr. Secretary.

As I recall, our present volume of trade with the Soviet Union would be what? You are talking about an additional volume?

Secretary McNamara. I am talking about an increment above the present volume.

Mr. Cohelan. That would be roughly $100 million.

(Discussion off the record.)

Mr. Cohelan. The aggregate figure would be whatever that would come out fractionally.

Secretary McNamara. It would be about one two-thousandth of their total gross national product. It is very, very small indeed.

Mr. Cohelan. The point I am trying to stress, and I am sympathetic with your view of the matter, that the increment would be small and the total volume of trade would not be significant.

Secretary McNamara. That is right.

EFFECTS OF TRADE WITH COMMUNIST BLOC NATIONS ON U.S. TROOPS

Mr. Shriver. Would this create a problem with our troops who are over there fighting and knowing that we are trading and dealing with the enemy?

Secretary McNamara. I do not think so.

Mr. Shriver. It did in World War II.

Secretary McNamara. I don't think it would in this case. Our troops in Vietnam have been remarkably stable. I think they would be much more concerned about the indications of lack of support on the home-front than they would be about this small amount of trade with the Soviets. I have not received a single letter from any individual in South Vietnam, nor have I seen any critical comment from any individual U.S. military personnel in South Vietnam on this subject. I do not believe that would be a problem. If it were a problem affecting morale, I would be concerned.

(Discussion off the record.)

Mrs. Reid. Mr. Secretary, I would say this is one reason I want to discuss this. I do receive many letters, not so much from the men—but from their families.

Secretary McNamara. I have not received any such letters from the men.

Mrs. Reid. Their families are concerned about this. People here at home are concerned.

Secretary McNamara. I know it is a problem. I know it is a problem for you, and therefore it is a problem for us. I am simply saying that we must tell our people what I believe are the facts. I think it is in our interest to engage in this trade. I think it reduces the tensions and thereby reduces the military risks with respect to the Soviet Union.

Mr. McFall. If you would yield at this point; Mr. Secretary, can't we get the picture out here for this committee.

Off the record.

(Discussion off the record.)

Mrs. Reid. Mr. Secretary, I don't want to belabor this point but to go back to my question, I would like to say I must disagree with you. To me it doesn't make sense to trade with any country which is sending supplies and material to North Vietnam with the ultimate result of our own brave men being killed.

There is another question which concerns me.

I was wondering how you would answer letters which I receive from many people in my district when they say, in view of the numbers of troops we have in Vietnam, the supplies, ammunition, et cetera, that we are not there to win?

Secretary McNamara. The very quick answer is, of course, that we are there to win. What must be asked of the person posing the question is: Do you want to win with the fewest number of American deaths, or are you more interested in saving time than lives? Perhaps we could shorten the conflict by accepting a greater loss of life in total. Our goal is to achieve our political objectives, which is what I call "winning," and it is a very limited political objective that we have there. But we want to achieve that political objective with the lowest cost in terms of American lives. The question is always therefore: Do you run the risk of increasing the loss of American lives rather than saving American lives by some particular action?

Let us just take the question of attacking the Mig airfields as a good illustration. Should we attack the Mig airfields or shouldn't we? This is a question deserving of debate. The reason we do not attack the Mig airfields is that we believe we would lose more American lives if we did than if we didn't—and without affecting the course of the war in the south.

Some time ago, there was the question of whether we should attack the surface-to-air missile sites in the north. Actually, the field commanders were given authority to attack those sites, with the exception of a few in the center of Hanoi and Haiphong areas. Within the Department there was still the question: Should we attack them or shouldn't we? Some were opposed to attacking them, arguing that the attacks themselves would lose more planes than would be lost if the sites were not attacked. Sure enough, in the first major attack we lost on the order of, I think it was four planes. We lost four in one attack because they just oriented their antiaircraft on the axis of attack and shot us down.

I mention this only to illustrate the point that we have just one standard we are applying in the conduct of the war, and that is saving American lives in relation to achieving the objective. There is a lot of controversy about what will save American lives, but there should not be any controversy about the standard itself, which is to minimize the loss of American lives.

Senator Symington today believes we should attack Mig airfields. However, I am sure he would accept my standard. I am also sure he believes we are trying to win, and at the lowest possible cost of lives. What he says is that you will lose fewer lives if you attack the Mig airfields than if you don't. This puts the argument on a different basis.

Mrs. Reid. I think his idea is that by not attacking you are prolonging the war.

Secretary McNamara. Not so much that in his particular case because he thinks that the Migs force our planes down into the range of the antiaircraft guns and that we lose more planes that way. In any event, all I can tell you is that we are trying to save American lives.

Off the record.

(Discussion off the record.)

Mrs. REID. Thank you, Mr. Secretary.

Mr. PASSMAN. Mr. Riegle.

Mr. RIEGLE. This is the kind of situation where you get some appreciation for the seniority system. It is late in the day and there are things I want to ask. I will make my questions brief and, I hope, to the point.

EFFECTS OF EAST-WEST TRADE AND TRADE WITH RUSSIA ON MORALE AT HOME

I would like to make a comment, if I may, before I offer my questions. This has to do with this question of East-West trade and trade with Russia at this time. A minute ago it was troop morale. In terms of morale at home, this is a serious issue. Whatever the substantive arguments the administration has in this area have not been well made.

Secretary MCNAMARA. I recognize that.

Mr. RIEGLE. I recognize that I have some responsibility to help make these arguments. Yet I don't think any Member of Congress has access to the same public forums the executive branch has. I think better arguments have to be made in this area if you hope to have the public support you need to have to proceed on that front.

RESULTS OF REDUCTION IN MILITARY ASSISTANCE

You mentioned before that essentially we are moving out of the military assistance business and are reducing our activity somewhat at this time and you foresee down the road that we will continue to reduce this activity. I am wondering what is happening in the place, in a sense, of our reductions, or reductions in the absolute sense, because total world GNP is growing all the time, are other countries, the countries we have been assisting, what are they doing now?

As our commitment declines, do they turn to other countries, do they develop their own arms?

Secretary MCNAMARA. They fall in different categries. The Western European nations are financing their own. Certain countries such as India and Pakistan are turning to other countries for a variety of reasons, for example, because we have stopped furnishing them aid. Other nations have actually reduced their military expenditures somewhat relative to their GNP.

INTERNATIONAL MILITARY BUILDUP

Mr. RIEGLE. What sort of generalization—maybe one can't be made that has any meaning—would you make in terms of the general arming process around the world, let us say in the last 2 or 3 years versus the period before that. What seems to be the trend in this area? Is there a general military buildup internationally?

Secretary MCNAMARA. Yes, I think so. I would not say "buildup" in terms of a rising rate of military expenditure versus GNP. I do not believe military expenditures are rising as a percentage of GNP. But there is a continuing application of a percentage of GNP to military forces. With respect to military assistance, there is a shift from grant aid to sales. The total volume of military exports from this country is not much different today from what it was 10 years ago. But the percentage of it that is financed by grant aid has dropped and the

percentage financed by sales has increased, and I think this is appropriate.

MILITARY ASSISTANCE OF THE SOVIET UNION

Mr. RIEGLE. Can you give me any estimate as to the total military assistance that the Soviet Union provides in this field?

Secretary MCNAMARA. Yes. The Soviet Union has supplied a very substantial amount in economic assistance, $——— billion in military aid over the last 12 or 13 years around the world. Today the amount of military aid granted, excluding aid to North Vietnam which is a special category, is down to about $——— million a year, I would think.

Mr. RIEGLE. Do you have that classified by country?

Secretary MCNAMARA. I do, and I could put it in the record.

Mr. RIEGLE. I would appreciate it.

Secretary MCNAMARA. I will put it in the record, the Soviet military aid, 1954 to 1966, by country.

(A classified table was furnished the committee.)

Mr. PASSMAN. Would you also indicate whether it was grant, or sales and the terms and the interest?

Secretary MCNAMARA. I cannot, Mr. Chairman. I do not have all the information.

Mr. PASSMAN. I will clear it up with some of your later witnesses.

Secretary MCNAMARA. We do not have the terms on the Soviet military aid by country by year, but I will give you as much information as we have.

Mr. RIEGLE. Other than the Red Chinese activity in North Vietnam en route to South Vietnam, is there any other country that is a major factor or worthy of comment in terms of military assistance to other countries, other than Russia and the United States?

Secretary MCNAMARA. Apart from Red China and the Soviet Union?

RED CHINESE AID TO OTHER NATIONS

Mr. RIEGLE. I would be interested if Red Chinese activities are material and they go beyond North and South Vietnam and what those are.

Secretary MCNAMARA. Yes. In other words, Communist bloc military aid to other nations.

Mr. RIEGLE. Yes. Is this a significant factor in your judgment?

Secretary MCNAMARA. In some cases it is; that is, Red Chinese aid to other nations. Soviet aid to other nations, such as Iraq, Indonesia, and so forth, is very significant. I have the information on Red China, and I would be happy to put it in the record.

Mr. RIEGLE. I would appreciate it if you would.

(A classified table was furnished the committee.)

COMPARISON OF RUSSIAN AND CHINESE AID TO NORTH VIETNAM

Mr. RIEGLE. The question was asked a while ago of the split between Russia and China in terms of the military assistance that North Vietnam is receiving. What would you say as to the rough proportions in terms of the outside help?

Secretary McNamara. I think in terms of outside help, the dollar value of Soviet aid to the north is much greater than that of Red China. I would judge the Soviet Union to be supplying a billion dollars per year of aid to North Vietnam today; and I am sure Red China's is much less than that.

AIRCRAFT AND PILOTS LOST OVER VIETNAM

Mr. Riegle. Along that line, we have lost 500 aircraft over North Vietnam?

Secretary McNamara. That is right.

Mr. Riegle. How many pilots have we lost?

Secretary McNamara. I checked that a few months ago and we had lost about, I think, ——— percent of the pilots over North Vietnam, which would mean that ——— percent are recovered. And a higher percentage of those shot down over South Vietnam ——— are recovered. Roughly ——— percent of the pilots lost are recovered, but ——— percent of the pilots lost over North Vietnam are recovered. Of those not recovered, a certain percentage are captured; and we are not entirely certain how many.

PRISONER EXCHANGE

Mr. Riegle. Have we any luck at all in trying to arrange a prisoner exchange?

Secretary McNamara. No, we have not. And we have not been able to persuade the North Vietnamese to allow proper supervision of the prisons by the International Red Cross.

SOUTH VIETNAMESE MILITARY EFFORT

Mr. Riegle. You may want to comment on this off the record and I do not expect a long answer. I would like a substantive comment on the effort and quality of the South Vietnamese military effort in South Vietnam.

Secretary McNamara. I would be happy to add to the record for that. The answer to that is that their military effort is good.———

The rate of desertion, which has been very high, continues high; but it is dropping.

PACIFICATION WORK

Mr. Riegle. I have read in several cases that we are thinking now in terms of directing more and more to pacification work.

Secretary McNamara. Yes.

Mr. Riegle. I also read reports that they do this least well, they steal from the villagers and things of that kind.

Secretary McNamara. ——— I do not think we could do pacification work. This requires intimate knowledge of the people's customs and so on. While we can assist, I do not think we can carry the brunt of the campaign.

Second, I think they can be taught to do it, and, in many areas, they are doing it well at the present time. I do not think we have any alternative other than to teach them to do it, and I think we can.

Mr. Riegle. ———.

Secretary McNAMARA. ———.
Mr. RIEGLE. ———?
Secretary McNAMARA. ———.

SUMMARY OF SITUATION IN VIETNAM

Mr. RIEGLE. Just a final question if you would and I think everyone here would be interested in this. Let us have just your own assessment as of today of the way things look over there.

Secretary McNAMARA. The larger military actions are going very well indeed. The pressure being put on the Vietcong and the North Vietnamese by our forces and the other free world forces is unbelievable. Measure it in terms of fatalities, for example, or casualties, or on any other basis.

The political situation, which is a very important element of the potential success, is proceeding very satisfactorily. A Constitution has been formulated, elections at village and hamlet levels are going on at the present time. The national elections for legislative and executive offices are scheduled for September.

The pacification program has been very unsatisfactory. That is the area that requires major attention from the South Vietnamese and us in the months ahead.

Mr. RIEGLE. If I may pursue this, as I understand it—and this may be classified—roughly 25 percent of our nonmilitary expenditures over there have been in the area of pacification?

Secretary McNAMARA. I think that is probably correct.

Mr. RIEGLE. I am wondering if this is because the problem just can't absorb dollars faster than that.

Secretary McNAMARA. No, it isn't a question of dollars. It is a question of providing proper military security in the countryside.

Mr. RIEGLE. That is the same thing, basically. In other words, you are saying if we were to spend more, we probably couldn't get a better job.

Secretary McNAMARA. I don't believe so.

LEADERSHIP TRAINING PROGRAMS FOR SOUTH VIETNAMESE

Mr. RIEGLE. How about leadership training programs and programs for the South Vietnamese?

Secretary McNAMARA. We have those underway, and they are adding to the strength of the South Vietnamese forces.

Mr. RIEGLE. Slowly, I assume.

Secretary McNAMARA. Yes.

Mr. Chairman, I must have misunderstood, I guess, the time schedule for the afternoon. Unfortunately, I have acceded to a request from the Governor of South Dakota to meet with him at 5 o'clock in my office. I wonder if possibly I could be excused shortly and, if necessary, come back to the committee another day.

Mr. PASSMAN. Mr. Riegle, I think you said you had concluded?

Mr. RIEGLE. Yes.

Mrs. HANSEN. I just came in to present my apologies, Mr. Secretary, not because I am not interested in the program, but because I am getting my Interior bill ready for markup on Thursday morning.

Secretary McNAMARA. You are very kind to come back.

Mrs. HANSEN. I came in only to express my apologies and I am sorry I had to miss what I am sure was a very interesting hearing.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you very much, Mr. Secretary. You have given us a lot of very valuable information. We will have a lot of questions to ask when we go into the country programs in detail with subsequent witnesses. Maybe we can help you find a place to save a little money.

Secretary MCNAMARA. Thank you very much.

CARRIER COSTS

Mrs. HANSEN. Tell me how much an aircraft carrier costs, Mr. Secretary.

Secretary MCNAMARA. Well, it costs roughly $1.5 billion inclusive of the airplanes, to build and operate over a 10-year period.

Mrs. HANSEN. That is bigger than my whole bill.

Secretary MCNAMARA. Well, it is a good figure to carry around in your mind. It is roughly $500 million for the ship and $1 billion for the planes.

Mrs. HANSEN. Thank you.

Mr. PASSMAN. Thank you.

WEDNESDAY, APRIL 5, 1967.

STATEMENT OF THE DIRECTOR OF MILITARY ASSISTANCE

WITNESSES

VICE ADM. L. C. HEINZ, U.S. NAVY, DIRECTOR OF MILITARY ASSISTANCE
HENRY J. KUSS, JR., DEPUTY ASSISTANT SECRETARY OF DEFENSE, ISA
ROBERT G. RATH, MILITARY ASSISTANCE COMPTROLLER, OASD (ISA)
PETER R. KNAUR, ASSISTANT FOR CONGRESSIONAL AND SPECIAL PROJECTS, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD (ISA)
CAPT. JIMMIE "B" ALLRED, U.S. NAVY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OASD (ISA)
COL. EDGAR J. FREDERICKS, U.S. ARMY, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
DAVID H. ERNST, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
LT. COL. ALBERTUS B. OUTLAW, U.S. AIR FORCE, OFFICE OF LEGISLATIVE LIAISON, OFFICE OF THE SECRETARY OF DEFENSE

Mr. PASSMAN. The committee will come to order.

This afternoon we will hear from Vice Adm. L. C. Heinz, U.S. Navy, director of the military assistance program, and from the Honorable Henry Kuss, Jr., Deputy Assistant Secretary of Defense, ISA, with respect to the military sales program.

We will first hear from Admiral Heinz. Then the Secretary.

Admiral HEINZ. Mr. Chairman and members of the committee, once again it is my responsibility to appear before this committee and report in some detail on the current status of the military assistance program and the administration's request for fiscal year 1968 authorization and appropriations. Secretary McNamara has already presented to you, in broad outline, the proposed program and the considerations upon which it is based. I therefore propose to review briefly the major changes which have been made in the current year program since it was submitted to you last year, and then discuss our proposals for fiscal year 1968 as set forth in the congressional presentation document which you have before you.

There are three major points I would address regarding the implementation of the fiscal year 1967 program. First, the Congress directed that military assistance, other than training in the United States, could not be furnished to more than 40 countries. We have complied with this limitation by not implementing certain proposed country programs and by reducing others to CONUS training only, eliminating material support and overseas training. The details of the individual country changes made to remain within the 40-country limitation are shown on pages 20 to 25 of the congressional presentation document.

Secondly, the Congress placed a limitation of $85 million on total military assistance and sales (other than training) to American Republics. To comply with this provision of the law, and in view of the decreased appropriation for military assistance in 1967, we have reduced originally proposed grant aid and sales programs to the combined total authorized. Grant aid was reduced by $——— million from the amount originally allocated to the area, with major reductions in the five largest individual country programs ———. Credit sales are also being limited, and cash sales, mainly of spare parts and training ammunition, carefully controlled. The allocation of our assistance to Latin America, including both grant aid and sales, is shown on page 90 of the congressional presentation document.

Third, there became available to MAP in 1967 some additional resources that were not anticipated at the time of our presentation last year, which counterbalanced to some extent the reduced appropriation and the increased requirements in the Far East associated with the conflict in Vietnam. These additional resources consisted of two major items. The first resulted from the decision to cancel suspended and undelivered balances for Pakistan and India, except for equipment being provided India for the border road program in Nepal. This decision made an additional $43.1 million in recoupments available for application to other countries in the fiscal year 1967 program. The second item resulted from a change in logistic support policies, stemming from the war in Vietnam. MAP had in the past provided funds to the Army and Air Force for stockage of spare parts and other items required for equipment in use in MAP-supported armed forces but no longer in use in our own services. With the assumption by the military departments of support of free world forces in Vietnam, a situation was created wherein both the military departments and MAP were funding stockage of support items for equipment previously peculiar to MAP. Accordingly, the Secretary of Defense changed the logistic support policy, and assigned to the

military departments responsibility for stockage of logistic support for all military equipment items, whether in the military systems or for grant aid. The total funding previously provided by MAP to the Army and Air Force for procurement and stockage of MAP-owned logistic support items was $53.8 million. With the change in policy, this equity in material was transferred to the Departments of the Army and Air Force; and equal credits for the withdrawal of spare parts were made available to MAP, with such credits to be used in fiscal year 1967. Since no funding was involved, this had the effect of increasing MAP assets to be applied to the program in fiscal year 1967 by $53.8 million.

To complete this report, I would mention briefly individual country changes. The major increases were in the Far East, where there were program increases amounting to almost ———. Although we did not propose any program for Indonesia a year ago, the favorable turn of events in that country has presented an unforeseen requirement to manifest U.S. support of the new government by providing in fiscal year 1967 modest assistance to the civic action programs of the Indonesian military.

The augmentation of these Far East area country programs, in response to increased requirements associated with the conflict in Vietnam and the change for the better in Indonesia, is clearly consistent with our national security and foreign policy interests at a time and place where those interests are very much at stake. To facilitate that augmentation within the limits of reduced fund availability, there was $——— million reduction in the program for ———.

In Africa, the net total fiscal year 1967 allocation rose by $1.4 million. There was a $2 million increase to ——— program, ———, pursuant to a presidential determination, and designed to promote a more stable situation in the North African area. This was partially offset by other minor decreases.

With respect to the Near East-South Asia region, the major change was the cancellation of programs for India and Pakistan. The only significant increase in this area ——— resulted from a crisis in November 1966 and the consequent need to provide a significant and immediate augmentation of ——— defense capabilities, ———.

In Europe, there was a decrease of $——— million reflecting reductions in all four country programs—Norway, Denmark, Portugal, and Spain. Our commitments to Norway and Denmark have now been completely funded—Denmark in fiscal year 1966 and Norway in fiscal year 1967; and we no longer have any programs for these countries.

I have already mentioned the reduction $——— million in Latin American programs, mainly in those for the larger countries.

There was also a reduction of $——— million in the infrastructure account which helped offset an increase $——— million in the amount originally allocated to international military headquarters. That increase is, of course, the result of increased expenses incident to relocating headquarters formerly maintained in France.

The changes I have been discussing are as of January 1967, and their net impact is reflected in a fiscal year 1967 military assistance program based on total obligational authority in the amount of $941.2 million. The total obligational authority proposed for fiscal year 1968 is $681 million, assuming the availability of the $596 million requested

by the administration in new obligational authority for the coming year.

FISCAL YEAR 1968 PROGRAM

Our proposals with respect to the use of fiscal year 1968 funds are, as Secretary McNamara told you, fully consistent with the carefully established criteria he discussed; and the entire program is designed to generate maximum security benefits for the United States at minimal cost to the American taxpayer. Accordingly, the portion of total assets we propose to allocate to each region, and to nonregional undertakings and credit assistance, reflects very clearly the degree and nature of our national defense and foreign policy interests with respect to each—as follows:

[Dollar amounts in millions]

	Amount	Percent of total
Far East	$282.1	41
Near East and South Asia	234.0	34
Europe	5.9	1
Africa	31.2	4
Latin America	45.5	7
Credit assistance	60.0	9
Nonregional	30.0	4

Before proceeding to the specific considerations underlying these regional allocations, I would mention that since the Congress, in the fiscal year 1966 legislation, specifically separated military assistance into two categories—assistance to countries which will be provided training only in the United States, and assistance in the form of defense articles and services plus training, including overseas training—we have this year prepared the congressional presentation document accordingly, and have shown individual country programs for the latter category, upon which the Congress placed a numerical restriction. CONUS training for foreign military personnel from other countries is included in the area programs, which list the countries from which personnel will be provided training in the United States.

The regional allocations I have enumerated above clearly show the thrust of the fiscal year 1968 program. Three-quarters of that program is for the Far East and NESA areas, with programs for five countries situated along the periphery of Communist power accounting for about 93 percent of the total of these two area figures. This is in accordance with the forward defense strategy and posture upon which United States security is based.

A discussion of the various regional programs is the best argument for such allocation of total assets.

FAR EAST

With the proposed transfer to the regular Defense budget of responsibility for funding the military support requirements of Laos and Thailand, the main thrust of the MAP effort in the Far East area is toward support of the self and common-defense capabilities of the Republics of China and Korea.

The largest individual country program we propose for fiscal year 1968 is that for the Republic of Korea. ——— This amount is re-

quired to enable the Republic of Korea to maintain in Korea the combat-ready posture of its armed forces for deterrence and defense, while continuing major troop deployments to South Vietnam. In military terms, the threat to South Korea remains approximately the same as in the past. Infiltration efforts from North Korea continue, and vigilance to counter them cannot be relaxed. It is necessary that we maintain in Korea a powerful and effective deterrent to Communist attack. This requires force improvement and modernization, particularly in the air force and army, replacement of aging equipment, improved capabilities for air defense, strengthened counterinfiltration capabilities, and improved mobility of forces. The fiscal year 1968 program is designed with these purposes in mind. Major items being provided include ———, communications equipment, engineering equipment, and training ammunition. The program in the overall is balanced to meet the needs of maintaining those Korean forces which, together with U.S. forces stationed in Korea, constitute the deterrent required there.

The second largest individual country program proposed for the Far East area is that for the Republic of China. Its continuing objective—no less important because of current political events in mainland China a few miles across Taiwan Strait—is to maintain effective GRC forces ———. In support of this objective, ——— percent of the proposed program will be used for operation and maintenance purposes. Within the funds available for investment, emphasis will again be placed on modernization ———. Navy modernization ———. Limited ground force modernization ———.

Provision of the military assistance programed for the Republic of China in fiscal year 1968 is clearly in the national interest. ———.

The other major individual country program proposed for the Far East area in fiscal year 1968 is that for the Philippines, in the amount of almost $——— million. Its objective is to provide for balanced military/paramilitary forces, organized, trained, and equipped to maintain the internal security of the Philippines; ———. About 2,000 construction personnel and supporting security troops now deployed by the Philippine Government to South Vietnam are performing very effectively as part of the free world forces there.

The proposed program emphasizes mobility for the Philippine Army and constabulary and coastal surveillance capability for the Philippine Navy, and is designed to improve internal security and antismuggling capabilities ———. President Marcos has also stressed and revitalized the civic action program of the Philippine Armed Forces, and has increased the number of army engineer construction battalions which are playing a vital role in his overall socioeconomic development program ———.

As I mentioned earlier, military assistance to Indonesia has been resumed in fiscal year 1967 following a major transformation in its government ———. The program we propose for fiscal year 1968 is designed to support U.S. foreign policy by encouraging the government now led by General Suharto to employ its armed forces in civic action projects furthering national rehabilitation and development, as well as to demonstrate our support for improving relations with neighboring nations ———. Accordingly, the $——— million program will provide additional training, principally in the field of civic

action, spare parts for engineering equipment previously provided through MAP, some new noncombatant equipment, technical assistance, and similar support for civic action projects instituted by the Indonesian Armed Forces.

As a final note in the Far East area, you will note that assistance to Japan has been terminated with the ending of CONUS and overseas training in fiscal year 1967.

NEAR EAST AND SOUTH ASIA

Because of the strategic importance of the Near East and South Asia to the United States, military assistance amounting to almost $6 billion has been allocated to countries in the area since the beginning of the program in 1950. Our still vital security interests throughout the region are the basis upon which we propose a fiscal year 1968 area program totaling $234 million. All but about ——— percent of that amount will go to three key forward defense countries, each of which is very directly exposed to potential aggression by well-equipped and trained Communist military forces.

Two of these countries—Greece and Turkey—account for only 13 percent of the NATO population, but provide almost one-third of the NATO land forces. Their defense capabilities are therefore a vitally important deterrent to attack along NATO's southern flank.

The capability of Greece to meet the Communist threat depends in great measure upon U.S. assistance, which provides practically all investment-type military equipment. Greece has, however, made a concerted effort to procure or to produce locally some articles previously provided by MAP. Her principal efforts have been in commercial consumable support, supply of which was terminated by the United States in 1966, incountry ammunition production, rehabilitation of vehicles, and ship construction and overhaul. The proposed $——— million fiscal year 1968 program for Greece is designed to cover minimum modernization and operating requirements of the Greek Armed Forces. It will provide urgently needed modernization of the ground forces in the areas of tactical mobility, artillery, and communications. Secondary emphasis is on continued modernization of the air force and minor modernization of naval units. We have, over the past year, emphasized long-range planning with the Greeks, based upon the most realistic estimate possible of total resources that will be available for defense ———.

The fiscal year 1968 program supports this planning.

Turkey's defense problems are compounded by extensive land and sea frontiers with her Communist neighbors. Since Turkish Armed Forces, augmented as required by other NATO forces, have the responsibility for defending NATO's southeast flank against a Soviet-supported offensive, the country's military capability is of major importance to U.S. security. As with Greece, Turkey in the past year has made substantial progress toward realistic long-range defense planning, and priorities for force improvement have been developed. The most urgent requirement is for modernization in the ground forces, which need increased mobility and firepower. Navy effectiveness ——— has been improved by the recent delivery of two destroyers authorized by ship loan legislation. Air force capability also has been improved

through the delivery of F–5 aircraft. Substantial progress in in-country production made it possible to terminate MAP support for commercial consumables with the fiscal year 1967 program. Major incountry defense production accomplishments through that year include ammunition production, petroleum refining, vehicle assembly, overhaul of submarines and incountry naval construction. Still, much remains to be done.

The proposed fiscal year 1968 program amounts to $——— million. Its emphasis is on modernization of ground forces in tactical mobility ———. Secondary emphasis is on continued modernization of the air force ———. Naval modernization is limited ———.

The existing U.S. MAP grant assistance commitment to Iran is phasing down. The United States has agreed to provide essential items totaling $——— million between FY 1967 and FY 1969. Iran also has made purchases of military equipment from the United States.

In addition to this gradual assumption by Iran of greater responsibility for its own defense requirements, specific Iranian self-help measures include construction and improvement of vehicle and ordnance maintenance and repair facilities, expansion of ammunition production, incountry overhaul of aircraft and completion of a jet engine maintenance facility. Another substantial accomplishment is the civic action program, which is the result of a joint United States-Iranian effort—now completely supported by Iran—which has played a material role in the decline of insurgency and provides direct benefits to the country in the field of public works, agriculture, communications, and health.

The proposed fiscal year 1968 program for Iran, in the amount of $——— million, and will provide material to improve the firepower, mobility and communications of the army, to continue the air force modernization programs and to make minor improvements in the navy. It complements the sales program which is concentrated on providing a modern air defense system.

The two remaining individual country programs proposed for the Near East-South Asia area in fiscal year 1968, are those for Jordan and Saudi Arabia. In accordance with our interest in the continuing independence and pro-Western orientation of Jordan, we have allocated $——— million to provide communications equipment, spare parts for previously supplied equipment, and training.

To assist ——— Saudi Arabia consistent with our basic interest in the maintenance of stability throughout the Middle East, a fiscal year 1968 program of $——— million will provide incountry and CONUS training in special skills which are in critically short supply in all branches of the armed forces.

As I explained previously, training in the United States for selected personnel from other countries in the area is included in the regional program.

EUROPE

Fiscal year 1967 marks the virtual termination of military assistance to Western Europe. The only two countries for which programs are proposed in fiscal year 1968 are Portugal and Spain.

The proposed $———million fiscal year 1968 program for Portugal provides for training, limited materiel and supply operations; and

it is designed to enhance the effectiveness of Portuguese NATO-committed forces.

Arrangements between the United States and Spain with respect to military assistance ——— are embodied in the September 1963 5-year extension of the 1953 Defense Agreement with Spain ———.

AFRICA

As you are aware, our military assistance objectives in Africa are to ——— to promote a sufficient degree of internal stability to allow orderly national development. We propose to allocate $31.2 million in military assistance to the area in fiscal year 1968. Of that amount, $21.2 million represents defense articles programed for six countries—a total well within the $25 million ceiling established by the Congress on the provision of such defense articles to all African countries in a single fiscal year.

——— for Ethiopia, in light of longstanding relations with Ethiopia and our important interests in that country, the fiscal year 1968 program is oriented toward providing training and equipment for the Ethiopian Army and Air Force. The materiel portion includes ——— spare parts and ammunition. Civic action assistance will take the form of medical, fire protection, and road construction support.

In north Africa, the ——— buildup of the Algerian and United Arab Republic Armed Forces by the U.S.S.R. continues; and other north African nations are concerned by the increasing disparity between their defensive capabilities and the offensive potential of Algeria and the United Arab Republic. The United States seeks to lessen tensions in the area. The fiscal year 1968 military assistance program for Morocco, in the amount of $——— million, includes training, repair parts, and support equipment and spares ———.

The $——— million program for Tunisia in fiscal year 1968 will assist that country in its effort to improve its limited defensive capabilities. The emphasis in the Tunisian program is on nonsophisticated equipment which can be readily absorbed. ———.

The proposed fiscal year 1968 program for Libya, in the amount of $——— million is designed to complete the initial equipping of the Libyan Air Force ———. It will also provide communications equipment and spares for the army, and training for both the army and air force.

U.S. military assistance to the Congo is designed to complement the efforts of other free world nations, principally Belgium, to help in the development of armed forces which, in conjunction with the civil police, will be capable of eliminating active insurgency, maintaining internal security, and contributing to the economic growth and social development of the country. The $——— million program proposed for fiscal year 1968 will provide vehicles and communications equipment for ——— and for logistical support units organized and trained by Belgium.

To help ——— Liberia protect itself against internal subversion, a $——— million program is proposed for fiscal year 1968, ——— of which is for training. It will also provide ———, vehicle, attrition items and follow-on spare parts for the Liberian Armed Forces———.

In addition to the individual country programs I have been dis-

cussing, we propose about $500,000 for the African area to provide for training in the United States of military personnel from the nations in the sub-Sahara region.

LATIN AMERICA

Since Secretary McNamara has already discussed quite fully both the basic rationale for and general thrust of our military assistance effort in Latin America, I shall proceed directly to a more specific and detailed account of the individual country programs we propose for that area in fiscal year 1968.

More than half of the total $45.5 million allocation to Latin America will go to the five major countries of Argentina, Brazil, Chile, Colombia, and Peru.

Military assistance to Latin America is subject to two major legislative restrictions. I believe that it is appropriate to recapitulate the manner in which our proposals for fiscal year 1968 comply with both the letter of the law and the intent of the Congress. Within the $85 million ceiling established last year on value of military assistance and sales (other than training), $52.5 million is allocated for sales of various kinds, and $32.5 million for grant aid. The difference between this $32.5 million grant aid figure and the total proposed grant aid program of $45.5 million is the $13 million earmarked for grant aid training which is not covered by the $85 million ceiling.

The fact that emphasis on internal security is the controlling factor in our military assistance proposals for Latin America is substantiated by the following review of both the objectives and content of individual country programs proposed for fiscal year 1968.

Assistance to Argentina was suspended at the time of the June 1966 coup, but was resumed at a lower level after the attitudes of the new government became clearer. The fiscal year 1968 program of $——— million is about ——— of that provided 2 years ago. Although Argentina is acquiring some new equipment, this is for replacement purposes and does not represent an increase in overall inventory. Our military assistance is directed toward internal security and civic action capabilities ———.

Our military assistance to Brazil, while improving the effectiveness of that country's armed forces and promoting closer cooperation between United States and Brazilian Armed Forces, also is encouraging self-help and continued participation of Brazilian military units in civic action projects. The fiscal year 1968 program totals $——— million, including $——— million for training. Equipment and spare parts provide for internal security and civic action, especially communications equipment, vehicles ———.

Military assistance has helped Chile to maintain effective military forces which are nonpolitical by tradition and which, as a responsible element of the democratic government, are increasingly effective in internal security and civic action roles. The fiscal year 1968 program totals $——— million, of which ——— is for training and civic action and for internal security equipment such as vehicles and communications equipment designed to improve the mobility and communications of the armed forces.

Military assistance is especially important to Colombia, where bandit/guerrilla activities persist. Under this situation Colombia will con-

tinue to require military assistance at least for the near future. That assistance is directed toward development of forces capable of suppressing and eliminating the guerrilla problem; establishment and maintenance of an effective Joint Operation Center for strengthening of the intelligence capability and increasing the capability for economic and social progress through civic action. The fiscal year 1968 program totals $——— million, of which $——— million is provided for training and for materiel which includes vehicles and ——— to improve mobility, communications equipment and engineering equipment for civic action.

Peru's success in suppressing Communist-controlled guerrilla activities in 1965–66 is a recent example of what the military assistance program seeks to achieve and can accomplish. ———. Our objectives in Peru are to continue to ——— effectiveness and efficient use of manpower and equipment to deal with insurgency situations; and to encourage civic action projects; ———. The fiscal year 1968 program amounts to $——— million, of which $——— million is for training. Materiel includes ———, vehicles, construction equipment, communications equipment, and repair parts for equipment already provided.

The remaining individual country programs proposed for Latin America in fiscal year 1968 are very similar with respect to both objectives and content—though substantially smaller in dollar value—to the five major country programs I have just reviewed. Therefore, I shall touch only briefly on the remaining countries and Latin America regional programs.

In Bolivia there are internal security problems. For example, the army is currently engaged in combatting a guerrilla band which commenced active operations in late March in the southeastern part of the country. While Bolivia has armed forces of adequate size, the economy is marginal; and military assistance augments a limited defense budget. The fiscal year 1968 program of $——— million, of which ——— is training, will provide continuing support of the improving capability of the armed forces to deal with internal disorder.

Military assistance, both material and training, will probably be required by the Dominican Republic for a number of years. The potential for internal disorder continues to be an important factor. At the same time, we are seeking to ——— in total numbers of the armed forces to improve efficiency and performance while lowering costs. Military assistance totals about $——— million, with approximately one-third for training.

The ——— internal ——— remains the basis for our military assistance to Ecuador. We seek to help the Ecuadorian Armed Forces ——— internal security which will permit optimum economic and social progress. The program, amounting to $——— million, including $——— in training, will improve the qualitative deficiencies that presently exist in mobility and in training of military personnel engaged in internal security roles.

The fiscal year 1968 program for Panama amounts to $——— million, with more than $——— allocated to training. The program will provide spare parts, a few small weapons, and other equipment.

Since 1962, military assistance for Paraguay has been directed almost completely toward civil action objectives. It has permitted efficient use of the armed forces in economic improvement of the country

———. Self-help efforts are underway; and continuing military assistance is concentrated on vehicles and construction equipment, with limited spare parts. The fiscal year 1968 program amounts to $——— million, about $——— of which will be devoted to training.

Military assistance seeks to improve the internal security capability of Uruguay. The fiscal year 1968 program totals $——— million, of which almost $——— is for training, and the remainder for spare parts and other support for materiel previously supplied as military assistance.

In Venezuela, favorable economic conditions account for the fact that military assistance is limited to internal security training in the United States and the Canal Zone which, in fiscal year 1968, will amount to $——— million.

The Central American countries of El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica are making encouraging progress toward multilateral military cooperation through the Central tral American Defense Council known as CONDECA. ———.

We are confident that cooperative logistics and combined exercises will increase; but, at this point, the type of full multilateral arrangements that this will lead to cannot be anticipated. The outcome is hopeful, however, in terms of increased self-help and the countries' interest in maintaining their own defense against infiltrated subversion from Castro Cuba. Guatemala has stepped up its campaign to suppress the Communist led guerrilla movement there, with considerable success. We will continue to support Guatemala's efforts by supplying essential equipment for the counterguerrilla operations. Honduras and Nicaragua will be assisted through programs devoted to small arms, vehicles, and other tactical equipment. The training portion of these programs ranges from approximately ——— percent in Guatemala to ——— percent in Nicaragua. Military assistance will continue to strengthen capabilities for internal security and coastal surveillance missions, as well as encourage participation in selective civic action projects, while CONDECA becomes a more reliable internal defense structure for these small countries.

In summary, grant military assistance to Latin America is intended to encourage realistic policies among the nations in such diverse and sometimes conflicting fields as modernization requirements, lower force levels, decreased defense expenditures, internal security needs and support of economic development. Three-fifths of the total amount allocated to the area will be used to furnish improved mobility in internal security operations. Another quarter will provide communications and engineer equipment, with the remainder going for various items, including spare parts. This equipment will strengthen the countries' capabilities for internal security, and is patently not the sophisticated or "prestige type" equipment which could lead to increased defense expenditures or contribute to any type of an area arms race.

CREDIT ASSISTANCE AND NONREGIONAL COSTS

With completion of the regional and selective country review of our grant aid proposals for fiscal year 1968, there remains the allocation for credit assistance and some $30 million allocated for nonregional costs.

We propose to allocate $60 million of new obligational authority to credit assistance in fiscal year 1968. Mr. Kuss, who is here with me today, is prepared to respond to your more detailed interests in foreign military sales.

In the nonregional portion of the program, the largest single item is $21.4 million for administrative expenses. Although the decrease of almost $2 million in this item represents administrative expenses associated with programs we propose to transfer to the regular Defense budget, the fact that there is no net increase in the balance is the result of our continuing effort to offset rising civilian personnel salaries and increased administrative costs by reducing both the number of personnel engaged in the MAP operation worldwide and administrative support to the minimum consistent with efficient program management.

Other nonregional costs are associated with weapons production assistance to NATO multilateral organizations undertaking production of U.S. weapons and weapons systems; operation of the Military Assistance Institute; and reimbursement to the State Department for administrative support.

Gentlemen, this completes my formal presentation of a program which I believe is sound in concept and content. I stand ready to answer your questions concerning this program.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you very much, Admiral Heinz, for a very fine statement.

Mr. Secretary, we will be pleased to hear from you at this time.

STATEMENT OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE, ISA

Mr. KUSS. Mr. Chairman and members of the committee, in a way I have been looking forward to this meeting for over 10 years, since it was about that time that I was assigned to head a division in the Department of Defense whose objective was to give more extensive consideration to meeting our mutual security objectives utilizing the resources of our allies where they were capable of paying for the necessary equipment. I recall with considerable vividness the efforts of this committee in that direction. All of these efforts eventually led to planning a spectrum of activities from military grants to cost sharing to credit and cash sales as a means of meeting our mutual objectives.

Even though this committee has been most instrumental in applying, shall we say the motivation, for nongrant aid programs, and even though it has been reviewing requests for new obligational authority and changes in authority almost every year since 1957, this is my first opportunity to appear before you and I would like to introduce the subject by summarizing briefly three general points.

First, my personal background;

Second, the general objectives and accomplishments of the program through its first major 5 years, fiscal year 1962–66, both as an arsenal of democracy and a controller of arms;

Third, the sources of financing for these orders including a brief description of the various credit types of operations undertaken in this program.

First, my personal background: I am the Deputy Assistant to John T. McNaughton, Assistant Secretary for International Security Affairs, and my area of responsibility covers the foreign military sales program and the broader subject of negotiating logistics arrangements for the training and supply of our allies on a nongrant aid basis.

The principal work of my office concerns foreign military sales to the industrialized countries of the world who account for 90 percent of our sales volume. However, it is also my responsibility to see to it that when the machinery of State, AID, Defense, Treasury, and other agencies of the Government determine it is in our interests to sell to the developing countries, that such sales negotiations are carried out.

I have spent approximately 23 years in the service of the Department of Defense, of which about 7 years were in the administration of the Navy's supply system, another 7 years in both the domestic and international aspects of finance in the Office of the Assistant Secretary of Defense, Comptroller, another 4 years in the direction of military assistance planning, and 5 years in my current position relating to foreign military sales management.

My work in international logistics and financial affairs began some 14 years ago when I participated in the conduct of a series of bilateral studies covering the defense requirements and financial capabilities of the Government of Korea, and then in Europe—Italy, Norway, and Greece and the proposed German contribution to the European Defense Community. In addition I represented the United States in Paris in 1953 and 1954 on NATO financial studies reviewing the costs and capabilities of all NATO nations in the NATO annual review process.

There is no question that this background led me directly to an interest in working out ways and means of accomplishing mutual military objectives that we had with our allies who were capable of making or purchasing their required military equipment.

GENERAL OBJECTIVES AND ACCOMPLISHMENTS AS A MODERN ARSENAL OF DEMOCRACY AND A CONTROLLER OF ARMS

During the past 5 fiscal years (fiscal years 1962–66) we have been formalizing this program of activity aimed at continuing logistics relationships between our allies and ourselves on a nongrant basis. This program had many antecedents but they were usually on some crash or special basis. For example:

> In pre-World War II days when Hitler seized Austria by force there was a flurry of British Government and United States mission activities which resulted in orders for aircraft. The French Government also placed the first aircraft orders in this country at about the same time and the Chinese Government purchased vehicles in the United States to bolster its defense efforts at that time.
>
> During World War II the first major sale of military materiel was made by the U.S. Government after the fall of Dunkirk in May 1940 when 75-mm. guns, machineguns, and ammunitions were sold to the British and French.
>
> The Lend Lease Act of March 11, 1941, opened the door for the flow of billions of dollars in supplies from the United States to Britain and other Allies.

The present formal military sales program which provides for both cash and credit forms of supply to those allies capable of paying was the direct result of the Mutual Defense Assistance Act of 1949 which provided for reimbursable aid and the Mutual Security Acts of 1951, 1954, 1957, and 1961 with its amendments.

The objectives of the program enunciated in 1962, when it was formally established, were consonant with these acts and were stated as follows:

To promote the defensive strength of our allies, consistent with our political-economic objectives.

To promote the concept of cooperative logistics and standardization with our allies.

To offset the unfavorable balance of payments resulting from our own essential U.S. military deployment abroad.

Over the 5-year period, fiscal years 1962–66, the results of this program have been as follows:

1. $11.1 billion in orders and commitments were received by the United States.

2. Almost $10 billion of this total were from about 20 of the largely industralized countries of Europe and the Far East. In fact five countries alone (Germany, Italy, United Kingdom, Australia, and Japan) accounted for $8 billion of this amount.

3. Even in the balance of the world, the nonindustrialized world, the President indicated in February 1966 that "we will shift our military aid programs from grant aid to sales whenever possible—and without jeopardizing our security interests or progress of economic development." Thus, while there was only about $1 billion of sales to all of the developing countries or nonindustrialized countries of the Near East, south Asia, Africa, and Latin America during fiscal years 1962–66 and six countries (Iran, Saudi Arabia, Israel, India, Jordan, and Venezuela) accounted for $800 million of this total, the groundwork has been laid for transition from grant to sales as these countries develop their own resources.

At the same time the United States continues to act as a controller of arms.

1. Each and every significant sale of U.S. arms and munitions is approved only after a thorough review of the legitimacy of the requirements, of the recipient's ability to pay, of its potential effect on the peace or stability of the area, of the necessity to act so as to discourage arms races, and of all the other foreign policy considerations involved.

2. Acting as a controller of arms the United States has declined to enter into sales activities in the Middle East, Africa, and Latin America valued at least three times the amount that we have sold in these areas in the last 5 years. This sales activity has been declined because in our judgment it was not in our combined political, economic, and military interest.

THE FINANCING OF MILITARY SUPPLIES FROM THE UNITED STATES

The basic source of financing these sales is always the resources available to the country whether the sale is a cash or deferred payment sale. Of the total $11 billion in sales over the last 5 years, approximately $2.4 billion were country financed purchases directly from U.S.

commercial sources, approximately $5.7 billion cash purchases from the U.S. Department of Defense, approximately $2 billion will be financed directly by private U.S. banks or with the Export-Import Bank (in other words, without any Defense Department involvement) and the balance of about $1 billion financed or guaranteed by the Department of Defense.

Another way of looking at financing sources is to compare the orders implemented during the 5-year period, fiscal years 1962–66 (aside from commitments which will be implemented in future years) against the budgetary expenditures of the principal countries buying in the United States. For example, we estimate that the three Scandinavian countries, Sweden, Norway and Denmark, spent about $2.8 billion for the acquisition of major equipment, ammunition, and spare parts in this 5-year period. They purchased about $200 million of equipment from the United States or about 7 percent of their allocated resources. The seven major European countries and Canada are estimated to have spent about $26.7 billion over the 5-year period for similar equipment and spares, of which $5.9 billion was purchased in the United States or about 22 percent of their total available resources for procurement. Three major Far East purchasing countries, Japan, Australia, and New Zealand, are estimated to have expended about $2.8 billion over the 5-year period for equipment of which some $900 million were purchased in the United States or about 32 percent of their procurement budget. These represent hard cash dollars. All other countries are estimated to have spent about $6.1 billion for this type material of which $1.3 billion was ordered in the United States over the 5-year period or about 21 percent of their procurement available. Overall, the free world countries are estimated to have spent about $38.4 billion and implemented orders of about $8.3 billion from the United States during the last 5 years or a little over 21 percent of their total procurement budgets.

You can see that the United States is not generally supplying all of the requirements but supplies selected items which would normally cost anywhere from 100 to 200 percent more if each country chose to develop and produce the material independently.

To summarize the credit financing sources I should like to make the following points:

1. In 1963 an Executive Branch decision, taken in consultation with Defense, AID, State, and the Eximbank under the leadership of the Treasury Department, determined that credit requirements of the industrialized countries of Europe and the Far East would be handled, as necessary, by the Eximbank or private banks without any Department of Defense guarantee or extension of credit. Thus, since 1963 the Eximbank has been the principal source of fincancing for countries like the United Kingdom, Australia, and New Zealand.

2. This same 1963 decision formed the basis for the DOD assuming the responsibility for the greater risk loans in the other parts of the world. Under its authorities the DOD may do one of the following three things:

(*a*) Extend credit directly and maintain the notes in its own portfolio.

(*b*) Guarantee repayments to exporters, insurance companies, financial institutions, or others who would finance or extend credit

to foreign governments for the purchase of military material, of course, that which was consistent with our objectives. Or,

(c) Negotiate credit sales and sell notes or other evidences of indebtedness to private or Government banking facilities with a guarantee of repayment.

While the Department of Defense through the Foreign Assistance Act assumes greater political and fincancial risk responsibilities, experience has been good.

$223 million in dollar repayments were collected through fiscal years 1962–66.

Our fund position estimated for end fiscal year 1967 is about $216 million in accounts receivable and $166.5 million in reserves held to guarantee, about $660 million in loans made by or sold to Eximbank or private banks.

Operations for each year are financed from repayments received during the year and from new obligational authority as required. For example, in the fiscal year 1968 fund request before you the $120.6 million estimated requirement will be met from repayments of $55 million; $5.6 million in reduction of outstanding guarantee reserves due to repayments, and $60 million of requested new obligational authority. We estimate that the total amount of the program to be financed with this $120.6 million will be about $300 million, but this total will be finally dependent on terms negotiated, bank rates, and bank willingness to purchase evidences of indebtedness with or without DOD guarantees and reserves.

CONCLUSION

Thus, gentlemen, I would like to conclude this general statement with three summary points. In the past 5 years we have—

1. Developed techniques of communicating with our allies to assist in promoting their defensive strength consistent with our political and economic objectives without using grant aid. We and they call this "communication negotiation."

2. Developed machinery for the management of sales throughout Government to insure that the political, economic, and military aspects are considered extensively at the highest levels.

3. Through this "negotiation" consummated arrangements for orders and commitments totaling over $11 billion, largely to countries who had previously been receiving the bulk of our grant assistance during the 1950's and are now capable of paying their own way.

That concludes my formal statement, Mr. Chairman. I would be glad to try—to try to answer your questions.

Mr. PASSMAN. Thank you, Mr. Secretary.

I believe that all of the witnesses would like to have this statement in the record at this point. Then, possibly, you would be more sympathetic to some of our problems.

TAXES AND ANNUAL DEFICIT OF FEDERAL GOVERNMENT

We have had a government, as we know it, for 178 years—I think the Constitution and Bill of Rights came into being 178 years ago. From that date through December 31, 1966, our Federal Government collected in taxes $1,608,390 million. However, for every dollar col-

lected in revenue during the entire 178 years, our Government created an obligation of $1.82. Most of this tremendous obligation has been created in the past 30 years.

On December 31, 1966, our borrowed money Federal public debt amounted to $330 billion. Federal statutory obligations, calling for the payout of money in subsequent years for services previously rendered, amounted to $800 billion. The two together make a real public debt, or obligation, for services previously rendered—not to be rendered—of $1,130 billion. These obligations amount to $5,794 for every living American.

The more revenue we take in, the larger the annual budget deficit. It is certainly hard for us to understand why that is so. But in fiscal year 1968 we are facing, in all probability, a deficit in excess of $18 billion. Apparently, the only way that can be reduced is to dispose of Government-owned capital assets or to increase taxes or maybe both.

With that fact in mind, we just hope that you gentlemen who are requesting this money, somewhere along the way, can find the time and the place to reduce the amount that you have requested. It is not very popular with the executive departments and with many Members of Congress to make budget reductions, but I think the time is fast approaching when we will have to make reductions and balance this budget. If we do not, our successors will.

MILITARY ASSISTANCE PROGRAM OF FISCAL YEAR 1968

If I read the justifications correctly, for the military assistance program for fiscal 1968, if you include those four items that presently are not included in your justification; namely, Laos, Thailand, Infrastructure and International Military Headquarters of NATO, your total request would be $838.7 million.

Admiral HEINZ. Yes, sir.

INCREASE OF NEW APPROPRIATION FOR FISCAL YEAR 1968

Mr. PASSMAN. This is an increase of how much over fiscal 1967?

Admiral HEINZ. The appropriation for these programs in 1967 was $792 million.

Mr. PASSMAN. So that is an increase of $45.7 million over fiscal 1967?

Admiral HEINZ. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

EXCERPTS FROM "AID STORY" PUBLISHED BY THE AID AGENCY

Mr. PASSMAN. I think we should, for the purpose of having the record straight, read an excerpt from the "AID Story," a publication of the AID agency. The statement that I wish to read will be found in the third paragraph of the foreword on page 1:

DEFINITION OF FOREIGN ASSISTANCE

Broadly speaking, foreign assistance is any aid—military or economic—which is extended by one country to another as loans or grants. This definition includes assistance rendered through various international agencies—such as the United

Nations—as well as that which is on a strictly bilateral basis. Used in this context, "foreign aid" includes not only those programs carried out by the Agency for International Development, but also a number of other programs authorized by Congress.

Do you agree with that statement, you gentlemen who are testifying for funds today?

Mr. KUSS. I would presume that you would include all commercial loans.

NONAID PROGRAMS

Mr. PASSMAN. I am only including what AID said, because in turn, if I may read the last statement on page 2, captioned:

These non-AID programs include: "The Peace Corps; the Export-Import Bank, which promotes U.S. export sales through loans, guaranties, and risk insurance; U.S. contributions to international organizations conducting multilateral assistance, such as the United Nations development program; and military assistance with helps secure free nations against open or subversive Communist aggression.

That has always been my position and I am delighted to know that AID now agrees with me verbatim. Heretofore AID has said I was not right and AID has put out a lot of material trying to disprove the accuracy of my statements.

CANADA, AUSTRALIA, NEW ZEALAND, AND SWEDEN

Assuming that AID knows what it is talking about, then would we not necessarily, to keep the record straight, include Canada, Australia, New Zealand, and Sweden as nations who are getting aid or assistance from the United States?

This thing is so complicated somewhere along the way we must put it together.

Admiral HEINZ. If these nations are getting assistance from the United States.

Mr. PASSMAN. I appreciate that, Admiral. I thought you would agree.

Then according to the Secretary's statement, would not these four countries that we are extending credit sales to be added to the list of countries that you are going to testify for us so as to get the grand total?

Admiral HEINZ. This program has no credit sales in it for those four countries.

Mr. PASSMAN. I know that you do not, but you do have it in another section. That is the trouble with foreign aid; it has been fragmentized. We are not trying to lead you into any trap.

Inasmuch as we are making sales to these four countries, to get the grand total of countries that we are either giving grant aid to or making sales to, would we not include these four?

Admiral HEINZ. It depends upon whether those sales are for cash or for credit.

Mr. PASSMAN. I am speaking entirely about credit sales. I have not mentioned cash. I am assuming that you understood in the beginning I meant credit sales.

Mr. KUSS. I am not aware, Mr. Chairman, that Canada or Sweden in that list that you read have received any credit from us.

Mr. PASSMAN. Have we extended credit?

Mr. KUSS. Not in my program anyway.

Mr. PASSMAN. Well, in any program with which you finance military equipment.

Mr. KUSS. I am not aware of any.

With all due respect to the Secretary who defined assistance in those terms, if you carried it to the length of counting all loans as assistance, I think the world's bankers would have to admit that the flow of capital is a necessary activity in the whole world, and if you wanted to carry the flow of capital in all commercial and all other activities, you would count long term loans from Export-Import Bank as well as medium term and short term loans.

NUMBER OF COUNTRIES IN THE MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Providing we were dealing with that subject matter at the time. We are now dealing exclusively with military sales on credit terms. Now let's limit it strictly to terms. You are going to testify for funds for 52 or 54 nations, on either a grant aid or credit basis?

Admiral HEINZ. You are talking of the total——

Mr. PASSMAN. Total number of countries in the military assistance program for which you will testify for funds.

Admiral HEINZ. In this program the total would be for some 50 countries.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. If we add to the 50 the countries that heretofore we have carried in this bill and in all probability this year, what would the grand total be?

Admiral HEINZ. It would be 35 countries, and 18 training only countries, for a total of 53.

Mr. PASSMAN. All right.

Does that include Ceylon?

Admiral HEINZ. It does.

Mr. PASSMAN. Fifty-three countries.

LOANS THROUGH THE EXPORT-IMPORT BANK

Could you tell us, Mr. Secretary, the number of countries, not included in the 53, that we are making loans to through the Export-Import Bank or other government agencies to finance the sale of military equipment?

Mr. KUSS. If you are utilizing the terms that are generally applied, only those loans by Export-Import Bank of 10 years in length and over are considered as aid-type loans. All our loans are under that length of time.

NUMBER OF COUNTRIES RECEIVING CREDIT TO BUY MILITARY EQUIPMENT

Mr. PASSMAN. How many countries are you extending credit to for the purpose of buying military equipment?

Mr. KUSS. On an aid basis——

Mr. PASSMAN. What do you mean "on an aid basis"?

I just want you to give me the information. You may define it as you want to for the record. I want to know how many countries, whether the terms are over 10 years or less than 10 years, to whom we are extending credit to buy military equipment.

Mr. KUSS. I will have to add them up, Mr. Chairman.

Mr. PASSMAN. Take your time. Please give them to us now while we pause for a moment.

Mr. KUSS. All right.

So that we do not duplicate the other contracts, I presume you want additional countries, not those that are duplicated.

Mr. PASSMAN. I do not think you would ever testify for a duplication, certainly. My question had to do specifically with countries that we are making loans to, that are not included in the 53 countries that Admiral Heinz is going to testify for.

Mr. KUSS. All right. May I check with the admiral off the record?

Mr. PASSMAN. Surely.

(Discussion off the record.)

NUMBER OF COUNTRIES RECEIVING AID OR BUYING MILITARY EQUIPMENT ON TERMS FROM THE UNITED STATES

Mr. PASSMAN. Now, as we put together the total amount of countries that we will either be giving grant aid or selling military equipment to in fiscal 1968, it would total 60; category 1 would be the 53 nations that Admiral Heinz will testify on, either for grant military equipment or training; then you have category 2 ——— countries which would be on a sales on a term basis; and then we have category 3 with four countries, making a total of 60 nations in fiscal 1968 that we will be either giving grant aid or selling equipment to on terms.

Have I stated that correctly?

Admiral HEINZ. I would clarify the last category, sir; there are no Foreign Assistance Act funds involved.

Mr. PASSMAN. I did not say that. I said specifically, category 1, 53 nations that you are testifying for—for grant military equipment or equipment and training, or training only.

Category 2 would be ——— countries where you are extending credit.

Then you have category 3 representing the Export-Import Bank loans to pay for equipment, making a grand total of 60.

If you can say it any clearer than I have, have at it.

Admiral HEINZ. I would only clarify one thing, and that is that in the program I am presenting to you, I am not requesting funds for Vietnam, Laos, and Thailand.

Mr. PASSMAN. I thought we covered that already, that it has not been decided yet.

Admiral HEINZ. They are included in that number.

Mr. PASSMAN. That is good enough. But they will be receiving grant-aid whether it is handled by this committee or the District of Columbia Committee?

Admiral HEINZ. It will be handled.

Mr. PASSMAN. Of course you have the same thing, if we want to move into your operation. You have infrastructure, do you not, and international military organizations?

Admiral HEINZ. Yes, sir.

NUMBER OF COUNTRIES INVOLVED IN INFRASTRUCTURE

Mr. PASSMAN. Since you opened that up, how many countries are involved now in infrastructure, where we will have to appropriate funds, either the Defense subcommittee or this committee?

Admiral HEINZ. There are 14 NATO countries, plus France. France is also participating in infrastructure.

Mr. PASSMAN. That would be how many?

Admiral HEINZ. A total of 15 NATO countries, which includes the United States.

Mr. PASSMAN. I want to be completely fair and I know that you do. When we put the pieces together, we will have four categories. Let it be understood that you are not testifying for funds for 53 countries, which would include Vietnam, Thailand, and Laos.

COUNTRIES WITH GRANT-AID OR CREDIT SALES

Now if we want to put together the countries that we are either giving grant-aid or extending credit sales, it would be category 1, 53 nations that you are testifying for funds for, with the exception of Vietnam, Thailand, and Laos.

Category 2 would be three other nations, ———, for credit sales assistance. Then we add to the four nations that we are extending credits to through Export-Import Bank.

NATO INFRASTRUCTURE COUNTRIES

Then if we pick up the infrastructure group, that is 15 more countries.

Admiral HEINZ. Fifteen. The United States is one of those.

Mr. PASSMAN. Let's take it out.

Admiral HEINZ. Iceland is not an infrastructure contributor.

Mr. PASSMAN. Where did you get the figure 14?

Admiral HEINZ. The figure 15 includes all the NATO countries.

Mr. PASSMAN. How many countries, leaving out the United States?

Admiral HEINZ. Fourteen, all of which contribute to NATO infrastructure except Iceland, and Iceland does not have——

Mr. PASSMAN. Let's say they contribute and we are contributing to them.

Admiral HEINZ. We also contribute to the NATO Common Fund, and these countries also contribute to the NATO Common Fund.

Mr. PASSMAN. Are they contributing an amount as great as the contribution that we are making?

Admiral HEINZ. The U.S. contribution at one time was as high as 43.7 percent, it has now gone down to 25 percent. All of these countries participate and the amount of construction in each country varies from year to year. You cannot say that we contribute directly to any of these countries.

NUMBER OF COUNTRIES RECEIVING AID OUT OF THE INFRASTRUCTURE ACCOUNT

Mr. PASSMAN. How many will receive aid out of the infrastructure account?

Admiral HEINZ. There will be NATO construction from the infrastructure account, probably in 12 countries, although I do not know the exact number. It depends upon the exact facilities approved by the NATO Payments and Progress Committee during the year.

Mr. PASSMAN. Then we would only want to add the 12 countries and not 14 to get the grand total?

Admiral HEINZ. Some of these may not receive projects during the year, but may pay into the account. In other words, facilities may not be built in all those countries, but they may contribute.

Mr. PASSMAN. Will you prepare for the record something a little bit more understandable on this? We do not want to include nations where they do not have a net over and above what they contribute. We will rest the case presently on 60. Would that be a correct figure?

Admiral HEINZ. Yes, sir.

SHIFT OF MILITARY AID PROGRAM FROM GRANT-AID TO SALES

Mr. PASSMAN. Mr. Secretary, on page 14 of your statement you say:

> Even in the balance of the world the President indicated in February 1966 that we will shift our military aid program from grant-aid to sales whenever possible.

I believe you testified we have shifted out of the grand total of 60 only four countries to credit sales?

Mr. KUSS. No, sir.

Mr. PASSMAN. As it would apply to credit?

Mr. KUSS. No, sir; I said these were additional to those that were included in the grant side. There are those countries who are transiting from grant to sales. The program represents a spectrum, where they may be phasing down, as Iran is, of grant-aid and also beginning to pick up all her future requirements on a sales basis.

Mr. PASSMAN. I do not think that will clear the question to where it could be understood.

Mr. KUSS. Perhaps I did not understand your question, sir? May I hear your question?

Mr. PASSMAN. The President indicated we will shift our military aid program from grant-aid to sales wherever possible. We had categories 1 and 2 including the three ——— nations ——— and then category 3 which included the four nations to whom we are making loans to buy military equipment.

Mr. KUSS. Yes, sir.

Mr. PASSMAN. For a total of 60.

Now, do you have others that are in a transition period that should be added?

Mr. KUSS. I think I can clarify my remarks then. Indeed, those countries that we mentioned have transited to a sales program completely. In addition, however, some of those countries that Admiral Heinz spoke of as continuing to get grant-aid, are in the process of also having

to pay, as they are becoming capable, for part of their program, and not only getting grant-aid but also having to pay.

As an example of that, I indicate to you that Iran, like Taiwan, whose economy has improved considerably with the assistance we have given her, while she still gets some grant-aid, she is now in this transiting position that the President spoke of.

The first part of her vehicles for the future, instead of being considered on a grant-aid basis as they always have been in the past, are now on a sales basis.

Mr. PASSMAN. You mean Taiwan?

Mr. KUSS. Taiwan.

Mr. PASSMAN. It is my understanding that you have about a $90 million grant-aid program for them in fiscal 1967, do you not?

Admiral HEINZ. As Mr. Kuss said, it is beginning to transit.

Mr. PASSMAN. What did you cut it from a previous year?

Admiral HEINZ. In 1967 it is $90 million, in 1966 it was $93.8 million.

Mr. PASSMAN. Down $3.8 million.

Mr. KUSS. We have a fund request for $——— million for them.

Mr. PASSMAN. $——— million.

Mr. KUSS. Yes, sir.

TOTAL NUMBER OF NATIONS TO WHICH THE UNITED STATES IS GIVING GRANT-AID OR MAKING LOANS

Mr. PASSMAN. For sales I do not think it is necessary for the record to be as confused as it is going to appear to be. All we are trying to find out is the total number of nations that we are either giving grant-aid to or to whom we are making loans to buy our military equipment. Beyond that we just hope that we can just have plenty of cash sales, and we need the cash very badly. Are we resting our case on 60 countries?

Mr. KUSS. Yes, sir.

LOANS BY EXPORT-IMPORT BANK

Mr. PASSMAN. Now, do you have any nations that the Export-Import Bank is making loans to with terms under 10 years that are not included in the 60?

Mr. KUSS. No. As a matter of fact, I included in the countries I gave you, and I apologize for misleading you, ——— are under 10 years——

Mr. PASSMAN. I am talking about Export-Import Bank loans to the four countries that you mentioned.

Mr. KUSS. The direct Export-Import Bank. They are all under 10 years.

Mr. PASSMAN. They are?

Mr. KUSS. They are 5- to 7-year medium-term loans.

Mr. PASSMAN. Then these two categories, four and three for a total of seven countries, not covered in the military assistance program, would cover all additional countries?

Mr. KUSS. Yes, sir.

Mr. PASSMAN. These sales are being financed by the Export-Import Bank.

Mr. KUSS. Out of those seven, only one is at the 10-year limit, all the rest are under 10 years.

LOAN EXTENSION

Mr. PASSMAN. I know. The reason we want the record complete is that I know you have heard of updating accounts, have you not?

Mr. KUSS. Yes, sir.

Mr. PASSMAN. You could conceivably take a 4-year loan and keep updating it. If the borrower pays the interest, it could drag out for 20 years, could it not?

Mr. KUSS. It could, but we do not like to do business that way.

Mr. PASSMAN. I do not like to do business that way, either; but it does not mean that we have not done business that way with some of the nations in the past.

We have a very substantial economic aid program going on in Pakistan and India, do we not?

Mr. KUSS. Yes, sir.

As I said, we do not like to do business that way. As I noted, we had collected something like $234 million over the last 5 years. We have only really had to give moratoriums on something like $15 million out of the last 5 years.

COUNTRIES RECEIVING LOAN EXTENSIONS

Mr. PASSMAN. To what countries?

Mr. KUSS. ———. The other $1 million is spread between—may I check?

Mr. PASSMAN. Surely.

Mr. KUSS. ———.

Mr. PASSMAN. Even though you do not like to do business that way, you do have to do business that way.

Mr. KUSS. I think the record is pretty good for any bank that has a record like that, they are doing pretty well.

Mr. PASSMAN. I made a statement; I did not criticize.

I said even though you do not like to do business that way, you do find it necessary to do business that way.

LOAN REPAYMENTS AND LOANS IMPLEMENTED IN FISCAL YEARS 1962–66

On page 7, the last sentence: "223 million in dollar repayments were collected through fiscal 1962–66." What was the total amount of the loans during that same period that you cover by that statement?

Mr. KUSS. Loans implemented by the Department of Defense during that time were $755.6 million.

COUNTRIES RECEIVING LOANS AND GRANT-AID

Mr. PASSMAN. Could you tell us the amount of grant-aid that went to the same nations during that same period?

Mr. KUSS. Not without submitting it for the record..

Mr. PASSMAN. It might be that these repayments are a very, very small percentage of the total.

Mr. KUSS. It is a small percentage.

Mr. PASSMAN. In addition to that, I think we should indicate for the record the names of the countries if it is not classified, because, as you well know, when we include ——— on certain sales, and that is partly, I believe for military equipment, we are also giving them grant-aid of 40 or 50 or even a hundred times the amount of this credit sale. It is then significant when you relate one to the other.

We show we are selling for cash, but the chances are they are paying us with our own money.

Of course, the figures that we used, including the four countries we used under Export-Import Bank, does not include the notes that Export-Import Bank received from countries and the Export-Import Bank in turn sold those notes without recourse, does it?

Mr. KUSS. I mentioned Italy and the Italian notes were sold without recourse.

Mr. PASSMAN. What was the total amount?

Mr. KUSS. I do not know. I would have to check the Export-Import Bank totals.

Mr. PASSMAN. We are just not getting anywhere with the examination because we find that there has been $660 million in loans made by or sold to the Export-Import Bank or to private banks, and we wonder whether or not the four countries you referred to represent this $660 million?

Mr. KUSS. No, sir.

Mr. PASSMAN. That was the question I asked.

NUMBER OF LOANS BY THE EXPORT-IMPORT BANK SOLD TO PRIVATE BANKS

If we could now get for the record the number of loans made by the Export-Import Bank to nations and the Export-Import Bank, subsequent to the sale, sold the notes to private banks without recourse. Can you get that information?

Mr. KUSS. I can get it, but I have no idea of the figure.

Mr. PASSMAN. Do you have any idea of the number of nations?

Mr. KUSS. In the military field it can only be these nations because that is all they handle.

Mr. PASSMAN. Just the four?

Mr. KUSS. Just those.

Mr. PASSMAN. Only four nations. Export-Import Bank indicated they actually did not know. Who gets the notes?

Mr. KUSS. May I clarify?

Mr. PASSMAN. Surely.

DEPARTMENT OF DEFENSE GUARANTEED LOANS SOLD TO EXPORT-IMPORT BANK

Mr. KUSS. You have very nicely divided this into two categories.

The grant is the first category. The second category is that in which loans are guaranteed by the Department of Defense. Within the Department of Defense guaranteed loan category there were $660 million in notes sold to Export-Import Bank with the Department of Defense

guarantee during those 5 years which we hold reserves on and Export-Import Bank looks to us.

Mr. PASSMAN. That is clear enough.

LOANS THE EXPORT-IMPORT BANK SOLD TO PRIVATE BANKS

Now what is the total amount which the Export-Import Bank sold to private banks without any recourse or any guarantee?

Mr. KUSS. Are we moving to category 4 now?

Mr. PASSMAN. A new category.

Mr. KUSS. Category 3?

Mr. PASSMAN. No, a new category altogether.

Mr. KUSS. Your three categories have covered the works.

Mr. PASSMAN. As we read the record, we find that Export-Import Bank is somewhat vague on the total amount and whether the nation gave the Defense Department the notes, or whether you in turn gave them yours?

Mr. KUSS. May I explain?

Mr. PASSMAN. Surely.

LOAN PROCEDURES

Mr. KUSS. Export-Import Bank under the agreement made at Cabinet level in 1963 deals directly with the industrialized countries such as the United Kingdom and the others in category 3 and the Department of Defense has nothing to do with them.

With respect to these second-category countries, the Export-Import Bank, since it has our guarantee, looks to the Department of Defense. And just as any bank really looks to the guarantor, it really is not interested whether this is X country or Y country or Z country. It looks to the guarantor as the one who made the loan.

Mr. PASSMAN. That is what we are trying to find out. In other words, the Export-Import Bank is doing business with the Defense Department—one Federal agency doing business with another Federal agency. It is really the Defense Department that is doing business with the nation.

Mr. KUSS. Or private banks. We do business with private banks.

Mr. PASSMAN. In other words, the Export-Import Bank looks to the Defense Department for payment of this loan because you are guaranteeing it?

Mr. KUSS. That is right.

Mr. PASSMAN. Who holds the notes?

Mr. KUSS. If the country defaults on the loan, they look to the guarantor. So far no country has ever defaulted.

Mr. PASSMAN. Do you place in the hands of the Export-Import Bank the Secretary of Defense's memorandum or note, or do you hold the note from the country?

Mr. KUSS. In fact, for each transaction we transmit a document to Export-Import Bank indicating a numbered account and Export-Import Bank assumes responsibility for disbursement as Department of Defense requires it on that numbered account.

We in fact hold the notes for them. We could easily transfer it to them but we in fact hold the notes for them.

Mr. PASSMAN. You hold the notes for the Defense Department?

Mr. KUSS. For the Export-Import Bank because we have in fact sold the notes to them.

Mr. PASSMAN. Why would not the President of the Export-Import Bank know more about this transaction. He did not explain it too well to the committee. He said he did not know the amount of the loans, did not know how it was handled, and did not know who carried the notes.

Actually, it looks to me as if one Federal agency is financing the program of another Federal agency because this is worked out between the purchaser—the country—and the Defense Department, and the Defense Department in turn gets the money from you to reimburse them—is that the way it works out—to pay them for the equipment.

Mr. KUSS. May I answer that question, sir?

Mr. PASSMAN. I would think you would.

AUTHORITY FOR SELLING NOTES TO BANKS

Mr. KUSS. First of all, let me say that section 635 of the Foreign Assistance Act has authorized this type of transaction from its very early beginning. It has authorized the President to sell evidence of indebtedness to governments or private banks for many, many years. We were very careful, even though this was in the general provisions of the act, that we not just automatically do this for military sales because the general provision spoke of loans as distinct from credit sales. While some lawyers said under the general provisions of the act, which had been in existence for years and is not a new thing, that we could go ahead and do it, in 1965 we specifically came to the Congress and asked the Congress to make a change in the law in section 635(g)—I believe it is—which would specifically authorize the Department of Defense to do with its notes what essentially had been authorized for the AID loan program for sometime.

The Congress approved this. Therefore, the general transaction of selling notes is approved by the Congress, and it was approved in 1965 specifically for military sales although it has been a general provision of the Act for many years.

Mr. PASSMAN. That I understand.

EXPORT-IMPORT BANK FINANCING SALES OF MILITARY EQUIPMENT SINCE 1965

The Export-Import Bank is brandnew in this picture as you well know, and it has been only about 3 years.

Mr. KUSS. It was the 1965 approval that we got from the Congress.

Mr. PASSMAN. Have I made a statement of fact that this is something relatively new for the Export-Import Bank to be financing military sales?

Mr. KUSS. With the approval of Congress.

Mr. PASSMAN. I did not say Congress has not approved it. All I am trying to establish is that it is something new for the Export-Import Bank to be financing the sale of military equipment.

Have I made a statement of fact?

Mr. KUSS. New since 1965.

Mr. PASSMAN. I will be willing to accept that. So it is about 3 years?
Mr. KUSS. Yes, sir.

SOURCES OF PAYMENT OF CREDIT SALES

Mr. PASSMAN. The Defense Department negotiates with a nation for certain military equipment, and after this agreement has been reached then the Defense Department delivers the goods, comes to you for the money to finance the sales. You look to the Defense Department for payment, or do you look to the nation for payment with whom the sale was made by the Defense Department?

Mr. KUSS. Do you want me to answer that question now before you leave?

Mr. PASSMAN. Yes.

Mr. KUSS. As I mentioned, the Defense Department has the choice of looking to three sources for payment. First it has the choice of looking to the country for payment and may hold some notes in its own portfolio and not sell them to anybody.

Mr. PASSMAN. You mean the Defense Department?

Mr. KUSS. The Defense Department.

Secondly, it has the authority approved by Congress to guarantee a note provided by a U.S. private bank or Export-Import Bank to the nation directly. For example, Morgan, Chase-Manhattan, First National City made a loan to Iran which we guaranteed. The money comes initially from the three banks and eventually is repaid by the nation, not to the Defense Department but to the three banks.

Three, Defense Department also has the course of action wherein it may sell the evidence of indebtedness to the Export-Import Bank or to a private bank. These are all under the authorities available to us in handling the business of our accounts.

Mr. PASSMAN. That would create another contingent liability where there is no record anywhere?

Mr. KUSS. We record our total program liability.

Mr. PASSMAN. I am talking about the Treasury statement. Usually a businessman who has a contingent liability has a reserve for it. In this instance we would have to ask the Defense Department the amount of notes they are carrying that they shall subsequently be reimbursed for.

When I return I would like to see if we cannot pin this down and find out specifically who is holding the notes of the country on the unpaid balance of the $660 million. We are only dealing with four countries and undoubtedly you will be able to answer that question and know whether or not you are holding the notes of the country, whether the Defense Department is holding the note, or whether some bank is holding the note with the guarantee of the Defense Department, negotiated through the Export-Import Bank.

Have I made the question too muddled?

Mr. KUSS. No, sir.

(Short recess.)

Mr. PASSMAN. The committee will come to order.

MILITARY SALES FINANCED BY THE EXPORT-IMPORT BANK

Mr. Secretary, a moment ago we were discussing military sales financed by the Export-Import Bank. So as to get away from this facet of the military assistance program and move into the main program, that is, the grant-aid program under Admiral Heinz, we can state in an abbreviated form for the record that as of this date the Export-Import Bank has financed sales of military equipment to only four nations.

Mr. KUSS. No, sir.

Mr. PASSMAN. How many nations?

Mr. KUSS. Four nations in addition that are not included in that first list that you received.

Mr. PASSMAN. Then what is the total number of nations with which the Export-Import Bank has financed sales of military equipment since they started the program in 1965?

Mr. KUSS. I will give you a figure for what we plan to the beginning of fiscal 1968, or do you want it through 1968?

Mr. PASSMAN. I want to know the number of nations——

Mr. KUSS. Or through today?

Mr. PASSMAN. Through fiscal year 1967. In fiscal year 1968 we may amend the law and not permit you to do it. This question deals with what has happened and not what may happen. Indicate the names of the nations.

Mr. KUSS. The names of the nations are classified.

Mr. PASSMAN. You can put them in the record. If they have the be classified they can be taken out.

Mr. KUSS. ———, not yet done.

———; that is it.

Mr. PASSMAN. What is the total?

Mr. KUSS. Fifteen.

NATIONS WITH MILITARY SALES FINANCED BY EXPORT-IMPORT BANK RECEIVING GRANT MILITARY AID OR GRANT ECONOMIC AID

Mr. PASSMAN. How many of those nations are either getting grant military aid or grant economic aid?

Mr. KUSS. Ten are getting grant military aid, four are solely on a sales basis.

Mr. PASSMAN. Ten are getting grant military aid?

Mr. KUSS. Yes.

Mr. PASSMAN. And I believe they are likewise getting economic aid, are they not?

Mr. KUSS. Not necessarily. ———, for example, no longer gets economic aid, btu is getting some military aid and that is phasing down.

Mr. PASSMAN. Is not Argentina getting economic aid?

Mr. KUSS. I do not believe so.

Mr. PASSMAN. If you and I had what they are getting, in all probability we would quit our jobs.

How about Jordan?

Mr. KUSS. I do not have a list of all of the countries, sir.

Admiral HEINZ. I can give you the list of military grant aid nations.

Mr. PASSMAN. All right.

Admiral HEINZ. The countries that were mentioned getting grant military aid include ———.

Mr. PASSMAN. They are likewise getting grant aid military assistance.

Admiral HEINZ. I was speaking of grant aid military assistance. Some of those countries are training only. I cannot give you a corresponding list of economic aid.

Mr. PASSMAN. Would you have that information put in the record?

Admiral HEINZ. We will be glad to do that.

Mr. PASSMAN. We know at this time you have economic aid going into ———.

(The list follows:)

List of foreign military credit sales countries also receiving economic aid

[In millions]

	Credit sales		Economic aid	
	Fiscal year 1966	Fiscal year 1967	Fiscal year 1966	Fiscal year 1967
Near East and south Asia:				
India	----------	[Deleted]	$309.9	[Deleted]
Pakistan	----------	[Deleted]	127.2	[Deleted]
Iran	$90.0	$111.0	8.7	.1
Israel	91.8	7.2	10.0	6.0
Jordan	15.0	----------	43.5	[Deleted]
Africa:				
Morocco	----------	1.0	3.2	[Deleted]
Sudan	----------	1.5	13.7	[Deleted]
Latin America:				
Argentina	13.0	9.0	1.7	1.4
Brazil	12.5	16.6	243.1	[Deleted]
Chile	2.1	1.0	93.3	[Deleted]
Peru	1.2	----------	18.5	[Deleted]
Venezuela	10.0	3.0	1.7	1.4

AGGREGATE MILITARY SALES TO FISCAL YEAR 1967

Mr. PASSMAN. Do you have the aggregate sales to the 15 countries, Mr. Secretary?

Mr. KUSS. Through 1967, $597.4 million.

Mr. PASSMAN. I am reading from the unclassified transcript of the hearings of March 20, 1967:

Mr. PASSMAN. Do I understand the committee is not going to be able to ascertain the number of countries in which you are financing the sale of military equipment?

Mr. LINDER. The committee can ascertain all of those countries where the Export-Import Bank can identify the country but the Defense Department, if they came to us tomorrow and said "Country X is buying $5 million worth of military equipment, we have a five-year note from country X, which we are prepared to guarantee to you and country X has paid down ten or 15 or 20 percent on each, it will repay the bearer over a period of five years in equal semiannual installments, will you discount a note by the Defense Department or buy an account receivable which the Defense Department has against country X obligations which we tell you we hold, and which we guarantee you repayment on?", I would provide them with the money. I do not know which country is denominated.

Mr. PASSMAN. Then you are actually making your loans to the Defense Department?

Mr. LINDER. No, I am not, sir; I am making my loans to the Defense Department with the Defense Department's guarantee.

Mr. PASSMAN. Do they guarantee it?
Mr. LINDER. I am buying a receivable of the Defense Department.

Mr. KUSS. That is correct.

Mr. PASSMAN. So this comes to you, as Mr. Linder said earlier, through the Defense Department, and guaranteed by the Defense Department?

Mr. KUSS. Yes, sir.

Mr. PASSMAN. Rather than you doing business directly with the country?

Mr. KUSS. Yes.

Excuse me, what do you mean by "doing business directly with the country"?

LOAN NEGOTIATIONS

Mr. PASSMAN. You are not negotiating a loan with country X for them to buy military equipment, this is all negotiated through the Defense Department, and after they have consummated this transaction, then they come to you with their proposition, do they not?

Mr. KUSS. I am with the Department of Defense, and as the Department of Defense I negotiate the loan with the country.

Mr. PASSMAN. That is what I said.

Mr. KUSS. Using my authority in the Defense Department, I do what Mr. Linder described. I come to him and ask him if he will buy one of my receivables.

Mr. PASSMAN. Your guarantee?

Mr. KUSS. My guarantee.

Mr. PASSMAN. That is exactly the way I read it into the record, I am sure.

Instead of you negotiating directly with the country and saying we will now be willing to make the loan to country X, the Defense Department works that out and comes to you, works it out with you and after you have negotiated it with the country and approved it, you reimburse the Defense Department with your guarantee? That is, the Export-Import Bank reimburses you?

Mr. KUSS. The Export-Import Bank reimburses me for the Defense Department.

Mr. PASSMAN. That is correct, but they come in after the fact rather than before the fact.

Mr. KUSS. That is right. They are buying a note in all note purchases.

Admiral HEINZ. You mean they, the Export-Import Bank, comes in.

Mr. PASSMAN. They come in after the fact rather than before it?

Admiral HEINZ. They being the Export-Import Bank?

Mr. PASSMAN. That is right.

PRIVATE SALES OF ARMS FROM COMMERCIAL PRODUCER TO FOREIGN GOVERNMENT

What is the role of your office in private sales of arms from commercial producer to foreign governments?

For example, the Government at Singapore recently bought several thousand M–16 rifles from Colt. What U.S. agencies were involved in the transaction? How was the financing handled and by whom?

Mr. KUSS. I will try to answer all of those questions, Mr. Chairman. To take the most specific one first, the Singapore transaction, my office had no role in that transaction. This was a private sale by the Colt Arms Co. to the Government of Singapore and under Government regulations they must get the approval of the Department of State, Office of Munitions Control, for the transaction, and they had their approval.

The Department of State normally on a solely commercial venture of that sort, if it is a very new case, usually refers it to the Department of Defense for many people's review, Army, security, availability of supplies, and so forth. But my office had nothing to do with that case.

No. 2, the Mutual Security Act, the Foreign Assistance Act now, for several years has had clauses put in it that indicate that we should do whatever we can to utilize private channels to accomplish the transaction rather than solely Government channels.

As a consequence my office on those occasions in which the Government feels we have an objective to carry out—and it is usually those very same kind of terms we were giving away for many years—we cooperate with those individual companies to make sure they understand what the Government's objectives are, and in some cases to make sure that they understand why the Government does not want them selling in a certain area, and work with those companies to either have the company directly carry out the transaction, such as the Raytheon Corp. which directly carried out a transaction with the Government of Saudi Arabia recently. It obviously took a great deal of Government-to-Government dealing as well as company-to-Government dealing.

Or where the country has no procurement facility here in the United States and wishes us to act for it to procure, in specifications quality control, we undertake for the country to contract with the U.S. contractor and we charge the country essentially whatever we contract it. Therefore, my office has both direct and indirect roles with industry in this area of foreign sales.

Mr. PASSMAN. Specifically on the sale of these M–16 rifles from Colt to Singapore, what agency financed the sales, the Export-Import Bank, the Defense Department, private banks, or what?

Mr. KUSS. It was neither, to my knowledge.

Mr. PASSMAN. It was a cash sale?

Mr. KUSS. A cash sale.

FINANCING OF MILITARY SALES BY EXPORT-IMPORT BANK

Mr. PASSMAN. Do we have an aid program in Singapore?

Mr. KUSS. I cannot answer that question.

Mr. PASSMAN. Of course, Mr. Secretary, the main reason we wanted you before the committee was to clear up the system used by the Export-Import Bank to finance the sales of military equipment. The Export-Import Bank, since its inception, has been financing the sales of only nonmilitary exports.

It has been a very fine institution and has had a lot of support from this committee. As one individual, I regret very much to see the Export-Import Bank get into the financing of the sales of military equipment. The way I see it, the purchase of military equipment is not

contributing to the development of the underdeveloped countries, and such a high percentage of the income of these underdeveloped countries is being diverted to this operation—in just 3 years I believe, you said $600 million—which represents a fairly substantial portion of the total amount of sales financed by the Export-Import Bank, does it not?

Mr. KUSS. I am not aware of their total budget.

PROJECTION OF MILITARY SALES TO BE FINANCED BY EXPORT-IMPORT BANK IN FISCAL YEAR 1968

Mr. PASSMAN. Do you have any projections as to what you are going to ask Export-Import Bank to finance in fiscal 1968?

Mr. KUSS. Of these types?

Mr. PASSMAN. Do you have any projections as to how much military sales that you would expect Export-Import Bank to finance for you?

Mr. KUSS. Yes. I have a potential of $256 million.

Mr. PASSMAN. Thank you.

AMOUNT AVAILABLE FOR FINANCING MILITARY EQUIPMENT OF LOAN GUARANTEED OR CREDIT FINANCING BASIS

How much money do you have available for the financing of military equipment on either a loan guaranteed basis or on a credit financing basis as of this date as it would apply to fiscal 1968?

Mr. KUSS. As it applies to fiscal 1968, Mr. Chairman, we expect to have during 1968, $55 million in cash repayments from prior-year loans avialable. We expect to have a release of $5.6 million in funds that we have been holding to guarantee loans because the loans have been paid off. We no longer have to hold the guarantee.

NEW OBLIGATIONAL AUTHORITY REQUEST

We expect to require something like $120.6 million in order to carry out a program estimated in the neighborhood of $300 million. Thus the balance, which is about $60 million, is what we are requesting in new obligational authority.

REVOLVING FUND

Mr. PASSMAN. Do you have a revolving account in the Defense Department for this purpose?

Mr. KUSS. Yes, sir.

Mr. PASSMAN. What is the total amount?

Mr. KUSS. The total revolving fund?

Mr. PASSMAN. Yes.

Mr. KUSS. I think the best place to look at that is in—it totals $440.9 million from new appropriations. During the period noted here in the report from 1958–68, it has undertaken obligations of $954.7 million, which means that we have turned over the account approximately once.

CREDIT SALES PROGRAM PLANNED IN FISCAL YEAR 1968

Mr. PASSMAN. Would you insert in the record, in the interest of time, the total amount available, and what size sales program you expect to finance out of all segments of it.

(The information follows:)

DOD funding of FY 1968 credit sales program

Resources available for obligation:	*Millions*
Unobligated balance brought forward July 1, 1967	$0.1
Collections from customers fiscal year 1968	55.0
Transfer from "Military assistance" appropriation fiscal year 1968	60.0
Recoupments (reprograming from prior year obligations)	6.4
Total	121.5
Deduct amount unprogramed June 30, 1968	—.9
Balance planned obligations fiscal year 1968	120.6

The above balance of $120.6 millions will permit a DOD credit sales program for FY 1968 of $292.5 millions.

NATURE OF LOAN GUARANTEE PROGRAM

You can also supply this for the record: Is the loan guarantee program on a 100-percent or fractional guarantee basis.

(The information follows:)

NATURE OF LOAN GUARANTEE PROGRAM

100% of the loans provided by the Export Import Bank or Private banks are guaranteed by DOD on State/DOD approved credit sales program, with 25% of the value of the loan held in reserve.

TOTAL CREDIT SALES, TYPE OF EQUIPMENT, AND TERMS

And you may also insert a table showing the terms of the credit sales, and furnish for the record a table showing the total sales, both guaranteed and credit, covering the past 5 years showing the name of the country, the dollar amount of the sales, the type of equipment sold, and the terms of such sales.

(The information was classified and submitted separately to the committee.)

CASH SALES

Mr. KUSS. You specifically excluded cash sales?

Mr. PASSMAN. Yes. That is the next question.

And you will also insert in the record a table showing all cash sales made to countries and indicate whether or not those countries are the recipients of economic aid, because if we are giving them economic aid which to pay for what they would normally use their own money to purchase from us, then of course that would leave to them the money they earn from exports to buy military equipment.

(The information for the record follows:)

Fiscal years 1962–66

[In millions]

Country	DOD cash sales [1]	Economic aid [2]	Country	DOD cash sales [1]	Economic aid [2]
Belgium		0	Japan		0
Denmark		0	Malaysia		0
France		0	New Zealand		0
Germany		0	Philippines		.5
Greece		$41.3	Thailand		144.0
Italy		0	Congo (Leopoldville)		160.0
Luxembourg		0	Ethiopia		62.8
Netherlands		0	Liberia		81.5
Norway		0	Libya		26.9
Portugal		0	Morocco		82.9
Spain		0	South Africa		0
Sweden		0	Tunisia		107.9
Switzerland		0	Argentina		108.1
United Kingdom	[Deleted]	0	Brazil	[Deleted]	821.8
Yugoslavia		0	Bolivia		155.6
India		1,772.6	Chile		445.9
Iran		88.7	Colombia		284.5
Iraq		1.6	Costa Rica		34.3
Israel		139.2	Dominican Republic		201.6
Jordan		205.3	El Salvador		42.1
Lebanon		0	Guatemala		18.8
Pakistan		924.7	Haiti		9.4
Saudi Arabia		0	Honduras		30.2
Turkey		607.0	Mexico		68.3
Canada		0	Nicaragua		43.0
Australia		0	Peru		76.8
China, Republic of		42.4	Uruguay		18.7
Indonesia		56.4	Venezuela		48.8

[1] Includes all orders placed on DOD and placed on U.S. industry with DOD assistance other than those involving credit assistance.

[2] Extracted from the special report for the House Foreign Affairs Committee (AID, Mar. 17, 1967). The sum of loans and grants for the period as shown on the 1st line of the country pages.

EMPHASIS ON MILITARY EQUIPMENT INTERFERES WITH BUILDING COMMON INTERESTS OF PEACEFUL PURSUITS

I am afraid there is too much emphasis on the sale of or the giving of military equipment. That is bound to keep people's mind on wars rather than on building the common interests of peaceful pursuits. I for one am greatly worried about it because we have about 74 nations, if we add the infrastructure countries to the three categories we mentioned, and that is about 65 percent of the total number of nations.

Mr. KUSS. May I make a comment?

Mr. PASSMAN. Surely.

ANALYSIS PRIOR TO ENTERING INTO MILITARY PROGRAMS

Mr. KUSS. I would like to assure you, Mr. Chairman, as I am sure the Secretary did yesterday, that we have this concern of yours uppermost in our mind as well, and that in those countries, for example, who are transiting from economic aid, as Iran, which was cut off in 1962 from budgetary assistance but still is receiving some military aid, we are extremely careful about how we go about our military program in that country. And invariably one of our most difficult diplomatic tasks is coming to a level of a program which is far under what the country itself desires. Invariably through a system of analysis not only by the military in the country, but by the central bankers in the country with our embassy, our military command, the State Department, Defense Department, and Treasury Department, an analysis is made of what the current revenues are available for the economic programs first, and

military programs are entered into only to the extent that it appears there are revenues available for that.

In the case of ———, considerable modification of country estimate downward was made before we accepted their estimates.

In the case of ———, the agreement itself exemplifies the type of agreement we have come to; namely, that the credit itself offered on an annual basis for the next 5 years would be subject to an annual economic review between ourselves and the country, central bankers, to determine that the revenues were coming in as predicted and being used to meet the economic program as required.

In the case of India, India was spending her own before we ever came into the picture, about $200 million in cash in Europe for military equipment.

Mr. PASSMAN. While we were giving them about $500 million a year in economic assistance. I thought I would add that to the record to help you out.

Mr. KUSS. That is why our agreement with ———, considering your concern, was very specifically directed toward putting a limit, an agreed limit, on the foreign exchange that would be spent for military equipment.

I could go on and on, country after country, throughout Latin America for example where in the last 5 years—in this underdeveloped country you have talked about—my office working with State Department, munitions control, has declined three times the amount of military sales that were involved.

I just want to be on the record, Mr. Chairman, that your concern is our concern and a great deal has been done to take care of it.

Mr. PASSMAN. I do appreciate your statement, Mr. Secretary. I respect all witnesses appearing before this committee. Without exception, I have never met one that was not dedicated. You must believe in these programs or I do not think you would associate yourself with them. But inasmuch as this is still America and we have a right to think and speak, I say that history, when it is written, is going to make all of us look stupid. We are attempting to work out the problems of all other peoples on the face of the earth, and it does not appear to me that we are capable of arranging our own business financially.

We are using up our resources very rapidly and our resources are the wealth of our country. It is a new concept—giving away our wealth by starting a military assistance program in half of the nations of the world is entirely a new concept and only history will tell whether or not we affected it.

AID TO IRAN

If I recall correctly we have a grant military aid program for Iran of some $——— million for fiscal 1968.

In addition, you have a sales program for them. If we look back over recent history, we find we have given to Iran some $671 million net in economic aid. Then we see where Iran is now entering into agreements to purchase $110 million worth of military equipment from Russia. If you understand it, God bless you.

I could not sleep last night trying to reconcile that one. It is pretty difficult to understand. So, as to soothe our conscience, if that is the purpose of it, we say, they are exchanging certain excess commodities, like gas.

Did you see the public statement about what they are purchasing from Russia?

Mr. KUSS. I am familiar with it; yes, sir.

Mr. PASSMAN. If you understand it, some day when we have more time, will you try to help me understand it because you could not do it this afternoon.

Mr. KUSS. I will be pleased to.

Mr. PASSMAN. The Secretary tried to answer it and I question whether you can do a better job than the Secretary did in explaining it away. The Secretary agreed it might be good to check into it to see whether or not there is actually exchange of gas for military equipment.

Mr. KUSS. I appreciate the opportunity, Mr. Chairman, for your letting me have my voice also in this.

Mr. PASSMAN. I would like to have it.

First, is it true they are negotiating a $110 million purchase of military equipment from Russia?

Mr. KUSS. I believe it is already negotiated.

Mr. PASSMAN. Already negotiated?

Mr. KUSS. Yes, sir.

Mr. PASSMAN. Beyond that it would be quite superfluous but if you want to get it in the record, have at it. What are they actually getting for $110 million?

Mr. KUSS. Largely trucks.

Mr. PASSMAN. Do they produce trucks in Iran?

Mr. KUSS. No.

Mr. PASSMAN. What is Iran giving Russia for the $110 million of military equipment? Until the delivery has been made I do not know what it is. If they are bartering, what is it they are giving in exchange?

Mr. KUSS. Gas that has been flared off and has never been used in the past.

Mr. PASSMAN. They have recaptured it or something?

Mr. KUSS. They are not using foreign exchange reserves.

Mr. PASSMAN. How do you know they are not?

Mr. KUSS. ———

Mr. PASSMAN. What is our public debt as of the close of business December 31 in this country?

Mr. KUSS. Mr. Chairman, you probably know better than I would about that.

Mr. PASSMAN. But you have all this information about the foreign governments. I thought possibly you had a little knowledge of what goes on here in the United States.

What is the President's total budget for fiscal 1968 in both sections? Would that be a fair question?

Mr. KUSS. Would you presume we should have sold the $100 million to Iran?

RIGHT OF INTERNAL AUDIT IN OTHER COUNTRIES

Mr. PASSMAN. I do not know. You seem to know that they are not using their foreign exchange. I have never believed you people knew too much about what goes on internally in other countries because you do not have the right to internal audit. You are doing business with people who tell you these things. I think Douglas Dillon, one of

the smartest men ever to come before this committee, just set forth rightly that we do not have the right of internal audit?

Do you, Mr. Secretary, really know, or do you take their word?

Do you have the right to go in and check their books to see whether these things are right or do you just take their word for it?

Mr. KUSS. ———.

Mr. PASSMAN. That is a fair statement: "a pretty good idea."

Mr. KUSS. Yes.

Mr. PASSMAN. When we are not dealing with money I would not try to pinpoint these things. But it just appears to me if we have ——— that likewise we should do a little bit better job back here keeping the budget balanced and not have to do a lot of these things on borrowed money. You do not quarrel with that statement?

Mr. KUSS. No, but as I started to say, I appreciate the opportunity to make my statement.

Mr. PASSMAN. I appreciate you making your statement.

Mr. KUSS. After reading and listening to the work of this committee for many years and knowing your desire and the other members of the committee that it is time that those countries who had the capability to pay their own way, should pay for their own equipment and not receive it on a grant basis, I think I would be happy, again at any time and at your convenience, to open my books to you and show you that this $11 billion in orders and commitments that we have received in the last 5 years, Mr. Chairman, are largely from the industrialized countries, and not from these kinds of countries that we are spending a great deal of time on here.

Mr. PASSMAN. Did you want to include that it has helped our balance-of-payments situation, too?

Mr. KUSS. I would be glad to.

Mr. PASSMAN. Or would you go quite that far?

Mr. KUSS. I believe it has.

Mr. PASSMAN. Let me say I am grateful for the information you furnish. I do not question the accuracy of your bookkeeping. I do question the accuracy of your knowledge of how foreign governments handle their foreign exchange account. Let that be as it may; we do know this, that much of this program is being financed on borrowed money. I do not have any desire to quarrel with any witness or any member of the committee. They have a right to evaluate these budget requests any way they want to. But we do know that we are facing a total budget request of some $170 billion to operate in fiscal 1968.

TOTAL REQUEST FOR FISCAL YEAR 1968

We know that our balance-of-payments situation is continuing out of balance. We know that the short-term dollar claims against our gold are continuing to mount, we know that our gold is continuing to diminish, and all in all it does not add up to a good fiscal picture. We also know that we are having to contend with a dollar that is losing its purchasing value and, as far as I am concerned, the foreign aid bill is continuing to go up every year. When I read the executive branch's public statements that they are only requesting $3,126,420,000 for fiscal 1968, and I know we would have to add the $241,700,000 for programs they propose to transfer out of this bill in order to get a

figure comparable with that of last year, it raises a serious question in my mind, and I do not care from what echelon of the executive branch the statements are issued.

I stand on this statement: That the total request in the several bills so far presented to the Congress for fiscal 1968, when you include the interest we are paying on what we have already borrowed to give away, will exceed $12 billion. How much longer we can stand it I do not know.

Thank you, Mr. Secretary, for the very valuable information which you have furnished to the committee. I can assure you that I do not know any less about it than I did when we started the hearing and I hope when I have read the transcript that I will understand more about it. But you have been abundantly fair in trying to impart information on a very complicated matter.

Now, this final question, Mr. Secretary, before we move over to the program of Admiral Heinz:

CREATION OF LARGER REVOLVING FUND IN LIEU OF EXPORT-IMPORT BANK FINANCING SALES

Would it be better, or would it have been better, to have created a larger revolving fund in the Defense Department to finance the sale of military equipment rather than to involve the Export-Import Bank, an organization that we have always relied upon to finance the sale of American commodities? Did you give any thought to that?

Mr. KUSS. Yes, sir. I have an opinion.

Mr. PASSMAN. Yes?

Mr. KUSS. It is my personal opinion because we did consider it. I come from very conservative leanings and background. I want the banking business to be run like a banking business. When you get into the sales and the credit side of the business you should run it on a conservative banking basis. We started out working very closely with Mr. Linder in getting tutelage about how best to do this, how best to set up our guarantee operations so that it was the firmest guarantee operation that exists. When we considered the alternative that you thought of we considered that through the process we are doing now, even though we have the alternative of going to private banks directly ourselves, we end up with Mr. Linder not borrowing the money from the Treasury, as you know, but Mr. Linder dealing really for the Government as one banker in obtaining the funds on the market that are necessary for this transaction. There are many reasons why we have this complicated setup we have here now. We are organized very closely with Mr. Linder because, as you note, a large part of it is work with Export-Import Bank directly or indirectly, so that we achieve the most conservative, the most disciplined banking approach to our operation we possibly can. We felt that it was better to have that one agency ultimately doing the banking business with all the other banks in the country, selling participation notes and arranging those programs and advising us than it would be to go into to the banking business ourselves in the Department of Defense.

Mr. PASSMAN. But you have both. You have the Export-Import Bank and you also have your revolving fund and your own portfolio.

Mr. KUSS. But most of the revolving fund was being worked with

Export-Import Bank. What remains in the portfolio is so marginal that we don't think the note ought to be sold because we don't want to have to sell notes on which we then have to invoke guarantees. It is again applying a very conservative approach.

Mr. PASSMAN. Thank you, Mr. Secretary.

Mr. KUSS. That is the reason why we have followed that course of action.

GROWTH OF MANUFACTURE AND SALE OF MILITARY EQUIPMENT

Mr. PASSMAN. I am sure you have many good reasons. I am not quarreling with them. It would appear to me that we are not very careful, inasmuch as we have made the manufacture and sale of military equipment an essential part of our economy today and it is getting to be a big thing. When you get the Export-Import Bank into the financing of military equipment sales it may dig too much into their authorized capital and we may have to take another look at it, because the push to sell more and more military equipment could use too much of their lending authorization for that purpose. I am sure that you do have a plan to keep it within reasonable limits, do you not?

Mr. KUSS. Yes. I am sure that you would look at their authorization willingly enough to recognize whether or not the total exports warrant an increased authorization.

Mr. PASSMAN. As far as I am concerned, I would get them out of the financing of military equipment tomorrow if I had to make the decision, and I think I could go to bed and sleep soundly after making that decision. It is not my prerogative to make that decision, so that is that. However, we are going to watch it very closely.

EFFECTS OF MILITARY EQUIPMENT SALES ON SALES OF OTHER EXPORTS

Let me say again I have nothing but praise for the Export-Import Bank. Mr. Linder is a very excellent administrator. It has been a very profitable operation, and I am sure it will continue to be. But it follows, nevertheless, that the Bank was created to finance the sale of American exports, and if it gets too heavily into the financing of military equipment it may react against the sale of other exports. We hope it will not do that.

Mr. KUSS. That is precisely the way we feel about Mr. Linder. That is why we followed his guidance.

I would just like to add, Mr. Chairman, that in fact military sales do not make up a large part of our economy. They are important to us politically, militarily. They do not amount to more than about 6 percent of our defense production industry. Many of our defense companies could care less whether they ever made a military export sale or not.

PROMOTION OF MILITARY EXPORT SALES

Mr. PASSMAN. Who is promoting it, then, the Defense Department?

Mr. KUSS. The Defense Department is—if you will note that most of the sales account for only about, overall, maybe 25 percent of the foreign countries' equipment purchase budgets. So we are not selling a

lot to them, either. Most of it is to countries who used to get a lot of grant aid during the 1950's, industrialized countries who find it would cost them 100 to 200 percent more to independently develop an airplane, let us say, and even France, for example, who was very sensitive about how they handle their internal industry chooses to take an American aircraft for a carrier because they have so few carriers rather than put the tremendous amount of funds into developing a completely independent aircraft.

PURPOSE OF MILITARY EXPORT SALES

The only thing we sell are marginal amounts of their total procurement budget. It amounts to a very small portion of our defense industry, and invariably it is to meet the objectives that I specified in my opening remarks, to meet and improve the position of our allies. Just because we stop giving grant aid does not mean our objectives in the Mutual Security Act change. To try to obtain standardization and cooperation in logistics, Mr. Chairman, the NATO Central Army Group ——— consists of ——— American and ——— German divisions under a U.S. Army commander and one side of the organization has a certain kind of reconnaissance equipment which is effective for long-distance reconnaissance, pinpointing targets. The other one does not have the same kind of equipment. It is useful for us, militarily, to try to get the same kind of equipment in the German divisions that we have in the American divisions.

Mr. PASSMAN. Mr. Secretary, I am not quarreling with that. That may be right. It may not be. If you think it is right, it may be. I may have reservations.

Mr. KUSS. I am hoping to change your mind.

PERCENTAGE OF THE EXPORT-IMPORT AUTHORIZATION USED FOR MILITARY EXPORT SALES

Mr. PASSMAN. I am talking about the total amount of the lending authorization of the Export-Import Bank. If you want to measure the Export-Import Bank against the entire budget that is something else. But I happen to know that $600 million in the 3 years is a fairly large percentage of the total lending activity of the Export-Import Bank which has been used to finance the sale of military equipment. It was not intended originally that the Export-Import Bank would do that type of financing. You people looked at it for many years before you started using the Export-Import Bank. Now, if we should wind up in 3, 4, 5 years where 60 or 75 percent of the total lending authorization is being used for the sale of military equipment it would be just something that we don't want. Now, let me say this to you, sir, and I think you know it is true: There are nations who have cash in excess and who could very easily pay for cash for what they buy, but on account of being able to buy military equipment on credit through the Export-Import Bank, are keeping their cash and are buying it on credit. Is that not true?

CREDIT FINANCING USED INSTEAD OF CASH FOR ARMS

Mr. KUSS. Mr. Chairman, of the $11 billion I told you about, $8 billion is cash and only $3 billion is credit.

Mr. PASSMAN. You missed the point altogether. I said there are nations who are borrowing money through the Export-Import Bank to pay for their military equipment who have cash in excess of their needs and could pay cash if they had to.

Mr. KUSS. I don't know of any.

Mr. PASSMAN. You read Mr. Linder's statement and you will find I made a statement of fact. Now, that would cause any man sitting on this side of the table to wonder why a nation that could pay cash—and they have the cash—would prefer to buy on credit. I do not have the answer. I have some reservations about it. Would you have a look at the statement some time?

Mr. KUSS. Yes, I would be glad to.

COUNTRIES WHERE THE MILITARY ASSISTANCE PROGRAM IS SECONDARY TO FOREIGN POLICY CONSIDERATIONS

Mr. PASSMAN. At the top of page 2 of the justifications, Admiral, I note the following statement:

> In certain countries grant military assistance may be required where other foreign policy considerations beyond military ones provide the primary justification.

Now, would you furnish a list of countries that are proposed to receive funds from the fiscal 1968 budget estimate where there is no military justification?

Admiral HEINZ. We have military justifications in all countries where we have military assistance programs. U.S. security interests are involved in all the programs.

Mr. PASSMAN. All right. Now, let us go to page 2 of your statement:

> In certain countries grant military assistance may be required where other foreign policy considerations beyond military ones provide the primary justifications.

Which would mean, of course, where the military justification is secondary to foreign policy. Do you have those?

Admiral HEINZ. There used to be a category in the countries which was called "Western orientation." We are referring to the fact that in many countries it is desirable to have, from both a foreign policy consideration as well as a military consideration, small programs of training.

NATIONS RECEIVING EQUIPMENT AFTER TRAINING-ONLY PROGRAMS

Mr. PASSMAN. This is somewhat controversial and I find that some witnesses are very quick and sensitive when you ask this question: Since the inception of the military assistance program, how many countries in the program started with a training program only, that subsequently started getting materiel?

Admiral HEINZ. I recognize that we gave you a list of this last year.

Mr. PASSMAN. That is right. That covered only one period.

Admiral HEINZ. There were seven countries.

Mr. PASSMAN. Seven, that is correct.

Admiral HEINZ. That was not one period, sir. I don't know of any period involved in that.

Mr. PASSMAN. What period did it cover?

Admiral HEINZ. That included countries that were included in the 1967 budget.

Mr. PASSMAN. Admiral, that covered only the countries for whom you had requests for money in the 1967 budget.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. We want to make this all inclusive. How do we go about getting the information?

Admiral HEINZ. This is all inclusive because there is no materiel country in the 1968 program that was not included in the 1967 program. There is a training country, as you recognize, but that list that you were given last year remains correct.

Mr. PASSMAN. How many countries previously had a military training only program and subsequently had an equipment program, that no longer receive military assistance and were not in your 1967 budget?

Admiral HEINZ. I would like to insert that for the record. I would have to go back and list all the countries that were deleted from the program prior to 1967.

Mr. PASSMAN. That is right.

Admiral HEINZ. I cannot give you that offhand.

Mr. PASSMAN. Will you get that information for us before we conclude the hearings? It is important to the committee to know how many countries that were previously in the program, started with a training program and subsequently went to a materiel program.

Admiral HEINZ. That had had been dropped from the program prior to fiscal 1967?

Mr. PASSMAN. That had been dropped prior to fiscal 1967.

Admiral HEINZ. I will get that for you as soon as I can.

(The information follows:)

MILITARY ASSISTANCE PROGRAMS—MATERIEL AND TRAINING

Of those countries deleted from the Military Assistance Program prior to FY 1967, there were none that started with a training program only and subsequently were programed to receive materiel assistance.

Mr. PASSMAN. Thank you very much, Admiral.

Admiral HEINZ. I don't know of any at the moment.

Mr. PASSMAN. What is the purpose of training personnel to use military equipment?

Admiral HEINZ. The purpose of training personnel to use equipment is, of course, so that they may make better use of the equipment they have.

Mr. PASSMAN. And if that wears out it would follow that they would have to procure other equipment to replace it; is that right?

Admiral HEINZ. When equipment wears out, you may or may not replace that equipment, depending upon whether your forces are increasing, are remaining static, or are decreasing. It is to be expected that everyone replaces equipment when it wears out, as you do your car and as I do my car.

Mr. PASSMAN. If it were conclusive that they would never have any use for equipment, then it would be useless to train them to use it, would it not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. That is a good answer and I am grateful. It is perfectly obvious, we both knew that, but I never have been able to get it in the record before. As per usual, you put it right on the line, sir.

FUNDS IN 1968 BUDGET FOR COUNTRIES EXPERIENCING A COUP LAST YEAR

Admiral, does the fiscal 1968 budget contain any funds for a program of military assistance to any country that experienced an illegal seizure of control of the government since you appeared before the committee last year?

Admiral HEINZ. There was a coup in Argentina in June of 1966 at which time military assistance to that country was suspended.

Mr. PASSMAN. For how long?

Admiral HEINZ. There was a partial release in October of deliveries of equipment which had been in prior-year programs. In July we had resumed training. Later in December, we resumed deliveries of spare parts items that were in the 1967 program.

Mr. PASSMAN. To a new government?

Admiral HEINZ. Yes.

Mr. PASSMAN. That encouraged some of the "outs" to overthrow the government. They figure they could expect us to resume deliveries of equipment when legally elected and inaugurated public officials——

Admiral HEINZ. I do not think it will encourage coups. There is no indication that military assistance encourages coups. ———.

Mr. PASSMAN. Coups are sometimes accomplished with arms?

Admiral HEINZ. Sometimes they are accomplished without arms.

Mr. PASSMAN. We both knew that, but I said sometimes they are accomplished with arms.

Admiral HEINZ. Sometimes they are accomplished with arms.

Mr. PASSMAN. That is right.

Admiral HEINZ. The coup in Argentina was in June of 1966, the armed forces took over the Government. I mentioned also that in the last year there has been a decided trend toward democratic elections in Latin America. The last election I believe was in March in El Salvador.

Mr. PASSMAN. One country changed governments four times. I have heard people testify for one government. That government would be overthrown and the same people would testify for the new government. It seems whatever government is in power we are going to look upon it with favor if we can, and say things are a lot better and we hope it will be better in the future. People have a difficult job explaining some of these things and I would not want to press the point and ask you to go into too much in detail other than to give us a list of all the nations at this point in the record.

(The information follows:)

SUCCESSFUL MILITARY COUPS, APRIL 1966–APRIL 1967

Five military coups have been successfully executed since April 1966: in Argentina (June 1966), Nigeria (July 1966), Burundi (November 1966), Togo (January 1967) and Sierra Leone (March 1967). Of these countries, three received no U.S. military assistance and Nigeria received only MAP training; Argentina alone received both military grant and sales assistance.

U.S. military assistance to Argentina, suspended for four months after the coup, has been resumed and is included in the FY 1968 program.

Mr. PASSMAN. And whether or not we are continuing a military program for the new governments. You mentioned two, I believe. If there are others put them in the record.

Admiral HEINZ. I mentioned the June 1966 coup in Argentina. There have also been successful coups in other countries throughout the world, not all of them receiving military assistance.

Mr. PASSMAN. Would you just as soon put it in the record, a list of them?

Admiral HEINZ. Yes.

Mr. PASSMAN. Very well.

COUNTRY PROGRAMS—INCREASING AND DECREASING

Admiral, page 4 of the justifications indicates that with the exception of Spain and Portugal, Western Europe and Japan, the fiscal 1968 program has additional countries where the program is being phased down consistent with their economic development.

Admiral HEINZ. Yes.

Mr. PASSMAN. Would you identify those countries, as I note from pages 6 and 7 that there are 17 countries out of the 34 listed that have an increase proposed for fiscal 1968 over their fiscal 1967 program.

Admiral HEINZ. I think the best way to explain this is to take the 32 material countries and compare their request for 1968 with the amount of military assistance given them, say, in the past 5 or 6 years.

Mr. PASSMAN. Would that answer my question if you do it your way rather than my way?

Admiral HEINZ. It would show that of those countries only four of them have a 1968 program requested which is greater than the average of the past 5 years.

Mr. PASSMAN. Admiral, that is all good information but so many times our enthusiasm on either side of the table gets away from the basic question. Let me ask it again.

Would you identify those countries, as I note from pages 6 and 7 that there are 17 out of the 34 listed that have an increase proposed for fiscal 1968 over the fiscal 1967 program? I want to deal specifically with those nations and these 2 years, 1967 and 1968. Would you mind helping me on this?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Thank you.

Admiral HEINZ. I would like to list those countries where there is an increased program for 1968 over 1967.

Mr. PASSMAN. All right.

Admiral HEINZ. The first program is Indonesia.

Mr. PASSMAN. I am asking about the ones being phased down, Admiral. You missed the point of the question.

Admiral HEINZ. The countries that are being phased down, we are trying to reduce the program and it is being reduced over the period of years.

Mr. PASSMAN. I am talking about 1 year only, Admiral, 1968 over 1967.

Admiral HEINZ. Yes. Countries are being phased down in accordance with their capability. Now, you will notice, for example——

Mr. PASSMAN. Let me go off the record a minute.
(Discussion off the record.)

SELLING OF MILITARY EQUIPMENT FOR LOCAL CURRENCY

Mr. PASSMAN. Inasmuch as you are on top of this situation and we went through the financing of equipment, we are not going to open it up again, except to ask one specific question: Are we selling any military equipment and accepting local currency in payment of it? Are we selling for local currency in lieu of dollars? Off the record.
(Discussion off the record.)
Admiral HEINZ. I do not know of any. Do you know of any sales for local currency?
Mr. KUSS. In fiscal 1968, there are none planned.
Mr. PASSMAN. How about fiscal 1967, what countries did we sell equipment to and receive payment in local currency from?
Mr. KUSS. I have no information here.
Mr. PASSMAN. You know, I do not think as fast as you do, Admiral, so let me get that answer before you go on.
Admiral HEINZ. I will give you an answer to which you may be referring.
Mr. PASSMAN. I am not referring to anything.
Admiral HEINZ. ———.
Mr. PASSMAN. That program is a mockery. If you have to do it that way, you have to do it that way.
Mr. Secretary, do you have any information now?
Mr. KUSS. The answer is "No" for those 2 years.
Mr. PASSMAN. The answer is "No."

TRANSFER OF FUNDS TO OPERATE U.S. ARMY LOGISTICS CENTER IN JAPAN

Admiral, page 5 of the justifications indicates a transfer of $10,400,000 in your fiscal 1967 program. Would you comment on that transfer?
Admiral HEINZ. That is $10.4 million. That is the amount justified to Congress last year for the operation of the U.S. Army Logistics Center in Japan. The responsibility for operation of this Center was transferred to the Department of the Army. Since we had justified operating funds for it, the amount of the funds budgeted for this were transferred to the Army. The Army now programs, budgets, and funds the depot. It had been operating it for us before. We were doing the programing, budgeting, and funding for it; now rather than being a MAP depot it is both an Army and a MAP activity in the Far East.

PROJECTS AND PROGRAMS TRANSFERRED OUT OF MAP TO THE DEFENSE BUDGET

Mr. PASSMAN. Admiral, at this point in the record would you give us a list of all projects and programs that you have transferred out of the military assistance program to the Defense Department budget?
Admiral HEINZ. We have transferred the program for Vietnam. We have also transferred the operation of the U.S. Army Logistics Center at Japan and which previously supported MAP equipment only but is now supplying both MAP and Army needs.

Mr. PASSMAN. Would that not in reality, in the true sense, mean an increase—that you are actually spending more for the military assistance program than you justify?

Admiral HEINZ. No.

Mr. PASSMAN. You are now paying for it with Defense funds, are you not?

Admiral HEINZ. This center has taken on additional functions. Its operation has been taken over by the Army. Defense policy is that if you transfer a function the resources budgeted for its operation are transferred with the function. This we did in fiscal year 1967.

Mr. PASSMAN. What part represents the cost of the new function now and what part represents the cost of the original planned function?

Admiral HEINZ. What part?

Mr. PASSMAN. Will you research it and put it in the record for us?

ADMIRAL HEINZ. If this number can be found.

(The information follows:)

TRANSFER OF $10.4 MILLION FOR OPERATION AND MAINTENANCE COSTS OF THE U.S. ARMY LOGISTICS CENTER, JAPAN FROM THE MILITARY ASSISTANCE APPROPRIATION TO MILITARY DEPARTMENT APPROPRIATION

In the past the Military Assistance Program budgeted and funded for the operation and maintenance of the MAP-owned supply depot in Japan known as the U.S. Army Logistics Center, located at Tokorozawa, Japan, operated for MAP by the Army with the cost of operations budgeted for by MAP.

Therefore, effective 1 July 1966, decision was made to transfer to the Department of the Army the responsibility for programming, budgeting and funding for the MAP depot. A consolidated PACOM country area depot is now in operation under the ownership and management of Army. This is not a change of support provided to MAP but rather a consolidation of facilities capable of more efficient operation. The transfer of $10.4 million to Army represents the expenditure for operation and maintenance costs for a depot in support of MAP requirements. The $10.4 million was budgeted for precisely that purpose. Therefore, the $10.4 million in question represents the operation and maintenance cost of the originally planned support for MAP, previously justified.

Inventory of supplies and repair parts located at the Tokorozawa depot was shipped to and consolidated with Army's depot stocks located at Sagami, Japan. The Sagami depot has assumed for MAP requirements as well as Army requirements. Since the Army will program, budget and fund operation and maintenance for the consolidated depot, these costs will not be programmed separately in future MAP.

MAP is now a customer and is provided support through normal Army supply channels as any Army customer. MAP funds will be allocated to the Army to cover reimbursement for requirements provided whether supply is effected from the Sagami, Japan depot or continental United States.

Mr. PASSMAN. Would it be fair for me to say to the committee that whatever part represents the expenditures on the old function, that amount is an increase in the military assistance program over and above what you justified last year?

Admiral HEINZ. We justified this amount to you last year.

Mr. PASSMAN. That is right, sir. You missed my question again. You transferred the total cost over to the Defense budget?

Admiral HEINZ. Yes.

Mr. PASSMAN. You said they assumed additional responsibilities?

Admiral HEINZ. For Defense operations.

Mr. PASSMAN. That is right. Now let's make the division. Some of it went to pay for the cost of the old function, some of it went to pay for the additional responsibility, did it not? Now, can you make a division?

Admiral HEINZ. All over to Army.

Mr. PASSMAN. Can you make a division and tell us what part of the money was actually spent to maintain the old function for which you justified the funds last year?

Admiral HEINZ. The operating cost of the depot which we justified to you were for the MAP functions. This year since we have transferred the money to the Army, the Army will not charge MAP for any operating costs.

Mr. PASSMAN. That is the point. That is what I am trying to get. Let us get that division. If there is $6 million of it that is being paid by Defense that we thought should be paid for out of military assistance funds that is the equivalent of a $6 million increase in the military assistance program, is it not?

Admiral HEINZ. No.

Mr. PASSMAN. In the Defense budget?

Admiral HEINZ. No.

Mr. PASSMAN. If they are picking up your checks and you are not turning back unobligated funds, then certainly you are increasing it by whatever the amount is that it costs the Army to carry out the old function.

Admiral HEINZ. No, sir. May I explain it again?

Mr. PASSMAN. What has been the annual cost of the logistics center in Japan?

Admiral HEINZ. About $10 million.

Mr. PASSMAN. Now, you testified for $10,400,000 last year.

Admiral HEINZ. Yes.

Mr. PASSMAN. Have you paid any of that out of the military assistance program?

Admiral HEINZ. We have transferred that amount of money to the Army.

Mr. PASSMAN. You did not answer my question. Are you paying for any of it out of the military assistance program last year?

Admiral HEINZ. That is the money—$10.4 million—we transferred from MAP to the Army.

Mr. PASSMAN. Then to the Army——

Admiral HEINZ. In fiscal year 1967, it is the money that we transferred to the Army for logistic services furnished to MAP by the Army.

FISCAL YEAR 1968 BUDGET FOR MAP PORTION OF LOGISTICS CENTER COSTS

Mr. PASSMAN. What is the amount in your 1968 budget?

Admiral HEINZ. The 1968 budget, the budget for the logistics center?

Mr. PASSMAN. For the same function for 1968.

Admiral HEINZ. For 1968 I have no budget for it.

Mr. PASSMAN. I know you do not, but what is the total budget of the Army?

Admiral HEINZ. I do not know that. The Army, on the other hand, will charge MAP for MAP supply operations depot costs as a part of their overall supply operation charge to MAP.

Mr. PASSMAN. Then are you saying——

Admiral HEINZ. Prior to this time the Army has made no charge to MAP for the operation of the center.

Mr. PASSMAN. How about in the future, will the Army pay the cost?

Admiral HEINZ. Yes. However MAP will pay to Army a prorated share of total costs dependent upon the services supplied to MAP. This will be a part of the sum MAP every year pays to the Army for supply and logistics services.

Mr. PASSMAN. Where is your money in the 1968 budget equivalent to this $10,400,000? Where are we going to find that? Since you have to reimburse Army——

Admiral HEINZ. Out of the total supply operations costs.

Mr. PASSMAN. But you have to have a specific item.

Admiral HEINZ. We have supply operations allocated to each country, if you will recall. The total of the supply operations costs for 1968 is estimated to be $69 million.

Mr. PASSMAN. Then you have no specific dollar request for this function for fiscal 1968?

Admiral HEINZ. No.

Mr. PASSMAN. Then how are you going to account for the expenditure when you reimburse them?

Admiral HEINZ. Because Army has to prove to us what they spend for the military assistance program.

Mr. PASSMAN. Had they done that before?

Admiral HEINZ. Yes. They have always charged us but not for the operation of this depot. Now, they will charge us for the operation of the depot.

Mr. PASSMAN. Or will they?

Admiral HEINZ. They will.

Mr. PASSMAN. You are not reimbursing them for the military assistance part for Vietnam?

Admiral HEINZ. No, not for Vietnam; they will bear that expense.

FUTURE TRANSFER OF PROGRAMS TO DEFENSE DEPARTMENT

Mr. PASSMAN. I really believe that you people are doing indirectly what the Congress has said they do not want you to do directly; that is, to get this program into the Defense budget. I am just trying to find out how much has been transferred over to the Defense budget because it may be subsequently you do not have to reimburse——

Admiral HEINZ. I know of no plans to transfer any future programs to Defense.

Mr. PASSMAN. Page 8 of the justifications indicates that an estimated transfer for fiscal 1968 is ———. Is that right, sir?

Admiral HEINZ. Yes, sir.

TRANSFER OF FUNDS AND PROGRAMS TO DEFENSE BUDGET IN FISCAL YEAR 1968

Mr. PASSMAN. Let's break it down, and does it cover Laos, Thailand, infrastructure, and international military headquarters?

Admiral HEINZ. It does.

Mr. PASSMAN. What is the other?

Admiral HEINZ. It covers only those four programs.

Mr. PASSMAN. No, that is $241,700,000.

Admiral HEINZ. The sum of $——— million concerns unpaid obligations and reservations—undelivered balances—brought forward from prior year programs. The amount of the programs in 1968 totals $242 million.

Mr. PASSMAN. You are taking the total from prior year programs?

Admiral HEINZ. Yes, that is right.

Mr. PASSMAN. Is this transfer related to the transfer out of the military assistance program for any other programs other than Laos, Thailand, Military Headquarters in NATO, and the infrastructure?

Admiral HEINZ. No, sir.

Mr. PASSMAN. That is the total?

Admiral HEINZ. Yes.

Mr. PASSMAN. You might as well furnish for the record a breakdown at this point.

Admiral HEINZ. Of those four programs?

Mr. PASSMAN. Yes.

Admiral HEINZ. I will give those to you.

(The information follows:)

MILITARY ASSISTANCE TRANSFER PROGRAMS

Unpaid obligations/reservations estimated for fiscal year 1968

	Thousands
Laos	[Deleted]
Thailand	
Infrastructure	
NATO headquarters and agencies	
Total	

AMOUNT AND VALUE OF EXCESS STOCKS AVAILABLE IN FISCAL YEAR 1968

Mr. PASSMAN. Would you furnish for the record a table showing the amount of excess stocks that are estimated to be available for each country in fiscal 1968 and the value?

Admiral HEINZ. I will.

(A classified table was furnished to the committee.)

TRAINING PROGRAMS IN FISCAL YEAR 1968

Mr. PASSMAN. As I read your justifications, your estimate for training for fiscal 1968 is $44,645,000; is that correct?

Admiral HEINZ. $44,645,000.

Mr. PASSMAN. Now inasmuch as that is for training only, is that a classified figure?

Admiral HEINZ. That is the total value of training. I do not think the total is classified.

Mr. PASSMAN. Would you insert in the record at this point the number of nations and the amount that each will receive out of the $44,645,000?

Admiral HEINZ. You have that on pages 17 to 19, sir.

Mr. PASSMAN. Yes, but I am asking you to put it in the record. I have all of this information. If it is a question of reading these books, and if it was just that, I would not have to send for you at all.

Admiral HEINZ. I would be happy to.

(The information follows:)

NATIONS RECEIVING MAP GRANT AID TRAINING

There are fifty (50) nations which will receive MAP Grant Aid Training during FY 1968. Of this number sixteen (16) nations will have CONUS only training programs. The CONUS only training nations are included in the Area programs. Included in the $44,645,000 is orientation influence training for distinguished military leaders from emerging African nations. The emerging African nations have not been defined for programming purposes, therefore, these nations are addressed as a single entry under DAML—Distinguished African Military Leaders.

These nations and the amount of their respective training programs in terms of thousands of dollars are:

Far East:	
[Deleted]	[Deleted.]
China, Republic of	[Deleted.]
Indonesia	[Deleted.]
Korea	[Deleted.]
Philippines	[Deleted.]
Far East area includes: Malaysia ———	[Deleted.]
Total Far East	$11,118
Near East and South Asia:	
Greece	[Deleted.]
Iran	[Deleted.]
Jordan	[Deleted.]
Saudi Arabia	[Deleted.]
Turkey	[Deleted.]
NESA area includes:	
Afghanistan	[Deleted.]
Ceylon	[Deleted.]
Iraq	[Deleted.]
Lebanon	[Deleted.]
Nepal	[Deleted.]
Syria	[Deleted.]
Total NESA	$9,597
Africa:	
Congo	[Deleted.]
Ethiopia	
Liberia	
Libya	
Morocco	
Tunisia	
Africa area includes:	
Ghana	
Guinea	
Nigeria	
Senegal	
Sudan	
DAML	
Total Africa	$4,373

Europe:	
Portugal	[Deleted.]
Spain	
Europe area includes:	
Austria ———	
——— ———	
Total Europe	$805
Latin America:	
Argentina	[Deleted.]
Bolivia	
Brazil	
Chile	
Colombia	
Dominican Republic	
Ecuador	
El Salvador	
Guatemala	
Honduras	
Nicaragua	
Panama	
Paraguay	
Peru	
Uruguay	
Venezuela	
Latin America area includes:	
Costa Rica ———	
——— ———	
Total Latin America	$13,000

COST OF TRAINING IN U.S. COLLEGES AND UNIVERSITIES

Mr. PASSMAN. Admiral, what is the dollar estimate for training which will be provided in U.S. colleges and universities at both the graduate and undergraduate level for fiscal 1968?

Admiral HEINZ. For all countries?

Mr. PASSMAN. Yes.

Admiral HEINZ. I will be happy to provide that for the record.

Mr. PASSMAN. The country, the number, and the amount.

(A classified table was furnished the committee.)

ORIENTATION INFLUENCE TRAINING

Mr. PASSMAN. I note that the estimate for orientation influence training is estimated to cost $2,587,000 for fiscal 1968. How does that compare with your orientation training cost in fiscal 1967?

Admiral HEINZ. We did not break that down for you. I will supply it for the record.

(The information follows:)

COST OF ORIENTATION/INFLUENCE TRAINING

The estimated cost for orientation/influence training for fiscal 1967 is $3,887,000.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Would you furnish for the record a table showing the name of the individual, his military rank, the type of training, the

duration of the training and the cost for individuals who received orientation training in fiscal 1966 and up to date in fiscal 1967?

Admiral HEINZ. Do you want the name of each person who received that training?

Mr. PASSMAN. Yes. Off the record.

(Discussion off the record.)

Admiral HEINZ. In 1968 it will include about 3,200 individuals.

Mr. PASSMAN. If it is that many, we will modify the request and ask for the number of individuals, the number in officer rank, the number in enlisted rank and the country. It would be easier to get that.

(The information follows:)

Orientation tour/observer training

Area and country	Fiscal year 1966			Fiscal year 1967		
	Officer	Enlisted	Total	Officer	Enlisted	Total
Far East:						
China, Republic of	52	0	52	52	0	52
Indonesia	0	0	0	39	0	39
Japan	27	0	27	43	5	48
Korea	68	0	68	42	0	42
Malaysia	5	0	5	5	0	5
Philippines	8	0	8	6	0	6
Thailand	30	0	30	34	0	34
Vietnam	46	0	46	0	0	0
Total	236	0	236	221	5	226
Near East and South Asia:						
Greece	82	0	82	44	2	46
Iran	112	4	116	51	0	51
Iraq	0	0	0	4	0	4
Jordan	3	0	3	3	0	3
Lebanon	2	0	2	3	0	3
Nepal	[Deleted]	0	[Deleted]	[Deleted]	0	[Deleted]
Saudi Arabia	16	0	16	15	0	15
Turkey	75	0	75	61	0	61
Total	[Deleted]	4	[Deleted[	[Deleted]	2	[Deleted]
Europe:						
Austria	0	0	0	4	0	4
Belgium	4	0	4	9	0	9
Denmark	13	0	13	3	0	3
[Deleted]	[Deleted]	0	[Deleted]	0	0	0
Germany	43	0	43	29	0	29
Italy	12	0	12	22	0	22
Luxembourg	3	0	3	0	0	0
Netherlands	8	0	8	16	0	16
Norway	3	0	3	4	0	4
Spain	6	0	6	0	0	0
Total	[Deleted]	0	[Deleted]	[Deleted]	0	[Deleted]

Orientation tour/observer training—Continued

Area and country	Fiscal year 1966			Fiscal year 1967		
	Officer	Enlisted	Total	Officer	Enlisted	Total
Africa:						
Congo	10	0	10	5	0	5
Dahomey	0	0	0	4	0	4
Ethiopia	6	0	6	7	0	7
Ivory Coast	0	0	0	4	0	4
Mali	2	0	2	0	0	0
Morocco	9	0	9	10	0	10
Nigeria	0	0	0	3	0	3
Sudan	2	0	2	4	0	4
Tunisia	2	0	2	0	0	0
Upper Volta	4	0	4	4	0	4
Total	35	0	35	41	0	41
Latin America:						
Argentina	154	0	154	209	2	211
Bolivia	62	7	69	68	38	106
Brazil	310	2	312	300	4	304
Chile	39	1	40	79	2	81
Colombia	84	2	86	32	3	35
Costa Rica	19	0	19	0	0	0
Dominican Republic	18	8	26	26	3	29
Ecuador	25	38	63	43	4	47
El Salvador	12	4	16	36	5	41
Guatemala	21	0	21	30	3	33
Honduras	17	1	18	20	3	23
[Deleted]						
Nicaragua	32	0	32	37	32	69
Panama	20	579	599	22	612	634
Paraguay	52	1	53	34	4	38
Peru	100	1	101	200	2	202
Uruguay	22	2	24	46	2	48
Venezuela	88	56	144	78	8	86
Total	[Deleted]	[Deleted]	[Deleted]	[Deleted]	727	[Deleted]
Nonregional	1,040	32	1,072	1,560	140	1,700
Summary:						
Far East	236	0	236	221	5	226
Near East and South Asia	[Deleted]	4	[Deleted]	[Deleted]	2	[Deleted]
Europe	[Deleted]	0	[Deleted]	[Deleted]	0	[Deleted]
Africa	35	0	35	41	0	41
Latin America	[Deleted]	[Deleted]	[Deleted]	[Deleted]	727	[Deleted]
Nonregional	1,040	32	1,072	1,560	140	1,700
Total	2,800	739	3,539	3,380	874	4,254

DOD INFORMATION PROGRAM

Admiral HEINZ. Yes. You see, the reason for this number is that many students coming to the United States for military courses also get a short orientation training as part of the DOD information program.

Mr. PASSMAN. What is that?

Admiral HEINZ. The information program.

Mr. PASSMAN. You mean military training?

Admiral HEINZ. No. It is the information program, in which we want to assist trainees from foreign countries in acquiring a balanced understanding of U.S. society, institutions and goals, in addition to military experience.

All agencies of the Government, State, AID, and other agencies which sponsor educational programs for foreign students, cooperate in such an effort.

Mr. PASSMAN. Are there any prizes, awards, or special consideration for those who think up these complicated programs that get us into all these involvements?

Admiral HEINZ. If there was a prize or an award the man who started this was named Kennedy.

Mr. PASSMAN. Kennedy?

Admiral HEINZ. Yes.

Mr. PASSMAN. I guess I will have to stop there. I was quite an admirer of the late President Kennedy.

Off the record.

(Discussion off the record.)

CONTRACT PERSONNEL TRAINING

Mr. PASSMAN. I note that your estimate for contract personnel training for fiscal 1968 amounts to $461,000. What type of training is provided to the ——— under this estimate, Admiral?

Admiral HEINZ. These will be contract training technicians. Their exact jobs I will provide for the record.

(The information follows:)

CONTRACT PERSONNEL TRAINING

The type of training provided to Dominican Republic, ———, Peru, ——— and Libya, ——— is English language training.

CIVIL ACTION PROGRAMS

Mr. PASSMAN. Will you furnish for the record an updated table for civil action programs similar to the one you submitted last year on page 618 of the hearings?

Admiral HEINZ. I will.

(The information follows:)

U.S. military assistance funds for civic action programs, fiscal year 1962 through fiscal year 1967 [1]

[In thousands of dollars]

	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
Latin America:						
Argentina			298	1,253	286	67
Bolivia		1,817	397	239	118	305
Brazil	2,200	2,156	2,097	2,386	1,901	204
Chile	860	2,019	1,279	391	715	655
Colombia		1,488	1,655	550	639	1,023
Costa Rica			222	13	1	
Dominican Republic		596	59	64	111	194
Ecuador	1,500	323	709	476	81	192
El Salvador		534	145	99	64	23
Guatemala		863	567	133	341	398
Honduras		84	20	240	38	63
[Deleted]				[Deleted]	[Deleted]	
Nicaragua		59		3	1	1
Panama			2	44	39	33
Paraguay		840	1,111	596	1,064	528
Peru	1,135	2,794	1,271	2,411	3,130	401
Uruguay		546	431	286	77	65
Venezuela			23	47	41	29
Region					1	4
Area total	5,695	14,119	10,286	[Deleted]	[Deleted]	4,185
Far East:						
Cambodia		792				
Indonesia		2,887		69		2,309
Korea	3,140	385	1,084		45	237
Laos			[Deleted]	[Deleted]	[Deleted]	[Deleted]
Philippines		930	22	32	19	2,562
Thailand		3,617	851	1,866	1,070	2
Vietnam	3,900	35,343	1,132	25		
Region	750					
Area total	7,790	43,954	[Deleted]	[Deleted]	[Deleted]	[Deleted]
Near East, south Asia and Africa:						
Congo (Kinshasa)				[2]		
Ethiopia			167	6	5	[Deleted]
Greece			10		7	3
Guinea				783	80	
Iran	1,221	404	668	6	7	
Jordan	198	1,276	174	61	7	24
Liberia		463	66	88	19	66
Libya			6			
Mali			5	230	291	8
Morocco					18	
Pakistan		7				
Senegal		183	66	276	392	30
Sudan			[2]			
Tunisia			2			
Upper Volta				8	8	
Area total	1,419	2,333	1,164	1,458	834	[Deleted]
World total	14,904	60,406	14,547	12,714	10,652	[Deleted]

[1] Fiscal year 1962 was the 1st year that civic action assistance was so identified in MAP. Fiscal year 1968 is estimated to have a worldwide total of $9,700,000.

[2] Less than $500.

COST OF SHIP LOAN LEGISLATION

Mr. PASSMAN. Do you have any money in your 1968 budget for the cost of ship loan legislation?

Admiral HEINZ. Directly and indirectly.

Mr. PASSMAN. Indirectly is just as expensive as direct, is it not?

Admiral HEINZ. If you will let me explain.

Two destroyers were authorized for Argentina as part of the 1965 ship loan legislation ———.

Mr. PASSMAN. Is there any other?

Admiral HEINZ. Funds for one destroyer for ——— are also included in the fiscal year 1968 credit assistance program.

Other ship loan legislation transfers funded will be in fiscal year 1967. These included two ——— for ——— and one ——— for ———.

Mr. PASSMAN. That will be in 1968?

Admiral HEINZ. The ——— is in the 1967 program. ———.

Mr. PASSMAN. That is something that has already been obligated. The question has to do with fiscal year 1968.

Admiral HEINZ. You have ——— the possibility that credit assistance to ——— will include the value of the ships transferred to that country.

Mr. PASSMAN. $——— million, you said.

Admiral HEINZ. Yes.

Mr. PASSMAN. Is that all, just those two?

Admiral HEINZ. We anticipated that the ——— will complete their credit financing of ——— in 1967 and ——— in 1968.

Mr. PASSMAN. Are you proposing any new ship loan legislation?

Admiral HEINZ. No, sir.

FINANCING PECULIAR SPARE PARTS

Mr. PASSMAN. Admiral, at page 25 of the justifications I note the statement, "Policy for financing peculiar spare parts has been changed to require the military department rather than MAP to fund such spares," is that right, sir?

Admiral HEINZ. That is right.

Mr. PASSMAN. Does this mean this is another facet of the military assistance program that is being transferred over to the Defense Department appropriation?

Admiral HEINZ. No, sir. It means that at one time MAP supported stockage of spare parts for equipment, which was no longer in the military departments inventory, and for which the military no longer had requirements to support, or to stock spare parts for. This equipment and spare parts support was termed MAP peculiar. When the military departments assumed responsibility for support of Vietnam they then had to stock spare parts for equipment, which formerly was MAP peculiar. The new policy no longer requires MAP to fund stockage for spare parts of any equipment.

Mr. PASSMAN. Previously it had been financed out of MAP funds?

Admiral HEINZ. Yes.

Mr. PASSMAN. Now it is being transferred to the Defense funds?

Admiral HEINZ. Yes.

Mr. PASSMAN. In what amount?

Admiral HEINZ. The Army and the Air Force received $53.8 million worth of spare parts which MAP owned. We gave that to the services; $53.8 million. In return MAP was given a drawdown of $53.8 million on military departments stocks of spare parts.

Mr. PASSMAN. What do you propose for 1968?

Admiral HEINZ. None. This had been financed over a period of time by MAP. The MAP equity was $53.8 million.

Mr. PASSMAN. Subsequently it will be financed by the Defense Department?

Admiral HEINZ. Yes. However, the MAP equity was $53.8 million and that equity is available for MAP drawdown.

Mr. PASSMAN. That is good information, but now the answer to my question?

Admiral HEINZ. They gave us drawdown on spare part stocks on a broad basis in 1967. In 1968—and subsequent to transfer in 1967—the services are stocking spare parts for all equipment since the category of MAP peculiar equipment is now very small. MAP is not stocking spare parts, but MAP is paying for all spare parts as issued.

Mr. PASSMAN. I don't understand now as much as I did. That is not your fault, but we are going to start all over.

At page 25 of the justifications, I note the statement "Policy for financing peculiar spare parts has been changed to require military department rather than MAP to fund such spares."

That means that in previous years MAP financed these spares. In subsequent years Defense will finance these spares. Have I made a statement of fact?

Make it simple where I can understand it.

Admiral HEINZ. Yes.

They will fund the stockage of these spares.

Mr. PASSMAN. What is the difference in stockage and paying for them?

Admiral HEINZ. It depends upon whether you are talking about what you put on the shelf or what you issue. Previously MAP paid to stock spare parts, which were issued at no cost to MAP. Now MAP pays for the spare parts as issued.

Mr. PASSMAN. I don't care whether they put it on the shelf or bury it in the ground. Previously it had been paid for by MAP. Subsequently it will be paid for by Defense, is that right?

Admiral HEINZ. That is correct. I am talking about stockage.

Mr. PASSMAN. I am only talking about who paid for it, and not whether they put it in stock. The procurement cost previously was paid for by MAP and subsequently will be paid for by Defense?

Admiral HEINZ. But when it is issued, MAP will pay for it.

TRANSFER OF STOCKAGE COST TO DEFENSE

Mr. PASSMAN. Defense will pay for it?

Admiral HEINZ. For stockage.

Mr. PASSMAN. You never paid for it until it was transferred in the past?

Admiral HEINZ. MAP paid for stockage. If I may explain this for many types of equipment no longer in use in the departments, but supported by MAP, MAP had paid for stockage of spare parts. MAP had bought the spare parts and put them on the Army shelves. When

these spare parts were issued, they were issued at no cost to MAP because MAP funds were used for their procurement.

The services are now also supporting equipment in Vietnam that was previously supported by MAP. They have to stock spare parts, on the same basis as they do for equipment in their own inventories. Thus under the old policy you would have had MAP spare parts for a vehicle, and service spare parts, the same type of spare parts for a similar vehicle. This would have been inefficient and expensive. So, MAP gave Army all the spare parts that it owned, and Army gave MAP an equal amount of a drawdown on spare parts. Now, whenever spare parts are issued to a MAP country, MAP pays for them.

Mr. PASSMAN. I thought Defense always procured MAP supplies—that you had no direct contracts; that Defense always bought for you; is that right?

Admiral HEINZ. We provided the funds for stockage to the military departments.

Mr. PASSMAN. The Defense Department is the procurement agency. You have no direct contracts with the suppliers, and they are still going to do your procuring?

Admiral HEINZ. Yes.

Mr. PASSMAN. If they stock this and it subsequently becomes necessarily excess, then it could be given to the countries without any charge, other than a rehabilitation charge; is that right?

Admiral HEINZ. If we come to that; yes.

Mr. PASSMAN. In reality, by this new method we would have no way of knowing what they had procured for MAP and what they had procured for Defense until such time as you had a need; is that right?

Admiral HEINZ. I do not get into their procurement for Defense.

Mr. PASSMAN. I didn't say anything about procurement.

Admiral HEINZ. You had mentioned procurement.

Mr. PASSMAN. They have procured it and put it in stock. Not for you, but for Defense. Then subsequently you say "We want something."

Admiral HEINZ. And I pay the military departments for it when it is issued.

Mr. PASSMAN. Instead of knowing what you had obligated your money for, you will not enter into any obligation until they have issued the parts?

Admiral HEINZ. That is correct.

Mr. PASSMAN. So you have a contingent liability not covered in this justification. They are carrying certain parts for you which you have not funded, for which you have made no deposit, but they have purchased them knowing that subsequently you are going to pay for them?

Admiral HEINZ. They have been doing this ever since the inception of MAP.

Mr. PASSMAN. They procured them for you?

Admiral HEINZ. For items common to MAP and the military departments.

Mr. PASSMAN. But you have stated specifically here that you are changing the system.

I know why you are doing it. The requirement being for parts for the war effort in Vietnam and parts for some of the countries that are

not involved. I am just trying to find out what the contingent liability may be. They are stocking parts for you and you will only know at the time you requisition what the cost will be?

Admiral HEINZ. That is right.

Mr. PASSMAN. Previously you had to estimate what the cost would be and request funds for it; is that correct?

Admiral HEINZ. That is correct. I am now on a pay-as-you-go basis for all items. MAP no longer pays for stockage of spare parts for support of the few MAP peculiar items remaining.

Mr. PASSMAN. Which means there is a contingent liability of which we have no idea what the cost will be until the need develops because they are not procuring specifically for you; they are procuring defense-wide and will bill you only if you need them. If you don't need them, you don't buy them?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Let's don't confuse it now.

Admiral HEINZ. I am afraid you are confusing it.

Mr. PASSMAN. We both agree it is correct and the first thing you know we will start disagreeing on the same matter.

BUDGET ESTIMATES, APPROPRIATIONS, AND UNOBLIGATED BALANCES

Would you please update the table on page 611 of last year's hearings, which relates to the estimates of appropriations and unobligated balances?

Admiral HEINZ. Yes.

(The information follows:)

Budget estimates, appropriations, and unobligated balances continued available

[Millions of dollars]

Fiscal year	Budget estimate	Appropriation	Unobligated continued available in subsequent year
1950	1,314.0	1,314.0	213.2
1951	5,178.0	5,222.5	759.7
1952	5,997.7	5,744.0	436.1
1953	4,598.4	4,219.8	1,905.9
1954	3,648.6	3,230.0	2,422.5
1955	1,580.0	1,192.7	33.9
1956	1,442.2	1,022.2	195.5
1957	3,000.0	2,017.5	538.8
1958	1,600.0	1,340.0	21.5
1959	1,800.0	1,515.0	52.1
1960	1,600.0	1,300.0	50.9
1961	2,000.0	1,800.0	58.1
1962	1,885.0	1,600.0	64.2
1963	1,500.2	1,325.0	25.8
1964	1,405.0	1,000.0	4.4
1965	1,055.0	1,055.0	22.2
1966	1,170.0	1,170.0	11.1
1966 supplemental	[1] 375.0	[1] 375.0	----
1967	917.0	792.0	[2] 11.1
Total	42,065.9	37,234.7	6,827.0

[1] Appropriation to liquidate sec. 510 authority utilized in fiscal year 1965 ($75,000,000) and fiscal year 1966 ($300,000,000).
[2] Estimated.

PAY AND ALLOWANCES OF PERSONNEL ASSIGNED BY THE DEPARTMENT OF DEFENSE TO MAP

Mr. PASSMAN. Would you also furnish for the record an updated version of the table on page 16 of last year's hearings which relates to the pay and allowances of personnel assigned by the Department of Defense to the military assistance program?

Admiral HEINZ. Yes, sir.

(The information follows:)

ADMINISTRATIVE EXPENSES—COSTS PAID FROM MILITARY DEPARTMENT APPROPRIATIONS

No separate accounting is maintained as to the value of U.S. military pay and allowances provided to MAP from military department appropriations. During the period 1966–68, these costs are estimated as follows:

[In millions]

	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
For military pay and basic allowances	$63	$40	$34
For PCS travel (approximately ⅓ of total cost)	8	6	5
For medical care, dependent school, etc.	5	4	3
Total	76	50	42

PROCUREMENT OF LOCOMOTIVES FOR THAILAND

Mr. PASSMAN. Would you comment briefly on the recent General Accounting Office report on the procurement of locomotives for Thailand, which indicates the military assistance program spent about $1 million for locomotives which did not meet Thailand's specific requirements?

Admiral HEINZ. The procurement of locomotives is not a recent procurement.

Mr. PASSMAN. I didn't say recent procurement.

Admiral HEINZ. The original procurement of locomotives was made in 1963. The Department of the Army, who had action on this matter, accepted responsibility for a procurement deficiency, in that the locomotives did not fulfill the main line requirements for Thai use.

The Army therefore procured replacement locomotives and no charge was made to MAP funds for the original locomotives.

Mr. PASSMAN. Who made the error, Admiral, to begin with, the Thais?

Admiral HEINZ. The Army.

Mr. PASSMAN. They procured them for MAP?

Admiral HEINZ. The Army procured them for MAP.

Mr. PASSMAN. How did this come about that they requisitioned locomotives that did not meet Thailand's specific needs or requirements?

Admiral HEINZ. The locomotives actually developed difficulties after arriving in Thailand.

Mr. PASSMAN. Did they ever put them in use, Admiral?

Admiral HEINZ. They are in use.

Mr. PASSMAN. These same locomotives?

Admiral HEINZ. These same locomotives are in operational use for short haul and yard operations.

Mr. PASSMAN. When the Army replaced them and charged the cost to the Defense Department, did you make any charge to Thailand or to MAP for their error?

Admiral HEINZ. There was no charge to MAP for the original locomotive. The 10 replacement locomotives have been provided for main line operation, procured by negotiated contract in order that they would be compatible with locomotives the Thais had bought with their own money.

Mr. PASSMAN. Did the Thais make any payment at all on the 10 locomotives furnished not according to specifications?

Admiral HEINZ. There were grant aid under MAP.

Mr. PASSMAN. Originally?

Admiral HEINZ. Originally, yes.

Mr. PASSMAN. What was the total cost? What was the total cost of the 10 locomotives?

Admiral HEINZ. The cost was about $1 million for the original 10 locomotives.

Mr. PASSMAN. For all 10?

Admiral HEINZ. Yes.

Mr. PASSMAN. Did they attempt to modify the locomotives to meet the requirements?

Admiral HEINZ. They tried to, and they just wouldn't stand up under main line service.

Mr. PASSMAN. In what way?

Admiral HEINZ. The trouble was mainly with the gearing.

Mr. PASSMAN. Do we have similar locomotives in this country?

Admiral HEINZ. To my knowledge, we do not.

Mr. PASSMAN. This was special?

Admiral HEINZ. They were procured by the U.S. Army. The difficulty with them developed in 1964, as I recall we then had the Army replace them. Title to the original locomotives is to be taken over by the Army. Whether Army, upon replacement of the new locomotives will give them to Thailand or keep them for their own short haul use is up to Army.

Mr. PASSMAN. Those locomotives intended as grant aid, when the Army replaced them with locomotives that met their requirements, the locomotives became the property of——

Admiral HEINZ. The Thais and the original locomotives——

Mr. PASSMAN. I was referring to the original locomotives.

Admiral HEINZ. The original locomotives will become the property of the Army.

Mr. PASSMAN. The Army will give them to the Thais or negotiate some settlement?

Admiral HEINZ. Yes.

Mr. PASSMAN. You know about which one, don't you?

Admiral HEINZ. This is Army's problem.

Mr. PASSMAN. You know where you would bet your money, wouldn't you? Whether it will be a gift or a sale?

These locomotives that replaced the 10 that were originally procured, are they specifically used for the movement of military equipment or are they in general use in that country for passengers and freight?

Admiral HEINZ. They are in general use in Thailand. I would say these locomotives are mainly for logistics support.

Mr. PASSMAN. Why would the military assistance program get involved in buying locomotives dealing with the general Thai economy?

Admiral HEINZ. In 1963 there was a special logistics improvement program in Thailand. This included improving railroad capability——

Mr. PASSMAN. That was the SLAT program?

Admiral HEINZ. Yes. ———.

Mr. PASSMAN. This is the first time I ever heard of locomotives to be used on the Thai railroads to move freight or passengers being financed by the military assistance program.

Admiral HEINZ. At that time we were concerned with the logistic ability to move items through Thailand and up country.

Mr. PASSMAN. You didn't put them in use because you just wanted to move military equipment. This is just in the interests of the general economy for Thailand, is that right?

Admiral HEINZ. They were provided for with military assistance funds under an agreement with the Thai Government to strengthen logistic facilities of Thailand for the support of U.S. and other forces in the event of a commitment to that country.

Mr. PASSMAN. You are going back to the time when you had very little use for it. You didn't move very much military equipment 7 or 8 years ago. Did you say 1962?

Admiral HEINZ. 1963.

Mr. PASSMAN. You are talking about 5 years ago.

Admiral HEINZ. We put some forces in the country at that time if you will recall.

Mr. PASSMAN. Admiral, to be perfectly honest with you, I think that we will agree that the executive branch runs this Government just about the way they want to, and they stretch these laws until it is almost out of the bounds of reason. It is pretty hard to justify the purchase of 10 locomotives for Thailand by the military assistance appropriation when we know that primarily they are used in the general economy in Thailand. The percentage of military equipment they would move at that time was a very small percentage of the total tonnages moved. Would that be a fair statement?

Admiral HEINZ. I would say at that time, yes, very small.

Mr. PASSMAN. And I will tell you, they go pretty far afield and I think you would worry as much as we do, if we don't assume our responsibility for running this Government. We have ourselves to blame and not you wonderful people. This is something I never heard of before, even in this program.

Gentlemen, we will recess until tomorrow morning.

THURSDAY, APRIL, 6, 1967.

Mr. PASSMAN. The committee will come to order.

Mr. Shriver.

AMOUNT REQUESTED FOR PROGRAMS TRANSFERRED TO DEFENSE BUDGET

Mr. SHRIVER. Admiral, you may have answered this yesterday, but I would like to have it repeated. You have removed from this request before this committee military assistance for Laos, Thailand, NATO, infrastructure, and international military headquarters. What is the total of those amounts you are now requesting in the Department of Defense budget?

Admiral HEINZ. The total of those four programs is $241.7 million.

Mr. SHRIVER. How does that compare with last year?

Admiral HEINZ. We are requesting $241.7 million, the 1968 figure that is in the Defense budget. The comparable figure for fiscal 1967 is $278.4 million. For 1966, it was $189.6 million.

Mr. SHRIVER. I am talking about 1968.

Admiral HEINZ. The fiscal year 1968 figure is $241.7 million. The fiscal year 1967 figure for those programs is $278.4 million. Fiscal year 1968 is $37 million less than 1967.

Mr. SHRIVER. No; the amount appropriated.

DECREASE IN INFRASTRUCTURE

Admiral HEINZ. In the program figures for 1967 for these four programs, $278.4 million. The amount in the budget for 1968 is $241.7 million. The big difference is that infrastructure is high in 1967 and has gone down in 1968. There was a big item for NADGE in the 1967 budget.

Mr. SHRIVER. Yes.

Mr. PASSMAN. Those are very excellent questions and we are glad to have them pinned down on that basis.

COMPARISON OF 1967 APPROPRIATION WITH 1968 BUDGET REQUEST

If we put the total together, your request for new authorization or new obligational authority for fiscal 1968 is really $837,700,000 against $792 million last year, when you include those programs that have been transferred out, is that correct?

Admiral HEINZ. The request for 1968 is $837.7 million.

Mr. PASSMAN. Against how much last year?

Admiral HEINZ. The comparable request for last year was $917 million.

Mr. PASSMAN. The appropriation for last year?

Admiral HEINZ. The appropriation for last year was $792 million.

Mr. PASSMAN. If we compare your new request against what was appropriated last year, there is an increase of what amount?

Admiral HEINZ. The difference between our request for this year, including those four programs.

Mr. PASSMAN. And the appropriation last year.

Admiral HEINZ. The difference is $45.7 million.

Mr. PASSMAN. Thank you very much.

Thank you, Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

Admiral HEINZ. This is new obligational authority. The total programs, of course, are different from those two figures.

REMOVAL OF SANGLEY BASE IN THE PHILIPPINES

Mr. SHRIVER. I have read newspaper accounts that President Marcos has requested that we remove one of the bases from the Philippines. Would you care to comment on this?

Admiral HEINZ. This is correct. The request is one that came from the Foreign Office. ——— asked that we relinquish Sangley Base. Sangley Point is mainly an air station; and it is used for ASW reconnaissance, 7th Fleet and other maritime operations. Also, the Coast Guard operates out of there in support of loran stations.

We have responded to the Philippines. ———.

Mr. SHRIVER. Are there any other bases in danger of the same treatment over the world?

Admiral HEINZ. In any part of the world?

Mr. SHRIVER. Yes.

Admiral HEINZ. None that I can think of. France, of course, has happened. But I do not know of any other bases which we have been asked to vacate. ———.

PERCENTAGES OF TOTAL GOVERNMENT EXPENDITURES USED FOR DEFENSE BY RECIPIENT COUNTRIES

Mr. SHRIVER. The justifications show the percent of gross national product spent by the various countries for defense purposes.

Do you have any information that would be helpful to us of the percent of their total governmental expenditures represented by defense efforts? Do you have that kind of information?

Admiral HEINZ. The total budget is shown here and also the total defense budget.

Mr. SHRIVER. So it could be figured?

Admiral HEINZ. Yes.

In the Philippines, for example, it shows that the total budget is $733 million and the defense budget, $81.1 million. So it would be about 11 percent.

Mr. SHRIVER. Could you pick out some of these countries and supply that for the record?

Admiral HEINZ. Yes. I can give you national defense expenditures as a percentage of the total budget.

Mr. SHRIVER. Their own defense expenditures.

Admiral HEINZ. As part of their own budget?

Mr. SHRIVER. Yes.

Admiral HEINZ. I would be happy to supply that.

Mr. SHRIVER. Represented by their own defense efforts.

(The information follows:)

Self-financed defense as percent of total Government expenditures

Area and country	Percent of total Government expenditures self-financed defense	Fiscal years ending
Far East:		
China, Republic of	41.3	June 30, 1966
Korea, Republic of	8.6	Dec. 31, 1966
Philippines	10.9	June 30, 1966
Near East:		
Greece	20.0	Dec. 31, 1966
Iran	22.2	Mar. 20, 1966
Saudi Arabia	21.0	Oct. 25, 1965
Turkey	26.1	Feb. 28, 1967
Europe:		
Portugal	33.8	Dec. 31, 1966
Spain	24.7	Do.
Africa:		
Congo (Léopoldville)	14.6	Dec. 31, 1965
Ethiopia	21.8	July 7, 1966
Liberia	4.3	Dec. 31, 1965
Libya	7.3	Mar. 31, 1966
Morocco	16.1	Dec. 31, 1966
Tunisia	4.2	Do.
Latin America:		
Argentina	12.9	Do.
Bolivia	12.9	Do.
Brazil	16.7	Do.
Chile	13.0	Do.
Colombia	22.0	Do.
Dominican Republic	16.2	Do.
Ecuador	10.3	Do.
El Salvador	9.0	Dec. 31, 1965
Guatemala	9.6	Dec. 31, 1966
Honduras	8.1	Do.
Nicaragua	9.6	Do.
Panama	.6	Do.
Paraguay	26.1	Do.
Peru	11.3	Do.
Uruguay	9.2	Dec. 31, 1965
Venezuela	9.4	Dec. 31, 1966

Source: Based on data in congressional presentation document "Military assistance program, fiscal year 1968 estimates."

COMPARISON OF TRAINING PROGRAMS COST WITH SIMILAR COSTS OF U.S. PERSONNEL

Mr. SHRIVER. In the justifications on one of the pages, outlined is the cost of the various training programs. How do these training programs and the cost compare to similar costs for our U.S. personnel? I am talking about page 14.

Admiral HEINZ. One thing that is included here is cost of travel. However, the course costs in general would be about the same. Most of this training is conducted at schools where U.S. students also are present.

DECREASE IN AMOUNTS FOR CONTRIBUTED CURRENCIES

Mr. SHRIVER. On pages 125 and 126 of the justifications the amounts for contributed currencies utilized for administrative and training support and host government assistance in kind are down substantially. How do you explain that?

Admiral HEINZ. The amount of contributed currency is down for two main reasons: First because of decreases in the size of some MAAG's and, second, because of the proposed transfer of the Thailand program. Indian and Pakistan no longer contribute currencies. We used to have a large U.S. military mission in India and a large MAAG in Pakistan. They are reducing to their new authorized strength of 15 in India and 17 in Pakistan, and we anticipate further reductions. The Ethiopian contribution is reduced because of the decrease in training personnel between 1967 and 1968.

Also, Thailand's contribution of AIK is not included in the total amount because we propose to transfer Thailand to the Defense's budget. The other countries are about the same.

PAYMENT FOR SPARE PARTS FOR SOVIET WEAPONS IN INDONESIA

Mr. SHRIVER. Yesterday you were discussing with the chairman a different approach relative to the payment for spare parts.

Admiral HEINZ. Yes, sir.

Mr. SHRIVER. I noticed on page 34 of the justifications you say that the Indonesian Armed Forces are equipped with Soviet weapons which are in need of repair.

Admiral HEINZ. Yes.

Mr. SHRIVER. Is any of the $——— million requested for fiscal 1968 to be used to repair these Soviet weapons?

Admiral HEINZ. No. As a matter of fact, they are having a problem getting spare parts for their Soviet equipment. I think that a lot of it will be cannibalized and put out of commission. ———.

PURCHASE OF TRUCKS OR AUTOMOBILES FROM JAPAN

Mr. SHRIVER. Are there any plans for the purchase of trucks or automobiles from Japan?

Admiral HEINZ. No, sir.

EFFECT OF SUSPENSION OF MILITARY ASSISTANCE TO INDIA AND PAKISTAN

Mr. SHRIVER. What is the effect, if you care to comment on it, of the overall defense picture in the Near East and South Asia of the suspension of our military assistance to India and Pakistan.

Admiral HEINZ. I think the major effect of the suspension of our aid to India and Pakistan was to help bring the fighting to a close ———. It has helped to reduce tensions.

Pakistan has shopped around in many countries in the West for support for its equipment. ———. India has had a varied source of supply for its equipment and is continuing to receive equipment from various sources.

We are trying to hold down their expenditures for arms. It is a difficult thing to do. Our policies are laid out with that in mind. As the Secretary may have mentioned, we may sell, on a case-by-case basis, spare parts for some of this equipment in the future.

ASSISTANCE TO THE ARAB STATES AND ISRAEL

Mr. SHRIVER. Moving to another area in the Middle East, we have since 1948 provided military grant aid and credit assistance in the amount of $343 million to the Arab States and $28 million to Israel in an effort to stabilize both sides. Yet today we are faced with even more threats of violence in that area due to the increased strength of the belligerents on both sides, apparently. It seems to appear to me that a powder keg is developing there.

Admiral HEINZ. ———. Our assistance to Saudi Arabia has been on a grant and a sales basis. Our assistance to Israel is on a credit sales basis. There has been a great influx of equipment in that area, to Egypt and to Syria from the Soviet Union. This influx of Soviet equipment, more than anything else, is engendering the arms race in the Middle East. It provides the means whereby Egypt can support the Yemen operation; however we continue to try to hold down to a minimum equipment going into the area. It is a difficult problem.

The estimate I have is that $ ——— billion in arms has gone to UAR, Syria, Iraq, and Yemen from the Soviet Union——

Mr. SHRIVER. What was that amount?

Admiral HEINZ. ——— billion.

Mr. SHRIVER. In what period of time?

Admiral HEINZ. Since 1955. Of course, we have provided nothing to those countries in the way of equipment. Our total equipment—for Lebanon, Jordan, and Saudi Arabia combined—would probably be about $60 million in grant aid.

Mr. SHRIVER. That is all, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. Conte?

Mr. CONTE. Mr. Chairman, if I may, I would like to ask Mr. Kuss a few questions.

Mr. PASSMAN. You proceed in your own way.

Mr. KUSS. I apologize for not being here.

Mr. CONTE. That is perfectly all right.

LONG-RANGE OBJECTIVES OF MILITARY SALES PROGRAM

What are the future general long-range objectives with regard to the overall foreign military sales program, including sales to industrialized as well as underdeveloped countries?

Mr. KUSS. I can state that in two forms: One, our basic objectives to the industrialized countries are essentially the same as they have always been stated in the Foreign Assistance Act. That has been to

facilitate mutual security arrangements throughout the world and the act has always stated that wherever this can be done in a nongrant aid fashion it should be done so. We have been deliberately trying to develop a program for selected equipment whereby the industrialized countries who are allied with us and will continue to be allied with us, even though they are now economically capable, may buy the kind of equipment impossible for them to develop independently, because it would cost 100 to 200 percent more than in this country and add it to their forces.

Therefore, they would have secondly, standardized equipment along with our forces who are going to fight alongside of them.

Mr. CONTE. How about the underdeveloped countries?

Mr. KUSS. To the underdeveloped countries our objectives are not different in that under the Mutual Security Act we have always felt, and the act states, that we should be prepared to help people deter, defeat if necessary, internal, and external aggression.

We do not believe that the external aggression threat exists in any great extent in many of the countries we are selling to. We think the Communists have found means of leaping over that overt method of attack. We find that almost every country needs to have some force to maintain itself at least in an internal security basis and in some cases, as in the regional problem of the Middle Eastern area, an ability to see to it that there is no internal regional threats that can be pursued.

Obviously we do not sell to those who cannot afford to pay. In those countries who can afford to pay, which have oil revenues or which are spending dollar foreign exchange amounts elsewhere, and where we believe they have a valid internal security or local external security threat, one which we would have recognized anyway under the grant aid program, we are prepared, as long as it does not destabilize conditions and as long as it is consistent with our economic programs in the area, we are prepared to sell. To be more specific with you in quantitative terms as to objectives, our projections that the total exports of military equipment which have always been a government kind of thing in the United States, never a commercial kind of thing, in the period of 1962 to 1971 both grant and sales will not be any larger in total than during the 1950's. The big difference will be——

SALES AND GRANT AID IN THE FUTURE

Mr. CONTE. Of course during the 1950's you had a big buildup, in NATO.

Mr. KUSS. Yes, sir. You have the same kind of buildup coming in NATO now replacing much obsolescent equipment, equipment that does not last more than 10 years in this day and age. Airplane equipment that the British were taking on 10 years ago, they have replaced probably twice since then. There was about $22 billion of material exported in the 1950's.

The sum of $17 billion of that was grant aid; $5 billion of that was sales. We do not really expect as our projection in the future for the United States to have any larger total exports than that for the 1962–71 period, except that we expect it to be about reversed. At this time

there will be about $15 to $17 billion in sales and about $5 billion in aid—and I am talking hardware now, excluding services, I am using commerce definitions of hardware—the situation will essentially be reversed.

Of that $17 billion in sales we would expect 90 percent to be to the industrialized countries, and so far we are on track with that. We can almost project the rest of the outcome with what has happened already in the first 5 years of the program.

Ninety percent of it to the industrialized countries of the world, and about 10 percent to the Middle East, Latin America, African non-industralized countries of the world.

PROCEDURES AND METHODS IN DETERMINING APPROPRIATE WEAPONS FOR PURCHASING COUNTRIES

Mr. CONTE. Mr. Kuss, could you describe the procedures and the methods by which it is determined what weapons will be appropriate for the purchasing country and are these decisions for the most part the result of our recommendation, or are they based often on a specific request of the receiving country?

Mr. KUSS. Yes, sir I can. Let me distinguish between the industrialized and the nonindustralized countries. First, with respect to the industrialized countries, they almost all fit within formal alliance structures that we have. The NATO countries, Bilateral Alliance with Japan, the Australian-New Zealand Alliance and the SEATO arrangement, and so forth. In almost all those cases there are force goals that have been developed between our Joint Chiefs of Staff, approved by the State Department, and those countries. So the initial impetus for whatever it is they are going to spend their money on essentially comes from those joinly agreed force goals.

Secondly, the countries—the industrialized countries—are spending about, according to our 10-year projections again, $54 billion of their own money for hardware. So they are in the procurement market themselves.

If you recall, I said that I expected we would only sell about $12 billion of this to them. This means they are good procurement and requirements people, and they shop around for the very expensive items, the items which they cannot make themselves. They usually make their own vehicles, their own rifles and a wide range of things. This is precisely why Britain buys certain airplanes in the United States. This is precisely why Germany buys certain items in the United States, because it would cost them 100 to 200 percent more to make them independently. So in that shopping around—I use that term loosely, it is a military type of shopping around—they come to our Army, Navy, and Air Force, and spend considerable months on what we might call airman to airman, Navy man to Navy man, considering the weapons characteristics and availability.

It was through this method that the German Government looked at the possibility of building three missile destroyers in their own country and in working with our Bureau of Ships, now our naval Ship Systems Command, determined they could not come close to the price of building a guided-missile destroyer that we had in the United

States. This was surprising because we are not the lowest priced builders in the shipbuilding business. But it is a complicated ship. It is an entirely technological operation. As a consequence of that comparison, and that kind of activity that goes on back and forth between the industrialized countries and ourselves, the Germans finally made the decision—not we—that they are going to purchase three guided-missile destroyers which are built in the United States.

Mr. CONTE. Would you say that in general the purchasing country determines what specific weapons of war they want?

Mr. KUSS. With respect to the industrialized countries.

Mr. CONTE. And we provide it?

Mr. KUSS. As long as it is within our force goals.

Mr. CONTE. How about the underdeveloped countries? What about when Ethiopia wanted fighter planes and bombers and we gave them or sold them to that country?

Mr. KUSS. We can speak very specifically country by country as we go on, if you like.

Mr. CONTE. You can get a lot of this for the record in order to save time.

(The information follows:)

PURCHASE OF DESIRED WEAPON SYSTEMS BY UNDERVELOPED COUNTRIES

Although underdeveloped countries usually attempt to select the specific weapons of war they want, U.S. controls follow the negative sales policy of discouraging arms purchases which do not accord with U.S. force goal objectives.

———.

The above actions exemplify the desire of underdeveloped countries for modern sophisticated weapon systems which be believe they do not have the economic, financial or technical capability to acquire, operate and maintain and which, in many cases, would create regional arms imbalance.

GRANT AID AIRPLANES TO ETHIOPIA

Mr. CONTE. Could you give the answer to the Ethiopian problem specifically?

Mr. KUSS. While I am looking for that, let me make the general comment that in these countries we have declined requests of theirs in requirements three times—we have declined three times to sell the amount of the requests. So you can see very quickly that from our point of view we are not selling what they are requesting.

Truthfully, I do not recall having sold anything to Ethiopia.

Mr. CONTE. You must have given them those planes, then.

Admiral HEINZ. It was a grant aid program.

Mr. CONTE. Let the record show we gave the planes to them, which is even worse.

I do not think they had money to buy them anyway. I do not know how they got the money to fly them.

Mr. KUSS. The very clear and evident answer to your question is that we have declined three times what has been requested of us.

Mr. CONTE. Have they gone to other suppliers?

Mr. KUSS. Yes, some of them.

Mr. CONTE. Will you get for the record where they have gone to other suppliers?

Mr. KUSS. Yes.

Mr. CONTE. And what instruments of war and what countries.

(Information for the record follows:)

PURCHASES FROM FOREIGN SOURCES FOLLOWING U.S. REFUSALS

It is estimated that total sales lost for reasons of U.S. policy approximate $3 billion. If the value of spare parts and associated secondary items were added, this total would be substantially greater.

OPERATIONS AND RESPONSIBILITIES OF OFFICE OF DEPUTY ASSISTANT SECRETARY OF DEFENSE

Mr. CONTE. Could you give us a brief rundown of the operation of your office including a breakdown of the responsibilities of your four sales teams and the methods they use to carry out their assignments?

Mr. KUSS. Yes, sir.

First let me say that my office is an outgrowth, if you will, of the fact that at one time I supervised the military assistance planning operation and became very aware of the fact that there had to come a time when if we were going to continue facilitating our arrangements with other countries militarily we had to develop ways and means of doing this on a government-to-government basis. This is not a commercial industry the way the United States deals with it. So my office was established to bring about the communication necessary between largely the industrialized countries and ourselves on ways and means of providing the arms and supplies just as we did in lend-lease after Dunkirk.

Mr. CONTE. I do not want to be rude and I do not want to interrupt you, but do you go around with a briefcase and portfolios and try to sell military supplies and weapons like an automobile salesman?

Mr. KUSS. My office never has yet, principally because we have been kept so busy with people coming to us that there is absolutely no need for us to operate as a salesman. It is not only that there is no need, but it is not our business to do so. Our business is to try to respond to requirements such as Prime Minister Wilson's request to the President, "Will you help us out on three aircraft that we do not want to develop ourselves?" For agreement between the Minister of Defense of Germany and the Minister of Defense of the United States, there are no bag-carrying salesmen in this office.

My job, I am afraid, is to act like a bureaucrat and to coordinate with five other regions in international security affairs for Europe, for the Far East, and so forth, to meet every Monday afternoon with the State Department and review what is going on, every Thursday afternoon with the Treasury Department to review the financial ends of the business, weekly with the armed services, monthly with the Joint Chiefs, and to see to it that all of this machinery ends up with a product. Sometimes it is difficult to end up with a product after all that machinery—but that is my job. We are not bag carriers.

Mr. CONTE. You can elaborate on the four-team operation for the record when you get the record back to your office.

Mr. KUSS. Yes, sir.

(The information follows:)

ORGANIZATION OF INTERNATIONAL LOGISTICS NEGOTIATIONS, OASD/ISA

The Office of International Logistics Negotiations is an integral part of the Office of the Assistant Secretary of Defense for International Security Affairs and is headed by Deputy Assistant Secretary Henry J. Kuss, Jr.

Under two deputies to Mr. Kuss, one primarily for Weapon Systems and one for Management, there have been constituted six directorates each of which is charged with activities for specific countries and also with functional responsibilities as set forth below:

1. Air Weapon Systems Directorate

Principal Negotiating Assignments: Federal Republic of Germany, Austria, Belgium, Netherlands, Luxembourg

Secondary Functional Assignments: Coordination of ILN Air Weapon Systems export planning and related reports; conduct multi-country Air Weapons negotiations; coordinate the weapon systems management activities of the three Weapon Systems Directorates.

2. Navy Weapon System Directorate

Principal Negotiating Assignments: United Kingdom, Canada, Sweden, Norway, Denmark, Finland

Secondary Functional Assignments: Coordination of ILN Navy Weapon Systems export planning and related reports; conduct multi-country Navy Weapon Systems planning and negotiations; conduct procurement planning and negotiations, including common defense market planning.

3. Ground Weapon Systems Directorate

Principal Negotiating Assignments: Italy, France, Spain, Switzerland, Portugal, Yugoslavia, NATO

Secondary Functional Assignments: Coordination of ILN Ground Weapon Systems export plans and related reports; conduct multi-country Ground Systems planning and negotiations; administration of non-recurring cost recovery policy; review of export policy on advanced technology.

4. Management Control Directorate

Principal Negotiating Assignments: Iran, Saudi Arabia, India, Pakistan

Secondary Functional Assignments: Design, installation and operation of a management control system for foreign military sales and related activities; establishment of integrated internal and external procedures and schedules; determination of requirements for management information; acquisition, formulation and presentation of such information for Management decisions.

5. Financial Management Directorate

Principal Negotiating Assignments: Australia, Japan, New Zealand, Taiwan, Thailand, Malaysia, Burma, Philippines, Korea, Vietnam

Secondary Functional Assignments: Maintain coordination with Treasury Department, Ex-Im Bank and banking community for all ILN financing; develop credit financing guidance and Government and commercial Military Export Programs; manage credit program for all military exports, including private and Ex-Im Bank direct financing, guarantee financing, MAS revolving fund financing and sale of notes to financing institutions, including Table 722; provide negotiating assistance to all ILN Teams on credit financing; coordinate CINCPAC activities.

6. Economic Management Directorate

Principal Negotiating Assignments: Latin America, Africa, Greece, Turkey, Jordan, Israel, Lebanon, Iraq

Secondary Functional Assignments: Maintain coordination with AID and Economic Officers at State on ILN economic matters; develop economic guidance for ILN export programs for both industrially developed ad developing coun-

tries; on the basis of economic analysis, develop new program techniques for management, negotiations and implementation of Government and commercial military export programs.

EFFECT OF WAR IN VIETNAM ON SUPPLY OF MILITARY EQUIPMENT FOR SALES PROGRAM

Mr. CONTE. Mr. Kuss, we have read a lot in the papers about shortage of planes and helicopters and other material of war as a result of the conflict in Vietnam. What has been your experience concerning the effect of the war in Vietnam on the supply of military equipment available for the program that you administer?

Mr. KUSS. My experience is as follows: Secretary McNamara has adopted a policy that all of those people who are allied with us and whose forces fight with us will be given the same priority treatment as our own forces.

Mr. CONTE. Let me interrupt there. That takes in the Koreans and the Australians?

Mr. KUSS. Yes.

Mr. CONTE. That is it?

Mr. KUSS. Yes, it does.

Mr. CONTE. When you talk about our allies, that is it?

Mr. KUSS. It takes in the Koreans, Australians, NATO.

Mr. CONTE. They are not fighting with us in Vietnam.

Mr. KUSS. They are part of the NATO alliance with which we are allied.

Mr. CONTE. They are not contributing to the joint effort in Vietnam.

Mr. KUSS. We carry a worldwide organization. We have forces in Europe that are not contributing to Vietnam either, but they are part of our effort to maintain the position against the Communist strength in Europe.

Mr. CONTE. Do you think we should give them any consideration whatsoever for material when they are not assisting us in Vietnam?

Mr. KUSS. If I may finish my statement——

Mr. CONTE. Go ahead, I am sorry.

Mr. KUSS. The system of priority says that anybody in battle gets first priority. Therefore, the people in battle get first priority. The system says that there is a second, third, fourth priority, and so forth, and the ——— German divisions which go with the ——— American divisions under the same army in Europe in time of war, under the same U.S. commander, get equal priority, but not before Vietnam.

It is after Vietnam.

TREND TOWARD SALES AND AWAY FROM GRANT AID

Mr. CONTE. One of the guidelines taken into account for military assistance planning is that grant aid should be terminated and items provided thereafter on a sales basis when the developing country is in a position to be able to afford this. Do you play a role in reaching this kind of determination?

Mr. KUSS. Yes, sir.

RESPONSIBILITY FOR CONTROL OF ARMS

Mr. CONTE. In your statement you talk of the U.S. role as a controller of arms as well as a seller. With whom do you coordinate in order to reach a determination as to whether, taking all factors into account, it would be appropriate to sell the arms involved to potential buyers, and what kind of a role has the arms control and disarmament agency played in these determinations?

Mr. KUSS. The principal responsibility for the control of arms in the executive branch resides with the Secretary of State. He has a deputy Under Secretary for Political affairs, and the man I met with every Monday that I mentioned to you is his Deputy Assistant Secretary for Politico Military Affairs. Under that man also comes the Munitions Control Office, which controls commercial military sales. Therefore, weekly, at least, we meet and on each and every action cable that goes out by my staff it must be coordinated with his office, which in turn coordinates with the bureaus, the regional bureaus, throughout the State Department. It is true that the Arms Control and Defense Agency, as they have testified to Senator Gore, have principally occupied their time in the past with nuclear control programs. In the last several months they have been participating with the State Department in this review of all of our actions.

I say that the principal responsibility for our foreign policy control over our arms, and the statutory responsibility for munitions control, resides in the Secretary of State, and that is the office with which we deal.

INSTANCES WHERE THE UNITED STATES HAS DECLINED TO SELL ARMS

Mr. CONTE. You told the chairman and the committee, and you said it here again today, that your sales activity in the Middle East, Africa, and Latin America, for the past 5 years is equal to three times or more the amount sold there during that period of time. Will you for the record give us some examples where we have declined to sell arms to any of the industrialized countries that we deal with because of the arms control consideration?

Mr. KUSS. I would be very glad to.

(The information is classified and has been supplied to the committee.)

COMMERCIAL SALES OF ARMS

Mr. CONTE. With respect to the $2.4 billion of arms sales by private commercial sources to foreign countries in the last 5 years, what role if any does your office play in these transactions? Are any efforts being made by your office or others to see that the arms being sold by private commercial sources are appropriate for the purposes that they are being purchased for, and are any efforts being made to oversee the pricing of these weapons.

Will you start by answering the first part of the question, the $2.4 billion sold by commercial houses.

Mr. KUSS. Let me answer two ways. The principal responsibility for overseeing the commercial sales resides in the Munitions Control

Office of the Department of State by Executive order. That office, when they get the request for an export license from the manufacturer or the request for a production license agreement, usually refers it to the Department of Defense.

Many people in the Department of Defense, not only my office—we have security review offices and each of the armed services review the case—we have armed services reviewing it from the point of view of whether we want to let the manufacturer make it available because it would cut into our own supply of arms. We have an Arms Control Deputy Assistant Secretary in our office. They get a crack at it, if you want to put it that way, and they make their recommendations back to the State Department. That is the answer to the first part of the question. The second part is that of the $2.4 billion in commercial sales, a good part of it are sales which result from initial government actions at the Secretary of Defense level similar to those I discussed with you before, and which are developed by our office. The Foreign Assistance Act says we should use private channels wherever possible to implement the transaction. So that a good part of that $2.4 billion are things like the components that Raytheon shipped to Europe on the HAWK production license arrangement there which was part of an arrangement initially organized by the Government. A good part of it is the material that was shipped from all over the country for the Lockheed F–104 production in Europe.

The largest value of that $2.4 billion really stems from production license arrangements, such as that which are better made company to company and implemented that way, but were initially government sponsored and government controlled.

Mr. CONTE. Do you oversee the pricing of any of these items?

Mr. KUSS. Of the commercial items, we do not. We offer a service sometimes. There is one example I can think of. We have a close logistic relationship with the German Government because of such a large amount of dealing. They have asked for special auditing services from us on their commercial contracts, and we have done it in that case.

DEFAULT AND POSTPONEMENT OF PAYMENTS UNDER MILITARY SALES CREDIT PROGRAMS

Mr. CONTE. What has been your experience with default and postponement of payments for military sales financed by military sales credit programs? Could you give us a figure on that?

Mr. KUSS. Yes, sir; I can. We collected $223 million in the last 5 years and we should have collected $238 million. Our experience in defaults or refinancing has been that we have had to refinance $15 million of the program into future years.

Mr. CONTE. Could you give us the countries?

Mr. KUSS. Yes. ———.

STATUS OF SALES PROGRAM TO WEST GERMANY

Mr. CONTE. Could you give us the status of your sales program to West Germany, which in the past had been emphasized because of the

large role that it plays in offsetting the expenditures of American dollars in West Germany by the American personnel stationed there?

Mr. KUSS. Yes, I can.

Mr. CONTE. You can get that for the record.

Mr. KUSS. If it will speed up matters, I will be glad to.

(The information follows:)

US/FRG FOREIGN MILITARY SALES PROGRAM

Since the inception of the Foreign Military Sales Program, the Federal Republic of Germany has purchased from the United States Government a total of $3.2 billion in military goods and services. Of this amount, a total of $2.5 billion has been delivered, leaving an undelivered balance of approximately $700 million. In addition, the FRG has purchased through commercial channels additional military goods and services at a level of approximately $100 million per year over the past several years.

DISCOURAGEMENT OF SALES OF MILITARY EQUIPMENT SOUGHT FOR PRESTIGE PURPOSES

Mr. CONTE. The following statement is made in the justification book: "We shall continue to discourage sales of military equipment to countries which may seek to acquire it primarily for prestige purposes just as we recognize the danger of sales which contribute to the development of arms races among neighboring countries or divert limited country resources from more urgently needed economic and social development."

Would you expand on this statement, including an explanation of how this policy is carried out and perhaps a few examples of what you have done in this field?

Mr. KUSS. I think that the answer to that question will be quite clear when I give you the examples that you asked for earlier of what we have declined in sales over the years. But let me at this point just give you a slight example. We do not believe, and have not believed for a long time, that the economies and that the military establishments of Latin America require a million, a million and a half or a two million dollar supersonic fighter.

Mr. CONTE. Amen.

MILITARY EQUIPMENT PURCHASES BY LATIN AMERICA

Mr. KUSS. We have been working diligently to negotiate, to talk these people diplomatically into forestalling all internal actions that would aim toward that direction, ———. When you got over the first hump of the problem, the problem has been that there are British Vampire and Venom squadrons. I do not know whether you know it but there are almost as many British aircraft in Latin America today—jet fighters—as American. There are many obsolescent, costly aircraft. The problem has occurred in some countries where they have said, "All right, we will give up two squadrons and consolidate into one squadron in order to bear the expense of the new aircraft. We are not growing," they say, "we are contracting."

So we deliberately say, "All right, but we still think it is a misuse of expenditures," and our next step is to try to find something else that will temper the problem. ———.

In Chile they acquired used overhauled Hawker-Hunters. They were overhauled and are in better condition than the aircraft they replace. In Venezuela the same kind of a deal was made, ———.

When it broke in the newspaper it sounded like there was a big arms program. If you had known what it looked like from where we started, you would have an example of what we have done to keep this depressed ———.

PURCHASE OF MILITARY EQUIPMENT MADE POSSIBLE BY GRANT AID

Mr. CONTE. It is discouraging to see that they are able to get around us. We can turn them down and they go to some of our allies that we are helping out. I think the chairman really hit on this where we are giving grant aid to some of these countries and then they turn around and use their own resources to buy this military equipment.

Chile purchased $13 million—you mentioned Chile—worth of high performance Hawker-Hunter jets from the British. This is a lot of money for a country that is wobbly on its feet right now and could use every plugged nickel it could get to develop itself.

It should be plowing that money into education and doing away with some of the misery and sickness and hunger that they are faced with down there.

Mr. KUSS. ——— the Hawker-Hunters are not high performance jets.

Mr. CONTE. $13 million is a lot of money. I don't care what it's for; it's a lot of money, even if they are buying kites with it.

Mr. KUSS. ———.

Mr. CONTE. Where are they going to get $40 million? You have to agree with me that to a country that is struggling like Chile, $13 million is a lot of money.

Mr. KUSS. I do not know where they got the $13 million, to tell you the truth.

Mr. CONTE. We are giving them grant aid. That is the whole point. Then they divert that grant aid for these Hawkers.

TOTAL ECONOMIC AID TO CHILE

Mr. CONTE. Mr. Chairman, for the record at this point, I think we ought to insert what we have given Chile in economic aid.

(The information follows:)

U.S. ECONOMIC AID TO CHILE

During the period 1946–1966, U.S. Economic Aid to Chile was as follows:

Total economic aid	$1,121,300,000
Repayments and interest	225,500,000
Economic loans and grants (less repayments and interest)	895,800,000

Mr. PASSMAN. What has been the total amount of aid to Chile from all spigots? It is $1,015,900,000 through June 30, 1966. We would have to add 1 more year to that figure.

MILITARY CREDIT SALES PROGRAM IN PAKISTAN AND INDIA

Mr. CONTE. Mr. Kuss, could you explain the projected uses of the $——— million request for India and Pakistan for fiscal 1968 for the military credit sales program, and why was it not eliminated when we cut back military aid to Pakistan and India in 1965?

Mr. KUSS. I think I can simply say we have cut off grant military assistance; two, you will recall that after the conflict we cut off also any type of sales activity; three, we have been willing now to reopen the sales of nonlethal military equipment to India and Pakistan.

Mr. CONTE. Are you talking about trucks?

Mr. KUSS. ———.

You see my note listing communications, electronics, ground environment, and engineering items. We sell no tanks or armored personnel carriers, we sell no aircraft.

Mr. PASSMAN. Would the gentleman yield?

Mr. CONTE. Certainly.

TOTAL AID TO CHILE

Mr. PASSMAN. A moment ago the distinguished gentleman from Massachusetts mentioned the $13 million that Chile had spent for aircraft with the United Kingdom. I read into the record that our net economic aid, less any repayments amounted to $1,015,900,000. So as to have a more complete record, is that figure correct, and would you verify it from AID's book?

Mr. KUSS. Could I personally verify it?

Mr. PASSMAN. Yes.

Mr. KUSS. I think it would be better for AID to verify it.

Mr. PASSMAN. AID is not here. Let the representative of AID verify it—Daniel Steiner, Chief of Legislative Presentation.

Mr. STEINER. Yes, sir.

Mr. PASSMAN. Is that the correct figure that I read into the record, $1,015,900,000 net after repayments?

Mr. STEINER. Total of economic and military assistance?

Mr. PASSMAN. Is what figure?

Mr. STEINER. $1,015 million.

Mr. PASSMAN. How about putting the $900,000 in so it will coincide with my figure. Is that correct?

Mr. STEINER. Yes, sir.

Mr. PASSMAN. If I had $900,000, I would retire. Thank you very much.

Mr. STEINER. That includes the food for peace and Export-Import Bank.

Mr. PASSMAN. I said the total from all 16 spigots. Did I read it correctly?

DEFINITION OF FOREIGN ASSISTANCE

Mr. STEINER. From your definition of aid, yes, sir.

Mr. PASSMAN. Let us take another minute. I am going to pin down you fellows this year because you have finally picked up some of my articles and quoted them verbatim. Don't say my interpretation, let

us take AID's interpretation which is the foreword of the AID publication entitled "The AID Story":

> Broadly speaking, foreign assistance is any aid—military or economic—which is extended by one country to another as loans or grants. This definition includes assistance rendered through the various international agencies—such as United Nations—as well as that which is on a strictly bilateral basis. Used in this context, "foreign aid" includes not only those programs carried out by the Agency for International Development, but also a number of other programs authorized by Congress.

I will put in the last paragraph of AID's article.

These non-AID programs include:

> The Peace Corps, the Export-Import Bank, which promotes U.S. export sales through loans, guaranties, and risk insurance; U.S. contributions to international organizations conducting multilateral assistance, such as United Nations Development Program; and Military Assistance, which helps secure free nations against open or subversive Communist aggression.

So I say let us substitute AID's definition of what assistance and aid is rather than Passman's definition.

Thank you.

Mr. STEINER. All I was disagreeing with is your notion of 16 spigots.

Mr. PASSMAN. I know you people are attempting to disagree with my definition on aid. But you finally put it on the line this year. You will hear your definition many times this year if you come before the committee.

Thank you, Mr. Conte.

CONCERN OVER SIDE EFFECTS OF MILITARY SALES PROGRAM

Mr. CONTE. I am sure you are familiar with the recent study of arms sales and foreign policy prepared for the Senate Foreign Relations Committee of the 90th Congress, first session. The following statement is made in the study:

> On the question of the arms sales and U.S. relations with European allies the central fact is that while the financial success of U.S. military sales is beyond dispute, there is ample reason for concern as to the side effects of the vigorous sales campaign. American sales efforts have been a source of great irritation in Europe, particularly in West Germany and Great Britain. It may also be a major cause of increasing interest of Europeans in competing for arms market in developing regions of the world.

The report also states that in practice it does not believe we presently have an operation adequate in interdepartmental coordination and supervision of a national policy of arms sales taking into full account the military, political, economic, and arms control implications of our expanding sales program. Could you comment on both of these positions?

STANDARDS IN SELLING EQUIPMENT TO FOREIGN COUNTRIES

Mr. KUSS. Let me speak first to the serious question which both we and the Disarmament Committee under Senator Gore have been studying, and that is the adequacy of the machinery to review arms sales. We have reported to that committee all of the extensive machinery that exists today. We have noted to that committee what our standards are in selling equipment. As Mr. McNamara said, we will

not sell equipment to a foreign country which we believe it cannot afford or should not have. We will never ask a potential foreign customer to buy anything not truly needed by its armed forces. We will not ask any foreign country to purchase anything from the United States which it can buy cheaper or better elsewhere.

HIGH LEVEL REVIEW OF ALL MILITARY SALES

In coordination with all government agencies, we reported to that committee that every proposed sale is consonant with overall policy established by the Department of State or specifically subjected to a careful and thorough review within the U.S. Government before negotiation is initiated. This review involves not only the Defense Department, but the State Department, AID, and other relevant agencies. This review is concerned with the military legitimacy of the requirements, the recipient's ability to pay, the potential effect on peace or stability in the area, and on other foreign policy considerations. These reviews are conducted at very high levels of government. Secretary McNamara, himself, personally has reviewed almost all of the important sales.

With respect to the credit machinery they mention, extensions of credit by the United States are carefully controlled. The Eximbank does not finance any military sale without assurance from the Departments of State and Defense that such sales are consistent with our national objectives.

The credit sales fund of Defense is used to finance sales to those countries which can repay only over longer periods than the Eximbank terms will allow. The Department of the Treasury, together with AID and Defense, are primarily responsible for determining the terms under which sales are made. Defense has accounted to the Congress for the use of the credit fund every year since its inception in 1957.

We sell arms abroad. We do so in a very responsible manner. In this foreign military assistance program, Mr. Conte, I believe we have established all the necessary policy and administrative safeguards to insure that this will continue in the future.

With respect to the first part of your statement, this is not an element that the committee has gone into at all. You will recall this was staff study. You will recall that principal substantiation of that statement was taken from European newspapers, and not really from statements of responsible officials of those governments.

I can only assure you that out of the $11 billion of orders and commitments that we have received, both commercially and through the government, that 90 percent were from industrialized countries and most of it from countries whose Minister of the Defense of the country or a higher level official requested the United States to take the action it did in order to save them anywhere from 100 to 200 percent independent research and development costs. I can only say don't listen to the losers in the newspapers. The fact is that those countries spend 75 percent or more of their total hardware budgets in their own countries, not in the United States. So we are not taking all of their program away either.

INCREASE IN ARMS EXPENDITURES IN FOREIGN COUNTRIES

Mr. CONTE. An article in the Washington Post on March 26, 1967, quoted you as informing a meeting of the American Ordnance Association that in your estimation 13 big industrial countries would be spending some $72 billion in military expenditures in 10 years beginning in 1971 and that this amount would be only 75 percent of the total free world hardware expenditures. You concluded that the total expenditures for that period would be $95 to $100 billion. Do you think this is a positive or a negative statistic in terms of our national welfare and do you feel that a successful effort can and should be made to avoid ever reaching the point where this Nation's sales efforts would reach such proportion? Also could you tell us whether, in your opinion, the concept of preempted selling of military arms is compatible with being able to achieve a successful arms control program?

Mr. KUSS. First of all, I think my quote was misunderstood. At least I believe it was misunderstood since it was never my intention to say that we were ever going to sell $75 or $100 billion over a 10-year period. My estimate was that whether we sell anything or not, that amount is what those countries are going to spend altogether in the acquisition of hardware over a 10-year period regardless of where they get it.

It is my estimate that we are only going to sell them something like $15 billion out of the $75 to $100 billion that they spend. You can see my estimate is a very small, insignificant portion of what they are going to spend anyway for arms.

PREEMPTIVE SELLING

Secondly, with respect to preemptive selling, I think it is best to just state what Assistant Secretary John McNaughton stated to the Gore committee on disarmament in this matter. He said those of us who are concerned with guiding and directing U.S. foreign policy must, with respect to arms competition, draw a sharp distinction between other free world competitors and those from major Communist countries. ———.

In the case of Israel, which he had mentioned also, our action was prompted by a heavy infusion of Communist equipment to neighboring states. Our primary answer to the suggestion that we are seeking to preempt our European friends and allies in various military markets is that we do not ask any country to buy anything from us which it can buy cheaper or better elsewhere. We believe that preemption is necessary only where it is for the purpose of preventing a radical shift in Communist influence. We do not use preemptive methods for the other countries of the world.

ZONES FREE OF OFFENSIVE AND DEFENSIVE WEAPONS

Mr. CONTE. I have one last question. What is your opinion of the recommendation in the staff study prepared for the Senate Foreign

Relations Committee that the United States should take the initiative in organizing regional conventional weapons "free zones" or zones that would be free of sophisticated offensive and defensive weapons?

The report cites sub-Saharian Africa and Latin America as possible places for such zones.

Mr. KUSS. The United States has attempted this many times.

Mr. CONTE. We may have attempted it, but we haven't gotten very far.

Mr. KUSS. It is a big difference to attempt and to achieve.

Mr. CONTE. Can you name one free zone in sub-Saharian Africa or Latin America?

Mr. KUSS. No, I can't. I would welcome any assistance.

TRAVEL OF MUNITIONS REPRESENTATIVES TO FOREIGN COUNTRIES

Mr. PASSMAN. Do you permit factory representatives of small arms and major arms manufacturers to go abroad to contact foreign nationals and so on, and speak to the merits of their products?

Mr. KUSS. If they have a munitions control clearance from the Department of State, yes.

Mr. PASSMAN. I would assume they would have to have that, but they are permitted to go abroad and sell their hardware?

Mr. KUSS. Yes.

Mr. PASSMAN. Does that create a demand within itself?

Mr. KUSS. Well, for example, we don't permit them—one of the reasons many of them are complaining is that we don't permit them to go to Latin America.

Mr. PASSMAN. I didn't say permit them to go to Latin America. I asked a general question, if it is a policy to give clearance to let them go abroad and demonstrate and discuss the merits of their hardware?

Mr. KUSS. If we didn't want to sell the thing in the first place, we wouldn't give them clearance, Mr. Chairman.

Mr. PASSMAN. That is an evasive answer. I am just trying to ascertain if, under the most extreme conditions, if you want to put it that way, do we have a policy whereby factory representatives can go abroad? Do any of them go abroad after they have been given clearance, to discuss or demonstrate their hardware in foreign markets?

Mr. KUSS. If they have been given clearance——

Mr. PASSMAN. Yes. That is understood. If they have been given, but do you give clearance? Do you have any cases where you have given clearance for them to go abroad?

Mr. KUSS. U.S. representatives have been given clearance. That is what one of the primary functions of munitions control is, to give that clearance.

Mr. PASSMAN. I am trying to find out whether there has been any clearance given to factory representatives to go abroad to contact prospective purchasers of our hardware?

Mr. KUSS. Every day. Thousands.

Mr. PASSMAN. That is good. You have answered my question. You didn't answer the second part of the question as to whether or not that creates a demand.

Mr. KUSS. It creates a demand only if we approved it for countries in which there was a demand in the first place.

Mr. PASSMAN. The demand may be there and you disapprove it, but that within itself, would it create a demand on the part of the foreign government to buy it?

Mr. KUSS. No, sir.

Mr. PASSMAN. That would be the most unusual thing I ever heard of then. If you show something to an individual that he actually likes and wants, the very fact that it might be disapproved doesn't stop the demand or desire.

Mr. Cohelan?

ADDITIONAL MANPOWER IN INDONESIA

Mr. COHELAN. My first question has to do with Indonesia in terms of additional manpower for this new military assistance. What is this going to mean in terms of our manpower commitment there? The military attache, for military assistance?

Mr. KUSS. I don't believe I can answer a question on Indonesia. Perhaps the admiral can answer it.

Admiral HEINZ. As far as additional manpower is concerned, to date it has amounted to a team which went to Indonesia to survey their actual needs. This team has returned. As yet, I do not have a request for additional, permanent people in Indonesia. I assume we probably will have some augmentation.

Mr. COHELAN. How many have we there now?

Admiral HEINZ. There are six there now. I am speaking of the Defense liaison group.

Mr. COHELAN. We have reduced it then?

Admiral HEINZ. It was reduced some time ago.

Mr. COHELAN. Then in addition to the six——

Admiral HEINZ. I am guessing now, since I have no request for a permanent increase.

SALES TO INDUSTRIALIZED NATIONS

Mr. COHELAN. At page 2, Mr. Secretary, you mention the principal work of foreign military sales to countries which amount to 90 percent of our volume.

When you say industrialized, what do you mean, Western Europe?

Mr. KUSS. I am speaking of all of Europe, plus principal sales in the Far East, to Japan, New Zealand, and Australia. That is all I am talking about.

Mr. COHELAN. How about Australia? What are our sales to Australia?

COMMITMENTS TO AUSTRALIA

Mr. KUSS. As you know, Australia has increased her defense budget considerably in the last several years and has been trying to prepare herself for what appears to be a growing problem in Southeast Asia. We have undertaken orders or commitments from Australia in the

last 5 years value at $ ——— million. All of those have been implemented in the 5 years, except for ———.

Mr. COHELAN. What kind of hardware are we talking about, ships?

Mr. KUSS. In Australia we are talking about three guided missile destroyers, cargo aircraft, C–130's. 24 F–11 aircraft and antisubmarine warfare aircraft. We are talking about armored personnel carriers. We are talking about radios and at that point I have to go to a miscellaneous assortment of the Army equipment.

Mr. COHELAN. There is nothing in there for aircraft carriers or anything like that?

Mr. KUSS. No, sir.

U.S. COMMITMENT TO INFRASTRUCTURE

Mr. COHELAN. At page 3 it says you have reviewed the costs of all NATO nations in the annual NATO review process. What is the present situation as far as infrastructure in concerned. What is our contribution at the present time?

Mr. KUSS. I think Admiral Heinz is probably better prepared to answer that question since it comes from his funding sources.

Admiral HEINZ. Our percentage contribution remains the same—25.8 percent. That is our contribution to infrastructure. It is being reviewed at the present time because France is still participating in selected infrastructure projects, the main one being NADGE. She is a full participant and is paying her predetermined share of NADGE.

Other projects are being reviewed by the NATO committee. Some will probably be canceled or reduced in scope since, in general, the increased cost to move from France will be compensated for by decreased infrastructure construction.

COMPENSATION FROM FRANCE FOR FACILITIES

Mr. COHELAN. What will happen to all the intrastructure left there?

Admiral HEINZ. The nations have all reserved the right to demand compensation from France. The method of determining the compensation required is under study right now. The amounts they will request as compensation are being determined.

The committee which is meeting now has not yet announced its findings. One of the things we are considering is the method of computation. For example, some of these facilities are already 15 years old. Should we request compensation for original value, scrap value or residual value—things of this nature. I can't tell you at the present time what the final findings will be.

Mr. COHELAN. We have to attach some kind of value to the pipeline.

Admiral HEINZ. We will have continued peacetime use of the U.S. pipeline. We have recently reached an agreement on that.

Mr. COHELAN. To the facilities at Orleans and Charlieu. How about hospital facilities?

Admiral HEINZ. All facilities are being considered. The method of determining the residual value, or the compensation that should be requested of France, is being considered right now.

Mr. COHELAN. You can't give us a guess on what we will get per dollar?

Admiral HEINZ. There have been two or three very long cables in the last 2 days, but I do not know if they relate to this.

Mr. COHELAN. Tell me about Orleans and Charlieu.

Admiral HEINZ. We are moving all of our people out of France. We will have continued peacetime use of the U.S. pipeline. We have recently reached an agreement with France on that. As to the other facilities, we don't plan to use them. ———.

Mr. COHELAN. In other words, the whole operational concept that brought about the establishment of the pre-positioning of equipment in both Charlieu and Orleans, that is——

Admiral HEINZ. That equipment is being moved out.

OTHER SITES FOR INFRASTRUCTURE EQUIPMENT

Mr. COHELAN. We will have to find other sites?

Admiral HEINZ. Yes. Germany is one place; the United Kingdom is another. Some will be moved back to the United States.

Mr. COHELAN. I take it we will have to replace this with some kind of facility to do all this?

Admiral HEINZ. They have found storage sites already in Germany and the United Kingdom for a great deal of it.

TIME FRAME FOR REACHING A COMPENSATION AGREEMENT

Mr. COHELAN. What kind of time frame are you in with relation to the determination of this compensation for these facilities? How long will it take to get an agreement on the——

Admiral HEINZ. I don't know just how long this will take.

The statement we have had so far is that we will raise, at the appropriate time, the question of compensation from France. I would imagine it will be several months yet before an agreement is reached among the nations.

Mr. COHELAN. Do you think the negotiations on this price will be concluded before the next annual appropriation?

Admiral HEINZ. I would hope so.

SALES TO FRANCE

Mr. COHELAN. Do we sell anything at all to France any more?

Admiral HEINZ. Yes, we do.

Mr. COHELAN. What kind of hardware are we dealing in? Are these cash sales?

Mr. KUSS. These are all cash sales to France now. As you know, there are numerous limitations on nuclear sales, so that that which we are selling to France now is largely spare parts support for the equipment they bought from us over the past years, during the Indochina campaign, after Korea, and, if you will recall recently they bought, instead of developing their own aircraft for their carriers, the F–8E Crusader from the United States.

These kinds of items they purchased—they also bought helicopters from the United States—do cause a continuing flow, largely a com-

mercial flow of spare parts supply. There are no major items involved to my knowledge.

Mr. COHELAN. What in the current year—in fiscal 1968—is there anything in there for 1968?

Mr. KUSS. There is an estimate that there will be about $——— million equipment sold to France. This is about the general level it has been at on a continuing-supply basis for 3 years. The estimate is that $——— million of that will be directly commercial sales, such as United Aircraft selling spare parts for the engines on the Crusader, and $——— million of it will probably be support sales coming from government sources.

Mr. COHELAN. How do they finance this?

Mr. KUSS. These are all cash sales.

Mr. COHELAN. Do they pay it in gold?

Mr. KUSS. They pay us in dollars convertible to gold. Dollars which they otherwise would have converted to gold.

DEFAULTS OF TRANSACTIONS FINANCED THROUGH BANKS

Mr. COHELAN. On page 5 you discuss financing of military supplies through the Eximbank. Have there been any defaults in any of these transactions?

Mr. KUSS. None whatsoever.

Mr. COHELAN. How long have we been doing this?

Mr. KUSS. Three years, sir.

Mr. COHELAN. On page 7 you refer to guaranteed repayments to exporters, insurance companies, and so forth for military personnel. Have there been any problems there?

Mr. KUSS. None whatsoever. We haven't had too many cases. We have three banks in New York that we have guaranteed and they have had no defaults.

COUNTRIES FURNISHED MILITARY ASSISTANCE EXCLUSIVE OF TRAINING IN THE UNITED STATES

Mr. COHELAN. On the first page of your testimony it says:

> Could not be furnished to more than 40 countries.

You say:

> Congress directed military assistance other than training in the United States could not be furnished to more than 40 countries.

We are actually doing more than 40 countries, aren't we?

Admiral HEINZ. No, sir. In 1967, military assistance other than training in the United States is being furnished to 40 countries. We propose under the military assistance program in 1968 to furnish assistance other than training in the United States to only 34 countries.

This is other than training in the United States. The 40 countries that I mentioned for fiscal year 1967 include four which are getting not material but training, in and outside the United States. To the number of 34, should be added countries for which training will be provided in the United States.

NUMBER OF COUNTRIES RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. To refresh my memory on our exchange of yesterday, if we take the total number of countries who are getting materiel, then the number of countries getting training only, then the four countries, including India and Pakistan that we are selling military equipment to, who are also getting economic aid, that makes a grand total of 60 nations, I believe.

Admiral HEINZ. That included Eximbank countries. That was the figure you reached yesterday.

Mr. PASSMAN. You mean the figure "we" reached. It was verified by you as being correct.

Admiral HEINZ. Yes. Including Vietnam, Laos, and Thailand.

NATIONS CHANGING FROM TRAINING ONLY PROGRAMS TO MATERIEL PROGRAMS

Mr. PASSMAN. I believe we also then, checking the record of last year, showed that seven nations that were training only nations had gone to materiel nations?

Admiral HEINZ. Not 1967, no, sir.

Mr. PASSMAN. You inserted that information in the record when you were testifying for funds for fiscal 1967; seven nations that were previously receiving training only, subsequently became materiel nations?

Admiral HEINZ. Some time in past history.

Mr. PASSMAN. You inserted it in the hearings for fiscal 1967. Then you agreed to research your program to ascertain how many other nations along the way, since the inception of the program, may have gone from training only to materiel nations, is that correct?

Admiral HEINZ. Yes.

I believe you said that those seven nations you are referring to were not nations which went from training to materiel in 1967?

Mr. PASSMAN. I said you inserted the names of the nations, and you did not indicate what period it covered, so you agreed then to do some research and bring up the total number since the inception of the military program.

Admiral HEINZ. I will add to that list those nations which, prior to 1967 were dropped from the program, but in past history may have gone from training to materiel.

Mr. PASSMAN. Thank you.

Mr. COHELAN. Following on that very same question, Admiral, how many nations switched from training to materiel and in what years?

Admiral HEINZ. Of the seven nations that the chairman referred to, one was Argentina. This was in 1962. These seven are already in the record, sir.

Mr. PASSMAN. You are going to add to that the ones that went from one to the other?

Admiral HEINZ. If there were any.

Mr. PASSMAN. So as to get a grand total?

Admiral HEINZ. If there were any.

Mr. PASSMAN. Haven't we requested that for the record?

Admiral HEINZ. Yes, sir.

The Dominican Republic was one. This happened sometime between 1950 and 1954, as I recall.

Panama, Paraguay, Costa Rica, and El Salvador changed in 1962. Bolivia changed in 1958.

CARRIER FOR ARGENTINA

Mr. COHELAN. You will remember last year we talked about Argentina and we talked about their naval operations. In fact, I notice they still have an aircraft carrier. What are they doing with an aircraft carrier? What is the threat?

Admiral HEINZ. ———. We believe that as long as they have one that they should devote it to an antisubmarine warfare mission. ———. This is the type of equipment that we would not have them have if it were our choice. They bought it in Europe.

———.

Mr. COHELAN. What are they flying off that ship now?

Admiral HEINZ. S–2A's, helicopters, and older training aircraft.

Mr. COHELAN. What do you think the annual operating cost is?

Admiral HEINZ. I could only guess.

Mr. COHELAN. You ought to have some idea.

Admiral HEINZ. They probably operate on a very small budget. I don't know.

Mr. COHELAN. You are going to supply that data?

ARGENTINA'S ANNUAL BUDGET FOR DEFENSE

Admiral HEINZ. Their estimated annual expenditure is $272 million for defense.

Mr. COHELAN. Is that their budget?

Admiral HEINZ. It is their estimated defense expenditure.

Mr. COHELAN. Some portion of that would be assigned to the operation and maintenance of that aircraft carrier?

Admiral HEINZ. Yes. That is for the fiscal year ending December 1966.

Mr. COHELAN. They have nine destroyer escorts; is that right?

Admiral HEINZ. Yes.

Mr. COHELAN. Three submarines. What kind of submarines are they?

Admiral HEINZ. They have two submarines. These are U.S.-supplied submarines. They were supplied in the past under the ship loan legislation.

Mr. COHELAN. Do they consult with our military assistance teams in designing their force structure?

Admiral HEINZ. I would say that in general, they do not. ———.

MILITARY ASSISTANCE TO ARGENTINA IN 1967 AND 1968

Mr. COHELAN. Then that $272 million in a country that has the kinds of problems it has, constitutes a pretty heavy burden, but if I read this correctly for fiscal year 1967 we are adding $——— million for internal security and $——— million for other supplies; is that correct?

Admiral HEINZ. The figures are $——— million for internal security and $——— million for supply operations, and other services.

Mr. COHELAN. How about 1968?

Admiral HEINZ. In 1968 the proposed program is $——— million. The program in 1967 is 6.9. In 1966 it was 11.7.

Mr. COHELAN. Why can't they finance that out of that $272 million?

Admiral HEINZ. The objectives of our military assistance for Argentina are ———.

Mr. COHELAN. But Admiral, it is a delicate question but——

Admiral HEINZ. ——— it is an important country—one of the important countries in Latin America.

Mr. COHELAN. I can see $——— million just on that force structure there, as far as Navy is concerned. I would favor Army and air assistance. I can see that $——— million probably in the aircraft carrier and in perhaps a couple of destroyers. I don't see the threat and I don't—I think our interests have to be enormous to more or less subsidize this kind of allocation. If they need internal security materiel, it seems to me that they ought to be able to find it in their own budget. Is that unreasonable?

Admiral HEINZ. I would say that our aid to Agentina is ———.

Mr. COHELAN. I don't want to pursue this because, Admiral, it is unfair to you, but I want to say for the record that this doesn't make sense to me at all, particularly when they have an internal budget of $272 million and we are adding ——— million. For what, I don't know. I really don't understand it, and particularly in the light of your testimony. If they were, you know, weak in terms of military posture and required this, I could understand it, but we will take care of that later.

MILITARY ASSISTANCE PROGRAMS TO PAKISTAN AND INDIA

Now, coming down to Pakistan and India in your testimony on page 2 you point out that it was suspended except for equipment being provided India for the border road to Nepal. How much is involved there?

Admiral HEINZ. $——— million.

Mr. COHELAN. Do we contemplate in the next year changing any of our policy in connection with military assistance to either India or Pakistan?

Admiral HEINZ. Not as far as grant assistance is concerned. I believe the committee was briefed just recently on the fact that changes have been made in the sales relationships.

Mr. COHELAN. We are involved, however, in sales transactions?

Admiral HEINZ. Yes.

Mr. COHELAN. What was the level?

Admiral HEINZ. Our level of ——— for 1968 is $——— million of credit sales.

Mr. Kuss. Not separately. In total.
Admiral Heinz. For the two countries.
Mr. Cohelan. ———?
Admiral Heinz. ———.
Mr. Cohelan. ———.
Mr. Kuss. There is some consideration for spare parts for some of the equipment we have provided before.

PROGRAM FOR TUNISIA

Mr. Cohelan. Admiral, turning to page 4, in Africa the net total 1967 allocation rose by $1.4 million and a $——— million increase to the program for Tunisia, ———. What is involved there in terms of hardware? What assistance do we give the Tunisians?
Admiral Heinz. The program for Tunisia is for training, which would be a little bit less than ——— percent of the program, equipment of various types for the Army—this is ——— equipment ———. There would be some smaller weapons and vehicles.
Mr. Cohelan. That is for a total strength of ———?
Admiral Heinz. Yes.
Mr. Cohelan. ——— percent for training and the rest in aircraft and conventional hardware?
Admiral Heinz. Conventional, yes.
Mr. Cohelan. This is in relation to what is considered to be a threat from where?
Admiral Heinz. ——— increasing concern for the ——— from both the ———. There is a heavy influx of Soviet material to both of those countries. ———. We said that we would send a study team over there to see what we considered he needed to improve his defense capability. We did this last year. ———. ——— we did agree to assist them to the extent of about $——— million total in 1967.
Mr. Cohelan. Of which ——— percent is training?
Admiral Heinz. About ——— percent is training.
Mr. Cohelan. Do you think their defense posture will be adequate?
Admiral Heinz. Their defense posture would be improved. ———.
Mr. Cohelan. ———?
Admiral Heinz. ———.
Mr. Cohelan. ———.
Admiral Heinz. ———.
Mr. Cohelan. I just got back from there. I had a long talk with the Defense Minister and, as I understand their view of their own defense posture, they want to develop a kind of a Swiss defense and get multiple-use of their military force structure.
Admiral Heinz. ———.

INCREASE IN KOREA PROGRAM

Mr. Cohelan. On the Korean item on page 7, increasing the Korean program $——— million, of what will this consist?
Admiral Heinz. The Korean program supports equipment for all services and is, of course, our largest individual country military assistance program. It provides force improvement in aircraft. ———

for the navy and some equipment for the army. That would include more reserve ammunition, communications equipment, vehicles, weapons. It is support for all forces.

Mr. COHELAN. It is really maintenance of their existing——

Admiral HEINZ. Of the total program of $——— million, we break it down into $——— million for operating costs which includes some replacement for attrition and $——— million in investment costs.

PHASING OUT SANGLEY POINT IN PHILIPPINES

Mr. COHELAN. Turning from that to page 9, you refer to base rights and operational rights and support capability. When I was over there some years ago on one of my trips to the Philippines, we were talking about ——— Sangley. What is the current situation as far as Sangley Point is concerned?

Admiral HEINZ. ———. Its major purpose is to provide air facilities for support of operations in Vietnam. It also supports ASW, reconnaissance, and other aircraft operations. There is a small Coast Guard detachment there to support loran stations. It also is the headquarters for the U.S. Naval Forces in the Philippines. ———.

Mr. COHELAN. They are actually asking for the base, are they not?

Admiral HEINZ. They have asked for it. The note ——— requested the United States to relinquish its rights to use Sangley Naval Base and the ———.

THREAT IN IRAN

Mr. COHELAN. At page 15 you talk about Iran. What is the threat in Iran?

Admiral HEINZ. We are interested in Iran's capability to resist a Communist threat. I would say that, in terms of military capabilities this threat has not diminished; but that in terms of relationships there has been an easing of tensions between the Soviet Union and Iran. ———. He wants to protect his oilfields and that part of the country. I think this is one of the reasons he is purchasing equipment. Our concern is the ability of Iran to withstand the Communist threat.

Mr. COHELAN. The Shah at the present time is making arrangements with Russia, is he not?

IRAN'S PURCHASE OF EQUIPMENT FROM RUSSIA

Admiral HEINZ. They have recently made an agreement with Russia under which they would get what we estimate to be about $110 million worth of vehicles, APC's and antiaircraft guns from the Russians in return for a barter of gas and other goods. As far as we know, the main repayment would be natural gas.

PURPOSE OF ASSISTANCE TO SAUDI ARABIA

Mr. COHELAN. In referring to the same page 15, why do we have to give any military assistance to Saudi Arabia, a country that is loaded with oil revenues?

Admiral HEINZ. Our assistance there is all training. We keep a training mission there. We feel it is in our joint interests to do so. ———. We have said that we are interested in their maintainng a capablity to resist aggression. Any equipment acquired is through sales.

Mr. COHELAN. Admiral, this is a very rich country. They had consultation with us about putting in an air defense system, and they then decided to acquire this and we are giving them $——— million for training. Why can't they pay it themselves?

I agree with all of the goals, but why can't they finance it themselves?

Admiral HEINZ. I think we have not requested them to finance all of this training.

They do pay for additional training which is in connection with the sales they finance.

Mr. COHELAN. It is a quibble, it is $——— million. Why do we have to finance an oil revenue rich country? Sure, consultation and free advice, yes, I am all for that. It seems we have some very good commercial relationships there. There is a great deal of interest we have there, but that still does not mean we have to throw our money away.

Admiral HEINZ. No, I do not think we are throwing our money away. I think ———.

Mr. COHELAN. What has been our aggregate contribution to Saudi Arabia over the last 5 years, let us say?

Admiral HEINZ. Over the last 5 years, training assistance would amount to $5 million.

Mr. COHELAN. Where is Saudi Arabia in the book here? I have not been able to find it.

Admiral HEINZ. It is in the Near East.

Mr. COHELAN. I have it now. They have a gross national product of $1,500 million with a per capita of GNP of $225. They only self-finance their own operation to the tune of $143.8 million. If I read this correctly, it says we do the rest.

Admiral HEINZ. There is a zero shown for U.S. budget support.

Mr. COHELAN. That is right. With a small force like that, and with their commitment out of their own budget, why can't they take care of that themselves?

Admiral HEINZ. They had purchased almost $300 million worth of equipment and training from us as of September 30, 1966; and our mission there is of great assistance in controlling our sales to Saudi Arabia.

Mr. COHELAN. I am a little surprised. That is about all I have.

Mr. PASSMAN. Thank you very much, Mr. Cohelan. We will yield next to Mr. McFall.

Mr. MCFALL. I have no questions.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. I had several questions which have been answered rather thoroughly. I would like to go over just a few, Mr. Secretary, and if you feel you have already answered these, please say so.

Mr. KUSS. Yes.

Mrs. REID. You and Mr. Passman went over this yesterday but you indicate in your statement that it is your responsibility to see to it that when the machinery of State, AID, Defense, Treasury, and other agencies of the Government determine it is in our interest to sell to the developing countries that such sales and negotiations are carried out.

Do you have a direct role in such policy determinations or are your functions purely administrative?

CURRENT CRITERIA FOR SELLING TO DEVELOPING COUNTRIES AND POLICY PROCEDURE

What are our current criteria for selling to the developing countries and how is it determined by these agencies?

I am interested in the policy procedure. Which agency is most influential in these decisions?

Mr. KUSS. I think that is a good question to clarify because perhaps my statement was a little obtuse.

I do not have a policy role in those countries. The Department of State is the leading element of our Government that determines what we are going to do in those countries. They do it in cooperation with the Department of Defense, but principally in terms of recommendations of our Joint Chiefs and by the political regions of the Office of International Security Affairs in the Office of the Secretary of Defense.

My role is largely to carry them out once they have been determined to be sales that we should proceed with.

Mrs. REID. Thank you. I think Mr. Conte went into this particular area—I want to know with what countries—this is on page 5 of your statement—have we declined to enter into sales activities in the past year and for what reasons.

Mr. KUSS. Mr. Conte asked me to submit for the record a list of those countries, which I think will cover that subject, if that satisfies you.

PERCENTAGE OF FREE WORLD ARMS PURCHASE FROM UNITED STATES

Mrs. REID. Also I am interested in your assertion on page 6 that the free world countries are estimated to have spent about $38 billion and the United States has received orders for only 21 percent of their total procurement budgets.

Mr. KUSS. That is correct.

Mrs. REID. Do you have any way of knowing what percentage might have come from Communist bloc nations?

Mr. KUSS. In the $34.8 billion that I have accounted for there are no Communist bloc nations in there.

With the exception of a special sale to Yugoslavia that was arranged some years ago we have not sold to any of the Communist bloc nations.

PROBLEMS FORESEEN IN FISCAL YEAR 1968

Mrs. REID. Do you foresee any special problems for our military assistance program in this coming fiscal year?

Mr. KUSS. From the questions being answered here I can foresee many. Being involved in the process of trying to live in a complicated world, all of our objectives are not always recognized by the countries we deal with. I see many problems in maintaining our posture in the countries throughout the world. Let me give you Iran as an example. We deliberately, as a military assistance policy, determined to eliminate defense support in 1962. In 1964 we deliberately, as a matter of military assistance policy, determined to phase down grant aid. Once you do that and you say to the country it has to look to its own resources, look to its own revenues, that country is not going to be solely attached to you. It is going to start buying from other people. It is going to start having contacts. It is going to start worrying, perhaps, about threats that were not the ones that worried us the most. I think as these nations grow in their own economic capability, as we make them more stable, they become more independent, which is our goal. It yields problems. But that is what we are here for, to handle problems. That is what foreign diplomacy is all about.

DEFENSE CONTRACTS RECEIVED IN MIDWEST

Mrs. REID. I have one more question. This is purely for my own personal information. This is probably outside of your jurisdiction but this is the question I hear from my particular district. Coming from the Midwest, as I do, there is a great deal of concern over the fact that since the Korean war the Midwest as a region has been receiving a steadily diminishing percentage of the prime defense contracts. How can I answer the people in my area?

Mr. KUSS. As you noted it was not exactly my area. But I did do an interesting study last year of the 17 principal items the United States had sold for hard cash to industrial countries in Europe, Japan, Australia, New Zealand, and was quite amazed to find out that every State in the Union, including the Midwest, participated in supplying parts of that program or parts of those exports to Europe, Japan, New Zealand, and Australia.

Mrs. REID. On a fairly equal basis.

Mr. KUSS. No; I would not say that, because it does represent variances. Only 17 major items. I would have expected them to concentrate themselves in a very few places. But every State in the Union, including Alaska and Hawaii, did participate to some extent, to some dollar value in that total program.

Mrs. REID. Thank you, Mr. Kuss.

Mr. Chairman, I have some questions for Admiral Heinz but they are really on the various individual countries, so I will hold those.

Mr. KUSS. May I ask a question, Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. KUSS. I believe I answered a question of yours much too quickly a little while ago and I wonder if you would allow me the possibility of correcting the record.

Mr. PASSMAN. Positively. If I reach the point where I could not be fair with any witness or member, I would quit. What was it?

NUMBER OF MUNITIONS CONTROL CASES APPROVED DAILY

Mr. KUSS. You asked me the number of munitions control cases that we approve daily and I flippantly gave you an answer.

Mr. PASSMAN. Thousands.

Mr. KUSS. Thousands.

Mr. PASSMAN. You want to change it to many?

Mr. KUSS. I called the "horse's mouth" so to speak, the Department of State Office of Munitions Control and they average, in their statistics up to about 100 per day.

Mr. PASSMAN. I want to drop the curtain on this particular part of the examination and get into individual countries by saying, Mr. Secretary, that I was in business for many years and it was specialty selling. I had at one time 57 salesmen on the road. It was not unusual, of the three small companies I operated, for one of my men to go into some food store, maybe a small store, where the man had given no idea whatsoever about buying new refrigeration equipment. Invariably before my man left there—he was a trained salesman and he worked on a salary and commission—before he left he had not only sold this man equipment that he had given no thought to buying that morning, but he had oversold the man.

Subsequently we would have to repossess it and I would take a great loss. If you start talking about fishing, you want to go fiishing. If you start talking about hunting, usually you want to plan a hunting trip. If you start talking about going on a vacation, your family starts planning a trip. When you get these people to thinking of and talking about military hardware in all probability they start thinking about what you say may happen and they might find many uses. It is perfectly obvious that the sale of military hardware, that is the manufacture and sale of military hardware, has been built into our economy, almost as firmly as the manufacture of refrigerators, washing machines, and television. Those people are in business primarily to get a return on their investment so they can pay a dividend to their stockholders and make a profit. If you have a hundred men that are licensed to go out per day into foreign countries and offer their goods and services, you have people thinking about that. A good salesman would always think in terms of selling the maximum, not the minimum; so upon that basis certainly the Defense Department would not have to send out salesmen.

The manufacturer will do that, because he wants to make a profit. I brought that up for this reason: In your replies to Mr. Conte's questions, if I remember correctly, some figure was mentioned about purchases by industrialized nations of $75 to $100 billion in the next so many years. How many years?

Mr. KUSS. That is what they were spending on their own over a 10-year period.

Mr. PASSMAN. Our portion, we estimated, would be in the neighborhood of $15 billion?

Mr. KUSS. Yes, sir.

MERIT OF PERMITTING MILITARY EQUIPMENT SALESMEN ABROAD

Mr. PASSMAN. What would happen if you kept these salesmen home, these people to whom you give permission to go out and sell their military hardware. Why don't you keep them home instead of letting them out and getting these foreign procurement official's minds on the military hardware. You know it is only natural that they are going to recommend the largest figure. What would be the answer if you were to wait until these people came to you or the Defense Department for consideration of their requirements. Do you think you could possibly slow this down and get people's minds on something else, other than on wars? I do not think we will ever get this world out of a state of turmoil as long as this Nation, my Nation, our Nation, and other industrialized nations, are making and selling military hardware as a part of their economy. We have established for the record that some 60 nations will be either given training and/or equipment, and sold equipment for cash or credit. I wonder to what extent we are trying to play it down rather than playing it up; whether or not there would be any merit to slow down on the number of high-powered salesmen that you send abroad to sell military hardware and let them come to you. Do you think there is any merit to that suggestion?

Mr. KUSS. I answered your question similar to that when you left a little while before, with the simple answer "No," because you were looking for a simple answer "No."

Mr. PASSMAN. I do not think so. I do not think that is quite what you want to say for the record, but go ahead.

Mr. KUSS. Since you raised the point again, let me say that if your salesmen had gone into that store and found we also had an ambassador there and we also had an attaché and we also had a MAAG chief, and we also had a political attaché with whom your salesmen had to check in while they were dealing with that country, they would be considerably slowed down, particularly if they had to check what they were about to say to the country or to the customer, particularly if they had to come under very direct and observant control.

Mr. PASSMAN. Do you send the ambassador out with these salesmen when they call on the prospective buyer?

Mr. KUSS. We ask all of these salesmen—first of all, these hundred a day do not all involve people going abroad, these are approvals of export sales, commercial export sales. Some of them will never involve a person going abroad. It may involve a man sending in a requisition to United Aircraft for a spare part. So only some of this might involve going abroad. But those that do go abroad—and it is a very small portion of our total sales that result from this, believe me—most of it results from ambassadorial, Secretary of Defense, Government actions.

Mr. PASSMAN. After they have been sold. Those gullible people I know are the most wonderful people we have abroad, but these clever foreigners are always selling them on a foreign aid program level. These foreign countries are really beyond our capacity to finance over any long haul. We are borrowing a lot of this money. We are wasting away the purchasing power of the dollar trying to do for people what they could and should do for themselves.

I have yet to meet a U.S. Ambassador that I did not think was a dedicated American. But they are the easiest people on the face of the earth to sell. They meet these foreigners who know they are going to get in this grab bag and who usually ask for twice what they expect to get and sometimes they get more than they expect because the Ambassador does not cut them down.

Mr. KUSS. Yes, if it is the grab bag.

Mr. PASSMAN. We have given away $153 billion of our wealth since World War II, if you include the interest we paid on what we borrowed. I am describing what most people understand, the foreign aid grab bag, and everybody is trying to get something out of it.

Mr. KUSS. You and I are talking about sales.

Mr. PASSMAN. That is exactly what I am talking about. Apparently there is no merit to my suggestion in your opinion.

Mr. KUSS. I do not think it will have any material effect on the total sales when you realize that the countries themselves for defense, under alliance arrangements, which were jointly determined, are spending the $75 billion level on their own and they are going to spend it whether you send those salesmen or not.

They are going to spend it.

Mr. PASSMAN. You people are involved in the sale of military hardware, directly or indirectly, and it will go on as long as you have a U.S. military aid program going in 60 nations. Just so long we are going to stay in a state of turmoil in my opinion. I am going to say for the record that time and time again we have had witnesses before this committee saying, yes, they should not get this, but it is a political decision and if we are going to get along we are going to have to yield to them and furnish certain types of military equipment.

Mr. KUSS. Mr. Chairman, I tried to say before we do not let our salesmen go to the kind of countries that you are talking about in the underdeveloped Middle East.

Mr. PASSMAN. I did not imply that. I said industrialized countries. I qualified that in the beginning and that is what you were referring to.

Mr. KUSS. The industrialized countries who can pay hard cash, certainly you do not mean to say that Australia should not carry its own burden, that Belgium and Netherlands and the United Kingdom and Germany should not pay their own way. If they are going to pay for their own equipment, certainly I am sure that even you would agree——

Mr. PASSMAN. That is what you people said in 1953, my first year on this committee, when we were giving them grant aid. But the aid bill grows every year. It has been so fragmentized that the confusers are now confusing themselves. I will tell you it takes a lot of research to put all these pieces together. Now you are fragmentizing military assistance and I have to work overtime to pick up these programs for Thailand, Laos, Infrastructure, and International Military Headquarters to try and get a grand total so we will have something to compare this year's cost against last year's cost.

Mr. KUSS. I remember your complaints in 1955.

Mr. PASSMAN. They are not my complaints. It is Mr. and Mrs. America's complaints.

Mr. KUSS. Isn't it marvelous about the things you were talking about at that time, the European nations that were then getting aid, that they are now paying their own way and they are selling.

Mr. PASSMAN. Which they could have done then.

Mr. KUSS. They are purchasing from us.

Mr. PASSMAN. Let me tell you how marvelous.

Mr. KUSS. Don't you agree?

AID TO INDIA AND PAKISTAN

Mr. PASSMAN. I do not agree. I would have to do a little analyzing before I could agree with you on that point. We were talking to the distinguished Secretary of Defense. We did not hear anything about sales to India and Pakistan, I don't believe. I think that came up subsequently. We were discussing aid to 54 or 55 nations. Subsequently when we got Admiral Heinz and yourself, sir, before the committee—I beg your pardon, I think he did mention India and Pakistan, but it was on a cash sales basis.

Yet when we go to the record we find out of just one spigot of foreign aid for India for fiscal 1968 they propose $——— million, and for Pakistan $——— million, what would be the difference in actually lowering the amount of economic aid in an equal amount to balance it out rather than confuse the record? Couldn't you have reduced the economic aid of $——— million by $——— million, and show so much military grant aid and so much economic grant aid? When you put all spigots together, aid may go up to a ——— dollars for these two countries for fiscal 1968. Yet we show they are going to buy $——— million of military equipment. It is perfectly obvious to you, sir, if you give these two nations an aggregate of $——— billion, they can certainly take the money they earn from their exports and pay $——— million for military equipment. So you have a good sales argument, but when you analyze it, it does not make a very pretty picture.

Mr. KUSS. I am sure, Mr. Chairman, that when you get to analyze the sales we made to the hard cash countries that you will be proud that what you talked about in 1955 has happened.

MISGIVINGS ABOUT FOREIGN AID

Mr. PASSMAN. I am not so proud of this story in India and Pakistan. We may give them a billion dollars from the many different aid spigots but yet we try to make headlines on selling them $——— million. I know you have a difficult task. You are a patriotic American. I just think that someday we are going to have to get back down to earth and pursue the things that made America great, free, strong, and wealthy. Running everybody's business all over the world and giving away our wealth didn't make that possible. I hope someday I am proven wrong. I have a lot of misgivings about this military assistance program which is scattered all over the world, and also the economic part of it. I think you are a great administrator, and a great American,

but I am going to make your job as hard as I can for you. You don't mind that, do you?

Mr. KUSS. I think it helps. I think it helps. There is nothing like competition.

FAR EAST AREA

Mr. PASSMAN. Now, Admiral, we get down to the individual country examination beginning with the Far East area. The total area request for 1968, excluding Laos and Thailand, is $282,095,000; is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. On a comparable basis, the 1967 program is $282 million; is that correct?

Admiral HEINZ. The comparable program for 1967 is $284.4 million. I refer you to the sheet that the Secretary gave you when he testified.

Mr. PASSMAN. How did you arrive at $284.4 million? Let us get the pencils working now to see where the discrepancy is. Let us put down the Far East program for fiscal 1967, $448,622,000; is that correct? This is from page 21 of the justifications.

Admiral HEINZ. That includes Laos and Thailand.

Mr. PASSMAN. Let us subtract that out. If you subtract Laos, $——— million—that is the correct figure to subtract out?

Admiral HEINZ. That is the figure you have.

Mr. PASSMAN. Am I not using the correct figure?

Admiral HEINZ. I am saying that the Secretary gave you April 4 figures when he testified. There are some country changes between that and the programs that are in the book.

Mr. PASSMAN. Am I following the book correctly?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. If I follow your justification sheets then the $282 million I cited is correct, which is an increase, following again the justifications you are testifying from, of $95,000.

Admiral HEINZ. No. The total for Far East area is given in the book at $282.1 million.

Mr. PASSMAN. Let me get this straight. It is $448,622,000. We take out Laos, $——— million; Thailand, $——— million; which leaves $282 million?

Admiral HEINZ. Yes.

Mr. PASSMAN. You are requesting, excluding Laos and Thailand, for fiscal 1968, $282,095,000?

Admiral HEINZ. Yes.

INCREASE IN FISCAL YEAR 1968 PROGRAM

Mr. PASSMAN. So there is a difference of $95,000.

Admiral HEINZ. Yes.

Mr. PASSMAN. What are we going to examine by to get a comparison if we do not go by these books? Am I correct, sir?

Admiral HEINZ. Yes.

Mr. PASSMAN. So there is an increase of $95,000 as a result of subtracting the fiscal 1967 amounts for Loas and Thailand to make

the total area program for 1967 comparable to the proposed program for fiscal 1968.

The first country in the Far East is ——— for which the fiscal 1968 estimate is $——— million; is that correct?

Admiral HEINZ. $——— million.

Mr. PASSMAN. This is the final increment of our sales program to ———; is that correct?

Admiral HEINZ. That is correct.

(Discussion off the record.)

REPUBLIC OF CHINA

Mr. PASSMAN. The next country is the Republic of China for which the fiscal 1968 estimate is ———?

Admiral HEINZ. That is correct.

AIRCRAFT PROGRAM

Mr. PASSMAN. It is my understanding that under the fiscal 1967 allocation we funded ——— modern planes for the Republic of China.

Admiral HEINZ. In fiscal 1967 we funded ———.

Mr. PASSMAN. I am talking about fiscal 1967.

Admiral HEINZ. We funded ———, F–5's. Those are fighter aircraft.

Mr. PASSMAN. Let me change my question.

Beginning with fiscal 1963, through fiscal 1967, what is the total funding for F–5 aircraft for the Republic of China?

Admiral HEINZ. Through 1967, we have funded ——— aircraft. They cost approximately $52 million for the aircraft alone. To that you have to add spare parts. I am speaking of F–5 aircraft only.

Mr. PASSMAN. Fiscal 1964 through fiscal 1967 the total number of aircraft funded was ———.

Admiral HEINZ. ——— aircraft.

Mr. PASSMAN. You propose to fund ——— additional aircraft in fiscal 1968.

Admiral HEINZ. That is correct.

(Discussion off the record.)

CONDITION OF REPUBLIC OF CHINA ARMED FORCES

Mr. PASSMAN. What is the condition of the armed forces and the Air Force in China now compared to fiscal 1963?

Admiral HEINZ. There has been a decided improvement in Air Force modernization since 1963. We have programed ——— F–5's. These are replacing F–86 aircraft. Since 1963, we have put in F–104's. The total number F–104's now is ———. This has made a qualitative improvement in their air force. In the navy, there is still a great deal to be done ———.

At the same time the Communist Chinese Air Force is improving with Mig–21's. They have had Mig–19's. ———.

As far as naval forces are concerned. the ChiCom naval force improvement has been concentrated mainly in submarines. They now have a force of ——— submarines, ———.

The GRC naval posture has improved. They have reached approximately ——— percent modernization in 1967. We have given them another destroyer and certain small craft.

The GRC Army has still reached only about ——— percent qualitative modernization of its vehicles, about ——— percent of its communications equipment, about ——— percent of its air defense artillery equipment and ——— percent of its artillery. Therefore, ———.

Of course, the ChiCom forces opposing them on the mainland are still very great. We would like to keep tensions down in that area. At the same time, we feel that it is in our own security interests to keep the GRC air and naval forces modernized, within our capabilities, to counter that threat; but each year we are decreasing the number of forces supported by MAP.

Mr. PASSMAN. I have been to China many times and visited many of their military installations and I don't believe I have seen soldiers anywhere that are any better disciplined than those serving in the Republic of China. Their maintenance is superb. Not only the equipment, but the installations. I just marvel at how well they have accepted our training and our system of maintenance. Of course, I think our MAAG chief there, who serves under you, is entitled to a lot of the credit. Have I overstated the situation as I found it?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Thank you, Admiral.

TANK PROGRAM

I note that you propose to supply ——— tanks in the 1967 program ———. In view of the terrain in Taiwan, how can we justify this proposition and would it not be better to use those funds for the furnishing of additional F–5 aircraft?

Admiral HEINZ. The GRC Army has about ——— tanks, many of which are M–24, or earlier models ———. The tanks are useful in repelling an invading force. They act as mobile artillery. They protect infantrymen, even down at the beachheads; and therefore a limited number of tanks are needed.

Mr. PASSMAN. What is the total cost of the ——— that you are going to program for fiscal year 1968, aggregate and ———?

Admiral HEINZ. The aggregate for ———.

Mr. CONTE. Are these ——— on our shelves?

Admiral HEINZ. These are ———.

Mr. CONTE. What are we using in Vietnam?

Admiral HEINZ. I believe we are using ———.

Mr. CONTE. This is another place where we are trying to take care of the military branch of the government and get rid of some of our stock by shoving it around the world.

Admiral HEINZ. We are not supplying ———.

STRENGTH OF RED CHINA'S AIR FORCE

Mr. PASSMAN. Admiral, last year Red China had the third largest air force in the world according to your justifications. This year your justifications state it has the fourth largest air force. Which country displaced them in this ranking?

Admiral HEINZ. I will have to get intelligence data to answer that. It shows here they have about ——— Mig aircraft.

Mr. PASSMAN. What nation replaced them?

Admiral HEINZ. I will find that out for you.

Mr. PASSMAN. All right, sir.

(Classified information was submitted to the committee.)

INDONESIA

Mr. PASSMAN. The next country is Indonesia for which the fiscal 1968 program is ——— million, an increase of ——— thousand above the fiscal year 1967 program. Is that correct, sir?

Admiral HEINZ. Yes, sir.

CONDITION OF EQUIPMENT PURCHASED FROM RUSSIA

Mr. PASSMAN. Admiral Heinz, we were told in previous years that Russia had sold to Indonesia something in the neighborhood of $1 billion worth of military equipment on reasonably short terms, with a reasonable rate of interest.

Inasmuch as Russia may be no longer selling Indonesia military equipment, what is ——— the state of repair of this equipment at this time?

Admiral HEINZ. ——— it is in a very poor state of maintenance and repair. ———.

Mr. PASSMAN. ———.

Admiral HEINZ. ———.

Of course, many nations will keep equipment just sitting around not costing them anything, and will refuse to get rid of it.

RESUMPTION OF ECONOMIC AID

Mr. PASSMAN. What will our position be if and when we resume substantial economic aid to Indonesia and they start earning foreign exchange? If they start maintaining their Russian equipment, would we take a good look at it? This has been a matter of "on again, off again, gone again Flannigan" for many years out there.

Admiral HEINZ. If they started spending a great deal of money for this equipment, that would be a cause for a review of our assistance program to Indonesia, both economic and military.

Mr. PASSMAN. Certainly we won't sell them any spare parts for Russian equipment?

Admiral HEINZ. Even if we had any to sell, we would not.

APPARENT DECREASE IN EXPENDED FUNDS FOR CONSTRUCTION

Mr. PASSMAN. Last year the fiscal year 1967 justifications indicated you had delivered or expended $13,631,000 through June 30, 1965, for construction. This year the justification data indicates that through

June 30, 1966—a year later—you had delivered or expended only $7,679,000 for construction.

How were you able to recoup approximately $6 million when your justifications last year indicated that the full $13,631,000 had been delivered or expended? If you have a system like that, we could balance the budget.

Admiral HEINZ. This is the amount that was involved in the recoupment process last year.

Mr. PASSMAN. How are you going to recoup something that is in the construction category where it has been completed and the material has been delivered as of June 1965? How can you go back and roll up a runway or a railroad track and bring it home?

TELECOMMUNICATIONS SYSTEM

Admiral HEINZ. This refers to the telecommunications system for Indonesia. It is money paid to us by the Army when they got back communication equipment. MAP still owned this equipment, which had been delivered to a storage depot but not to Indonesia. We gave the equipment back to the Army, and they paid us for it.

Mr. PASSMAN. There is no savings; it is just a matter of bookkeeping?

Admiral HEINZ. Yes.

Mr. PASSMAN. In other words, as far as American dollars are concerned, the expenditure had been made and MAP has been reimbursed?

Admiral HEINZ. Since then, MAP has been reimbursed.

Mr. PASSMAN. But there was no savings. It is a question of a different agency keeping the books on it?

Admiral HEINZ. No. At that time we had some $5 or $6 million of equipment in the warehouse charged off to the telecommunications construction project in the Indonesian program.

Mr. PASSMAN. It shows up under the construction category though.

Admiral HEINZ. It does because it was part of the overall contract. When the equipment was returned, the Army paid us for it.

Mr. PASSMAN. In other words, the Army is out the money rather than MAP?

Admiral HEINZ. The Army got the equipment that was in the warehouse.

Mr. PASSMAN. The money was paid out nevertheless?

Admiral HEINZ. They used the equipment somewhere else in Southeast Asia.

Mr. PASSMAN. Then it was not for construction.

Admiral HEINZ. I will have to find out where this difference in figures is. If you will recall, we cut off deliveries to Indonesia.

Mr. PASSMAN. How can you put "construction" into a warehouse?

Admiral HEINZ. This is part of the overall construction contract for their communications system.

Mr. PASSMAN. Of course, we can only go by what your justifications state.

Admiral HEINZ. I will check into this difference in figures and submit further clarification for the record.

(The information follows:)

ARMY TELECOMMUNICATION PROGRAM FOR INDONESIA

The telecommunication system for Indonesia was programmed prior to 1963. The total project, including design, construction, technical assistance, *communications equipment and supplies* for this system was contracted to Philco Corporation at a total cost of $14,474,000. For programming purposes, the total project was carried under "construction" in the Indonesian program. The necessary surveys and design for the system, and in addition a portion of the construction and equipment, were furnished to Indonesia prior to the termination of the Indonesia program in 1965. A large part of the communications equipment for the system was delivered to the West Coast, and placed in storage awaiting call by the contractor when required in-country. Since constructive delivery had taken place, this equipment, valued at about $6 million was included in the total delivery figures through June 1965.

Deliveries of materiel to Indonesia, including the communication equipment and supplies in storage on West Coast, was suspended in early CY 1964, and later formally deferred as a result of action approved by the President in September 1964.

Upon termination of MAP for Indonesia in CY 65, the equipment and supplies in storage and already shown as delivered to MAP, were transferred to the Army for required build-up of U.S. military communication system in South Vietnam and Thailand. Recoupment to MAP was made by the Department of the Army in the amount of $6,795,000 (including estimated deliveries of $843,000 shown in FY 67 CPD for final settlement with U.S. contractor for construction in-country). Therefore, the value of the telecommunications construction project for Indonesia was reflected for historical purposes, in the FY 1968 Congressional Presentation as $7,679,000 programmed through FY 1967 and $7,679,000 delivered as of 30 June 1966.

KOREA

Mr. PASSMAN. Admiral, last year you requested $160,017,000 for the program in Korea. What is your current program and why is this increase of approximately $——— million necessary?

Admiral HEINZ. The difference is an increase which was inserted because of the possibility that we would have increased costs in MAP due to their participation in Vietnam. As shown in the revised figures the Secretary gave you, this has been taken out and the fiscal year 1967 program is $——— million now.

INCREASE IN GOLD AND FOREIGN EXCHANGE HOLDINGS

Mr. PASSMAN. Admiral, I notice that Korea's gold and foreign exchange has increased from $169 million at the end of fiscal year 1962 to an estimated $239 million at the end of fiscal year 1966. In view of the fact that Korea is able to increase her gold and foreign exchange holdings and ours continues to drop, how much military equipment is Korea buying from us out of their improved economy?

Admiral HEINZ. They are not buying any military equipment.

Mr. PASSMAN. In your 1966 justifications, your economic data indicated Korea was financing $68 million out of a total defense expenditure of $184 million. This year I note that the total defense expenditure or budget has dropped to $153 million and Korea is financing only $55.2 million of the budget. I assume this is possible because we have increased our military assistance programs to Korea. Am I assuming correctly?

Admiral HEINZ. The military assistance program does not provide any budget support. That is provided through the economic assistance program.

Mr. PASSMAN. I don't believe that is an answer to the question. Let me ask it over.

DECREASE OF KOREA'S CONTRIBUTION TO MILITARY BUDGET AND INCREASE OF MAP

The fiscal year 1966 justifications indicated that Korea was financing $68 million out of a total defense expenditure budget of $184 million. This year I note that the total defense expenditure budget has dropped to $153 million and Korea is financing only $55.2 million of that budget. I assume that this is possible because we have increased our military assistance program to Korea. Now, would you comment?

Admiral HEINZ. This is not a correct assumption because the difference between their self-financed portion and total budget—the amount of U.S. budget support for their defense budget—is obtained from the economic assistance program. The military assistance program does not provide them any budgetary support.

Our military assistance program provides them with equipment and supplies.

Mr. PASSMAN. Let's see if we can analyze this in a different light. In fiscal year 1966—rounding the figures—our military assistance program was $129 million. In 1967 it was $160 million. In 1966 they were contributing $68 million to their defense budget and now it is down to $55 million. So they are decreasing their contribution as we are increasing ours, in the face of a much improved economic condition, and an improvement in foreign exchange and gold holdings.

I know we have read the figures correctly. If you would like to insert in the record the reason why we are increasing our percentage of the total and they are decreasing theirs, it would be appreciated.

Admiral HEINZ. It shows here the defense expenditures 1964, $94 million; 1965, $113 million; 1966, $153 million for defense expenditures.

The amount of economic aid to Korea in those same 3 years—again I am using AID—105 in 1964; 118 in 1965, and 143 in 1966.

IMPROVED KOREAN ECONOMIC CONDITION

Mr. PASSMAN. As their foreign exchange increases and their gold reserves increase, our contribution to their military budget is increasing whereas their contribution to the military budget is decreasing. It looks as if they would assume a greater responsibility with the improved conditions, but they are dropping their contribution as their foreign exchange and gold reserves increase. We want some reason as to why it is changing.

Admiral HEINZ. I think the difference is that our economic aid, the total economic aid given to them, is for their budgetary support. Part of this is allocated to the defense budget and part to the economic budget.

Mr. PASSMAN. Have I read into the record correctly that they have improved their economic condition, and their foreign exchange and gold reserves?

Admiral HEINZ. They have.

Mr. PASSMAN. While they are improving their foreign exchange position, they are likewise decreasing the amount they are contributing to their military budget?

Admiral HEINZ. They may be increasing the amount to the economic budget.

Mr. PASSMAN. The record shows there is a decrease in the military budget. Let's stick to the dollar amounts. Have I stated the situation correctly regardless of the reasons?

Admiral HEINZ. Yes.

Mr. PASSMAN. Could we get the reasons here? You can put that in the record.

Admiral HEINZ. I would say first of all that our budget support to Korea is given to them as a total budgetary support. Then there is an allocation made in Korea as to how much goes to which budget. Now, the country team——

Mr. PASSMAN. We are talking about self-financed expenditures. What you are actually saying—and I don't believe you want the record to read that way—is that so their economy increases, their foreign exchange increases, and their gold holdings increase, obviously they need less budgetary support. But notwithstanding those improvements, they are reducing their own contribution to their defense budget.

Admiral HEINZ. This is what those two figures show. However——

Mr. PASSMAN. Now, put in the record why.

Admiral HEINZ. I will find out why the country team has the allocations that way.

Mr. PASSMAN. They could build up their economy to where they could have a higher standard than we do and they wouldn't be contributing anything to the defuse budget as they improve. I believe they should pick up a large percentage.

Admiral HEINZ. They are probably picking up a larger percentage of their total budgetary costs.

Mr. PASSMAN. The self-financing figures show just the opposite. It dropped from $68 to $55.2 million, according to page 37 of the justifications.

We will put it this way: Last year, when you were before the committee, the justification last year was $90 million, self-financed. Now, with an improved economy, improved gold reserves and improved trade balance, the self-financing has dropped to $55.2 million.

DIFFERENT BASE PRICES IN AID'S FIGURES

Admiral HEINZ. Part of the reason for this is that we have agreed to buy things from them. Also, I find that the AID figures given this year and last year are figured in different base prices.

Mr. PASSMAN. They are not giving anything to the Korean war. We are buying everything, paying a good price for it, and with a tremendous increase in gold reserves and with their foreign exchange, it certainly would appear that their self-financed contribution would be better.

Admiral HEINZ. For instance, it shows here that the total government expenditures were $802 million, and here it shows——

Mr. PASSMAN. Admiral, you are getting completely away from what we are trying to clear up.

Admiral HEINZ. If you will let me finish on this one point, it shows here that their total government expenditures for the fiscal year ending December 31, 1965 were $802 million. Now, AID shows total expenditures of $367 million. There is a great difference here in these AID figures, and I would like to find out what the different base was.

Mr. PASSMAN. Discrepancies are standard stock items with AID, so don't let that worry you. If we had the chance to look into yours, I expect we would find the same thing.

Admiral HEINZ. Mine are always in U.S. dollars, and these are in conversions.

Mr. PASSMAN. We are using dollars here all the way through. Do you think it needs an explanation?

Admiral HEINZ. I think it does, yes.

(The information follows:)

DEFENSE EXPENDITURES OF THE REPUBLIC OF KOREA

The self-financed defense expenditures, the U.S. support to the Republic of Korea's defense budget, the total defense expenditures of the Republic of Korea, and the self-financed expenditures as a percentage of the total defense expenditures are as follows:

[Dollar amounts in millions]

	1965	1966	1967
Self-financed defense expenditures	$43	$55	$93
U.S. support to the Korean defense budget	70	98	88
Total defense expenditures	113	153	181
Self-financed expenditures as a percentage of total defense expenditures	38	36	51

The above data, in current prices, are comparable since they are converted from local currency at the same exchange rate (265 won to $1 US) for all years. The economic and defense expenditure data in the US Military Assistance Program Fiscal Year 1966 and 1967 Congressional Presentation Documents were converted from local currency at the earlier exchange rate of 130 won to $1 US and are not comparable to the same data in the US Military Assistance Program Fiscal Year 1968 Congressional Presentation Document which are converted at 265 won to $1 US, the current exchange rate.

THE PHILIPPINES

Mr. PASSMAN. The next country is the Philippines for which the fiscal 1968 estimate is ——— million. Is that correct, sir?

Admiral HEINZ. Yes, sir.

CIVIC ACTION PROGRAM

Mr. PASSMAN. What is the cost of the civic action program in the Philippines, sir?

Admiral HEINZ. For 1967, it is $2.6 million. For 1968, it will be ———.

Mr. PASSMAN. Would you describe briefly for the record at this point a civic action program?

Admiral HEINZ. A civic action program consists of employing military forces in projects that will be useful to the economy of a country. The general arrangement is that MAP supplies equipment and training to regular units of the military forces which can undertake such projects. When they are undertaken, the operating expenses are paid for by the country, or they may be assisted through AID. In the case of the Philippines, we are providing equipment for army engineering construction battalions. It is the President's purpose to have these battalions undertake road construction.

Mr. PASSMAN. What President?

Admiral HEINZ. President Marcos.

He also proposes to undertake other projects throughout the Philippines. If I may describe the program there, he has increased the civic action centers from 16 to 56. That is the plan now. Presently, we are supporting five engineering construction battalions.

Mr. PASSMAN. I just asked you to describe one civic action program so we could move along, but that is good information.

Would a highway going from one canefield to another, or to a water tank, would that be a project in this program?

Admiral HEINZ. If the military were employed in building or maintaining it, it would be a civic action project.

Mr. PASSMAN. It would be civic action if the civilians used it, even though it was constructed by the military, notwithstanding the fact that it may be a schoolhouse, a highway, or a water tank? A civic action project could be one of many that would contribute to the local economy?

Admiral HEINZ. It is action undertaken by the military forces which is helpful to the economy.

Mr. PASSMAN. I know, but they also could use civilians to help construct the project?

Admiral HEINZ. Yes, they could.

Mr. PASSMAN. The point is that many civic action projects actually contribute to the local economy as well as to the military.

Admiral HEINZ. Yes.

Mr. PASSMAN. And this thing goes so far that actually there is some overlapping between civic action projects funded by the military and by AID—as we have discovered in previous years.

Admiral HEINZ. AID does support the operating cost in some cases.

Mr. PASSMAN. I notice your statement on page 38 that President Marcos has emphasized and revitalized the civic action program of the Philippine Armed Forces in that he has increased the number of engineer construction battalions which are playing a vital role in his overall socioeconomic development program and that the United States is now providing equipment for five such battalions. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Page 38 also states that———. Did we read that correctly?

Admiral HEINZ. You did.

Mr. PASSMAN. Now, what does that actually mean?

Admiral HEINZ. It means that we said we would consider providing equipment for additional engineering battalions———.

Mr. PASSMAN. Admiral, how do you reconcile those statements with the language contained in section 505 of the authorization act which states—and I quote from the basic law—"It is the sense of Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort."

President Marcos is doing just the opposite. He is actually establishing specifically—if we go to page 38 of the secret justifications——

Admiral HEINZ. He is increasing his engineering battalions rather than increasing other parts of his military forces. These are military units.

Mr. PASSMAN. Are they not being created specifically for the social and economic development program rather than military?

I guess you could call them bicycle riders if you want to, but let's get down to the actual facts as they are found in the justifications.

Admiral HEINZ. They are military engineering construction battalions.

Mr. PASSMAN. For what purpose are they created? They could be military and they all could be admirals, but nevertheless, if you put them to work constructing something that is contributing strictly to the economic development and social life of the country, it is a question of what they are doing rather than the type of people who are doing it. To me it appears to be a direct violation of section 505 of the basic act and I wish you would have a little closer look at it and find out actually what they are doing.

The fact that they are military personnel doesn't make it comply with the law. The finished product is the criteria. We discussed that earlier today.

INCREASE OF FUNDS FOR CONSTRUCTION IN FISCAL YEAR 1967 OVER REQUEST

Admiral, last year you requested $65,000 for construction. Page 38 indicates you allocated $334,000 for construction in fiscal year 1967. What is the basis for this 500-percent increase and where did you get the money? A third part of the question would be, what was constructed? Supply that for the record.

(The information follows:)

PHILIPPINE CONSTRUCTION

Page 38 of the "Military Assistance Program Fiscal Year 1968 Estimates" shows construction of $334,000 in the FY 67 MAP. The amount of construction originally estimated for the FY 67 MAP in last year's request was $65,000. This increase in construction reflects MAP funding for certain improvements felt necessary in the Long Lines Communications System, a link between the military service headquarters in the Manila complex and military forces in other sections of the country. ———.

Mr. PASSMAN. You requested $65,000 last year for construction and page 38 indicates you have already allocated $334,000 for construction. Is that not correct?

Admiral HEINZ. Yes. You asked where I found the money?

Mr. PASSMAN. Yes.

Admiral HEINZ. We decreased ———.

Mr. PASSMAN. In other words, you applied the illustrative formula?

Admiral HEINZ. We did not give ———.

Mr. PASSMAN. Did I not make a good statement? You used the illustrative formula?

Admiral HEINZ. At the time the program was presented to you, the ——— were still in the program; and we intended to supply them.

Mr. PASSMAN. My interpretation that you employed the illustrative feature of the legislation is correct? You transfer it from what you testified for to something else?

Admiral HEINZ. Yes. We try to avoid that insofar as possible.

Mr. PASSMAN. That is a good statement: "Insofar as possible."

FAR EAST REGIONAL PROGRAM

Mr. PASSMAN. Would you furnish a breakdown of the estimated $470,000 for the Far East area program?

Admiral HEINZ. Yes.

Of that, $——— thousand is training for Malaysia.

Mr. PASSMAN. How much?

Admiral HEINZ. $——— thousand.

Mr. PASSMAN. Training?

Admiral HEINZ. For Malaysia. As I explained in my statement, we have put all Conus training only in the area programs. $——— thousand is for other training, for schools in Okinawa, for MTT's throughout the area, and other expenses of the CINCPAC part of the program. I would be happy to give you a complete breakdown for the record.

Mr. PASSMAN. Give us something a little more convincing and put it in the record.

(A classified table was supplied to the committee:)

JAPAN

Mr. PASSMAN. Admiral, what is the composition of the $——— million that you have allocated to the credit of Japan out of prior-year funds to be delivered after July 1, 1967?

Admiral HEINZ. Most of that is for BADGE equipment.

Mr. PASSMAN. BADGE?

Admiral HEINZ. It is the air defense ground environment system. We reached an agreement with the Japanese, I believe in 1963, that we would pay up to $——— million for that project. I will have to check these figures. It was a total of $——— million project. It was a long-term project. It would take several years to complete.

Mr. PASSMAN. But it is grant aid?

Admiral HEINZ. This is the grant aid portion of it. We actually expected to have most of this delivered in 1967. However, the equipment actually delivered was charged against the funds the Japanese paid in, leaving the U.S. components still to be delivered.

BADGE

Mr. SHRIVER. If the chairman will yield, I do not understand what the project is.

Admiral HEINZ. The project is an Air Defense Ground Environment System. This is where you set up radar stations with communications linking them to provide information of attacking aircraft.

Mr. PASSMAN. For the benefit of Japan.

Admiral HEINZ. For the benefit of Japan.

Mr. PASSMAN. Why should we, with that thriving economy in Japan, give them additional grant aid of $——— million?

Admiral HEINZ. This is from previous programs, from the 1963 commitment.

Mr. PASSMAN. You are just finalizing the plan now?

Admiral HEINZ. This is deliveries from prior programs. There is no money in the 1968 program for Japan.

CAMBODIA

Mr. PASSMAN. How much money have you allocated to Cambodia out of 1967 funds?

Admiral HEINZ. None.

Mr. PASSMAN. What do you propose to fund for Cambodia in fiscal 1968?

Admiral HEINZ. Nothing.

Mr. PASSMAN. You are, of course, familiar with the fact that ———, are you not? That is, ———.

Admiral HEINZ. I am not familiar with that.

Mr. PASSMAN. You act like you are a little surprised. It is a statement of fact. Off the record. Then if ———.

(Discussion off the record.)

FUNCTION AND DUTIES OF A MAAG

Mr. PASSMAN. Admiral, just one final question: What is the function and duties of a MAAG in a country receiving military grant assistance?

Admiral HEINZ. I will put it in the record.

(The information follows:)

FUNCTIONS AND DUTIES OF A MAAG IN A COUNTRY RECEIVING MILITARY GRANT ASSISTANCE

Military Assistance Advisory Groups in countries receiving military grant assistance perform the following functions:

a. Represent the Department of Defense with the government to which they are accredited, maintain the U.S. Military presence, and establish a relationship of mutual trust and confidence with the Ministry of Defense and the armed forces of that country.

b. Make recommendations concerning military assistance in their respective countries to the Commander of the Unified Command concerned.

c. Develop military assistance plans and programs in cooperation with the Chief of the U.S. Diplomatic Mission and other elements of the Country Team and submit them to the Commander of the Unified Command concerned.

d. Observe and report on the utilization of material furnished by and personnel trained by the U.S.

e. When directed by appropriate authority, cooperate with representatives of specified U.S. firms in furthering sales of U.S.-produced military equipment to meet valid country requirements.

f. Provide appropriate advisory services and technical assistance to recipient countries on military assistance, including training assistance and military assistance purchases.

g. Work directly with the Military Departments and appropriate military area commands in arranging for receipt and transfer of military assistance materiel, training, and services to recipient nations.

h. Provide liaison with the country involved with respect to weapons production and residual offshore procurement matters.

i. With regard to the host countries' implementation of that portion of its military program financed by other U.S. agencies with U.S.-owned local currency, develop and execute a program of review and observation to serve as a basis for rendering an appropriate report to the Chief of the U.S. Diplomatic Mission and the Chief, U.S. Agency for International Development Mission.

j. When appropriate, act as channel of communication for the Director for Defense Research and Engineering keeping Unified Commands informed regarding research and development matters between the U.S. and the government to which they are accredited. Act as channel of communication for the ASD(I&L) regarding production and other logistic matters between the U.S. and the government to which they are accredited.

k. Provide the point of contact for the exchange of information on forces, budgets, weapons and capabilities as required.

l. Assist Commanders of Unified Commands in planning for possible U.S. support of country wartime logistic requirements.

m. Provide liaison with the country to which accredited with respect to any other military assistance requirements or logistics matters of the DOD and perform such other functions as may be required under Foreign Assistance legislation.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. ———.

(Discussion off the record.)

EXCESS FOREIGN CURRENCIES

Admiral HEINZ. I might say there are excess foreign currencies in ——— and Ceylon.

Mr. SHRIVER. How much in each of these countries?

Admiral HEINZ. ———, $——— million. In Ceylon, $10.4 million. In India, $969 million. In Israel, $63.9 million. In Pakistan, $203.8 million. In Tunisia, $21.9 million. United Arab Republic, $250.2 million.

Mr. SHRIVER. ———.

Admiral HEINZ. In none of the others did military assistance generate the funds. Military assistance contributed a small part of the ———.

MILITARY ASSISTANCE TO THE REPUBLIC OF CHINA

Mr. SHRIVER. How much in total has this country supplied to the Republic of China since the beginning of military assistance?

Admiral HEINZ. The cumulative deliveries to China since the beginning of the program through June 1966, are $2.240 billion.

Mr. SHRIVER. Is there any plan of phasing down the military assistance for China?

Admiral HEINZ. ———.

CIVIC ACTION PROGRAM IN INDONESIA

Mr. SHRIVER. In Indonesia what will be the nature of the contemplated civic action referred to in the justification?

Admiral HEINZ. This will be first of all ——— for their engineering forces.

Mr. SHRIVER. Civic action, I am talking about.

Admiral HEINZ. Yes. Our program for 1968, has this major breakdown. ———. In other words, we are limiting our support to their engineering type forces.

FAILURE OF PROGRAM IN CAMBODIA TO PROMOTE U.S. INTEREST AND OBJECTIVES

Mr. SHRIVER. On page 40 of the justifications referring to Cambodia, you say the U.S. military assistance furnished during that period, 1955–63 made possible the development of Cambodian military forces which were capable of maintaining internal security and of conducting a very limited defense of Cambodian territory. Cambodia now receives military assistance from Communist China, U.S.S.R., and France and generally regarded as hostile to our efforts in Southeast Asia. So here we see an instance where the money we spent to maintain internal security through the local military establishment, while perhaps successful in that limited goal, was not effective as far as promoting U.S. interests and objectives. Would you care to comment on our failure in Cambodia and its relationships with our efforts in other developing countries.

Admiral HEINZ. The change in relationships with ourselves and Cambodia depended upon Sihanouk's assessment of the situation in 1964, ———, we ceased our military assistance. ———, he said "We do not want your military assistance any more."

COST OF PROGRAMS IN CAMBODIA

Mr. SHRIVER. Yet we put in over $87 million.

Admiral HEINZ. Over a period of years we put in $87 million to that country. In the field of international relations a reversal of relationships is always a possibility. If we go back to 1962, at that time it appeared that MAP was a worthwhile project. It did not turn out that way.

Mr. SHRIVER. That same thing could happen in other countries.

Admiral HEINZ. That same thing could happen in other countries. This is something that is always a possibility. I do not foresee it happening. Of course, we never can foresee all the things that will happen. I cannot predict where this might happen with a change in regime.

I think with the smaller program, the lesser number of countries, the chances of it happening are much less.

Mr. SHRIVER. In addition to the military assistance which you mentioned was $87 million, how much economic assistance? What is the total that we put into that country?

Admiral HEINZ. The aid book shows total aid of $341.1 million.

Mr. SHRIVER. How much?

Admiral HEINZ. $341.1 million total economic and military assistance.

Mr. SHRIVER. Thank you, Admiral.

Mr. PASSMAN. Mr. Conte?

INFRASTRUCTURE COSTS

Mr. CONTE. Admiral Heinz, this year's program requested a transfer of the cost, of NATO's infrastructure program to the defense budget. Do you have a figure of what those costs are going to be during the fiscal year 1968 and the next couple of years thereafter?

Admiral HEINZ. Yes. The figure for 1968 is $——— million. That is the estimate of our contribution to the infrastructure program. After that it is estimated that it will be less, probably on the order of $——— million.

Mr. CONTE. $——— million the following year.

Admiral HEINZ. Yes, sir.

MILITARY INFRASTRUCTURE REMAINING IN FRANCE

Mr. CONTE. The figures I have indicate that when NATO left France some $750 million worth of military infrastructure was left behind as a windfall to France including 46 new airfields, 17 Polaris depots, 1,200 miles of pipeline and nine naval base installations, among other things. Do you know whether that figure is accurate?

Admiral HEINZ. I could not justify that figure.

I will find out if that figure is accurate.

(The information follows:)

INVESTMENT IN NATO INFRASTRUCTURE FACILITIES IN FRANCE

The total amount invested in NATO infrastructure facilities in France is approximately $747 million. The value of those facilities to France would, of course, depend upon a number of factors, such as the age and condition of the facilities and the use to which France might put them.

NATO has reserved its right to present claims to France for losses arising from the relocation; the legal questions associated with such potential claims are now under study by a special NATO Committee.

Mr. CONTE. Will you tell me what steps were taken to recoup the cost of that equipment from France?

Admiral HEINZ. NATO has a special committee undertaking this task at the present time. The task is to discuss the legal aspects of the problem. I do not know when this project will be completed, but all the nations have reserved the right to request compensation from the French.

Mr. CONTE. I hope, Admiral Heinz——

Admiral HEINZ. This is a NATO effort—at the same time there will be unilateral claims.

Mr. CONTE. I will get to that. I hope we won't get the short end of the stick as we did in the World War I debt from France.

LEGAL STATUS OF NATO'S AGREEMENTS

Mr. PASSMAN. If the gentleman will yield; of course, we did not anticipate what happened in France. I wonder if NATO's agreements

in any country could be the legal basis for claims for reimbursement to other members of the Organization for expenditures made while it was a joint effort.

Admiral HEINZ. Certainly NATO has reserved the right to claim compensation.

Mr. PASSMAN. I can claim I am 21 years old. I am asking about whether or not the NATO agreement would permit the other countries to legally recover from some country who became unhappy and asked that it be let out. I think it would be good, if the gentleman from Massachusetts agrees, that we get a copy of the agreement, or that portion of it, so we would know whether or not there is any legal right. It is hard enough to collect money when you have a legal claim. When you start trying to collect something where you do not have a legal claim, I do not know how far you could get. I would like to have it, would you?

Mr. CONTE. I think it is a fair request.

Admiral HEINZ. We will certainly get that.

(The information follows:)

NATO CLAIMS AGAINST FRANCE

There is no single agreement or document which clearly defines NATO's rights vis-a-vis France in connection with the relocation. Copies of the following documents are, however, attached:

1. The "Protocol on the Status of International Military Headquarters Set Up Pursuant to the North Atlantic Treaty of 28 August 1952" (Article 9 thereof deals with the residual value of property left in the "receiving state"—including France.)

2. "Proposed Arrangement for Sharing Second Slice Infrastructure" of 19 September 1951 (classified NATO SECRET). (Paragraph 8 thereof, which also deals with residual value, is considered to have application to all succeeding infrastructure slices, as well.)

APPENDIX 8

PROTOCOL ON THE STATUS OF INTERNATIONAL MILITARY HEADQUARTERS SET UP PURSUANT TO THE NORTH ATLANTIC TREATY

Paris, 28 August, 1952.

The Parties to the North Atlantic Treaty signed in Washington on 4th April, 1949,

Considering that international military Headquarters may be established in their territories, by separate arrangement, under the North Atlantic Treaty, and

Desiring to define the status of such Headquarters and of the personnel thereof within North Atlantic Treaty area,

Have agreed to the present Protocol to the Agreement signed in London on 19th June, 1951, regarding the Status of their Forces:

ARTICLE 1

In the present Protocol the expression

a. 'the Agreement' means the Agreement signed in London on 19th June, 1951, by the Parties to the North Atlantic Treaty regarding the Status of their Forces;

b. 'Supreme Headquarters' means Supreme Headquarters Allied Powers in Europe, Headquarters of Supreme Allied Commander Atlantic and any equivalent international military Headquarters set up pursuant to the North Atlantic Treaty;

c. 'Allied Headquarters' means any Supreme Headquarters and any international military Headquarters set up pursuant to the North Atlantic Treaty which is immediately subordinate to a Supreme Headquarters;

d. 'North Atlantic Council' means the Council established by Article 9 of the North Atlantic Treaty or any of its subsidiary bodies authorised to act on its behalf.

ARTICLE 2

Subject to the following provisions of this Protocol, the Agreement shall apply to Allied Headquarters in the territory of a Party to the present Protocol in the North Atlantic Treaty area, and to the military and civilian personnel of such Headquarters and their dependents included in the definitions in sub-paragraphs a., b. and c. of paragraph 1 of Article 3 of this Protocol, when such personnel are present in any such territory in connection with their official duties or, in the case of dependents, the official duties of their spouse or parent.

ARTICLE 3

1. For the purpose of applying the Agreement to an Allied Headquarters the expressions "force", "civilian component" and "dependent", wherever they occur in the Agreement shall have the meanings set out below:

a. "force" means the personnel attached to the Allied Headquarters who belong to the land, sea or air armed services of any Party to the North Atlantic Treaty;

b. "civilian component" means civilian personnel who are not stateless persons, nor nationals of any State which is not a Party to the Treaty, nor nationals of, nor ordinarily resident in the receiving State, and who are (i) attached to the Allied Headquarters and in the employ of an armed service of a Party to the North Atlantic Treaty or (ii) in such categories of civilian personnel in the employ of the Allied Headquarters as the North Atlantic Council shall decide;

c. "dependent" means the spouse of a member of a force or civilian component, as defined in sub-paragraphs a. and b. of this paragraph, or a child of such member depending on him or her for support.

2. An Allied Headquarters shall be considered to be a force for the purposes of Article II, paragraph 2 of Article V, paragraph 10 of Article VII, paragraphs 2, 3, 4, 7 and 8 of Article IX, and Article XIII, of the Agreement.

ARTICLE 4

The rights and obligations which the Agreement gives to or imposes upon the sending State or its authorities in respect of its forces or their civilian components or dependent shall, in respect of an Allied Headquarters and its personnel and their dependents to whom the Agreement applies in accordance with Article 2 of the present Protocol, be vested in or attached to the appropriate Supreme Headquarters and the authorities responsible under it, except that:

a. the right which is given by Article VII of the Agreement to the military authorities of the sending State to exercise criminal and disciplinary jurisdiction shall be vested in the military authorities of the State, if any, to whose military law the person concerned is subject;

b. the obligations imposed upon the sending State or its authorities by Article II, paragraph 4, of Article III, paragraphs 5 a. and 6 a. of Article VII, paragraphs 9 and 10 of Article VIII, and Article XIII, of the Agreement, shall attach both to the Allied Headquarters and to any State whose armed service, or any member or employee of whose armed service, or the dependent of such member or employee, is concerned;

c. for the purpose of paragraphs 2 a. and 5 of Article III, and Article XIV, of the Agreement the sending State shall be, in the case of members of a force and their dependents, the State to whose armed service the member belongs, or, in the case of members of a civilian component and their dependents, the State, if any, by whose armed service the member is employed;

d. the obligations imposed on the sending State by virtue of paragraphs 6 and 7 of Article VIII of the Agreement shall attach to the State to whose armed service the person belongs whose act or omission has given rise to the claim or, in the case of a member of a civilian component, to the State by whose armed service he is employed or, if there is no such State, to the Allied Headquarters of which the person concerned is a member.

Both the State, if any, to which obligations attach under this paragraph and the Allied Headquarters concerned shall have the rights of the sending State in connection with the appointment of an arbitrator under paragraph 8 of Article VIII.

ARTICLE 5

Every member of an Allied Headquarters shall have a personal identity card issued by the Headquarters showing names, date and place of birth, nationality, rank or grade, number (if any), photograph and period of validity. This card must be presented on demand.

ARTICLE 6

1. The obligations to waive claims imposed on the Contracting Parties by Article VIII of the Agreement shall attach both to the Allied Headquarters and to any Party to this Protocol concerned.

2. For the purposes of paragraphs 1 and 2 of Article VIII of the Agreement,

a. property owned by an Allied Headquarters or by a Party to this Protocol and used by an Allied Headquarters shall be deemed to be property owned by a Contracting Party and used by its armed services;

b. damage caused by a member of a force or civilian component as defined in paragraph 1 of Article III of this Protocol or by any other employee of an Allied Headquarters shall be deemed to be damage caused by a member or employee of the armed services of a Contracting Party;

c. the definition of the expression "owned by a Contracting Party" in paragraph 3 of Article VIII shall apply in respect of an Allied Headquarters.

3. The claims to which paragraph 5 of Article VIII of the Agreement applies shall include claims (other than contractual claims and claims to which paragraphs 6 or 7 of that Article apply) arising out of acts or omissions of any employees of an Allied Headquarters, or out of any other act, omission or occurrence for which an Allied Headquarters is legally responsible, and causing damage in the territory of a receiving State to third parties, other than any of the Parties to this Protocol.

ARTICLE 7

1. The exemption from taxation accorded under Article X of the Agreement to members of a force or civilian component in respect of their salaries and emoluments shall apply, as regards personnel of an Allied Headquarters within the definitions in paragraph 1 a. and b. (i) of Article 3 of this Protocol, to salaries and emoluments paid to them as such personnel by the armed service to which they belong or by which they are employed, except that this paragraph shall not exempt any such member or employee from taxation imposed by a State of which he is a national.

2. Employees of an Allied Headquarters of categories agreed by the North Atlantic Council shall be exempted from taxation on the salaries and emoluments paid to them by the Allied Headquarters in their capacity as such employees. Any Party to the present Protocol may, however, conclude an arrangement with the Allied Headquarters whereby such Party will employ and assign to the Allied Headquarters all of its nationals (except, if such Party so desires, any not ordinarily resident within its territory) who are to serve on the staff of the Allied Headquarters and pay the salaries and emoluments of such persons from its own funds, at a scale fixed by it. The salaries and emoluments so paid may be taxed by the Party concerned but shall be exempted from taxation by any other Party. If such an arrangement is entered into by any Party to the present Protocol and is subsequently modified or terminated, Parties to the present Protocol shall no longer be bound under the first sentence of this paragraph to exempt from taxation the salaries and emoluments paid to their nationals.

ARTICLE 8

1. For the purpose of facilitating the establishment, construction, maintenance and operation of Allied Headquarters, these Headquarters shall be relieved, so far as practicable, from duties and taxes, affecting expenditures by them in the interest of common defence and for their official and exclusive benefit, and each Party to the present Protocol shall enter into negotiations with any Allied Headquarters operating in its territory for the purpose of concluding an agreement to give effect to this provision.

2. An Allied Headquarters shall have the rights granted to a force under Article XI of the Agreement subject to the same conditions.

3. The provisions in paragraphs 5 and 6 of Article XI of the Agreement shall not apply to nationals of the receiving States, unless such nationals belong to the armed services of a Party to this Protocol other than the receiving State.

4. The expression 'duties and taxes' in this Article does not include charges for services rendered.

ARTICLE 9

Except in so far as the North Atlantic Council may decide otherwise,

a. any asset acquired from the international funds of an Allied Headquarters under its capital budget and no longer required by the Headquarters shall be disposed of under arrangements appoved by the North Atlantic Council and the proceeds shall be distributed among or credited to the Parties to the North Atlantic Treaty in the proportions in which they have contributed to the capital costs of the Headquarters. The receiving State shall have the prior right to acquire any immovable property so disposed of in its territory provided that it offers terms no less favourable than those offered by any third party;

b. any land, buildings or fixed installations provided for the use of an Allied Headquarters by the receiving State without charge to the Headquarters (other than a nominal charge) and no longer required by the Headquarters shall be handed back to the receiving State, and any increase or loss in the value of the property provided by the receiving State resulting from its use by the Headquarters shall be determined by the North Atlantic Council (taking into consideration any applicable law of the receiving State) and distributed among or credited or debited to the Parties to the North Atlantic Treaty in the proportions in which they have contributed to the capial costs of the Headquarters.

ARTICLE 10

Each Supreme Headquarters shall possess juridical personality; it shall have the capacity to conclude contracts and to acquire and dispose of property. The receiving State may, however, make the exercise of such capacity subject to special arrangements between it and the Supreme Headquarters or any subordinate Allied Headquarters acting on behalf of the Supreme Headquarters.

ARTICLE 11

1. Subject to the provisions of Article VIII of the Agreement, a Supreme Headquarters may engage in legal proceedings as claimant or defendant. However, the receiving State and the Supreme Headquarters or any subordinate Allied Headquarters authorized by it may agree that the receiving State shall act on behalf of the Supreme Headquarters in any legal proceedings to which that Headquarters is a party before the courts of the receiving State.

2. No measure of execution or measure directed to the seizure or attachment of its property or funds shall be taken against any Allied Headquarters, except for the purposes of paragraph 6 a. of Article VIII and Article XIII of the Agreement.

ARTICLE 12

1. To enable it to operate its international budget, an Allied Headquarters may hold currency of any kind and operate accounts in any currency.

2. The Parties to the present Protocol shall, at the request of an Allied Headquarters, facilitate transfers of the funds of such Headquarters from one country to another and the conversion of any currency held by an Allied Headquarters into any other currency, when necessary to meet the requirements of any Allied Headquarters.

ARTICLE 13

The archives and other official documents of an Allied Headquarters kept in premises used by those Headquarters or in the possession of any properly authorized member of the Headquarters shall be inviolable, unless the Headquarters has waived this immunity. The Headquarters shall, at the request of the receiving State and in the presence of a representative of that State, verify the nature of any documents to confirm that they are entitled to immunity under this Article.

ARTICLE 14

1. The whole or any part of the present Protocol or of the Agreement may be applied, by decision of the North Atlantic Council, to any international military Headquarters or organization (not included in the definitions in paragraphs b. and c. of Article 1 of this Protocol) which is established pursuant to the North Atlantic Treaty.

2. When the European Defense Community comes into being, the present Protocol may be applied to the personnel of the European Defence Forces attached to an Allied Headquarters and their dependents at such time and in such manner as may be determined by the North Atlantic Council.

ARTICLE 15

All differences between the Parties to the present Protocol or between any such Parties and any Allied Headquarters relating to the interpretation or application of the Protocol shall be settled by negotiation between the parties in dispute without recourse to any outside jurisdiction. Except where express provision is made to the contrary in the present Protocol or in the Agreement, differences which cannot be settled by direct negotiations shall be referred to the North Atlantic Council.

ARTICLE 16

1. Articles xv and xvii to xx of the Agreement shall apply as regards the present Protocol as if they were an integral part thereof, but so that the Protocol may be reviewed, suspended, ratified, acceded to, denounced or extended in accordance with those provisions independently from the Agreement.

2. The present Protocol may be supplemented by bilateral agreement between the receiving State and a Supreme Headquarters, and the authorities of a receiving State and a Supreme Headquarters may agree to give effect, by administrative means in advance of ratification, to any provisions of this Protocol or of the Agreement as applied by it.

In witness whereof the undersigned Plenipotentiaries have signed the present Protocol. Done in Paris this 28th day of August 1952, in the English and French languages, both texts being equally authoritative, in a single original which shall be deposited in the archives of the Government of the United States of America. The Government of the United States of America shall transmit certified copies thereof to all the signatory and acceding States.

EVALUATION PROCEDURES

Mr. CONTE. Would you describe the evaluation procedures that exist for determining whether the goals and objectives of our individual military assistance programs are being met and also for determining that the appropriations are being put to use in the manner intended?

Admiral HEINZ. Evaluation of the military assistance program is a continuing process at all echelons—in country, in the Unified Commands, and in Washington. Our access to the information required for such evaluations is largely assured by the basic military assistance agreements, which by law provide that the recipient country will permit U.S. officials to perform "continuous observation and review" of aid received. The mechanics of the evaluation normally are tied to the annual MAP planning and programing procedures, although special appraisals are frequently required by those conducting day-to-day affairs. This continuing evaluation also provides the basis for program adjustments as required when goals and objectives change or are modified.

In the normal MAP planning cycle, U.S. objectives, policy guidance, and dollar guidelines are first provided the Unified Commands and the Country Teams. The country MAAG's then prepare various

papers for inclosure in a formal military assistance plan. These papers, which are coordinated with the respective U.S. diplomatic missions, include the following subjects relative to an evaluation of past performance and accomplishments:

(*a*) Plan objectives and the contribution of military assistance to the accomplishment of U.S. objectives.

(*b*) A discussion of wherein various objectives have not been met.

(*c*) A discussion of local efforts to meet their own military requirements.

The country plans are then forwarded to the Unified Command, where they are considered from the regional point of view. Next they are sent to Washington and reviewed by DOD, State, AID, and the Bureau of the Budget prior to final formulation of the Executive Branch's presentation to the Congress.

The foregoing outlines the normal procedures relative to evaluating the goals and objectives of individual programs. While these procedures also bear on the problem of appropriations "being put to use in the manner intended," there are other more specific actions which apply to the latter problem. These are:

(*a*) DOD internal audits: On a regular schedule, auditors from the military departments check specific country programs or functions. These audits are developed, planned, and sometimes performed by the MAP Audit Division, OSD Comptroller.

(*b*) Inspector General, foreign assistance inspections: The Inspector General, foreign assistance, operating out of the Department of State, includes military assistance matters in his comprehensive audits and insepctions of foreign assistance programs.

(*c*) GAO comprehensive audits: These comprehensive audits specifically review the results of a program in the light of legislation and the intended purpose of the program.

In all three of these cases, the audit or inspection reports require investigation and comment by the pertinent activities and, if valid discrepancies have been uncovered, then corrective action is instituted.

PROGRAM TERMINATIONS AND REDUCTIONS

Mr. CONTE. In your statement you say to comply with congressional limitations on the number of countries to receive military aid certain proposed country programs have not been implemented and others have been reduced to CONUS training only. Will you expand on this statement, setting forth which specific programs are involved and why they were chosen as the countries to be restricted?

Admiral HEINZ. Yes. In complying with the congressional limitation we first examined the countries where we felt a change would have the least impact upon our relationships. First of all, the programs for India and Pakistan were not implemented. ———. The programs for Lebanon, Mexico, and Costa Rica were changed to CONUS training only. In regard to the Danish program, we found that since this consisted entirely of material from the HAWK program in which funding was completed in 1966, Denmark could be reduced to CONUS training in 1967. ———. In Guinea and in Senegal

the programs were reduced to CONUS training only since the basic unit equipment had been funded in earlier years. We originally had small amounts of spare parts in the programs. We had some countries, Japan, for example, where we had a commitment to complete overseas training. We could not delete this from the program without breaking our commitment. Therefore, we included Japan as one of the 40, although it is training only, but includes oversea training. We had made a commitment to Mali to deliver equipment from prior programs, therefore Mali was kept in the program. ———.

Mr. CONTE. We are having difficulty with Mali.

Admiral HEINZ. ———. This is the process we went through examining every country program. We ended up with 36 material programs and four programs which had CONUS and oversea training.

(Recess.)

In complying with the amendment in the 1968 program, we have only 34 countries proposed to which the amendment would be applicable.

EFFECT OF WAR IN VIETNAM ON PROJECTED TRAINING

Mr. CONTE. At a time when we are faced with marked increased training requirements for American troops because of the demands of the war in Vietnam, are you able to provide the training and especially the CONUS training you have projected for fiscal 1968 without overburdening our training facilities?

Admiral HEINZ. Each military department very carefully looks at the training capabilities that we have. Yes, sir, we are.

CAPABILITY OF KOREA IN DEALING WITH AGGRESSION

Mr. CONTE. Including the proposed 1968 appropriations for Korea, we will have provided military assistance to them over the 3-year period from fiscal 1966 to fiscal 1968, of almost $——— million. To what extent is Korea now capable of repelling and dealing with the agression from North Korea without requiring the involvement of American forces, assuming no attack by Chinese troops as well?

Admiral HEINZ. It is difficult to answer the question in terms you asked it. ———.

Mr. CONTE. You are giving me numbers.

Admiral HEINZ. I am giving you numbers now.

Mr. CONTE. How about the capability?

Admiral HEINZ. ———.

OPERATION AND MAINTENANCE IN REPUBLIC OF CHINA

Mr. CONTE. In your statement you say ——— percent of the proposed program for China will be used for operation and maintenance purposes, while the justification book at page 32 states it will be ——— percent. Which of those figures is correct?

Admiral HEINZ. ——— percent. That was a typographical error in my statement. I made that correction.

Mr. CONTE. The military threat to the Republic of China, which we are providing a capability to deal with, is a limited Chinese Com-

munist challenge or probe, according to your statement and the justifications.

In the light of this objective, what is the possibility that the Republic of China is in fact being overarmed and overstocked militarily to meet the potential threat that it can feasibly deal with?

Admiral HEINZ. I don't think it is being overstocked militarily. ———.

Mr. CONTE. You say in your justifications, "providing a capability to deal with——"

Admiral HEINZ. The ChiCom threat.

Mr. CONTE. Right.

Admiral HEINZ. I don't see any chances of their being overstocked to meet that threat, which is still a very considerable threat.

CIVIC ACTION PROGRAM IN REPUBLIC OF CHINA

Mr. CONTE. How about your civic action program there? Do you think that could be beefed up?

Admiral HEINZ. In China?

Mr. CONTE. Yes.

Admiral HEINZ. The civic action program in China is not a very large one. This is mainly due to the desires of the Republic of China. Chiang Kai-shek has had a veterans rehabilitation program for some years and he employs his veterans in this role.

WORLDWIDE FIGURES FOR CIVIC ACTION PROGRAMS

Mr. CONTE. Do you have any dollar figures on the total amount of last year's appropriation and the total requested in 1968 which will go toward civic action programs?

Admiral HEINZ. In 1967 we estimate $9.7 million. In 1968 ———.

Mr. CONTE. That is China or overall?

Admiral HEINZ. That is overall.

Mr. CONTE. That is what I want.

Admiral HEINZ. That is worldwide.

Mr. CONTE. Do you feel we are doing enough in this area or would you say perhaps more of the amounts we are willing to spend on military assistance should be spent in the area of the civic action programs?

Admiral HEINZ. I would like to see more spent on it, but not necessarily MAP. We have found, for example, that the amount in Latin America allocated to civic action is decreasing mainly because the units that can perform civic action have been equipped. Therefore, MAP support is going down. It is just spare parts support. The countries themselves are spending more for civic action projects.

Once we get a unit equipped, then MAP support decreases considerably.

DEGREE OF SUCCESS AND MAJOR ACCOMPLISHMENTS OF CIVIC ACTION PROGRAMS

Mr. CONTE. Supply this for the record: A general view of how successful the civic action programs have been during the last year and what some of the major accomplishments were.

Admiral HEINZ. I will do that.
(The information follows:)

U.S. CIVIC ACTION PROGRAMS, 1966–1967

GENERAL VIEW

The use of military resources to assist civilian development is an effective device which governments may employ for improving national conditions. Over the past year, U.S. assistance to such civic action has continued to interact with liberalizing trends in many Free World armed forces to improve economic and social conditions in less-developed countries and strengthen military-civilian relations. Most participating countries would not have reached current levels of civic action without outside U.S. assistance or additional years of self-effort.

With U.S. civic action support of internal security objectives, indigenous military and other security personnel during the past year have gained greater familiarization with civil problems and the environment in which the people live, reversing the isolation which these forces in the past have often experienced or even fostered. In the economic and social sphere, local military forces, making use of skills and equipment which in peacetime were traditionally employed in training exercises or make-work projects, have been put to effective use in nation building at no reduction of their security posture or military capability. Since 1961, forces assisted by the Military Assistance Program (MAP) have built or improved more than 10,000 miles of public roads, erected over 1,000 schools, clinics and hospitals, and provided medical and dental care of more than 4,000,000 civilians who were outside the area of civilian facilities.

U.S. support for civic action was provided to 32 countries in FY 1966 and 27 countries in FY 1967 and totalled $10.7 million and an estimated $9.5 million, respectively. Statistics on host-country investment in civic action are difficult to obtain but would show a multiple of the U.S. total. This invesment appears to be accelerating. Nevertheless, civic action, far from being a program apart standing completely on its own merits, is in fact a relatively small element of, and is integrated into, the overall sociological, economic and military development of an emerging nation.

Over the past year, the principal U.S. changes in emphasis in civic action have been: (1) Increased effort is placed on self-help programs in which there is limited U.S. participation; (2) Greater weight is given to programs which provide an early civilian impact, rather than to long-range projects requiring considerable time and resources; (3) Greater use is encouraged of pre-release training for military personnel in literacy, vocational skills and citizenship responsibilities; (4) If longer range projects are justified in overall economic terms, U.S. support is intended to take the form of development loans or credit assistance rather than grant aid.

EXAMPLES OF MAJOR ACCOMPLISHMENTS

Brazil.—In 1966, the Brazilian armed forces, world leaders in civic action, constructed 370 miles of new roads and 146 miles of new railroad lines. In addition, approximately 50,000 conscripts received literacy training and 30,000, vocational training. These and other projects, including the maintenance of 2,555 miles of road, set new records for total accomplishments and diversity of effort .

Colombia.—Civic action served internal security and economic objectives and was increasingly successful in 1966. During the year, Colombian Army engineer units continued construction and maintenance of 1,425 kms of arterial and farm-to-market roads linking commercial centers and the interior. Another 20 rural schools were constructed in cooperative efforts by the Colombian military (technical advice and equipment) and the civilian population (local labor). In the health and sanitation field, the Colombian military are supporting 23 health posts, five medical detachments on river gunboats, and mobile medical teams to provide preventive medicine and hygiene training.

El Salvador.—El Salvador is the smallest country in the world receiving MAP support for civic action. Its 1966 accomplishments included medical treatment for 10,000 civilians (in addition to 180,000 inoculations of civilians) and literacy training within the armed forces for approximately 7,000 soldiers.

Iran.—Iranian-financed civic action programs, using equipment previously furnished by MAP, have incorporated the Iranian armed forces in a time-phased rural development program for the next five years. In addition, the Gendarmerie is carrying on a tuberculosis control program using eight MAP-furnished X-ray sets located in provincial centers throughout Iran. In FY 1966, 14,000 civilians received TB checkups. The best estimate of FY 1967 accomplishments by the Iranian Armed Forces is as follows:

Road construction (km.)	330
Bridges built	19
Schools constructed	31
Vaccinations (civilians)	27,000
Vaccinations (animals)	31,000
Food distribution (metric tons)	3.2
Literacy corps (children trained)	400,000
Literacy corps (adults trained)	136,000
Vocational training (conscripts)	7,200

Korea.—In 1966, the Korean armed forces planted 23 million seedling trees and assisted in the Joint Highway Programs and construction of schools. Korean engineer units provided major civic action support for the Free World campaign in Vietnam.

Peru.—In 1966, the Peruvian armed forces provided health treatment to more than 30,000 civilians and literacy or vocational training to approximately 15,000 conscripts. The Armed Forces continued their portion of the national highway construction program in the Andes, which includes some of the most difficult terrain in any country. New construction totalled 47 miles; reconstruction, 59 miles; and maintenance, 450 miles.

Philippines.—In 1966, Philippine armed force engineers built more than 100 kms of highway, and between July and December 1966, helped construct 151 schoolhouses. In FY 1966, more than 4,000 military personnel received vocational training. The Philippine Government has announced civic action plans for enlarged construction programs in support of internal security and socio-economic objectives.

Thailand.—The Thai armed forces have increased greatly their assistance to civilian departments in the Northeast in road and bridge construction, repair of schools, well digging and irrigation projects. Military medics provided care for more than 150,000 civilians in 1966. Civic action by the Thai military has been given special impetus by the example and training provided by U.S. Army and Navy engineers and Air Force medics.

DETERMINATION FOR ADDITIONAL ENGINEERS EQUIPMENT FOR THE PHILIPPINES

Mr. CONTE. You state with respect to the Philippines that it may be desirable to provide additional engineer equipment for the expanding civic action program ———. Could you tell us what are the factors that will be involved in this determination, who makes the determination, and when such determination most likely will be made?

Admiral HEINZ. I would say the determination would be made within the next 6 months. It would involve the Secretary of Defense; it would involve President Marcos and his plans and the use of his forces. It goes back to President Marcos' visit here of last year.

Mr. CONTE. Expand on that for the record.

(The information follows:)

PHILIPPINE ENGINEER CONSTRUCTION BATTALIONS

Following is quoted from the Joint Communique issued by President Johnson and President Marcos following the latter's visit to the U.S. in September 1966: "The two Presidents reviewed the current requirements of the Philippine armed forces for external assistance. In accordance with President Marcos' program

to expand the Army's civic action capability, President Johnson was pleased to inform him that the United States would within this fiscal year provide equipment for five engineer construction battalions to be engaged in civic action projects contributing to internal security, and would consider furnishing equipment for five more such battalions in the next fiscal year. . . . The two Presidents agreed to keep the U.S. Military Assistance Program under continuing review in order to ensure that the material and training supplied to the Philippine armed forces were kept appropriate to the changing requirements and missions of these forces."

The narrative statement in the "Military Assistance Program Fiscal Year 1968 Estimates" points out existence of lawlessness and violence and the increase of terrorist activity in certain areas of the Philippines. The maintenance of internal security is important to the continuation of effective central government and to the security of U.S. bases. As recognized by the two Presidents, these Army Engineer Units contribute to the maintenance of internal security. The Estimates disclose that the U.S. is now providing equipment for five engineer construction battalions. These are the first five battalions mentioned in the Joint Communique.

MILITARY ASSISTANCE FOR INDONESIA

Mr. CONTE. How about Indonesia? Are they seeking military assistance from any country other than the United States at the present time?

Admiral HEINZ. I believe they are trying to get some spare parts from the Soviet Union for some of their Soviet equipment. ———.

Mr. CONTE. Would this not lock them in again with the Soviets if they secured such spare parts?

Admiral HEINZ. ———.

COUNTRIES RECEIVING MILITARY AID FROM COMMUNIST BLOC COUNTRIES AND THE UNITED STATES

Mr. CONTE. Could you furnish the committee with the list of countries presently receiving military aid from the Communist bloc countries as well as from the United States?

Admiral HEINZ. I can do that.

(A classified listing was provided to the committee.)

PROGRAM FOR CONTROL AND LIMIT OF ARMS BUILDUP

Mr. CONTE. Will you tell us whether in your view there exists today an effective coordinated program for consideration of all military assistance sales and grant aid in terms of the overall picture of attempting to control and limit the arms buildup and race in the world?

Admiral HEINZ. Yes.

Mr. CONTE. Supply that for the record.

(The information follows:)

ARMS LIMITATION AND THE COORDINATION OF MILITARY ASSISTANCE SALES AND GRANTS

Arms requests from other countries are subject to the most intensive review and debate within the U.S. Government. This review which involves not only the Department of Defense, but the Department of State, the Agency for International Development and other relevant agencies, is concerned with the military legitimacy of the requirements, the recipient's ability to pay, the potential effect on peace and stability in the area involved, and on other foreign policy considerations. Approval is not given until a positive determination has been made

at very high levels of government that the specific transaction is in our best national interest. Secretary McNamara personally reviews all important proposed sales.

In the case of underdeveloped countries serious efforts often are made to reduce their requests in either qualitative or quantitative terms and most sales have been made only following a conclusion that U.S. interests could not otherwise be safeguarded.

The coordination of military assistance with other aspects of U.S. foreign policy, including efforts to limit unnecessary arms buildups and military expenditures, is assured by bringing all these aspects to bear upon the day-to-day decisions governing the conduct of military sales and grants.

USE OF MILITARY ASSISTANCE EQUIPMENT BY GREECE AND TURKEY

Mr. CONTE. In the light of the danger of the conflict between Greece and Turkey over Cyprus, what steps have been taken by the military assistance program to attempt to prevent the kind of situation we had when India and Pakistan, two of our AID and MAP countries, were fighting each other with our weapons?

Admiral HEINZ. ———.

They are both well aware of the agreements and they have been respecting those agreements.

CUTTING OFF MILITARY ASSISTANCE

Mr. CONTE. Would the same action be taken here of cutting off arms to both parties in the event of conflict as we did in the India-Pakistan case and if so have the countries been made aware of this?

Admiral HEINZ. We do not anticipate a Greco-Turkish conflict either now or in the foreseeable future. However, both countries are aware of the threat of the loss of MAP if MAP-supplied equipment is converted to purposes other than those for which it was furnished.

SIZE OF MAP FOR TURKEY AND GREECE

Mr. CONTE. I notice that our appropriations for Turkey for fiscal year 1967 and those requested for fiscal year 1968 are twice as much as those for Greece. In so acting have we taken into account the potential difficulties between these two countries and the fact that we may be, in effect, providing the balance of power in a struggle without having really considered that struggle in our granting of the aid?

Admiral HEINZ. The appropriations for Turkey would, as a matter of course, far exceed those for Greece. Turkey is a much larger country, and shares a common border with the U.S.S.R. Turkey's population and armed forces are three times larger than those of Greece. Inasmuch as this situation existed prior to the inception of MAP, we are not providing the balance of power in a hypothetical Greco-Turkish struggle. Our MAP programs and agreements are restrictive concerning the conversion to purposes other than those for which the equipment is furnished. Officials of both countries recognize that our assistance levels are related to their needs and our capabilities. The question of balance therefore does not arise.

General Accounting Office Reports

Mr. Conte. In 1966–67, the General Accounting Office prepared four reports labeled "secret," dealing with programs being carried out in ———. Three of these reports dealt with questions involving the military assistance program for ———. The fourth dealt with potential savings through improved management practices in the supplying of bulk petroleum requirements for ———.

The three reports dealing with matters under the military assistance program for ——— included:

(1) A report on lack of proper planning, coordinating, and contracting of a construction project for modernization of an aircraft control and warning system;

(2) A report on the need for improved supply management of spare parts and equipment furnished for the ——— air force; and

(3) A report on the need to exercise greater control over the use of military budget support funds furnished.

I imagine you are familiar with these reports and I would like to have you comment on them if you are prepared to at this time for the benefit of the committee.

Would you also tell us whether any action has been taken to give a complete review to the program now being carried out in ——— as a result of these reports?

Processing Raw Materials

Admiral Heinz. The first report to which you refer is that $27 million might be saved between 1965 and 1970 if MAP raw materials were processed in ——— with local currency financing, instead of furnishing finished products.

———.

This goes back to the fact that we have been for a long time supplying commercial consumables to ——— and we initiated in 1961 a long-range program of transferring each year the provision of part of these from MAP to the ——— economy.

———.

While I agree this would save some money——

Mr. Conte. It would save $27 million, which is a considerable amount of money.

Admiral Heinz. It might be saved between 1966 and 1970, it is said. This is an estimate of GAO. It would be very desirable to do this.

———.

Supply Management of Spare Parts

Now, if we go down to the second one, the supply management of spare parts for the Air Force. The MAAG, and the ——— Air Force have been reviewing all requisitions for validity before submission to CONUS. Air Force advisory personnel are reviewing equipment requisitions against the authorization documents. Between April 1, 1965 and March 3, 1966, $3 million of excess MAP Air Force equipment and supplies—this is acquisition value—was returned for U.S. redistribution or disposal.

Mr. CONTE. Do you mean we sent it over there and they sent it back?

Admiral HEINZ. It may have been redistributed.

Mr. CONTE. Would that show up in this budget?

Admiral HEINZ. Where it would show up is in the fiscal records; for example, that some item was, for example, furnished to China at no cost, having already been paid for.

Mr. CONTE. In other words, the budget for the Republic of China could be even greater than it appears on these fact sheets by maybe $3 million?

Admiral HEINZ. No, where it would show up, would be in the fiscal accounting records, where it was charged against the program and funds were not expended for it.

Mr. CONTE. I am not quite clear on that. How does this committee find out about it?

Admiral HEINZ. For all of our MAP orders, a copy comes to the committee staff. I know Mr. Merrill reviews these, because he frequently questions us on them.

In addition, the ——— Air Force has issued revised procedures requiring consideration of the assets on hand in computing requirements and they have initiated a project to adjust all their stock control levels.

AIRCRAFT CONTROL AND WARNING SYSTEM

Now, the A.C. & W. system.

Mr. CONTE. Will you explain what A.C. & W. means?

Admiral HEINZ. Aircraft control and warning system. The GAO finding was that there were costs undertaken for design work which was later found unusable. Delays were incurred at the outset and it resulted in these losses as stated by GAO.

Mr. CONTE. How much were those losses?

Admiral HEINZ. $96,000. Delays were incurred because of division of design and execution responsibility among Air Force commands and agencies. However, CINCPAC intervened in December 1963, forbidding further design changes without prior CINCPAC approval. The project requirements were reviewed and were definitized in early 1964 and the construction of all facilities completed in November 1966. Some of the redesign costs were initiated to reduce construction costs. That is, to put the construction above ground rather than underground. U.S. Air Force now designates single overall program managers to direct all phases of MAP communications systems installations.

I would add to that that back in 1962 and 1963 there were sometimes duplicating demands for communications projects. This has long since been changed. Now all communications projects are coordinated, no matter whether they are for A.C. & W., for pure military communications or for civilian communications. The A.C. & W. system requires a rather extensive communications net.

USE OF LOCAL CURRENCY FOR SPECIFIC PROJECTS

The third report to which you refer is that local currency in support of the ——— military budget should be released for specific projects rather than general military purposes. ———.

Seventy-eight percent of the ——— defense budget goes for pay, clothing and subsistence and does not lend itself to project support.

Mr. CONTE. Do you watch that very closely in regard to pay, that there are no "underneath the table" payoffs as there were in Laos a few years ago?

Admiral HEINZ. We watch it very carefully. The GAO report indicated that our budget support should be given for projects.

Now, in other countries, U.S. support is on a project basis. For example, in ——— money available for defense support is allocated to specific projects and the MAAG monitors each project very carefully. In the case of ———, budget support goes to the ——— government and they allocate part of that to the defense budget. U.S. budget support is declining. ———.

I think putting it on a project basis would be almost impossible to do, since so much of their budget is for subsistence, pay and allowances.

REPORT ON MISSILE AIR DEFENSE SYSTEM

Mr. CONTE. Admiral, another report, this one by the Comptroller General of the United States labeled "confidential" and dated June 1966, dealt with the material readiness support of a ——— missile air defense system furnished to ——— under the military assistance program. It found ———.

The report went on to state that "———."

The report concluded by recommending that the Secretary of Defense direct appropriate officials to establish procedures which will require adequate coordination of pending changes in requirements between the military assistance advisory personnel and the personnel responsible for supply action.

Could you comment on this and tell us how the recommendation was implemented?

Admiral HEINZ. It was implemented some time ago.

Mr. CONTE. Why don't you do that for the record?

(The information follows:)

GAO REVIEW OF "AIR DEFENSE EQUIPMENT FURNISHED TO AND PROCURED FOR THE REPUBLIC OF CHINA UNDER THE MILITARY ASSISTANCE PROGRAM," 3 JUNE 1966

DOD procedures were amended in December 1966 to require that Unified Commands and MAAGs notify Military Department supply agencies, promptly by message, regarding not only cancellations and substitutions but also pending changes of requirements in undelivered programs. The purpose of this amendment is to assure effective coordination between user and supply agencies regarding prospective changes in supply actions and to minimize the procurement of items which may no longer be needed or for which changes in requirements may be anticipated.

(Discussion off the record).

FLEXIBILITY IN MAP

Mr. CONTE. Our aid to Iran is part of a long-range commitment made in 1964. Do these long-range commitments, we have others, deprive us of flexibility in administering and changing our military assistance program?

Admiral HEINZ. Flexibility is not lost by long-term arrangements such as the commitment to Iran. Mutually agreed upon adjustments, substitutions and trade-offs are made to qualitatively upgrade the earlier planning and agreement. Also notwithstanding the commitment, recipient nations know that U.S. policy does not permit equipment deliveries until the country has the capability to effectively receive, utilize, and maintain the material in question. Furthermore, these commitments are made subject to the appropriation and availability of funds and the countries are aware of this fact.

In addition, there are other benefits to long-range commitments:

a. They generally contribute to joint long range planning between the U.S and the recipient country, thereby affording an opportunity to directly relate country resources and U.S. anticipated support over a 3 to 5 year period. A corollary advantage is that the commitment results in the recipient country thinking and planning, often for the first time, on a long-range view rather than on a year-to-year (hand-to-mouth) basis.

b. They permit the United States to use MAP as a more substantial lever in achieving our objectives in the recipient country which might include: (1) Force and manpower level adjustments often downward in consonance with U.S. estimate of the military threat and U.S. capabilities; (2) a more effective force posture in relation to the resources invested; (3) an intensified training program to improve force capabilities.

MILITARY GRANTS TO IRAN

Mr. CONTE. Our agreement with Iran provides for $——— million in military assistance from ———. We also have an agreement for them to purchase some $——— million in military equipment between ———. Doesn't this ability to make such large purchases indicate that we should no longer have to provide direct military grants to Iran after———?

Admiral HEINZ. Since 1964, U.S. military assistance for Iran has declined ———, reflecting a ——— shift ——— from grant aid to credit sales as that country becomes more and more able to underwrite its own military requirements.

Mr. CONTE. I have no further questions.

Mr. PASSMAN. Mrs. Hansen, we are examining on the Far East country programs.

COMMUNIST GUERRILLAS IN BOLIVIA

Mrs. HANSEN. Yes. I am sorry, Mr. Chairman, that I was not here any earlier to hear the testimony. I have a very brief question; it is based on a news story, and I wondered if this were true in other areas. This morning in the Washington Post there was a story on Bolivia and the skirmish there with guerrillas where there had been an overuse of troops. The article suggested it is possible to get more U.S. aid the more Communist guerrillas there are in the hills. I wonder if you have any comment on that. Is it not a typical approach in all these countries?

Admiral HEINZ. I would say the reaction from Bolivia has been quite different from the reaction in Peru last year.

Mrs. HANSEN. I am just quoting the article in the paper this morning. They felt it assisted a country to gain military support from the United States if they had a few Communist guerrillas in the hills.

Admiral HEINZ. ———.

Mrs. HANSEN. Could it apply in any other country?

Admiral HEINZ. I think we would be more likely—if there were Communist subversion—to help a country than one which was peaceful and not having any problems.

COMMUNIST CHINA AID LEVEL

Mrs. HANSEN. I would like to ask, as I go through these Far East countries, and I apologize for not being here earlier, about the stories, particularly in this morning's Post and last night in the Star, commenting on the inability of Communist China to support an army for any sizable amount of time or effort. Is there becoming increasingly less danger of Communist China getting into these countries with military aid than there was in the past? Is her aid level to the countries in the East or the countries around the world staying at the same level, is it falling, will it fall, and so on?

CHINESE COMMUNIST SUPPORT FOR NORTH VIETNAM

Admiral HEINZ. To my knowledge, in the most important place, Vietnam, there has been no diminution of Chinese Communist support for North Vietnam.

Mrs. HANSEN. What is her principal support there?

Admiral HEINZ. It is providing equipment, ———, providing some construction. ———.

Mrs. HANSEN. Are these directly from the Chinese Government or whatever is left of it?

Admiral HEINZ. The Chinese Government, yes. Of course, equipment and supplies have been going to North Vietnam. There has been no change that we can discern.

VIETNAM SUPPORT FROM RUSSIA AND EASTERN SATELLITES VS. SUPPORT FROM RED CHINA

Mrs. HANSEN. Relatively how much support goes to Vietnam from Russia and the Eastern European countries behind the Iron Curtain compared to Communist China? You have to hazard a guess, let us face it.

Admiral HEINZ. I would have to hazard a guess.

Mrs. HANSEN. Is it an equal amount, is it one-third? Is it two-thirds, or what is it?

Admiral HEINZ. My guess would be about equal, perhaps, because, for example, the expensive type of support, the missile systems are provided from Russia. The air defense system is expensive.

Mrs. HANSEN. How about the Iron Curtain countries of Europe, what do they provide?

Admiral HEINZ. Generally we find small arms of Czechoslovakian origin. We know that the surface-to-air missiles are Russian. We find a lot of army equipment—mortars, bazookas, recoilless rifles—are Chinese, or Chinese copies of Soviet weapons.

EFFECTS OF SKIRMISHES IN COMMUNIST CHINA

Mrs. HANSEN. Has there been any diminution of this because of the skirmishes in Communist China?

Admiral HEINZ. Not that I know of.

Mrs. HANSEN. It still continues at the same level.

Admiral HEINZ. Yes. I am not aware of any indications of any change in the support, nor do I know of any change in support that appears to be the result of the chaos inside of Communist China.

Mrs. HANSEN. Is the chaos as widespread as the reports or is it less? I know you have to hazard a guess, but let us have it.

Admiral HEINZ. I believe the reports are fairly factual.

COMMUNIST INFLUENCE IN THE FAR EAST

Mrs. HANSEN. How about the influence in countries like Burma or some of the other countries of the Far East?

Mr. CONTE. Thailand is the big one. Northeast Thailand.

Mrs. HANSEN. That is, by Communist China?

Admiral HEINZ. Communist China is the main source of support.

Mrs. HANSEN. How much is going in there from Russia?

Admiral HEINZ. Very little, if any. Communist China is the main source.

Mrs. HANSEN. Is that growing?

Admiral HEINZ. The insurgency, the subversion there, is growing slowly———.

Mrs. HANSEN. What are the basic conditions that begin this? Is it a Vietcong type of operation or is it an infiltration process?

Admiral HEINZ. It is an infiltration process of trained people ———.

The subversion in Thailand is growing slowly. I have seen no change in that because of this recent episode in Communist China.

Mrs. HANSEN. Do you think there will be?

Admiral HEINZ. No. I do not think so.

Mrs. HANSEN. Why?

Admiral HEINZ. I think this subversion will continue. I think Communist China will be able to continue this effort.

Mrs. HANSEN. What does it feed on? Does it feed on the lack of a stable economy?

Admiral HEINZ. ———.

IMPROVEMENT IN THAILAND'S ECONOMY

Mrs. HANSEN. Do you remember when you and I went around the world last year on this subject? What about their economy in Thailand? Is it coming up?

Admiral HEINZ. It is improving.

Mrs. HANSEN. What improvement have we made since last year?

Admiral HEINZ. I noticed a report that came in this morning that they have increased their number of counterinsurgency centers in northeast Thailand. They have put a great many more teams into these local villages to represent the Government.

Mrs. HANSEN. That is not all the answer. What have they done about jobs, food, all these things that are part of the economy of Thailand which is obviously the basis for insurgent activities?

Admiral HEINZ. The first thing is ——

Mrs. HANSEN. A well fed person does not usually revolt.

Admiral HEINZ. I would not say that the people in Thailand are not well fed.

Mrs. HANSEN. Then what is it?

Admiral HEINZ. ———.

Mrs. HANSEN. Why not?

Admiral HEINZ. ———.

Mrs. HANSEN. Were they aware of these problems?

Admiral HEINZ. They did not have subversion in Thailand 5 or 10 years ago to any extent.

Mrs. HANSEN. I know, Admiral, but you do not wait for subversion to get there before you try to prevent some of the causes. That is what I am asking.

Admiral HEINZ. They started to take measures to counter this about 5 years ago.

Mrs. HANSEN. If it is growing they have not made the progress and taken the steps that should be taken.

Admiral HEINZ. They have made progress, but the problem has been growing also because of the people being infiltrated into Thailand. There has been progress on the Thai side and I think a great amount of progress. I think the first mobile development units were put in there about 1963. At last count I had there were at least 12 and more development units going in. These units, mainly civilians, work on a program of improved administration, schooling and agricultural planning.

Mrs. HANSEN. That is something we discussed last year, if you remember.

Admiral HEINZ. Yes.

ADVANCEMENT IN SCHOOL AND HEALTH PROGRAMS IN THAILAND

Mrs. HANSEN. How much is that literacy level going up and how many more pupils do they have attending schools this year than they did last year? This is something you can put in the record.

Admiral HEINZ. I will put that in the record.

(The information follows:)

School attendance in Thailand (students)

School year	Elementary schools	Secondary schools	Vocational secondary schools
1965-66	4,049,034	185,645	45,425
1966-67	[1] 4,170,500	[1] 191,200	[1] 46,800

[1] Estimate.

Approximately 20,000 elementary students have attended schools built through civic action in 1965 and 1966. Most civic action-built schools are in remote areas and have 50 or fewer students.

Mrs. HANSEN. How many more health programs have they begun this last year and what has been the total effect. How many more immunizations, how many less people are dying of disease? Aren't these some of the basic problems there?

Admiral HEINZ. Surely. These are all basic problems in that country.

Mr. PASSMAN. Will the lady yield?

Mrs. HANSEN. Surely, I will be glad to.

Mr. PASSMAN. How old is the Thai Government? How long have they had a civilization in Thailand? Several thousand years, I believe.

Admiral HEINZ. It is an old government.

Mr. PASSMAN. I have been to Thailand many, many times and they were happy people, completely satisfied with their standard. As we would say in Louisiana, they were eating high on the hog. Would you say my observation of conditions was pretty fair?

Admiral HEINZ. Yes.

ADVERSE EFFECTS OF AID PROGRAM

Mr. PASSMAN. I am glad you said that because when we started this aid program we got everybody out there confused and in a general state of turmoil. They were the happiest people that I have ever been around; everybody was laughing and moving and riding bicycles. Each time I go back there now, though they are eating higher on the hog, they are asking for more and more aid. If you look at the statistics as to the increase in health, education, and literacy it has moved up only in fractions. The history of Thailand—or Siam as it was called—goes back hundreds of years, and what a beautiful history, and what happy people. Then we started this aid program and got everybody running for the black satchel.

I am glad you agreed with me.

Mrs. HANSEN. This is the reason I asked the question. Why is infiltration growing, as you say, if they are eating well, their civilization is old, and they have a relatively stable government? It is stable isn't it?

Admiral HEINZ. Yes, relatively stable.

Mrs. HANSEN. Yet their literacy is not growing? How many years have we had aid in there?

Admiral HEINZ. I do not know how long we have had an aid program.

Mr. CONTE. I was going to ask you to yield on that point. We have invested in Thailand $1,051 million.

Mrs. HANSEN. That is what I am asking.

Mr. CONTE. We could have had some fine schools out there and good rural development and highways in northeast Thailand.

Mrs. HANSEN. If we have invested that much, what percent of it has been military assistance and what percent economic?

I know these are very harassing questions, but that is all right.

Mr. CONTE. While he is looking it up, I might tell the lady that the Thais have never had a war.

Mrs. HANSEN. They have never been known as a warlike people.
Mr. CONTE. They are not.

COMMUNIST INFILTRATION IN THAILAND

Mrs. HANSEN. That is why I wonder what it is that has engendered suddenly a spirit of wanting to rebel, which I assume is the course that they are receiving from Communist China via the infiltration.

Admiral HEINZ. This subversion is from people sent into Thailand, not because the Thais want to rebel.

Mrs. HANSEN. If they are able to lead any sizable group of people against us to the point that we feel subversion is growing, something must be wrong.

Admiral HEINZ. Both Peking and Hanoi have made northeast Thailand a specific target for subversion. They have undertaken training programs and have sent people in there to subvert the local populace. There has been one particular group of people on which they have worked—the Vietnamese in northeast Thailand. If you recall, at one time there were about 75,000 of those. Some were repatriated to North Vietnam and then the repatriation program was stopped.

Mrs. HANSEN. If we have been making progress with our aid programs, then certainly there should be some equalization or nullification of the subversive effort. Otherwise what on earth are we doing? Is it just money going down a deep well?

PROGRESS RESULTING FROM AID PROGRAMS TO THAILAND

Admiral HEINZ. No, I certainly think they are showing progress.

Mrs. HANSEN. You put it in the record then, what the progress has been.

Admiral HEINZ. We will do that.

(The information follows:)

ORGANIZATIONS, PROGRAMS AND ACTIONS UNDERWAY

Thai/US counterinsurgency organizations, programs, and actions/coordination under way in Thailand are as follows:

A. *Nation-building, Development, and Civic Action.*—There has been a very clear recognition by the RTG that these programs need to reach more people, with more projects responsive to the village level, by greater decentralization, better local planning, and increased resources. The RTG has mobilized doctors for mobile medical and health team deployments up-country.

Mobile Development Units.—16 Mobile Development units (120-man each) are deployed on construction, health, and potable water projects. Plans are being developed for activities focused on youth with USAID assistance. Subordinate district officials have been instructed to modify traditional authoritarian practices from that of ordering and commanding to listening, persuading, and helping the people to assume responsibility for their own welfare. In addition to supporting the above programs, the Royal Thai Armed Forces are conducting civic action on operations and as a corollary to field training.

Accelerated Rural Development.—Through the ARD program, the Thai Government is placing budget and resources such as construction equipment and trained personnel at the disposal of provincial governors and other local officials in the sensitive areas. The main emphasis of ARD thus far has been of cutting roads into the inaccessible rural areas which the Communists are trying to control, but accelerated activity in agriculture, rural education, and other fields is also involved. During January CSOC and Ministry of Interior jointly organized training course of officials from 11 ARD provinces for training in communist sub-

version techniques and ways of countering them. Course presented material, including USIS films and publications, of practical value to officials working at village level.

Peoples Action Teams.—Peoples Action Teams (PATs) ——— are being trained on a pilot project basis. Among other activities, they carry out small projects, contribute to village security, and census villager grievances to provide the basis for remedial action by the Government.

B. *Information/PsyOps.*—Mobile Information Teams supported by USIS films, posters, exhibits, and broadcasts are circulated through the country with a sharp focus on security and Communist subversion themes. ——— output of anti-communist and pro-government material has increased notably. Among significant efforts are: (a) aerial loudspeaker operations and missions to local population; (b) over 70,000 tactical leaflets dropped; (c) captured or defecting Thai trained in Hanoi for subversion have been used with local defense forces in areas they originally came from, urging villagers not to follow their example; (d) Hanoi-trained defectors and others affected by insurgency have made a series of radio shows for nationwide broadcast.

C. *National Command and Control.*—RTG has established a Counter Subversion Operations Center (CSOC) which aims toward eliminating fragmentation of effort among various elements of Civilian-Police-Military structures. Civilian representation within CSOC has been increased, which brings development into compelmentary phasing with security operations.

D. *Local Command and Control.*—A series of Civilian-Police-Military units (CPMs) have been established under a Provincial Governors as the up-country extension of the CSOC in critical areas to provide coordinated action at this level. For first time since inception of public safety program, all nine police regions have full-time advisors in field.

E. *Mobile Security Forces.*—RTG is committed to countering insurgency as a Civilian-Police function. To improve police capabilities, 4,386 police recruits have been trained since 1 July 1966; 1,864 now in training will graduate in June 1967, making a 6,250-man increase in the National Police. Major elements of the Royal Thai Army 5th, 6th and 13th RCTs have engaged in suppression operations in critical provinces.

F. *Static Security Forces.*—Seventy-seven of the projected 250 police stations in the Northeast have been completed and contracts have been let for an additional 160. 600 ——— radios are in use in villages in critical areas, and 700 of an additional 1700 radios ——— are now in operation. Two pilot projects for arming and training village patrols are: (1) training and arming Volunteer Village Defense personnel by the RTA; and (2) the training and equipping of Volunteer Village Security officers by the Thai National Police department (TNPD). 625 of these security officers have already been trained and are in place in strategic villages.

G. *Border Surveillance/Control.*—In addition to regular platoons along the border, the Border Police have developed 30-man Mobile Reserve Platoons for suppression operations. Nineteen platoons are deployed out of a total of 24 programmed. The Border Police have established coordination with Lao and Malaysian authorities along common borders. Significant information is followed up and joint patrols are conducted on the Thai-Malaysian border. RTA mans seven Special Operations Centers (SOC) and the RTMC mans one SOC in psychological operations with an 85-man team at each center. The Marine Police have 33 shallow draft boats employed along the Mekong, and 15 larger patrol craft are in construction. The Royal Thai Navy is training patrol craft crews for a mission on the Mekong.

Mrs. HANSEN. I am not exactly sure there is much progress.

INCREASE IN THAI GOLD RESERVES

Mr. PASSMAN. Let us put in the record at this point that a lot of it going into their gold and foreign exchange holdings. In calendar 1962 their gold and foreign exchange amounted to $556 million. At the end of 1966 it had climbed to $987 million. So it does not look as if it is going into the economy. It is going into their foreign exchange credits and gold reserves. We can put something in the record on the literacy

rate. We have checked these statistics before in many countries and there are just fractional points of increase.

Mrs. HANSEN. In Thailand is there any problem on ownership, such as land ownership? As you are well aware, in South Vietnam you have the problem of land ownership. How about Thailand?

Admiral HEINZ. I am not aware of any problem of this type in Thailand.

Mrs. HANSEN. This is why I want to know the basic reasons, because infiltration should not succeed if it is a happy people, a well fed people, a land where there are no problems with ownership, and so on. So basically there must be something rather wrong.

INCREASING LITERACY RATE IN THAILAND

Mr. PASSMAN. If you would like this to go into the record, the literacy rate, going back as far as we have the records immediately available, in 1963 was 60 percent, and this year it is 68 percent.

INCREASED GOLD AND FOREIGN EXCHANGE HOLDINGS

Mrs. HANSEN. How about the economy?

Mr. PASSMAN. The gold and foreign exchange holdings in that same time has gone from $340 million to $987 million. It went up more than two and a half times.

Admiral HEINZ. One indication of the problem is that the incidence of violence in 1966 was about 10 times the number of the previous year. They now have armed and organized bands operating in northeast Thailand. This was not true several years ago. ———.

They had Lao and Chinese minorities which I mentioned, and these have been a problem. It is true that communism is not compatible with the Thai people. But when you have people coming in who compel villagers to attend propaganda meetings——

Mrs. HANSEN. What methods do they use?

Admiral HEINZ. Men with rifles force villagers to attend. If they do not, they shoot them.

THAI GOVERNMENT'S EFFORTS TO COMBAT COMMUNISM

Mrs. HANSEN. What is the Thai Government doing about that?

Admiral HEINZ. First of all they have a governmental national security organization. I mentioned the mobile development units; they have a special operations center for gathering intelligence. Their intelligence capability is increasing. They are undertaking civic action projects.

Mrs. HANSEN. Such as?

Admiral HEINZ. Roads, schools, wells.

SCHOOL CONSTRUCTION

Mrs. HANSEN. How many schools have they built in the last year? You and I discussed this last year.

Admiral HEINZ. I will get the figures for Thailand.

Mrs. HANSEN. You put them in the record.

(The information follows:)

SCHOOL CONSTRUCTION AND ATTENDANCE IN THAILAND; EMPLOYMENT INCREASE

School construction

Calendar year	Elementary schools	Secondary schools	Constructed through civic action
1965	1,145	32	[1] 200
1966	2,024	47	[1] 250

[1] Estimate.

NOTE.—In addition, many schools have been repaired through civic action.

School attendance (students)

Schoo year	Elementary schools	Secondary schools	Vocational secondary schools
1965-66	4,049,034	185,645	45,425
1966-67	[1] 4,170,500	[1] 191,200	[1] 46,800

[1] Estimate.

NOTE.—Approximately 20,000 elementary students have attended schools built through civic action in 1965 and 1966. Most civic-action-built schools are in remote areas and have 50 or fewer students.

Employment increase [1]

[In millions]

Calendar year	Labor force	Employed
1960	14.1	13.6
1966	16.6	16.0

[1] Most recent years for which information is available.

Mrs. HANSEN. And how many more people are attending the schools this year than last year, and how many more had jobs this year than last?

Admiral HEINZ. Their border patrol police force has been expanded. Their national police have been given greater responsibilities for maintaining internal security. They have a well-developed internal security plan. They have deployed more of their troops into the northern area. They have shown a much greater interest in the area.

Mr. CONTE. They have also trained their chiefs to handle firearms and have given all their chiefs shotguns.

Mrs. HANSEN. Are we apt to have another South Vietnam out of Thailand?

Admiral HEINZ. I do not think so. We hope the preventive measures have been taken in time.

Mrs. HANSEN. I hope their Government is taking enough interest in the basic economy which is apparently the problem.

Admiral HEINZ. The Government is very much interested in this and has been taking ever-increasing measures to counter subversion.

TRANSFER OF THAILAND AND LAOS FROM MAP BUDGET

Mr. CONTE. You have taken Thailand out of the military assistance budget?

Admiral HEINZ. Yes.

Mr. CONTE. You have taken Laos out?

Admiral HEINZ. Yes.

Mr. CONTE. Who do you plan to take out next year?

Admiral HEINZ. Nothing.

Mr. CONTE. Are you sure?

Admiral HEINZ. Yes.

JUSTIFICATIONS BEFORE ARMED SERVICES COMMITTEES

Mrs. HANSEN. Does the Defense Subcommittee in consideration of these military budgets, in their relationship to the economy of the country, press you with questions as to the relationship of the military activity to the economy of the country, its gross national product, its average income, the education level; all these things that have a direct bearing on all these military adventures?

Admiral HEINZ. I do not know because I do not go before the Defense Committees, the Armed Services Committees.

Mrs. HANSEN. Why don't you find out from them so we can have a comment in the record on it? Find out how the Defense Subcommittee treats the matter of education, which you admit is one of the problems that causes people to become captives of insurgency. How deeply do they relate the military posture with the economy of the country, the education of the country, the health of the country, and so on? This is something a little more complicated than just rifles and bazookas and machineguns and all the rest.

Mr. CONTE. Who has the justification now?

Admiral HEINZ. These are placed in the defense budgets. The Armed Services Committees would hear them and they would have to be justified before the Armed Services Committees as the authorizing committees, and before another subcommittee of the Appropriations Committee for appropriations.

Mr. CONTE. But not this committee.

Admiral HEINZ. You do not hear the armed services budget.

Mr. CONTE. I want to know where Thailand is. I lost it. It was here last year and it is gone. Where is it now?

Admiral HEINZ. It is in the defense budget for 1968.

Mrs. HANSEN. We realize the problem.

Mr. CONTE. It is not the only problem. The press points out that we have a small budget this year for military assistance of $596 million. My people back home think we have cut down on this budget because it was over a billion dollars, but when you add the military assistance in the defense budget it hasn't gone down at all.

Mr. PASSMAN. You would have to add back $241,700,000 to be able to have something to compare with last year. If you compare it to the program of 2 years ago you would have to add over $900 million for Vietnam.

Mr. CONTE. Can you give us the whole works right here? I am serious.

Mrs. HANSEN. The thing is more complicated. I agree with the chairman. The admiral's own testimony this afternoon directly relates to some of the problems that result in military action, arising in turn from problems of the economy or lack of economy, education or lack of it, all these basic things. It is not just a simple matter of so many helicopters and so many soldiers.

Admiral HEINZ. I agree.

Mrs. HANSEN. Just let it stand on the record like that. Let the Defense Subcommittee read it.

Mr. CONTE. Can I have a figure?

TOTAL OF PROGRAMS TRANSFERRED TO DEFENSE DEPARTMENT

Admiral HEINZ. Yes, the total of the four programs we propose to transfer to the defense budget is $241.7 million.

Mr. CONTE. Let us add Vietnam which was previously carried in this bill, that is $900 million. Isn't that right?

Admiral HEINZ. The Vietnam figure is $903 million.

Mr. PASSMAN. We fragmentize. We are doing the same thing in economic aid. We put it in multilateral banks. It has almost driven me crazy trying to get together a recapitulation of the total U.S. foreign aid program. Incidentally, AID agrees with me this year.

NAVAL BASE IN THE PHILIPPINES

Mrs. HANSEN. With regard to the naval base in the Philippines, are they going to continue to press for getting that back from the United States?

Admiral HEINZ. ———.

ENCOURAGEMENT TO JAPAN TO REARM

Mrs. HANSEN. With regard to Japan, I notice they are being encouraged ——— to prepare for their own defense.

Admiral HEINZ. We have encouraged them ———. They pay for their own defense.

Mrs. HANSEN. Does that mean they are going to manufacture their own armaments?

Admiral HEINZ. They will not be able to manufacture all of their own equipment.

Mrs. HANSEN. They are very clever people and they are very good and very skillful. What is to stop their becoming the armament center of the world eventually?

Admiral HEINZ. I don't think they have the capability to become the armaments center of the world.

Mrs. HANSEN. What is to stop them?

Admiral HEINZ. They will develop. Their economy is developing very rapidly. They have not yet become a major supplier of armaments that I know of, to any country.

Mrs. HANSEN. Just because they haven't yet, is there anything to stop them from becoming this kind of a supplier?

Admiral HEINZ. If they were to undertake to start a munitions industry of some size, they could become a supplier.

Mrs. HANSEN. What is to stop them from doing this?

Admiral HEINZ. I don't know that we can stop them.

Mrs. HANSEN. Once they are headed on the road to armaments, what is to stop them at any given point?

Admiral HEINZ. I think the best control on that will be the Japanese people.

I can't say that we are starting them on the road. We have stopped assistance.

Mrs. HANSEN. I said if they were starting on the road. I didn't say we were starting them on the road. I said if they started on the road to develop armaments, what would stop them at any given point?

Admiral HEINZ. What you would need would be some international agreement on arms control.

Mrs. HANSEN. Part of the difficulty of the Japanese people has been their desire for a better economy, is this not right?

Admiral HEINZ. I would not call it a difficulty with the people. They have been desiring a better economy also.

Mrs. HANSEN. This was true before World War II. From the testimony last year on the Ryukyus, and I think also in some of the discussions we have had in the other committee on the trust territories, and the type of economy in Japan, they have been able to afford many more kinds of social programs than would have been possible if they had had to maintain a sizable defense establishment.

IMPACT OF DEFENSE ESTABLISHMENT ON JAPANESE PEOPLE

Now, let's suppose that the defense establishment begins to cost them, for their own protection, and as you well know, appetites grow very swiftly in this field, and it begins to grow so that it becomes painful upon the—has a painful impact upon their social programs, then is not the next temptation for them to balance off this cost by becoming a supplier in the world market on armaments and don't you have just one additional problem?

Admiral HEINZ. They would have to develop an industry to do this.

Mrs. HANSEN. They are very good at developing industry.

Admiral HEINZ. If they developed a major industry, they could become a supplier. The only thing that I can see that would stop them would be competition.

Mrs. HANSEN. They are highly competitive.

Admiral HEINZ. There is no question about that.

Mrs. HANSEN. Take the wood products industry.

Admiral HEINZ. It would be just a case of people not wanting to buy equipment from them, or not wanting to buy equipment, period.

Mrs. HANSEN. Did you ever see a case where people didn't want to buy it cheaply and quickly?

Last year we sold some armaments to keep somebody else from selling them.

Admiral HEINZ. I do not have a good answer to your question, as to what would stop the Japanese from being a supplier should they develop a munitions industry. The only thing I can see that would

stop their being a supplier would be somebody else being able to supply it cheaper and better.

Mr. CONTE. While the lady was out marking up her bill this morning, we had Mr. Kuss here, and he stated frankly that they only sold about one out of three requests from underdeveloped countries so you can imagine if there was another market for this, they could flood Africa, Latin America, and the rest of the world.

Mrs. HANSEN. The thing that concerns me, Mr. Conte—and I think you are well aware of it—is that the Japanese people have pressing needs—this was part of their desire for additional territory. They have a limited amount of land. They have one of the densest populated areas in the world. They have a highly competitive industrial system. They had to develop markets. They had to develop places for their people and so on. They have, since World War II, developed an unusual number of social programs, even in competition with us, we will say, in the Ryukyus.

Now, if the burden of armaments, of defense, becomes at all heavy upon them, so that they have to forgo any part of their social program, I would suspect, rather than lose their social programs, they would hope to move into a wider market for munitions in order to supplant these desires and to produce the money.

Admiral HEINZ. ———.

Mrs. HANSEN. I think we have to be realistic and look at these possibilities.

Admiral HEINZ. They have not yet.

Mrs. HANSEN. Fifteen years from now we could be parting with more money on some other kind of a military venture. We can't be ostriches hiding our heads in the sand all the time.

Admiral HEINZ. Their sales market so far has been all commercial. They haven't developed a broad industry of munitions as yet.

———.

Mrs. HANSEN. Right after World War II they were buying ships and other things. Now they are building ships.

Admiral HEINZ. They are doing very well in building ships.

FUTURE IMPACT OF ARMAMENTS IN JAPAN

Mrs. HANSEN. They are doing that very well. They produce lumber very well. They buy the raw logs in my district and back comes the plywood to my district. They can manufacture a door that will sell on the market in competition for $3 when our western-manufactured doors are $12 and $15. This is why I take a rather hard, realistic look at what could possibly become the future impact. When you get into the future impact of armaments, how much military adventurism is this going to create in a rather unstable world.

Admiral HEINZ. Perhaps one way to control this would be to sell them more so they wouldn't build the industry themselves.

Mrs. HANSEN. Isn't the selling still going to put the impact on their economy?

Admiral HEINZ. I am not advocating this. I am only trying to——

Mrs. HANSEN. Admiral, the thing I wanted to bring home is, the Japanese are not going to lightly give up their social programs and

the advancements that they have made in 25 years. Their health, their social security and all these things; they are not going to give these up lightly, unless, you know, they get into the same kind of a turmoil where they have infiltration with other ideas, which I don't think we are interested in.

Therefore, it seems to me you have to be rather realistic and face the possible problems of what the impact of this whole thing will be.

I think that is all. Thank you, Mr. Chairman.

Mr. PASSMAN. I would never be a very good lecturer but I have always thought that sound logic and commonsense would get you further than all the diplomas in the world. We are new as a nation, as we think in terms of new countries. We are 178 years away from that precious document known as the Constitution. We were underdeveloped and poor. We were only rich in natural resources. Our Founding Fathers brought into being that precious document, the Constitution, and the Bill of Rights, which said that you could be a seaman first class or an admiral, constable, or governor, pauper or millionnaire.

There was nothing to stop you if you had the determination and health to go with it. By those processes and protections the incentive we had made us the strongest and wealthiest nation in recorded history.

Now, do we actually have any wealth other than our natural resources?

Admiral HEINZ. And your people.

Mr. PASSMAN. That is understood. You couldn't scratch a living out of a rock. You couldn't get water out of a dry bone. When we are talking about resources, we are talking about something that you bring into being, where you can use a market. So, for other people, it is natural resources. We have many nations on the face of the earth who are wealthier than we are in natural resources that are yet undeveloped. Is that right?

Admiral HEINZ. I don't know of any one country that has any greater natural resources than we have.

Mr. PASSMAN. In Kuwait, for instance, you have a little country that isn't much bigger than this room that is the wealthiest country in the world in natural resources.

EDUCATED POPULATION NEEDED FOR ECONOMIC GROWTH

The point is, many of these nations we now call underdeveloped, have had civilizations going for thousands of years. Isn't that true?

Admiral HEINZ. Some have.

Mr. PASSMAN. It is the form of government to a large extent that has held them back. Unless you change their philosophies and educate them to accept our techniques, it simply means we are going to just pour money into their economies and when we go broke they will lapse back to where they were originally.

I have been on this committee for 15 years. Go around the world and look at the literacy rate in these nations. There have been only fractional points of increase in 15 years. Some of them are just merely holding their own. Now, people become complacent when you do for them what they should do for themselves.

Near East and South Asia

Your estimate for fiscal year 1968 for the Near East and south Asia region is $233,990,000; the 1967 program is $244,695,000, or a reduction of $10,705,000, is that correct?

Admiral Heinz. That is correct.

Mr. Passman. Has any part of the military assistance program for this area been transferred over to other bills, so we can get a comparable figure?

Admiral Heinz. No.

AMOUNT ALLOCATED FOR TRAINING

Mr. Passman. In addition to the estimate of $233,990,000 for the Near East and south Asia area program, would you furnish for the record the amount of money allocated for training for Afghanistan, Ceylon, Iraq, Lebanon, Nepal, and Syria?

Admiral Heinz. Yes.

(The information follows:)

NESA Area Training Programs

CONUS only training programs for the following are included in the NESA area total of $233,990,000:

Nation	*Amount (in thousands)*
Afghanistan	[Deleted]
Ceylon	[Deleted]
Iraq	[Deleted]
Lebanon	[Deleted]
Nepal	[Deleted]
Syria	[Deleted]

INDIA

Mr. Passman. Briefly on the $——— million worth of equipment that you propose to furnish to India after July 1, 1967, to assist India in completing the East-West Highway in Nepal, what disposition will you make of the equipment after completion of the highway?

Admiral Heinz. This will remain with India. India is undertaking a major road project along her northern frontier.

Mr. Passman. In other words, it will be transferred?

Admiral Heinz. It will remain in the custody of India as previously supplied MAP equipment remains in Indian custody.

Mr. Passman. Is India making any contribution to this project?

Admiral Heinz. India is making a contribution to the project.

Mrs. Hansen. Do they purchase this equipment?

Admiral Heinz. This is the only part of the prior grant aid program that is being delivered. This goes back to a 1965 U.S. commitment to assist India in the construction of their border roads in the north.

Mr. Passman. This is rather minor when we think about having given India over $7 billion in aid though, isn't it?

Admiral Heinz. It is a minor amount, yes.

TERMINATION COST AND COMPLETION OF BILLINGS FOR PRIOR YEAR PROGRAMS IN INDIA

Mr. PASSMAN. Would you furnish for the record a breakdown of the $2,609,000 for termination cost and completion of billings for prior year programs in India, Admiral?

(The information follows:)

BREAKDOWN OF BILLING COST FOR INDIA MAP

The $2,609,000 represents termination costs and completion of billings for previously furnished assistance from prior years programs for India. It consists of the following:

Spare parts	$864,000
Miscellaneous equipment	951,000
Training, training aids, and technical assistance	794,000
Total	2,609,000

GRANT ASSISTANCE COUNTRIES PURCHASING EQUIPMENT FROM OTHER COUNTRIES

Mr. PASSMAN. Do you have any information as to how many of the 12 countries for which you are programing grant assistance in fiscal 1968 are purchasing equipment from our allies or from countries in the Sino-Soviet bloc, Admiral?

Admiral HEINZ. Greece is receiving grant aid from Germany. Iran is purchasing equipment from Germany. It is purchasing equipment from the Soviet Union.

Mr. PASSMAN. In the amount of $110,000,000, is that about right?

Admiral HEINZ. Jordan is purchasing——

Mr. PASSMAN. You missed my question on Iran. I believe Iran is purchasing $110,000,000 worth of equipment from Russia.

Admiral HEINZ. It is about $100 million from Russia.

Mr. PASSMAN. The figure I used was 110. There is a lot of difference between 100 and 110. I want to apologize for thinking of $10 million as being significant, but in the neighborhood of $100 million or over.

Admiral HEINZ. Yes.

Mr. PASSMAN. Next.

Admiral HEINZ. Jordan is purchasing equipment from us. They are purchasing some equipment from——

CREDIT SALES TO JORDAN

Mr. PASSMAN. Jordan is purchasing equipment from us in what amount?

Admiral HEINZ. The total to date in credit sales from 1955 to 1966 is $15.0 million.

Mr. PASSMAN. How about 1968?

Admiral HEINZ. The total cash and credit sales through fiscal year 1966 is $——— million.

Mr. PASSMAN. Could you tell us the amount of direct cash budgetary support that we gave to Jordan during that same time?

Admiral HEINZ. I will have to go to the AID records for that.

Mr. PASSMAN. Let's go to it now so we can make a little case here. Can you give us a total amount of the AID assistance? I agree we show AID only now. That is only one spigot of 16. In AID it has been $434 million. During that time, out of this one spigot of the 16, while we gave them $434 million, you say they did purchase $——— million worth of military equipment from us.

Admiral HEINZ. That is what my records indicate.

Mr. PASSMAN. I think we have a very substantial cash dollar contribution to their budget, do we not?

Admiral HEINZ. I don't know that this is a cash contribution.

Mr. PASSMAN. We are giving them cash budgetary support.

Admiral HEINZ. I cannot find the amount of budgetary support in here.

Mr. PASSMAN. In 1967 the cash budgetary support alone was $30 million. What was the cash military purchases in 1967? Does it show?

Admiral HEINZ. The projected cash purchases in 1967 shows a possibility of $——— million.

Mr. PASSMAN. It is only $——— million since the inception of the program. That must be the total.

Admiral HEINZ. That is the total cash and credit through fiscal year 1966. We estimate cash sales in fiscal year 1967 in the amount of $——— million.

Mr. PASSMAN. You can put it in the record.

(The information follows:)

Actual and projected foreign military sales to Jordan

[In millions of dollars]

Program	Actual			Total
	Fiscal years 1962–64	Fiscal year 1965	Fiscal year 1966	
Ground force	----------	43.1	----------	43.1
F–104A/B aircraft	----------	----------	18.2	18.2
Other	2.4	----------	----------	2.4
Total	2.4	43.1	18.2	63.7

Mr. PASSMAN. The point is why do you have this dual bookkeeping when we know in all probability our grant aid may be 20 or 30 times as much as the military equipment they are buying. Why do you not just give them the grant aid—and not give them cash for budgetary support purposes and then turn around and take it away from them in cash sales for military equipment—that is the point.

Admiral, do you have any money budgeted to finance the resumption of a modest continental United States training program for India and Pakistan?

Admiral HEINZ. ———.

SALES OF MILITARY EQUIPMENT IN NEAR EAST AND SOUTH ASIA

Mr. PASSMAN. How much military equipment have we sold to the countries in your area either on a credit or cash basis since fiscal 1961? Also show the terms on that portion that is sold on a credit basis.

(The information follows:)

DOD sales to NESA area

Country	Total cases, fiscal years 1962-66	Cash	Credit	Credit terms
Greece	14.0			
India	66.1			
Iran	172.3	[Deleted]	[Deleted]	[Deleted]
Iraq	14.9			
Israel	136.6			
Jordan	63.7			
Lebanon	.2			
Pakistan	5.1			
Saudi Arabia	120.8			
Turkey	1.6			
Total	595.3	162.1	435.6	

Mr. PASSMAN. ———?

Admiral HEINZ. It is approximately $——— million.

Mr. PASSMAN. Admiral, this is one of the toughest questions that you will have to answer during the hearings: Would it be agreeable with you and your supporting witnesses if we take a recess now until tomorrow?

Admiral HEINZ. I would be happy to.

FRIDAY, APRIL 7, 1967.

Mr. PASSMAN. The committee will come to order.

GREECE

The first country in this area is Greece, for which the fiscal year 1968 estimate is $——— million. If I read the justifications correctly, in addition to this dollar estimate of $——— million you will also give them excess stocks. Is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. What would be the amount of the excess stocks?

Admiral HEINZ. The acquisition cost $——— million.

Mr. PASSMAN. Then what will be the charge that we make to them?

Admiral HEINZ. The charge we make to them, sir?

Mr. PASSMAN. For the rehabilitation cost.

Admiral HEINZ. The rehabilitation cost will be $——— million.

Mr. PASSMAN. Is that included in the $——— million?

Admiral HEINZ. That is included.

REQUEST FOR FISCAL YEAR 1967

Mr. PASSMAN. Last year your program for Greece was to provide investment funds for continuing modernization of the Greek Air Force and a limited modernization of the Greek Army. What was your budget estimate for those two categories of assistance for fiscal 1967, Admiral?

Admiral HEINZ. The original request ———.

Mr. PASSMAN. Just give us the total request?

Admiral HEINZ. $8,142,000 was for aircraft and aircraft spares. I cannot break out from my estimates how much was for aircraft spares——

Mr. PASSMAN. You do not have to do that. I do not want to go into this in great detail. If you will tell me what you requested for Greece last year, you can then fill in the details.

Admiral HEINZ. I will fill in the details. For Navy modernization I estimate——

Mr. PASSMAN. Could you possibly give me the total you requested last year, for Greece?

Admiral HEINZ. The total requested for Greece last year was $——— million.

CURRENT PROGRAM FOR 1967

Mr. PASSMAN. All right. What is your current program total?

Admiral HEINZ. The current program total for Greece is $64,981,000 for 1967.

Mr. PASSMAN. Now put the detail in the record, will you?

Admiral HEINZ. Yes, sir.

(A classified table was furnished to the committee.)

IRAN

Mr. PASSMAN. The next country in this area is Iran, for which the fiscal 1968 estimate is $——— million. Is that correct, sir?

Admiral HEINZ. Yes.

Mr. PASSMAN. That is an increase of $——— above the fiscal 1967 program?

Admiral HEINZ. Yes.

Mr. PASSMAN. I would not want to fill the record with a lot of material that would be repetitious, but since there are those who will be reading the hearings by country programs, I should state for the record again that Iran is also purchasing military equipment from Soviet Russia for this calendar year in the amount of $110 million. Is that about the correct figure?

Admiral HEINZ. Yes.

Mr. PASSMAN. It is my understanding that our total aid to Iran has been $1,586,400,000 since the inception of the aid program.

Admiral HEINZ. The aid figures show that our total economic and military assistance to Iran, less repayments, is $1,586,400,000.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

PURPOSE OF AID TO IRAN

Mr. PASSMAN. Now, the purpose of this tremendous amount of economic aid was to help Iran develop their economy, improve their strength so as to defend themselves against involvement or attack from Soviet Russia or from Communist elements. Is that the purpose of aid?

Admiral HEINZ. Of the economic aid?

Mr. PASSMAN. Total aid, to build up their economy, improve their standard of living, and make it possible for them to defend themselves against outside interference or attack.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Especially Russia.

Admiral HEINZ. Especially Russia.

Mr. PASSMAN. Thank you.

Admiral HEINZ. The MAP objectives have been to enhance the capabilities to withstand Soviet pressures ———.

Mr. PASSMAN. Actually the fiscal year 1968 military aid program would also have to follow in the same course, that is, to help them to build up and to defend themselves against Soviet attack?

Admiral HEINZ. That is correct, ———.

Mr. PASSMAN. I know. But how can we justify helping them to build up their economy with our tremendous grant aid programs to enable them to defend themselves against Russia, the very country from which they are now purchasing military hardware? How can we reconcile that?

Admiral HEINZ. The facts of the matter are that their barter arrangement or agreement with Russia is mainly for gas which they have not been able to use.

Mr. PASSMAN. They are buying gas, but the Iranians are getting military hardware from Russia. They might give them dry grass, but Iran is acquiring $110 million of Russian military hardware.

Admiral HEINZ. That is correct.

Mr. PASSMAN. When they get that much Russian military hardware, of course, spare parts are necessary and will be required to maintain that additional hardware?

Admiral HEINZ. It is possible.

Mr. PASSMAN. Where else could they purchase it if not from Russia?

Admiral HEINZ. I do not know whether the current agreement contains a lifetime spare parts program or not. They would have to get the spare parts from Russia.

Mr. PASSMAN. It is no fault of yours that I cannot reconcile with commonsense or logic, the fact that we are giving Iran military equipment so that they can defend themselves against Soviet attack and at the same time Iran is purchasing from Soviet Russia $110 million worth of military equipment. I wonder if they told the Soviets that they are going to use that equipment to defend themselves against us. It would make just about as much sense, would it not?

IRAN'S PRO-WESTERN POSITION

Admiral HEINZ. Iran is a pro-Western country, it is a member of CENTO. It still faces a Soviet threat. ———. The Shah's basic pro-Western position, we feel, has not changed. ———.

Mr. PASSMAN. You can kill a man with a stick just as easily as you can with a shotgun, if you hit him hard enough, can you not? What do you mean "sophisticated equipment"?

Admiral HEINZ. We consider sophisticated equipment to be advanced weapons, such as missiles, which would require a large number

of advisers to train personnel in operation and maintenance ———.

Mr. PASSMAN. In that connection, did the Secretary of Defense, or your office, Admiral Heinz, have anything to do with or approving this agreement by Iran to purchase $110 million worth of military hardware from Russia?

Admiral HEINZ. My office did not.

Mr. PASSMAN. Thank you very much, sir. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I included both the Secretary and your office in that question.

Admiral HEINZ. We did not.

Mr. PASSMAN. I believe the Secretary made the statement, that the Shah was quite a military expert, that he knew how to take apart a rifle and put it back together, and in all probability a tank and put it back together. He had become, through necessity, quite a military expert. That being so, I doubt if Iran would be buying $110 million worth of equipment they could not use advantageously in their military forces, would they?

Admiral HEINZ. That is correct.

Mr. PASSMAN. I just do not understand it.

Admiral HEINZ. ———. We do not consider the Shah's basic commitment to the United States ——— to have been weakened in any significant way. We expect to continue to be able to sell Iran equipment.

Mr. PASSMAN. Ours is a grant aid, isn't it?

Admiral HEINZ. Grant aid, yes.

Mr. PASSMAN. It is all right with you if I do not try to understand it, is it not? I spent about a week trying to solve this one.

Admiral HEINZ. You understand, sir, that this military assistance is in continuation of the ———.

Mr. PASSMAN. I know that. I am talking about the Russian deal; that is what is worrying me.

Admiral HEINZ. This is new.

Mr. PASSMAN. Are we giving any economic aid to Iran?

Admiral HEINZ. No.

NUMBER AND TYPE OF SEDANS FOR IRAN

Mr. PASSMAN. Do you have in your 1968 program 25 sedans for Iran?

Admiral HEINZ. I will check.

Mr. PASSMAN. We gave them 44 sedans last year and we propose to furnish 25 sedans this year.

Admiral HEINZ. There are 25 contained in the fiscal year 1968 program.

Mr. PASSMAN. What is a sedan used for in the way of military purposes?

Admiral HEINZ. The major use in Iran is for the Iranian gendarmerie.

Mr. PASSMAN. You are charging these vehicles to the Iran program?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Are they all Cadillacs?

Admiral HEINZ. No. For a sedan, the average cost is about $1,500.

Mr. PASSMAN. I know. But could we get the spread?

Admiral HEINZ. We do not buy any Cadillacs. These are small sedans.

Mr. PASSMAN. If we can, let's put in the record at this point the make of the 44 automobiles. If there are any Lincoln Continentals let them be included.

Admiral HEINZ. There are no Lincoln Continentals.

Mr. PASSMAN. What are the names?

Admiral HEINZ. The types——

Mr. PASSMAN. I am not talking about type, I am talking about the names.

Admiral HEINZ. It would depend upon who the lowest bidder is for a contract.

Mr. PASSMAN. After you get a low bidder.

Admiral HEINZ. It could be a Ford or Chevrolet.

Mr. PASSMAN. Do you not know the names of the automobiles you get for Iran?

Admiral HEINZ. I tell the Army I need to requisition so many vehicles of a certain type. The procurement authorities then put out a bid for contract. It may be won by American Motors or Ford or Chevrolet.

Mr. PASSMAN. You do not know what make?

Admiral HEINZ. I do not know what brands.

Mr. PASSMAN. There could conceivably be some Cadillacs included.

Admiral HEINZ. No, there are no Cadillacs in there.

Mr. PASSMAN. How do you know there are no Cadillacs, if you do not know the names?

Admiral HEINZ. Because these are small sedans. There are no large sedans, these are small sedans.

Mr. PASSMAN. Will you please furnish for the record the make of these sedans?

Admiral HEINZ. I will do that.

(The information follows:)

SEDANS PROGRAMMED IN FY 67 MAP FOR IRAN

The sedans programmed in FY 67 are for the Gendarmerie which is responsible for the internal security of about eighty percent of Iranian land area. Sedans are programmed as light, 4-door standard models. As of this date, no procurement contract action has been effected by the Department of the Army for these items in the FY 67 MAP. The last sedans delivered under MAP for Iran were Plymouth, light sedans, at a procurement cost of $1432 each.

Mr. PASSMAN. In fiscal 1967 the 44 sedans went to what units of the Iranian Army?

Admiral HEINZ. I do not have the breakdown of the units to which the 44 are programed to go.

Mr. PASSMAN. Supply it for the record.

Admiral HEINZ. I will.

(The following information was supplied:)

SEDANS FOR IRAN

The forty-four (44) sedans in the FY 1967 MAP for Iran were programmed for the Iranian gendarmerie.

ABILITY OF IRAN TO PAY FOR VEHICLES FURNISHED

Mr. PASSMAN. Admiral, do you not think that Iran, with its oil revenue exceeding $500 million annually, could pay for these sedans?

Admiral HEINZ. They could pay—they make substantial purchases from us annually.

Mr. PASSMAN. I am not talking about the military sales program. I am talking specifically about these sedans.

Admiral HEINZ. They could pay for them.

Mr. PASSMAN. Thank you very much, Admiral.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes, I will be glad to.

POPULATION OF IRAN AND GROSS NATIONAL PRODUCT

Mr. CONTE. How many people are there in Iran?

Admiral HEINZ. About 24 million.

Mr. CONTE. What is the gross national product for last year?

Admiral HEINZ. Estimates for 1965 are $5.933 billion.

Mr. CONTE. In regard to these automobiles, how many automobiles have we given the Iranian Government? This is ridiculous.

Admiral HEINZ. We have programed 58 sedans.

Mr. CONTE. Just ridiculous.

Mr. PASSMAN. We do it every year.

TOTAL AND COST OF VEHICLES UNDER THE GRANT-AID PROGRAM

Admiral HEINZ. Are you talking about all vehicles?

Mr. CONTE. All right, let's discuss the question of all vehicles. Give us a breakdown. I thought they were just sedans. But it seems there are more than sedans.

Mr. PASSMAN. They do not use many sedans in fighting wars. That is why I was stressing that point.

Admiral HEINZ. ———. I am giving you cumulative deliveries.

Mr. CONTE. Right. I want the cumulative price, too, at the end.

Admiral HEINZ. ———.

Mr. CONTE. Fifty-eight sedans?

Admiral HEINZ. That is the total deliveries to date.

Mr. PASSMAN. Do they fight their wars with half-ton trucks?

Mr. CONTE. Are they using them in the oil rigs?

Admiral HEINZ. No.

Mr. CONTE. Could you give us the total cost?

Admiral HEINZ. I will have to supply that for the record, since I do not have the total cost for vehicles broken out. It is combined with the other vehicles and weapons.

(The information follows:)

TOTAL COST OF VEHICLES DELIVERED TO IRAN

Under the grant aid Military Assistance Program, the total cost for the 20,888 vehicles, all types, delivered to Iran as of 30 June 1966 is $78,051,000.

Mr. CONTE. These are all trucks given to the Iranians?

Admiral HEINZ. Deliveries under the grant-aid program.

VEHICLES PURCHASED BY IRAN

Mr. CONTE. How many do they buy from us?

Admiral HEINZ. I do not have the data on vehicles they have purchased from us. I will supply it for the record.

(The information follows:)

VEHICLES SOLD TO IRAN

Four (4) Semi Trailer Transport Trucks M523E2
Price $187,476. Sold November 1964
Twenty (20) ½ Ton Cargo Trucks 4 X 2
Price $30,600. Sold April 1966

Mr. CONTE. Mr. Chairman, I do not want to take the questioning away from you.

Mr. PASSMAN. Go right ahead, Mr. Conte.

AIRCRAFT IN THE PROGRAM FOR IRAN

Mr. CONTE. As to airplanes, have you given them any Cessnas?

Admiral HEINZ. There are ——— programed in prior years, and delivered.

Mr. CONTE. ——— Cessnas?

Admiral HEINZ. Yes.

Mr. CONTE. Any other luxury-type planes outside of war planes?

Admiral HEINZ. Transportation-type planes?

Mr. CONTE. Yes.

Admiral HEINZ. There have been ——— C–130's, ——— C–47's.

Mr. PASSMAN. What are utility planes used for?

Admiral HEINZ. There have been ——— utility aircraft.

Mr. PASSMAN. That is a utility aircraft?

Admiral HEINZ. Utility light observation. ——— U–6's.

Mr. CONTE. What are the ——— U–6's like?

Admiral HEINZ. The U–6 is about a 2- to 3-person aircraft used for liaison and spotting, for reconaissance.

Mr. PASSMAN. You have ——— UT–6. What are those?

Admiral HEINZ. UT–6, that is the T–6 aircraft, an old trainer version. The T–6 was a small prop trainer which is, I think, of pre-World War II vintage.

Mr. PASSMAN. Is it good for hunting, hopping around to places where it is a little hard to get to?

Mr. CONTE. No, they are using those Cessna 180's for that.

Mr. PASSMAN. Yes.

Mr. RIEGLE. Would you yield?

Mr. PASSMAN. Yes.

Mr. RIEGLE. Is a U–6 in the same family as the U–2?

Admiral HEINZ. No, sir.

Mr. RIEGLE. A high-altitude plane?

Admiral HEINZ. No, sir; the U–6 is an Army aircraft prop job for utility work, aircraft liaison work, spotting, reconnaissance.

USE OF TRUCKS FURNISHED IRAN

Mr. PASSMAN. Admiral, what in the name of our Heavenly Father would these people use ——— quarter-ton trucks for?

Admiral HEINZ. This is the jeep type. It is used for transportation and as a towing vehicle for light weapons. A recoilless rifle is mounted in a quarter-ton truck.

Mr. PASSMAN. Did we have our factory representatives in Iran working these things out for them—helping them establish a need and the quantity?

Admiral HEINZ. This is done by the MAAG.

Mr. PASSMAN. This is a beautiful picture. It looks as if somebody got a lot of business.

Admiral HEINZ. This is a cumulative program.

SIZE OF MILITARY FORCES

Mr. PASSMAN. What size military forces do they have?

Admiral HEINZ. They have ——— which includes ——— gendarmerie.

Mr. PASSMAN. What are they?

Mr. CONTE. What are they—policemen?

Admiral HEINZ. The gendarmerie is an internal security force. It is stationed throughout the country, in small detachments, for internal security and border patrol. Many of them are stationed at the remote borders.

Mr. PASSMAN. Military forces in the amount of ———. Admiral, using an established formula, how many of those men would be in combat in the event we have combat? We have front-line forces and we have supporting forces. But of the ——— how many of that number would be under arms, carrying a rifle, using a machinegun, and so on, by our formula?

Admiral HEINZ. Nearly all the gendermarie; of the other forces I would say they are all equipped with weapons. The number in combat would be determined by the extent of hostilities and the type of combat.

Mr. PASSMAN. You have supporting forces, do you not?

Admiral HEINZ. How many of these are in supporting forces?

Mr. PASSMAN. If we had an army of ——— and no more now, what part would be the support forces and what part would be the fighting forces? You have to have bookkeepers, drivers, cooks, dishwashers. How many actually would be in combat service?

Admiral HEINZ. Maybe Colonel Fredericks could answer that better than I can.

Colonel FREDERICKS. I think I can.

The combat forces would be your infantry divisions and your armored divisions. ———. That is a rough figure.

Mr. PASSMAN. How many of those, then, would be used in the heavy artillery forces on the borders, and such as that, would you say?

Colonel FREDERICKS. There are some artillery units which I have not accounted for. I only accounted for the infantry and the armored divisions. This is a very rough figure. ——— percent would be a good ball park figure.

Mr. PASSMAN. Let's take the ball park figure, then. Of course, the ——— includes the Navy and the Air Force; is that right?

Colonel FREDERICKS. I have not checked those figures.

Admiral HEINZ. That is right.

Mr. PASSMAN. Of the ——— how many of that number would be in the Air Force?

Colonel FREDERICKS. I only gave you the Army figures. I might say you would increase that figure I gave you.

Mr. PASSMAN. You missed the point. Let's go over it all again. You have a total military strength of ———?

Colonel FREDERICKS. Yes.

Mr. PASSMAN. Now let's take out the Navy, the Air Force, the cooks, the dishwashers, the bus boys. How many would we have? How many is in the Air Force, first?

Colonel FREDERICKS. I do not have the figures here.

Mr. PASSMAN. Admiral, could you help us?

Admiral HEINZ. I don't have the separate service breakdown here. The Navy is very small.

Colonel FREDERICKS. We can supply that for the record.

Mr. PASSMAN. No. I want to ask some questions on it.

Admiral HEINZ. I do not have the strength breakdown of the separate services. I will be glad to supply it.

Mr. PASSMAN. Of this ball park figure of ———, would you say that half of them would be soldiers that would use a rifle and charge if the order should be given?

Admiral HEINZ. I would say of the ——— maybe ———.

Mr. PASSMAN. About ———?

Admiral HEINZ. Yes.

Mr. PASSMAN. How could you give me that when you do not know how many are in the Air Force, how many are in the Navy, or how many cooks?

Admiral HEINZ. I know the Navy is small. The Air Force is not very large. I am estimating. It would be ———. I am giving you purely an estimate. I do not have the individual service breakdowns here.

RIFLES SUPPLIED TO IRAN

Mr. PASSMAN. Those people, they had some guns and rifles of their own before we started supplying them—that they had procured elsewhere, did they not?

Admiral HEINZ. Yes.

Mr. PASSMAN. Then, in addition to their own procurement, we have given them about a rifle and a quarter for each soldier. They must be pretty healthy men in order to carry that much around.

I think I qualified it and said they were procuring rifles and guns from other sources.

Admiral HEINZ. I am assuming——

Mr. PASSMAN. But we are assuming too much, gentlemen. It looks to me as if somebody sold an awful lot of rifles here. My guess is that only 40 percent of these people would ever put a rifle on their shoulder because you have to have the Air Force, the Navy, the support forces, and so on.

Admiral HEINZ. No. They are equipped—you asked me the forces I expect would be in combat. I am estimating about ———. Their total forces are ———.

Mr. PASSMAN. I know; but of the ———, you have to subtract the cooks, clerical help and drivers. You have to take out the entire Air Force; you have to take out the Navy, and it appears that if we had the time to establish it you would have about two rifles for every soldier.

Admiral HEINZ. No, sir. I think you will find that even our bakers and cooks in the field have rifles.

Mr. PASSMAN. They may have rifles issued to them but there are not many cooks that use their rifles in combat.

Admiral HEINZ. That is right, but we have equipped our people with rifles.

Mr. PASSMAN. I do not think we are ever going to run out of guns.

Mr. CONTE. While you are on rifles, may I ask a question?

Mr. PASSMAN. Surely.

PURPOSE OF SHOTGUNS

Mr. CONTE. I notice that during that period of time, Admiral, we have given them 24 shotguns. This year, Mr. Chairman, we have two shotguns in the program. Is that for some general out there going on a safari?

Admiral HEINZ. No, sir.

Mr. CONTE. Why two shotguns?

Admiral HEINZ. These are for riot control purposes. If you will recall, we support the gendarmerie which has internal security as its mission. Some of them are equipped with shotguns. These are all short-barreled riot guns.

Mr. CONTE. Admiral, I can visualize that and understand it, but what are two shotguns going to do to put down a riot? It looks like some person wants a shotgun. What are those guns?

Admiral HEINZ. Riot guns.

Mr. CONTE. 12-gage?

Admiral HEINZ. They are small, short-barreled.

Mr. CONTE. Do you have the information?

Admiral HEINZ. I do not have the gage.

Mr. CONTE. Let's get it for the record. I want the trade name and the caliber.

Admiral HEINZ. If we could find it.

Mr. CONTE. Why can't we find it? We are paying for it.

Admiral HEINZ. I will have to find out which two were procured.

Mr. CONTE. And who they went to; I would like to know that. They have some good lion hunting and good tiger hunting out there.

Admiral HEINZ. You hunt them with a shotgun?

Mr. CONTE. You can hunt birds with it.

Mr. PASSMAN. How many men does it take to operate a carbine?

Admiral HEINZ. One man.

RIFLES FURNISHED IRAN

Mr. PASSMAN. We have to add that to the number of the rifles, so we get up to ———. A soldier would not take a carbine and a rifle with him, would he?

Admiral HEINZ. No, sir.

Mr. CONTE. Throw machineguns in there, too.

Mr. PASSMAN. Submachineguns, is that a one-man operation?

Admiral HEINZ. A submachinegun is a one-man operation.

Mr. PASSMAN. Now we are up to ———. Off the record.

(Discussion off the record.)

Admiral HEINZ. I would add that these deliveries cover a 17-year period.

Mr. PASSMAN. I do not care if it is over a 40-year period. We have shown for the record that the people are likewise procuring rifles from other countries.

Admiral HEINZ. I assume they had some there before we started our program. What kind and how good they were I do not know.

Mr. PASSMAN. Could you find out what they did with them? You do not usually survey a good rifle. If it is a good rifle and kept in good shape you would not expect that many of these would have been surveyed, would you?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

TYPE OF RIFLES

Mr. CONTE. Could we get what type of rifle they gave Iran? Can you get a breakdown on that ———.

Admiral HEINZ. Yes.

Mr. CONTE. Whether a Springfield or MR–3's, or whatever?

Admiral HEINZ. We would be happy to supply it.

Mr. CONTE. Good. I think that would tell whether they would still be in use or not.

(The information follows:)

TYPE OF RIFLE DELIVERED IRAN

The ——— rifles delivered to Iran, as of 30 June 1966, are Cal. 30, M1 Garand, rifles.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Riegle.

GUNS IN EXCESS OF NEED

Mr. RIEGLE. Is it reasonable to assume that there are more guns here than are needed by combat soldiers? That they just get warehoused somewhere and that this is the kind of material that, while it can be a force for good when in the right hands, it can be just the reverse in the wrong hands?

Admiral HEINZ. This again is total deliveries over a 17-year period. We have to assume a certain amount of attrition. As far as I know, the equipment that we are delivering to Iran is not warehoused, it is put to use. It is the responsibility of the MAAG to see that it is issued, that it is maintained properly, that it is used properly.

Mr. RIEGLE. If I heard the chairman right a minute ago, was it Cambodia where we had 2½ guns per man?

Admiral HEINZ. No. I said this was an argument over Cambodia. The fact of the matter was that we provided them rifles for their security forces, which were in addition to the Army.

Mr. RIEGLE. It seems to me there are a lot of arms floating around South Vietnam that end up on the other side. I have to wonder where they all come from.

SOPHISTICATED EQUIPMENT

Mr. PASSMAN. That is right. Let's pursue this rifle business a little further. Sophisticated equipment, what would that comprise?

Admiral HEINZ. Sophisticated equipment would include in aircraft the newer types of fighters, for example F–5's, F–104's, and in the case of transport aircraft such things as the C–130. In the case of missile equipment it would be surface-to-air missiles, the HAWK, the NIKE, some radars. In the case of the Army weapons it would be expensive, new self-propelled artillery. In the case of the Navy it could include modern destroyers, guided-missile destroyers. This is the type of equipment we would count as sophisticated. We could count as not sophisticated equipment the older prop aircraft and individual weapons.

Mr. PASSMAN. Such as rifles?

Admiral HEINZ. Rifles, vehicles, construction equipment.

PURCHASE OF WEAPONS FROM RUSSIA

Mr. PASSMAN. The Iranians are buying unsophisticated equipment from Russia?

Admiral HEINZ. Correct.

Mr. PASSMAN. Do you happen to know how many rifles they are buying from Russia?

Admiral HEINZ. To our knowledge, none.

Mr. PASSMAN. What are they buying with that $110 million?

Admiral HEINZ. As far as we know, the barter arrangement includes ——— vehicles.

Mr. PASSMAN. There could conceivably be some rifles too, since they would fall in the general category of unsophisticated weapons?

Admiral HEINZ. So far as we know, none are included.

Mr. PASSMAN. But they could; they could always revise their order. Under the agreement that they are operating under, since we did not approve it we would not not have any control if they wanted to buy more rifles, would we?

Admiral HEINZ. It is possible.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. PASSMAN. I yield.

Mr. CONTE. Here is another intriguing point.

Mr. PASSMAN. Yes.

AMMUNITION FOR SHOTGUNS

Mr. CONTE. This is utterly fantastic. They must have some clay pigeons down there and are doing a little practicing. We have delivered 20 shotguns in 17 years. There are two in this budget.

We delivered 16,000 rounds of ammunition for those shotguns, and they are asking for 5,000 shotgun shells in this budget. That is 21,000 rounds of shotgun shells for 20 shotguns. That covers a lot of clay pigeons. Their shoulders must be black and blue.

Admiral HEINZ. This does not mean that this shotgun ammunition is only for that number of shotguns. Their gendarmerie is equipped with other shotguns and we are providing them ammunition.

Mr. PASSMAN. That is exactly what I am saying. We will admit diversion is one of the healthiest things in the world. So we won't become bored, let's sidetrack a bit: What is some of the game they have out there? They have quail and dove, do they not?

Admiral HEINZ. I do not admit that there was any diversion.

Mr. PASSMAN. I didn't ask you to admit it. I asked you, or do any of your supporting witnesses know, what kind of game they have? Is it quail or partridges?

Admiral HEINZ. I do not know, nor do I admit that any of this was used for that.

Mr. PASSMAN. I did not ask you to admit it.

USE OF SHOTGUNS

Mr. CONTE. They are not shooting each other. I haven't heard of any riots out there where they would be using shotguns. What else do you use them for?

Admiral HEINZ. It is also used for training. I have used a shotgun and our people use shotguns for target practice.

Mr. CONTE. How is that?

Admiral HEINZ. The Air Force uses shotguns in training.

Mr. CONTE. What for—shooting ducks?

Admiral HEINZ. No, target practice.

Mr. CONTE. Tell me how you use it in training: with clay pigeons?

Admiral HEINZ. Yes, clay pigeons.

Mr. PASSMAN. That is good enough.

Admiral HEINZ. This is not diversion, I say this is training.

Mr. CONTE. They must have a nice little gun club out there.

Admiral HEINZ. They may have, but none of this goes to gun clubs.

Mr. PASSMAN. You would not mind our checking?

Admiral HEINZ. No.

Mr. PASSMAN. If we find out there is good hunting out there——

Admiral HEINZ. If they go hunting they buy their own ammunition for that.

Mr. PASSMAN. How much do they buy?

Admiral HEINZ. I do not know how much their gun clubs buy.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TOTAL NUMBER OF SHOTGUNS PROVIDED

Mr. PASSMAN. How many shotguns have we provided to Iran in the past 17 years since the inception of this program?

Admiral HEINZ. We have provided 20.

Mr. PASSMAN. Twenty shotguns?

Admiral HEINZ. Yes.

AMMUNITION PROVIDED

Mr. PASSMAN. How many rounds of ammunition have we provided for those shotguns?

Admiral HEINZ. I do not know how many rounds we have provided for those particular shotguns. We have provided them with 16,000 rounds of shotgun ammunition.

Mr. PASSMAN. You do not know if they had any other shotguns?

Admiral HEINZ. I presume they had other shotguns.

Mr. PASSMAN. You are presuming, but this is American shotguns we are talking about.

Admiral HEINZ. We have provided 20 American shotguns.

Mr. PASSMAN. And we have provided 16,000 rounds of ammunition that would work with these 20 shotguns?

Admiral HEINZ. And for other shotguns.

Mr. PASSMAN. You said you assume——

Admiral HEINZ. And for other shotguns.

Mr. PASSMAN. What other shotguns?

Admiral HEINZ. Shotguns for their gendarmerie; American shotguns. I am not certain that the 20 is their total inventory.

Mr. PASSMAN. American shotguns?

Admiral HEINZ. I will have to find out what other types they may have.

Mr. PASSMAN. Do you actually know whether they had any other shotguns?

Admiral HEINZ. Any force of this size, particularly the gendarmery, should have many shotguns because it is a primary riot control weapon.

GAUGE OF SHOTGUNS FOR IRAN

Mr. PASSMAN. Would you put in the record the gage of the shotguns?

Admiral HEINZ. I will.

(The information follows:)

SHOTGUNS FOR IRAN

The shotguns we have provided under the Iran military assistance program have been Riot Type, 12-Gauge, 20-inch Barrel, Stevens and Winchester models.

TYPE OF SHOTGUNS AND AMMUNITION IN IRAN

Mr. PASSMAN. And furnish us with the type of shotguns that they may have.

Admiral HEINZ. I will.

Mr. PASSMAN. And whether or not they are procuring ammunition from the nations from which they previously bought these shotguns? Knowing you as well as I do, if we discover, and I am quite sure that you will, that we provided a particular type of ammunition needed for this particular type of American shotgun, if you find it that way, you will put it in the record, will you not?

Admiral HEINZ. I will.

(The information follows:)

RIOT CONTROL GUNS PROVIDED TO IRAN UNDER THE MILITARY ASSISTANCE PROGRAM

The United States has provided 24 twelve gauge riot control shotguns to Iran under the Military Assistance Program. Two more riot control guns have been proposed for inclusion in the FY 1968 program. These 26 will be the only riot control shotguns in the inventory of the Imperial Iranian armed forces and the Imperial Iranian Gendarmerie. Iran has not purchased shotguns from other sources. MAP-supplied ammunition has been used only in MAP-provided weapons, and has been provided for training and necessary stockage. Necessary quantities of ammunition have been provided over the past 13 years for riot control training. Training procedures for riot control personnel require the expenditure of ammunition for training purposes for each guard annually.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

CONTROL OF USE AND PURPOSE OF SHOTGUNS

There would not be any objection to the MAAG officers using these shotguns if they wanted to, would there?

Admiral HEINZ. Yes, there would be. These are for Iranian forces.

Mr. PASSMAN. Do we have any control over what they use them for?

Admiral HEINZ. Yes, we do.

Mr. PASSMAN. What do they use the shotguns for specifically?

Admiral HEINZ. In the gendarmerie they use them for internal security, and as riot control weapons. This is their major use.

DETAIL ON SHOTGUN PROCUREMENT

Mr. CONTE. Regarding those two guns in this year's budget, we want the make, the caliber, the length of the barrel, and whether they are automatic, over and under, or double barrel.

Mr. PASSMAN. How much money are you requesting for these two guns this year, Admiral?

Admiral HEINZ. I will not be able to give you this information until they are delivered.

Mr. PASSMAN. You can tell us how much money you are asking for to pay for them?

Admiral HEINZ. I know they are relatively inexpensive. I can find out how much they cost.

Mr. PASSMAN. But you should know how much funds you are requesting for these two shotguns.

Admiral HEINZ. I do not know their exact cost, however you can be assured that it is included in the total country program.

Mr. RIEGLE. Have you found out if there are any duck calls or decoys or anything like that in here, too?

Mr. PASSMAN. Not yet.

Admiral HEINZ. Let me see if I can find out. I think I have the figures on the shotguns.

Mr. CONTE. Mr. Chairman?

Mr. PASSMAN. Let's get the price of these two shotguns, first.

Mr. CONTE. For 1968.

Admiral HEINZ. I had a figure in here some place.

Mr. CONTE. In 1967 there were two shotguns. Tell us about those.

Mr. PASSMAN. How much did the two 1967 shotguns cost? I want them to have good guns, you understand.

Admiral HEINZ. Every shotgun in this program I can tell you is a short-barreled riot control gun.

Mr. CONTE. You are pretty certain about that but not about the price.

Admiral HEINZ. I will find the cost of a shotgun.

Mr. PASSMAN. Do you have it?

Admiral HEINZ. No; I do not have my cost and category data here.

Mr. PASSMAN. You do not have the cost for either year?

Admiral HEINZ. I do not have the individual cost.

Mr. PASSMAN. Or for the 20 shotguns?

Admiral HEINZ. I will have to find out.

Mr. PASSMAN. Can you find out in the meantime by calling your office?

Admiral HEINZ. Yes; I can call.

Mr. PASSMAN. How much money do you want for two shotguns in 1968, how much did you allocate for the two shotguns in 1967 and what is the average price for the 20 shotguns you previously delivered. Can you get that?

Mr. CONTE. They must have in the record who they bought those two shotguns from in 1967.

Admiral HEINZ. The Army procures many shotguns every year. I will have to find out where their procurement contracts went this year.

We direct the Army to procure two shotguns or 20 shotguns, whatever the program calls for. They go out on competitive bids for material, whether it is vehicles or weapons; the lowest bidder gets it.

METHODS OF DETERMINING AMOUNTS IN THE JUSTIFICATIONS

Mr. SHRIVER. How is it determined whether you will ask for two, 20, or 50 shotguns? How is that determined?

Admiral HEINZ. By the table of organization and equipment of the units which are supported. For example, if a unit requires 50 trucks, 150 rifles, and so forth, you provide the amount of equipment that is required to fill their table of organization and equipment, and that required for replacement. It is the same in any country.

Mr. SHRIVER. Who checks that?

Admiral HEINZ. First, it is done in the MAAG, then it goes to the unified command and then to Washington. They are rechecked in Washington. This is worked out with voluminous records. For example, I could go back and find out the exact unit to which these two are allocated. I have this available. I have it broken down for every unit to which all this equipment is allocated. By individual unit within the country. It takes a lot of recordkeeping, as you can imagine, but I do have this.

Mr. CONTE. You will have to agree with me, Admiral, that a shotgun is a good weapon to use in riot control in any country in the world.

Admiral HEINZ. Yes.

Mr. CONTE. How does it happen you have only two shotguns in your entire military equipment program last year, and those two were for Iran? Why didn't these other countries who have problems even greater than those in Iran, ask for shotguns and get them?

Admiral HEINZ. In the worldwide program there are 11.

Mr. CONTE. There were two in 1967.

Admiral HEINZ. Only two went to Iran in 1967.

Mr. CONTE. It seems strange, though, doesn't it?

Mr. SHRIVER. We want to know how it is determined whether you have five, two, or 20 shotguns.

MAP SUPPORT OF IRANIAN GENDARMERIE

Admiral HEINZ. I do know the particulars of this one although it does not appear strange to program two if that is all that is required. We support the Iranian Gendarmerie, it is one of the few internal security forces that MAP does support. We have had advisers to the gendarmerie since 1947. I can determine the basis for programing these particular shotguns. I will find out.

Mr. SHRIVER. You can buy shotguns for the very fine police force we have in Thailand.

Admiral HEINZ. MAP does not.

Mr. SHRIVER. How many shotguns altogether have you supplied?

Admiral HEINZ. AID supplies the police forces.

Mr. SHRIVER. In this instance——

Admiral HEINZ. In this instance MAP supports the gendarmerie. It is a type of police. They include border guards stationed throughout the country. They are less than an army and more than a police, really, a gendarmerie.

Mr. RIEGLE. The thing that is amazing to me is this: Let's say there are other shotguns in their arsenal that they have gotten somewhere else. They have purchased them; someone has given them to Iran; or they have been there for years or what have you. If that is the case, I can't see what possible good our two would be. It is such a ridiculously small number.

Admiral HEINZ. I will have to determine the reason and the particular unit to which they are allocated.

Mr. RIEGLE. Would you also find out what gage shotguns these are?

VEHICLES AND RIFLES PROVIDED

As I add up all the different types of vehicles they have—and, of course, we don't know what the attrition is because this is a buildup over a period of years—if the number of vehicles in service today is anywhere near the cumulative totals, and you use your ——— figure again as kind of a maximum figure for people we can put in the field, in an all-out alert-type situation, that this is a highly mobile army here. It seems to me if you factored in something like ——— thousand vehicles and had a driver for each one and that leaves you 7 passengers and some of these are artillery equipped vehicles, it seems to me you don't have very many foot soldiers over there. Is this right?

Admiral HEINZ. I don't know how many of these are still in service. Again it is over a period of years. These are not all personnel carriers.

Mr. RIEGLE. It is easy to visualize a fellow going along with a gun on each arm.

Admiral HEINZ. It is hard for me to visualize. Again we are talking about cumulative figures. We are talking of a period of 17 years.

Mr. PASSMAN. That is not a long life for a weapon that is not used.

Admiral HEINZ. It may have been that many of these were Springfields that have been delivered earlier in the program and since have been replaced.

Mr. CONTE. There is nothing wrong with the Springfield, is there?

Admiral HEINZ. The Springfield is a slow-firing weapon.

Mr. CONTE. I realize that, but these people aren't in combat or anything of that nature, are they?

Admiral HEINZ. We are arming them for combat. They have not been in combat, this is correct, but we are arming them for combat.

MILES OF PAVED HIGHWAYS IN IRAN

Mr. CONTE. Following up the question of the gentleman to my right, how many miles of paved highways do they have in Iran

Admiral HEINZ. I will find out for you.

(The information follows:)

IRAN'S HIGHWAY NETWORK

As of March 1966, Iran's highway network totalled about 22,000 miles, of which 3400 miles were bituminous or bituminous-treated, 10400 miles were gravel or crushed stone and 8200 miles unimproved.

Mr. PASSMAN. I would assume these manufacturers, if they sold all this equipment, they made a profit and paid income tax?

Admiral HEINZ. That is a correct assumption.

Mr. PASSMAN. Notwithstanding the fact that we consumed a natural resource we can't replace.

JORDAN

The next country is Jordan.

Admiral, you are requesting for fiscal year 1968 $——— million; is that correct, sir?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Admiral, what did you request for Jordan for fiscal 1967?

Off the record.

(Discussion off the record.)

DESCRIPTION OF SHOTGUNS FOR IRAN

Mr. PASSMAN. Let the record show that the two guns allocated to Iran for fiscal year 1967 were 12 gage, a very popular hunting gun.

Admiral HEINZ. Twelve-gage riot control, sir.

Mr. PASSMAN. At a cost of $40.

Admiral HEINZ. They were not provided for hunting, but for riot control.

Mr. PASSMAN. Let the record show the admiral is assuming they are not used for hunting, but he has that right.

Admiral HEINZ. I have tried to use one of these and they are just not good for it. They are too short-barreled.

Mr. CONTE. The record should show they haven't given us the make of the gun or the manufacture or the length of the barrel.

Colonel FREDERICKS. "RT" probably stands for "riot——"

Mr. CONTE. You think so, but I want to know and I also want to know the length of the barrel.

USE OF AMMUNITION PROVIDED IRAN

Mr. PASSMAN. And whether or not the 16,000 rounds of ammunition were used on the 20 guns that we gave them, or whether they were used in other guns and, if so, what makes.

FISCAL YEAR 1967 REQUEST FOR JORDAN

Admiral, what did you request for Jordan for fiscal year 1967?

Admiral HEINZ. $3,508,000.

Mr. PASSMAN. I believe you increased that by about 260 percent, is that correct?

Admiral HEINZ. That is approximately correct, sir.

EQUIPMENT SOLD TO ISRAEL IN RECENT YEARS

Mr. PASSMAN. Admiral, have you sold any equipment to Israel in recent years?

Admiral HEINZ. We have sold equipment to Israel in recent years.

Mr. PASSMAN. Would you insert in the record the equipment we sold to Israel during the past 3 years, and the terms?

Admiral HEINZ. Yes.

(The information follows:)

Foreign military sales to Israel

[In millions of dollars]

Equipment	Terms	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Total
[Deleted] medium tanks with related comm equip, ammo, and spare parts	[Deleted]	----------	13.4	21.2	34.6
[Deleted] aircraft with related ground support equip, spare parts, and armaments	[Deleted]	----------	----------	70.6	70.6
Deleted]	----------	[Deleted] [Deleted]	[Deleted] [Deleted]	[Deleted] [Deleted]	[Deleted] [Deleted]

SALES OF MILITARY EQUIPMENT TO ISRAEL AND JORDAN

Mr. PASSMAN. I wonder if the sale of equipment to Israel necessitated the increase of military equipment for Jordan so that Jordan could protect itself against the use of the military equipment we sold to Israel?

Admiral HEINZ. No, it did not.

The sales to Israel in the last 3 years were for ———. None of this was attributed to the reason for the ———.

Mr. PASSMAN. Unless it was anxiety that prompted it.

Admiral HEINZ. ———.

Mr. PASSMAN. Against what countries, Admiral?

Admiral HEINZ. ———.

Mr. PASSMAN. Isn't Israel?

Admiral HEINZ. Israel is also, but the arms given Jordan were limited in number; they were essentially of a defensive nature, ———.

We are confident Jordan has no aggressive intents. We are interested in maintaining the stability of the area.

Mr. PASSMAN. I want to get some reason, because the people in the Fifth District are beginning to ask me a lot of serious questions. What contribution does Jordan make toward the security of America?

Admiral HEINZ. We are interested in maintaining stability in the Middle East. The major problem comes from the heavy Soviet inflow of weapons to Iraq, to Egypt, to the Yemen, to Syria. This has raised tensions in the Middle East.

It is in our interest to diminish these tensions before they develop into active fighting, into a war. We feel that Jordan and King Hussein, particularly, has been a stabilizing force in the Middle East ———.

AID TO ALL COUNTRIES IN THE MIDDLE EAST

Mr. PASSMAN. I think we have given economic aid, or military aid, or both to every country in the Middle East, haven't we?

Admiral HEINZ. I would have to verify that from the AID books. I am not familiar with the details of the economic assistance program.

Mr. PASSMAN. I know we have had AID programs in Israel, Syria, Egypt, Iraq, Iran, Lebanon, Yemen, Egypt, Afghanistan, and Greece.

We have an AID program going in every one of those nations. I am not trying to prove anything other than the fact that we are giving some type of aid to all of them.

Admiral HEINZ. We have not had military assistance to all these countries.

Mr. PASSMAN. I say "and/or."

TURKEY

The next country in the Near East and South Asia area is Turkey, for which the 1968 estimate is $——— millions; is that correct Admiral?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How much excess stocks did you propose to furnish Turkey in last year's presentation?

Admiral HEINZ. It shows that $32,874,000 would be furnished.

Mr. PASSMAN. That was acquisition. Now, what did you finally program?

Admiral HEINZ. The estimate is $35,499,000 from excess stocks.

SHIFT OF EMPHASIS IN FISCAL YEAR 1967 PROGRAM

Mr. PASSMAN. Admiral, would you comment briefly on the noticeable shift of emphasis in your 1967 program? It is noted the emphasis

shifted from an operating-cost-type program to an investment-cost-type program at a cost of approximately $12.5 million.

Admiral HEINZ. The shift of emphasis from operating to investment takes place when the country assumes a greater share of its own expenses.

ECONOMIC AID REQUESTED AND GRANTED FOR TURKEY

Mr. PASSMAN. Did we increase economic aid about that time?

Admiral HEINZ. You are comparing 1966 and 1967?

Mr. PASSMAN. We want to know what was requested for economic aid and what we actually gave them, so we may know whether or not they had an increased allocation over and above the justifications.

Admiral HEINZ. I will have to supply that for the record.

Mr. PASSMAN. Supply it for the record.

(The information follows:)

ECONOMIC AID TO TURKEY

Economic aid to Turkey is provided through the OECD consortium consisting of other NATO members, on a calendar year basis. The US is a member of the Consortium. Turkey makes her total requests for aid to the Consortium annually. Additionally, Turkey then asks U.S. to pledge that part of the total pledge which it feels the U.S. can provide. The U.S. then analyzes the Turkish proposal and eventually pledges what it feels it can provide toward the total requested of the Consortium by the Turks. Other Consortium members do the same.

Thus, initially, Turkey does not ask the US directly for assistance, it asks the Consortium for a total package.

The total US loan programs to Turkey were $130 million in Calendar 1966 and are planned for $120 million in Calendar 1967. The total program is therefore decreasing. Meanwhile Turkey is assuming an increasing share of its own defense production and operating costs. This is supported by the fact that the dollar costs to Turkey's own defense budget continue to rise.

REASON FOR INCREASE OF MILITARY STRENGTH OF TURKEY

Mr. PASSMAN. There are some instances where economic aid goes up when their contribution goes up. I think we established that in Korea yesterday. According to the justifications, the total military strength of Turkey has increased by approximately ——— personnel. Would you put something in the record, Admiral, as to the necessity for that increase?

Admiral HEINZ. I will.

(The information follows:)

INCREASE IN TURKISH ARMED FORCES PERSONNEL

The numerical increase in Turkey's armed forces personnel is caused primarily by the country's outdated universal military service system, coupled with the population increase. All male citizens are required to serve two years in the military, between the ages of 18 and 30, and subsequently remain in inactive reserve status until age 46. More than 90% of the strength of the Turkish armed forces consists of these conscripts.

Military service in Turkey is an important means by which elementary education and technical skills are imparted to young men, particularly illiterates from predominantly rural areas. The obligation of all young men to serve the nation

is a deep-seated tradition in the country. Military service has also served to reduce chronic underemployment in rural areas.

Turkey is well aware that the system needs modification. In recent years, inductees with an eighth grade education have spent all but three months of their service in the remote provinces as teachers, in an effort to capitalize on the education of these young men and at the same time to hold down the Army size. Further, the government has recently introduced a bill to reduce to 18 months the compulsory service for men who have achieved a given level of education prior to their induction. We believe that many Turks feel that a more basic modification of the country's universal military service laws is needed.

EXCESS MILITARY EQUIPMENT FOR TURKEY

Mr. PASSMAN. I note you propose to furnish ——— to Turkey under the fiscal year 1968 program, which is an increase of ——— over fiscal year 1967. Is that correct, sir?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Are we still manufacturing ——— that you will allocate to Turkey under this program?

Admiral HEINZ. ——— and the reason for the increase is that we are delivering them as excess in "as-is" condition and the Turks are doing the rehab work on the ———.

Mr. PASSMAN. Does that account for the increase of ——— over fiscal 1967?

Admiral HEINZ. MAP is not paying repair and rehab costs ———.

Mr. PASSMAN. Are you increasing the number to be supplied simply because they are in excess?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Why are you increasing it by ———?

Admiral HEINZ. Because we are making a major effort to increase the capability of the Turkish ground forces. These are for major elements of the NATO forces. We require these elements within the overall NATO plan.

Mr. PASSMAN. Did you not have the same objective last year when you made your presentation to the committee?

Admiral HEINZ. At that time MAP was paying for the repair and ——— and we could not, within the money allocated, afford more than we actually programed for Turkey.

Mr. PASSMAN. But you justified ———. Subsequently you changed it to ———; did you not?

Admiral HEINZ. The number that was contained in the program last year was ———.

Mr. PASSMAN. You are ———?

Admiral HEINZ. We are increasing the number in the program.

Mr. PASSMAN. ———?

Admiral HEINZ. There were ——— presented in the 1967 program.

Mr. PASSMAN. Which you increased ———; it that right?

Admiral HEINZ. We propose to increased it to ———.

Mr. PASSMAN. And you propose increasing it to ——— in 1968?

Admiral HEINZ. That is correct.

Mr. PASSMAN. The reason is that you have them in excess and the Turks are going to pay the rehab costs?

Admiral HEINZ. That is correct. We hope to get the required number ——— into Turkey in a shorter period of time and at a less cost to the United States by this method.

Mr. PASSMAN. Thank you, Admiral.

Saudi Arabia

The next country in the Near East is Saudi Arabia, for which the fiscal 1968 estimate is $——— million for training only; is that correct, sir?

Admiral Heinz. That is correct.

Mr. Passman. Did we have a materiel program in Saudi Arabia in previous years?

Admiral Heinz. We did have at one time, yes.

Mr. Passman. Prior to the materiel program, did you have a training program?

Admiral Heinz. To my knowledge the Saudi Arabia——

Mr. Passman. The question would be better put if I asked you did we go from a training program to a materiel program.

Shift from materiel program to training program

Admiral Heinz. It went from a materiel program to a training program.

Saudi Arabia has had a materiel program in past years of some $25 million.

Mr. Passman. Are they procuring or acquiring military equipment from other sources?

Admiral Heinz. Yes, from other Western sources.

Mr. Passman. Any from the Soviet bloc?

Admiral Heinz. To my knowledge none from the Soviet bloc.

Mr. Passman. Earlier in the hearings we were discussing training programs. The number of countries that went from a training program to a materiel program. In this instance we started with a materiel program and we are now in a training program.

Admiral Heinz. This shift was made in 1962, as I recall, or 1963.

Mr. Passman. From materiel to training?

Admiral Heinz. From materiel to training.

Mr. Passman. Had they had any training as to how to use the equipment prior to the delivery of the materiel we gave them?

Admiral Heinz. They had had training and materiel included in their initial program.

Mr. Passman. I have maintained that training only can lead to a materiel program. We have determined, other witnesses opinions notwithstanding, that we had training programs that subsequently went into materiel programs. You listed seven countries last year. You are going to research the entire program from its inception to determine the number of countries that went from a training only program to a materiel program. Saudi Arabia is just the reverse. We started with a materiel program and now we are in a training program. I wonder what is the state of repair of the $29 million worth of military hardware we gave them? Do you have any idea?

Admiral Heinz. They had a materiel and training program at the same time. The shift has been from the combined materiel and training program to a training only program.

Mr. Passman. Is there any possibility of this now going to a materiel program?

Admiral HEINZ. No.

Mr. PASSMAN. What if they offered to buy materiel?

Admiral HEINZ. They are buying materiel from us.

Mr. PASSMAN. Have we had any grant aid in Saudi Arabia?

Admiral HEINZ. There has been grant aid; however, now we have training only.

Mr. PASSMAN. Previously did we have an economic grant aid program to Saudi Arabia?

Colonel FREDERICKS. It was a small program. While we had a grant aid program, we had a training program along with it.

Mr. PASSMAN. That is fine, but how much, gentlemen?

Admiral HEINZ. There was an economic assistance program to Saudi Arabia.

Mr. PASSMAN. Put together all the spigots.

TOTAL ECONOMIC AND MILITARY ASSISTANCE SINCE 1946

Admiral HEINZ. The total of economic and military assistance, less repayments and interest, is $66.1 million. This is since 1946.

GROSS NATIONAL PRODUCT, POPULATION AND INCOME

Mr. CONTE. Can we get the gross national product of Saudia Arabia?

Admiral HEINZ. $1.521 billion.

Mr. CONTE. How many people in Saudi Arabia?

Admiral HEINZ. 6.9 million. The per capita GNP is $225.

Mr. CONTE. How much did they make on oil last year, total?

Admiral HEINZ. I will have to supply that for the record.

Mr. CONTE. Very well.

(The information follows:)

OIL REVENUES—SAUDI ARABIA

Oil has been the single most important element in the Saudi economy since production began some 30 years ago under an entirely American concessionaire—Arabian American Oil Company (ARAMCO), owned by Standard of New Jersey, Texaco, Standard of California, and Socony Mobile. The 1966–67 oil income to Saudi Arabia is estimated to be $876.4 million.

Mr. CONTE. It is a small program but I can't understand for the life of me why we should be in Saudi Arabia at all. This is one of the richest countries in the world, isn't it, or am I wrong?

Admiral HEINZ. The per capita GNP is $225.

Mr. CONTE. You can't look at it that way. How much money are they realizing out of their oil interests?

Admiral HEINZ. That is the figure I have promised to provide for the record.

Mr. CONTE. They are spending about $700 million a year on schools and education.

Admiral HEINZ. The 1965 estimates for government expenditures were $685 million.

Mr. PASSMAN. Is the present King a little more conservative than his brother, King Saud?

Admiral HEINZ. I think he is.

PURPOSE OF MILITARY TRAINING PROGRAM

Mr. CONTE. Why should we have a military training program there?

Admiral HEINZ. We have had a military training program there for some years to help them train their forces.

Mr. CONTE. Why don't they pay for it?

Admiral HEINZ. ——— that we have agreed to help train their forces. We have stated officially that the threat of aggression is a matter of concern to the United States and that we are interested in their territorial integrity——

Mr. CONTE. We are getting locked in here like we did in Vietnam.

Admiral HEINZ. No.

Mr. CONTE. ———.

Admiral HEINZ. Not as in Vietnam. ———.

Mr. CONTE. When you get the transcript, read what you just said.

Admiral HEINZ. I quote from ———.

INVOLVEMENT IN SOUTH VIETNAM

Mr. CONTE. You say we are not getting locked in in Saudi Arabia as we did in Vietnam, that we have no treaties with them. What treaties did we have with South Vietnam?

Admiral HEINZ. With South Vietnam we were involved through the SEATO treaty.

Mr. SHRIVER. When we started?

Admiral HEINZ. When we started in 1954. In 1954 SEATO was formed among the eight SEATO nations.

Mr. CONTE. Vietnam was not a signatory then.

Admiral HEINZ. Vietnam was one of the three protocol states. Vietnam, Laos, and Cambodia were the so-called protocol states that came under the umbrella of SEATO. Our agreement with SEATO was one to defeat Communist aggression. This was our initial commitment to the area in 1954. There were then later agreements between President Diem and our President.

Mr. CONTE. There is no difference between that and the ———.

Admiral HEINZ. ———. I can give you the quote. Aggression or threat of aggression "could be a matter of immediate concern to the United States." Those are pretty strong words, I would say. It could be a matter of concern.

Mr. CONTE. Is that a matter of interpretation?

Admiral HEINZ. I think it is a very careful wording. ———.

Mr. CONTE. Mr. Chairman, I am getting more disillusioned the more I hear about this.

SEATO TREATY

Admiral HEINZ. In the SEATO Treaty which was approved by the Senate, it says that "Each party recognizes the threat of aggression by means of armed attack in the treaty area against any of the parties, or against any State or territory which the parties may hereafter designate, would endanger its own peace and safety and agrees that it will in that event act to meet the common danger in accordance with its constitutional processes."

In the case of SEATO Treaty, we had agreed to act to meet a common danger in accordance with our constitutional processes.

Mr. CONTE. But Vietnam was not a signatory to that treaty and you can't tell me where there was an attack on South Vietnam. When was there an attack? It was internal strife. I don't want to get into a debate on South Vietnam, but I am worried about Saudi Arabia. What if they start shooting each other up in Saudi Arabia within their own borders?

Admiral HEINZ. ———.

Mr. CONTE. That is exactly what happened in Vietnam.

Mrs. HANSEN. Supposing there is subversion there?

Admiral HEINZ. ———.

Mr. PASSMAN. Under our Constitution, Congress must declare war before we start fighting wars as such. Am I interpreting the Constitution correctly?

Mrs. HANSEN. You are old-fashioned.

Admiral HEINZ. I believe the chairman is correct.

Mr. PASSMAN. When did we declare war in Vietnam? If it isn't a war, will you, as a military man, describe for the record what it is?

Admiral HEINZ. War has not been declared.

Mr. PASSMAN. If the President, in his wisdom, should submit a declaration to the Congress to declare war, would it worsen our situation out there, or better it? I want your opinion as a military man. Supply a statement for the record on that question.

(The information follows:)

EFFECTS OF A DECARATION OF WAR ON THE SITUATION IN VIETNAM

At Hearings before the Committee on Armed Forces and the Subcommittee on Department of Defense of the Committee on Appropriations of the Senate on February 25, 1966, the Secretary of Defense provided a comprehensive statement on this subject. There is nothing of substance that can be added to that statement from the purely military point of view. The text of the statement follows:

INTERNATIONAL CONSIDERATIONS

From the international standpoint it seems undesirable to request a declaration of war for the following reasons:

1. The policy of the United States in Vietnam is to assist the Government of the Republic of Vietnam, at the latter's request, in thwarting an armed aggression from North Vietnam and to achieve a workable settlement of the dispute among the principal parties involved. This policy is pursued with limited aims, seeking to end the aggression against South Vietnam without threatening the destruction of North Vietnam, allowing a miscalculation by the enemy as to our intentions, or unnecessarily enlarging the scope of the conflict. The United States believes that the struggle must be won primarily in South Vietnam and is in that context a defensive military effort.

2. To declare war would add a new psychological element to the international situation, since in this century declarations of war have come to imply dedication to the total destruction of the enemy. It would increase the danger of misunderstanding of our true objectives in the conflict by the various Communist states, and increase the chances of their expanded involvement in it. Such a declaration would question the continued validity of the President's statements concerning his desire for a peaceful settlement allowing the various nations of the area, including North Vietnam, to live together in economic cooperatoin, and his reiteration that we do not threaten the existence of North Vietnam.

3. On balance, a declaration of war—which would be the first since the signing of the United Nations Charter—would significantly reduce the flexibility of the United States to seek a solution among extremely complex factors and reduce

the chances that our adversary will take a reasoned approach to a solution, when U.S. policy from the beginning has attempted to avoid closing off any possible avenue of resolution and to make the North Vietnamese more rather than less rational in the situation.

4. There is nothing in modern international law which requires a state to declare war before engaging in hostilities against another state; nor would a formal declaration of war impose any obligations on an enemy by which he would not otherwise be bound.

5. Absence of a formal declaration of war is not a factor which makes an international use of force unlawful. The only relevant legal question is whether the use of force is justified. Examples of hostilities begun without prior declaration of war abound in recent history. The fighting in Korea from 1950 to 1953, that in Indochina from 1947 to 1954, that in and around the Suez Canal in 1956, and that in West New Guinea between the Dutch and Indonesians in the spring and summer of 1962 all took place without benefit of declarations of war. We are not aware that the absence of declarations of war in these cases has been alleged to constitute a violation of international law.

6. The legal rules of international law concerniing the conduct of armed conflicts apply to all armed conflicts without regard to the presence or absence of declarations of war. All that is required is armed conflict between two or more international entities. The 1949 Geneva Conventions for the Protection of War Victims were specifically made applicable to any "armed conflict of an international character" between two or more of the parties. The rules of war embodied in the Hague conventions formulated in the early years of this century are considered, in general to be part of customary international law binding on all states, and their applicability is unrelated to declarations of war.

DOMESTIC CONSIDERATIONS

From the point of view of U.S. law it would be undesirable for the President to seek a declaration of war for the following reasons:

1. A declaration of war is not necessary either to authorize the actions that have been taken by the United States in Vietnam or to provide an expression of congressional intent on the Vietnamese situation. The President has power under article II, section 2, of the Constitution as Commander in Chief to deploy U.S. military forces to Vietnam for the purpose of assisting South Vietnam to defend itself from armed aggression by North Vietnam. Since the Constitution was adopted, there have been at least 125 instances in which the President, without congressional authority and in the absence of a declaration of war, has ordered the Armed Forces to take actions or to maintain positions abroad. Some of these historical instances have involved the use of U.S. forces in combat. Congressional intent is expressed by the joint resolution of Congress of August 10, 1964, passed by a combined vote of 504 to 2, explicitly approving all necessary steps, including the use of armed force in the defense of freedom in southeast Asia. A much fuller presentation of the views of the executive branch on the question of the President's constitutional authority was published in February 1951, as a joint committee print of the Senate Committees on Foreign Relations and Armed Services.

2. A declaration of war does not seem necessary in order to provide emergency authority to the executive branch. Many laws become operative in time of national emergency or in time of war. Most of these are operative today by virtue of the state of emergency proclaimed by President Truman in December 1950. These laws give the executive branch increased power to deal with the problems in Vietnam as well as other areas of the world. For example, they include special authority with respect to the movement of aliens in and out of the United States, the Armed Forces, Reserves, and the National Guard; procurement of material for the services; transactions in foreign exchange, Government contracts, security, and the protection of defense information; and defense transportation. A few emergency laws would not come into effect unless there were a declaration of national emergency or of war subsequent to the 1950 declaration of national emergency. However, there are only a few laws which can become operative only in time of war, and they have not been found necessary for the conduct of hostilities in Vietnam.

TRAINING PROGRAM IN SAUDI ARABIA

Mr. PASSMAN. I have one final question on Saudi Arabia. Last year you requested $899,000 for the training of 144 students in fiscal year 1967. This year the justification indicates that you allocated $——— million ———. What is it all about?

Admiral HEINZ. The justification last year for the request for——

Mr. PASSMAN. I wish you would verify the number of students and the dollar figure first.

Admiral HEINZ. The request for training was for $899,000, of which $192,000 was for the training of students in the United States.

Mr. PASSMAN. How many students?

Admiral HEINZ. It was for 144 students at a cost of $192,000. We also requested $707,000 for MAAG training support in-country. Our mission in Saudi Arabia is a training mission and not all of our request for the country is for the training of students. It also supports training costs in-country.

Mr. PASSMAN. Then the figure is correct, the number of students is correct, but the division is incorrect.

Admiral HEINZ. That is right.

Mr. PASSMAN. You are allocating $——— million and there will ——— trained against 144. Now, at what cost?

Admiral HEINZ. The cost in fiscal year 1968 we estimate to be $———.

Mr. PASSMAN. What is that, Admiral?

Admiral HEINZ. My latest figures indicate that there will be ——— students taking ——— courses at a total cost of $———.

Mr. PASSMAN. You mentioned three figures. You requested funds for ———. Subsequently you indicated you would train ——— but you are finalizing it now on ———.

Admiral HEINZ. The fiscal year 1968 program is for ——— students for ——— courses.

Mr. PASSMAN. How much money did you request per student last year?

Admiral HEINZ. It is about $1,300 per student.

Mr. PASSMAN. For how many courses? Then planned?

Admiral HEINZ. ———.

Mr. PASSMAN. What is it now costing per student under your revised program?

Admiral HEINZ. It is about $1,600 per student.

REASON FOR REQUEST FOR SPECIAL TRAINING REQUIREMENTS

Mr. PASSMAN. Briefly, why do you need $50,000 under the Near East-Southeast Asia program for special training requirements?

Supply that information for the record.

(The information follows:)

SPECIAL TRAINING REQUIREMENTS NESA AREA

This amount was planned for training support of NESA Area training requirements, including costs of training aids, publications, supplies and other training material.

TRAINING PROGRAMS IN VARIOUS COUNTRIES

Mr. PASSMAN. Admiral, we have a training program, I believe, in Afghanistan, Iraq, Lebanon, and Syria; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Will you put in the record the amount for each one of the nations?

Admiral HEINZ. I will.

(A classified table was furnished to the committee.)

Mr. PASSMAN. Have we had a materiel program in any of these nations in the past?

Admiral HEINZ. Yes, we have; in Lebanon.

Mr. PASSMAN. You first had a training program?

Admiral HEINZ. We first had a materiel program.

Mr. PASSMAN. Now you've gone to training?

Admiral HEINZ. Yes.

Mr. PASSMAN. Iraq, Syria, and Afghanistan—those are new training programs?

Admiral HEINZ. They are not new training programs. They have always been training programs.

Mr. PASSMAN. They are continuing programs?

Admiral HEINZ. Yes, of training only.

Mr. PASSMAN. Are they included in the grant total given the other day in the amount of 60?

Admiral HEINZ. They are.

AID PROGRAM IN SYRIA

Mr. PASSMAN. If I remember correctly, several years ago Syria was one of the few nations around the world that refused to accept our aid program in any way, shape, form, or fashion. We finally got in with a little program but immediately got out, and then we went for many years without any program in Syria.

Six or seven years ago I was in Lebanon and went to Syria where I had lunch with our consul general. The man was so elated I thought he was intoxicated. He said, "It looks as if we are going to finally get Syria to accept a little of our aid program. We are starting a Public Law 480 program."

He was really an enthusiast. I see now we have finally prevailed upon them to let us start a military training program. Did it take much persuasion to get them to let us in?

Admiral HEINZ. No, sir; we are not——

Mr. PASSMAN. How long have you been there with a training program? I don't think you had a military aid program until the early sixties.

Admiral HEINZ. The first training program was in fiscal year 1963. It continues as a small training program.

Mr. PASSMAN. What has been the total for this country?

Admiral HEINZ. It has been about $100,000 since 1963.

Mr. PASSMAN. Is there any conflict between Israel, Egypt, and Jordan at this time? Any border incidents?

Admiral HEINZ. ———.

Mr. PASSMAN. The record will show we have a military program—either grant aid training or materiel, or sales, in Syria, Jordan or Israel.

Admiral HEINZ. No, sir; it will not. I am sorry. You mentioned sales. We have made sales to Israel.

Mr. PASSMAN. Sales, training, or materiel, and these three nations are not shooting marbles at each other for amusement, are they?

Admiral HEINZ. No, they are not.

RECIPIENTS OF U.S. AND COMMUNIST MILITARY AID

Mr. SHRIVER. Are any of these countries in the area we are now considering also receiving military assistance from Communist countries?

Admiral HEINZ. Iraq and the United Arab Republic are receiving Soviet military assistance.

Mr. SHRIVER. Last year I asked you to submit for the record a list of free world countries receiving military assistance from the United States and from the U.S.S.R., or other Communist countries; would you do the same this year?

Admiral HEINZ. I will do that.

Mr. SHRIVER. Not for just this area, but worldwide.

Admiral HEINZ. Worldwide, yes.

(The committee was furnished a classified table.)

TURKEY AND GREECE MILITARY ASSISTANCE PROGRAM

Mr. SHRIVER. In view of the continuing strife between Greece and Turkey, would you explain why you are requesting ——— military assistance for Turkey as for Greece?

Admiral HEINZ. Because the requirements are different.

The forces of these two countries are also different. ———.

The Greeks can contribute more to their defense budget than the Turks can. In both countries we are placing emphasis on modernization of the armies. Of course the Turkish Army is much larger than the Greek Army. I think this accounts for the major reasons—the two major reasons—for the differences in the two programs.

Mr. SHRIVER. Does this very obvious disparity affect our relations with Greece?

Admiral HEINZ. No, sir.

Mr. SHRIVER. Does it help our relations with Turkey?

Admiral HEINZ. I think it has, yes. Both are well aware of the approximate size of our military assistance program to the other.

COMMUNIST THREAT IN GREECE

Mr. SHRIVER. Is there any truth to the rumors we see in the papers that Greece faces a threat of an internal Communist takeover sometime within the next year?

Admiral HEINZ. I know of no indications of this. ———.

Colonel FREDERICKS. ———. There has been serious political instability within Greece over the past 2 years.

Mr. SHRIVER. And a recent cabinet change.

Colonel FREDERICKS. Yes, several recent changes have caused people to speculate about the future. The political elements are well divided in the country. We have right, left, and center. ———. However, the Greek political scene in general is a Western-oriented one, and most of these frictions are between party factions.

Mr. SHRIVER. And temporary?

Colonel FREDERICKS. And temporary. There is no known or suspected internal Communist threat against the Government. That fear was dispelled some time ago.

TURKEY

Mr. SHRIVER. I note we intend to furnish a larger number ——— than in the prior year to Turkey.

Admiral HEINZ. Yes.

Mr. SHRIVER. Are these ——— obsolete or from our surplus?

Admiral HEINZ. They are ——— being or will be declared excess to U.S. Army requirements over the next few years.

Mr. SHRIVER. They have a lot ——— now.

Admiral HEINZ. The Turks do have a large number. But many of them are no longer supportable and we are replacing them.

Mr. SHRIVER. What do you mean by that?

Admiral HEINZ. You cannot get spare parts for them. We originally provided ——— to many countries. There are no longer adequate spare parts for ———.

Mr. SHRIVER. So we are going to replace them?

Admiral HEINZ. As the Army declares ——— excess we are putting them into Turkey to replace their old and no longer supportable ———. The Turks are doing the rehabilitation themselves. Therefore, we are able within the shorter time frame to update their ——— inventory.

Mr. SHRIVER. You are convinced they need this many this coming year? It is a very sizable number.

Admiral HEINZ. It is a sizable number. The total requirements to modernize their forces is about ———.

SHIPS FOR TURKEY

Mr. SHRIVER. We have given a lot of ships over the years. What kind of ships are they?

Admiral HEINZ. Just recently we delivered two destroyers under ship loan legislation. ———. These are total deliveries over the entire period.

Mr. SHRIVER. Are these used? Are any of them new?

Admiral HEINZ. Some of the smaller patrol craft or the landing craft may have been new. The others were not.

Mr. SHRIVER. Thank you.

Mr. Chairman, that is all.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. I have no questions.

Mr. PASSMAN. Mrs. Hansen?

EAST-WEST HIGHWAY IN INDIA

Mrs. HANSEN. Very briefly, last night you testified about that road in India. What has been the total cost of that road and how many

miles of construction were there? What was India's participation and what is the purpose of the road and what will the equipment remaining be used for?

First, what is the total cost?

Admiral HEINZ. I will have to get that.

Mrs. HANSEN. That is what I thought.

Admiral HEINZ. It is not a single road; it is mainly for the East-West Highway.

Mrs. HANSEN. I know that, but I still want to know what the total cost was.

Colonel FREDERICKS. There was $——— million allocated.

Mrs. HANSEN. That is just for now. I want to know now what the total cost is. I want to know how long it is; I want to know what the Indian participation is and what the purpose of that road is.

Is it a defense highway, is it to be used as part of the economic development of the area, is it to allow them to take out farm products, what is it? To what purpose will the Indian Government put the equipment, when finished?

(The information follows:)

EAST-WEST HIGHWAY—NEPAL

The East-West Highway in Nepal will extend laterally across Nepal (roughly paralleling its southern border) for a distance of 650 miles. 120 miles of the road have already been constructed. This is an undertaking considered by the Nepalese to have the highest priority in the development of their country and has captured the imagination of the people and the enthusiastic support of King Mahendra. It will contribute materially to internal security and also, is seen, especially by the Nepalese, as a means of spurring economic development by opening up communications and trade with large areas of the country now inaccessible. It is an international undertaking: India (with U.S. support) is committed to construct 360 miles of the road, the U.K. 90 miles, and the USSR 80 miles.

The ChiComs had offered to build the entire highway; however, the Nepalese refused the Chinese offer, with the understanding that India would build a large segment of the highway, assisted by the United States.

India recognizes its primary responsibility in supporting Nepal's defense against China and has stated publicly that an attack on Nepal would be considered to be an attack on India.

The Indian government's plan calls for the constructiton of its 360 mile portion in two segments. The 180 mile eastern sector (Janakpur–Jhapa) is to be started immediately. They plan to start the western sector late this year.

NONLETHAL ITEMS IN MILITARY EXPENDITURES

Mrs. HANSEN. Now, while we are on India, you refer to nonlethal items—and for Pakistan—what are nonlethal items arising case-by-case in military expenditures?

Admiral HEINZ. Nonlethal items are items of equipment.

Mrs. HANSEN. Such as?

Admiral HEINZ. Items which you cannot shoot with. For example, radios, electronic equipment, quartermaster equipment.

Mrs. HANSEN. What about trucks?

Admiral HEINZ. They are nonlethal.

Mrs. HANSEN. They can haul lethal items?

Admiral HEINZ. Trucks are nonlethal items.

Mrs. HANSEN. I know, but they can haul lethal items.

Admiral HEINZ. That is correct, they can haul lethal items. Weapons are lethal items. All weapons and aircraft which can shoot or deliver weapons are lethal.

Mrs. HANSEN. Let me ask you a followup question on that. Supposing we sell them the trucks, and then supposing they are able to go to somebody in the Communist bloc to acquire weapons, then you can put together a pretty good mechanized army.

Admiral HEINZ. It is true you can haul almost anything in a truck.

Mrs. HANSEN. Do we have any stipulations that these are not to be used in armaments whatsoever, or in military enterprises?

Admiral HEINZ. No, the military equipment is for use in their military forces, but it is a nonlethal type.

Mrs. HANSEN. Trucks are not a very good example. They are an integral part of carrying supplies or lethal weapons or anything that they determine they want to carry.

Admiral HEINZ. However, the interpretation of case-by-case basis is that we would examine each purchase individually.

Mrs. HANSEN. You are going to examine each of those trucks?

Admiral HEINZ. No. Each request for a purchase is considered individually.

ADMINISTRATIVE COST OF PURCHASE EXAMINATIONS

Mrs. HANSEN. What is the administrative cost?

Admiral HEINZ. I beg your pardon.

Mrs. HANSEN. What is the administrative cost of the examination of all these purchases?

Admiral HEINZ. The administrative costs of the examination?

Mrs. HANSEN. The administrative costs is what I asked.

Admiral HEINZ. That would be impossible to break out. It would include an indeterminate part of the salaries of those people in the State Department, Defense Department, or any other Department of Government who act to review the purchase requests.

Mrs. HANSEN. Do you have any aggregate idea of what this kind of inspection would cost administratively?

Admiral HEINZ. I could not give you any idea. For example, what percent of various people's salary is devoted to——

Mrs. HANSEN. Sitting up here.

Admiral HEINZ. Considering whether we should sell radios to India or not if they request those particular items.

Mrs. HANSEN. Certainly you know how many man-years are involved and you certainly know the cost of those man-years. You might just find out what the administrative cost is.

Admiral HEINZ. I do not know how many people in Government are involved in relations with India.

Mrs. HANSEN. But if you examine each of these on a case-by-case sale there are obviously some administrative expenses attached.

Admiral HEINZ. I am speaking now considering whether we will sell them or not.

Mrs. HANSEN. All right, you have sold them. Then they go in there. Is there any followup on the use?

Admiral HEINZ. We have a military supply mission in India.

Mrs. HANSEN. Then there are some administrative costs attached?

Admiral HEINZ. They are responsible for seeing what happens to the equipment in the country.

Mrs. HANSEN. That all goes into it.

Admiral HEINZ. The cost of whether we shall or shall not sell I could not break out for you.

Mrs. HANSEN. No, but you can break out the total cost of the administration and keeping track of what happens to this equipment.

Admiral HEINZ. This would be a part of the expenses of our mission in India.

PURCHASES OF MILITARY EQUIPMENT FROM COMMUNIST COUNTRIES BY INDIA AND PAKISTAN

Mrs. HANSEN. Has India or has Pakistan made any substantial purchases of military equipment from nations within the Soviet bloc?

Admiral HEINZ. Yes, both.

Mrs. HANSEN. How recently?

Admiral HEINZ. India is still making purchases from the Soviet bloc.

Mrs. HANSEN. What kind of purchases, nonlethal?

Admiral HEINZ. No.

Mrs. HANSEN. That is just what I am getting at.

Admiral HEINZ. India's purchases from the Soviets have included aircraft.

Mrs. HANSEN. Do they purchase wheat from Russia?

Admiral HEINZ. I am not familiar with economic purchases or grants.

Mrs. HANSEN. I think they are interrelated.

(Discussion off the record.)

Admiral HEINZ. ———. Pakistan has had equipment from Communist China.

ECONOMIC STABILITY OF THE GOVERNMENT OF INDIA

Mrs. HANSEN. I want to get back to India. As you are well aware India is in a very sad state from the standpoint of economics, the stability even of its Government is questionable. Isn't this correct?

Admiral HEINZ. It is in a bad economic state.

Mrs. HANSEN. Yet there is money in that country to purchase armaments from the Soviet bloc.

Admiral HEINZ. Yes, they are purchasing from the Soviet Union.

PERCENTAGE OF INCOME SPENT ON ARMAMENTS IN INDIA

Mrs. HANSEN. What part of their gross national product or their per capita income, are they spending on armaments at a time when their greatest threat is within the country from the hunger alone?

You can put that in the record.

(The information follows:)

INDIAN DEFENSE EXPENDITURES

In the last few years India's defense expenditures have ranged from 3.9% to 4.5% of GNP. This year (1966/67) after taking into account the effect of devaluation in calculating the value of foreign exchange expenditures including the unusually high level of estimated Soviet arms deliveries, India's defense expenditure equals about 4.3% of her GNP.

Mrs. HANSEN. Last year you and I discussed this. So you can put it in the record.

Admiral HEINZ. I will have to find out what the percentage is.

TRAINING PROGRAM IN YEMEN

Mrs. HANSEN. In Yemen, I notice training. Suitable candidates are currently unavailable—what is the meaning of that?

Admiral HEINZ. We had a program, as I recall, $——— to allow training for Yemen, if the Government wanted to send a few people for training in this country. The Government declined this and therefore no candidates have been made available.

Mr. PASSMAN. Will the distinguished lady yield?

Mrs. HANSEN. Yes.

Mr. PASSMAN. When you train personnel in a country, either in their homeland or in the United States, to use military equipment, then they can use most any type of military equipment whether manufactured in the United States or some other country?

Admiral HEINZ. They could.

Mr. PASSMAN. Thank you.

COST OF TRAINING PROGRAMS IN NEAR EAST OR SOUTH ASIA

Mrs. HANSEN. Admiral, what is the total cost of our military training programs in the countries in the Near East and Southeast Asia? You can place that in the record. Also the span of years they have existed and the number of people we have trained. That will probably go off the record but we would like to have it for our own committee information.

Admiral HEINZ. I would like to know what you desire.

Mrs. HANSEN. I want the total cost of the training programs in the countries where we have them.

Admiral HEINZ. All these countries you mentioned?

Mrs. HANSEN. Yes.

Admiral HEINZ. Since the inception of the program?

Mrs. HANSEN. That is right. I also want to know the number we have trained and the cost.

(The information follows:)

Near East and south Asia training (through fiscal year 1966)

[Dollars amounts in thousands]

Country	Total number of students trained	Total cost of training program [1]
Afghanistan	204	$3,052
Greece	11,767	21,895
India	[deleted]	[deleted]
Iran	8,258	46,702
Iraq	370	1,277
Jordan	239	799
Lebanon	1,293	384
Nepal	[deleted]	[deleted]
Pakistan	[deleted]	[deleted]
Saudi Arabia	972	7,425
Syria	21	41
Turkey	15,219	69,375
Yemen	5	5
Total	42,931	173,921

[1] Includes in addition to student training the cost of mobile training teams, contract technicians and training advisors.

Mrs. HANSEN. We spend a great deal of time worrying about whether we can afford secondary education, and worrying about whether we can afford an Indian school, or spend the basic food requirement, to increase the 22-cent allowance of our Indian children up to 37 cents in some of our schools, and we encounter all of these problems. I want to see what the cost per trainee has been in the military programs, because statements like this on page 54, when you say ———. I am not exactly sure that we can buy friendship with guns.

Admiral HEINZ. I think——

Mrs. HANSEN. You disagree, so it is all right.

Admiral HEINZ. We are not trying to buy friendship.

Mrs. HANSEN. I do not know what else a statement like that would be, to assist in maintaining U.S. influence. This is gun diplomacy.

RESULTS OF TRAINING PROGRAM

Admiral HEINZ. I would say we have found, as an example, in ——— that people who have been trained in this country do retain an orientation.

Mrs. HANSEN. In the military context, or would you say they retained it in the context of democracy itself so that the establishment of democracy is a better based structure there?

Admiral HEINZ. I think both.

Mrs. HANSEN. Give me some good examples.

Admiral HEINZ. Yes.

(Discussion off the record.)

Admiral HEINZ. ———. They are attempting to do things now within their country that we think are very beneficial.

Mrs. HANSEN. This is in the basic democratic process of establishing a better government.

Admiral HEINZ. I think you certainly have a better government as far as the future of ——— is concerned.

It still is not a fully democratic government. I think we also find a continuing shift to democratic governments in Latin America.

Mrs. HANSEN. Was this indicated in the elections in Chile the other day?

Admiral HEINZ. What recent elections in Chile?

(Discussion off the record.)

Mr. PASSMAN. I wish the lady would yield at this point.

Mrs. HANSEN. Surely.

AID TO INDONESIA

Mr. PASSMAN. I think what I am going to put in the record is a contribution to the hearings. Not your office alone, Admiral, but the civilians as well, are deriving a great deal of satisfaction out of the fact that Sukarno is out of office. I feel the same way. But nevertheless we were pouring in aid to Sukarno's government, and under his regime we gave Indonesia a net of $643,600,000.

Mrs. HANSEN. Was that economic assistance, Mr. Chairman?

Mr. PASSMAN. Economic and military. And we were bragging about him all the time up to several years ago. At what point did we find out that we could not trust him and at what point are we going to find later we cannot trust the present day leaders? It doesn't make a lot of difference who runs these governments. They overthrow one government and by 10:00 the next morning, if we work fast enough, we are in with our aid program. We gave Indonesia from 1946 to 1966 inclusive, a net of $643.6 million. Now we label him as being this and being that; and the new government is going to be so great. I think the record ought to show we should find out some of these things before we spend that much money enriching a lot of individuals. Thank you, Mrs. Hansen.

Mrs. HANSEN. Thank you, Mr. Chairman.

USE OF MILITARY ASSISTANCE WEAPONS IN CYPRUS

On Turkey, and Mr. Shriver has touched on Turkey and Greece, how can you be sure neither one of them are going to use the weapons provided them or other military assistance in Cyprus?

Admiral HEINZ. We cannot be certain. We have an agreement with them that they will not. They have observed this agreement and are well aware that a breach of the agreement would lead to the cessation of all the assistance. ———. They are conferring with each other now. They are trying to solve their disagreement through peaceful means. However, I cannot predict the future with certainty, Mrs. Hansen.

Mrs. HANSEN. I agree. Does Turkey purchase any armaments at all from the Soviet bloc?

Admiral HEINZ. To my knowledge, no.

Mrs. HANSEN. Does Greece?

Admiral HEINZ. No.

PERCENT OF PER CAPITA INCOME IN THE DEFENSE BUDGET OF TURKEY

Mrs. HANSEN. Now on Turkey, you have the total Government expenditures there of $1,733 million. Against that you have for defense,

$453 million. What is the per capita income of Turkey? I warned you that I was going to ask that today. So you should have it. You can put it in the record, too, Admiral Heinz, but I want to know what percent of each man's per capita income is going into the defense budget of his country.

Admiral HEINZ. The defense expenditures?

(Discussion off the record.)

Admiral HEINZ. I have per capita GNP figures but not average income.

(The information follows:)

Defense expenditures as a percent of private per capita consumption in Turkey in 1966 (current market prices)

	Total amount (millions)	Per capita amount	Percent of per capita private consumption
Gross national product	$9,100	$285.0	138.0
Net foreign balance [1]	+125	4.0	2.0
Total available resources	9,225	289.0	140.0
Private consumption	6,597	207.0	100.0
Government consumption	1,078	34.0	16.0
Private and Government investment	1,550	48.0	23.0
Central Goverment finances: [2]			
Total expenditures	1,733	54.0	26.0
Total defense expenditures	453	14.2	6.9

[1] + equals net inflow.

[2] Fiscal year March 1, 1966, to February 28, 1967. The data on private per capital consumption provided in thistable are roughly comparable to per capita disposable personal income. Defense expenditures are part of government consumption. This breakdown by major category is the standard basis used by the U.S. Government for reporting and comparing end use of total available resources for foreign countries.

EFFECT OF DEFENSE EXPENDITURES ON ECONOMY IN TURKEY

Mrs. HANSEN. Isn't part of the problem in Turkey its economy, its lack of economy, their lack of schools or sufficient industries, and so on, that will not allow them to develop? Isn't this part of the reason for Turkey's amazing poverty?

If you are going to have a true picture of a country, when it spends a large segment of its income on a defense establishment, you must compare it to the limited money available for operation of the total government, which includes the schools, its tax collectors, its highways, and all these other things. It would seem to me you are not making a country more stable by sizable increases in the defense expenditures.

It is obvious if there is only so much money that the distribution has to go away from those factors which will allow the country to develop economically and maintain its stability.

Admiral HEINZ. The percent of government expenditures devoted to defense——

Mrs. HANSEN. I just have your own figures.

Admiral HEINZ (continuing). Decreased slightly between 1966 and 1967.

Mrs. HANSEN. At the time it decreased, how much did the educational and governmental programs go up in Turkey, financed by Turkey itself?

Admiral HEINZ. Between 1966 and 1967, and these would be estimates, the increase in total expenditures is $201 million. The increase in defense expenditures is $21 million. They have increased their budget for nondefense expenditures by $180 million.

Mrs. HANSEN. Which went into their general governmental process.

Admiral HEINZ. General governmental expenditures.

Mrs. HANSEN. Schools, highways, development programs.

Admiral HEINZ. This would be the increase in total expenditures, their capital outlays between 1966 and 1967.

INSTABILITY OF THE GREEK GOVERNMENT

Mrs. HANSEN. I am glad they got the message. You mentioned a while ago in colloquy with Mr. Shriver the possible instability of the Greek Government, which may or may not be. What would be the cause of that?

Admiral HEINZ. I think this can best be answered by Colonel Fredericks.

Colonel FREDERICKS. It is a political problem.

Mrs. HANSEN. Again relating to economics.

Colonel FREDERICKS. It affects the economy of the country when politics are instable.

Mrs. HANSEN. What is the economy of the country doing about the instability?

Colonel FREDERICKS. Greece has made great strides in the past 5 or 10 years. They have given a lot of attention to internal development problems.

Mrs. HANSEN. Education, schools, economic development?

Colonel FREDERICKS. Yes.

Mrs. HANSEN. Are their exports rising?

Colonel FREDERICKS. Yes. In fact, they are moving toward a healthy economy.

Mrs. HANSEN. Good, I am glad to hear it.

POLITICAL PROBLEMS IN GREECE

Colonel FREDERICKS. I think if they could solve their political problems they would be in great shape.

Mrs. HANSEN. What complicates their political problems?

Colonel FREDERICKS. Very equal division of parties.

Mrs. HANSEN. How many political parties in Greece?

Colonel FREDERICKS. They have three main ones. You have the Center Union and the National Radical Union and the Liberal Center. Those are the three major ones.

MILITARY COMMITMENTS IN NEAR EAST AND SOUTH ASIA

Mrs. HANSEN. Of the countries of the Near East and south Asia region, how many do we have military commitments with?

Admiral HEINZ. We have military commitments with Greece and Turkey under NATO. We are a participant in CENTO planning.

Mrs. HANSEN. What kind of commitments are those?

Admiral HEINZ. We do not have a commitment in the same sense that we have within NATO.

We are not a member of the CENTO alliance, but as an observer we do assist in their planning. Our commitment to NATO, however, is firm.

Mrs. HANSEN. I understand that. I wondered just how many of these others we have commitments with.

Admiral HEINZ. Those are the only countries, within this list, to which we have commitments. I am speaking now of military or defense treaties.

Mrs. HANSEN. We have military interests.

Admiral HEINZ. We have military interests in all of the countries.

PERCENT OF PER CAPITA INCOME IN DEFENSE EXPENDITURES OF JORDAN

Mrs. HANSEN. On Jordan, you can put in the record the same kind of information as on Turkey relative to their per capita income and so on.

(The information follows:)

Defense expenditures as a percent of private per capita consumption in Jordan in 1966
(current market prices)

	Total amount (in millions of dollars)	Per capita amount	Percent of per capita private consumption
Gross national product	469.0	$240	116
Net foreign balance [1]	+100.0	51	25
Total available resources	569.0	291	141
Private consumption	404.0	207	100
Government consumption	104.0	53	26
Private and Government investment	61.0	31	15
Central Government finances:			
Total expenditures	141.3	72	37
Total defense expenditures	60.0	31	15

[1] + equals net inflow.

NOTE.—The data on private per capita consumption provided in this table are roughly comparable to per capita disposable personal income. Defense expenditures are part of Government consumption. This breakdown by major category is the standard basis used by the U.S. Government for reporting and comparing end use of total available resources by other countries.

Mrs. HANSEN. That is all.

Mr. PASSMAN. Admiral, your military assistance program for Europe for fiscal year 1968 is $5,947,000; is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Would you furnish a table showing the amount of military equipment and spare parts purchased by the European countries during the past 5 fiscal years, showing the year of sale, the amount of sale, and how the sale was financed?

(Classified tables were furnished to the committee.)

Mr. PASSMAN. The program for Portugal and Spain amounts to $——— million; is that correct?

Admiral HEINZ. Yes, sir.

TRAINING PROGRAM FOR AUSTRIA

Mr. PASSMAN. I notice that you propose to allocate $——— for the training of military personnel from Austria and ———; is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. When was the last fiscal year in which any funds were programed for these two countries?

Admiral HEINZ. I will put it in the record.

(Classified information was furnished to the committee.)

PROGRAM IN PORTUGAL

Mr. PASSMAN. You are requesting $——— million for Portugal for fiscal year 1968?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do I recall correctly that we completed the funding for the ——— percent U.S. share of the cost of construction of the three destroyer escorts for Portugal in fiscal 1962?

Admiral HEINZ. I believe 1963 is correct.

Mr. PASSMAN. What is the status of the construction of the three DE's and when did you anticipate completion?

Admiral HEINZ. The first DE was delivered this year. We expect completion of the funding process in fiscal year 1968. By that I mean accounting procedures to determine the final expenditures.

Mr. PASSMAN. On page 61 I notice you have ———.

Admiral HEINZ. ———.

Mr. PASSMAN. ———.

Admiral HEINZ. That is right.

Mr. PASSMAN. Thank you, sir.

REQUEST FOR SPAIN

Admiral, you are requesting for fiscal 1968 $——— million, are you not, for Spain?

Admiral HEINZ. Yes, sir.

AMMUNITION FOR BELGIUM

Mr. PASSMAN. Last year the justifications indicated that you would complete delivery of all prior military assistance programs of materiel to Belgium in fiscal 1966, and included within the undelivered balance of $4,003,000 was a total of $1,440,000 for ammunition. However, this year the justifications indicate that the undelivered balance for Belgium is $1,790,000 to be delivered after July 1, 1967, and all of the amount is for ammunition. How did the ammunition program grow by $350,000 since the programing of materiel grant aid was completed in fiscal 1963?

Admiral HEINZ. ———. The program has not grown. Last year we gave you an estimate of deliveries. The deliveries we estimated did not take place ———.

Mr. PASSMAN. You said it did not grow. I have read the record correctly, but I am going to ask the question again: Last year the justifi-

cation indicated that you would complete the delivery of all prior military assistance program materiel to Belgium in fiscal 1966.

Admiral HEINZ. Yes.

Mr. PASSMAN. Included within the undelivered balance of $4,003,000 was a total of $1,440,000 for ammunition. Everything else had been delivered. This year the justifications indicate that the undelivered balance for Belgium is $1,790,000 to be delivered after July 1, 1967, and all of the amount is for ammunition. The question again is, how did the ammunition program grow by $350,000, which would be the difference between $1,440,000 and $1,790,000?

Admiral HEINZ. The figure to be delivered was based upon estimated fiscal year 1966. When we presented this program to you last year it was still in fiscal year 1966 and we gave you a figure of estimated deliveries in 1966 and estimated deliveries after that date. Those estimated deliveries in fiscal year 1966 did not all take place.

Mr. PASSMAN. According to those deliveries you referred to took place prior to June 30, 1965, and last year you had only $1,440,000 left undelivered. I refer you to page 41 of last year's book.

Do you get the point?

Admiral HEINZ. I see the figures to which you referred.

Mr. PASSMAN. Have I read these into the record correctly?

Admiral HEINZ. Yes.

Mr. PASSMAN. Will you put the explanation into the record?

Admiral HEINZ. I will do that.

(The information follows:)

COST OF AMMUNITION FOR BELGIUM

Of the $1,440,000 of ammunition estimated to be delivered to Belgium in FY 66, $420,000 was actually delivered, reducing the undelivered balance to $1,020,000 at the end of FY 66.

There was a price increase in FY 67 for the type of ammunition scheduled for delivery to Belgium in the amount of $770,000. This price increase resulted in $1,790,000 cost of ammunition shown as undelivered in the FY 68 Congressional Presentation Document.

Mr. PASSMAN. Mr. Rooney, are there any questions?

Mr. ROONEY. I have no questions.

Mr. PASSMAN. Mrs. Hansen?

TRAINING PROGRAM FOR AUSTRIA

Mrs. HANSEN. Why are you starting training programs in Austria and ———?

Admiral HEINZ. We have had training programs for ——— and Austria in past years.

Mrs. HANSEN. I know but there was a period when they were not in existence.

Admiral HEINZ. There had been occasionally a ——— student that came to this country. We are again giving them that opportunity.

Mrs. HANSEN. Who selects these ——— students? Do they or we?

Admiral HEINZ. The country with the approval of our Ambassador.

Mrs. HANSEN. What standards do they use for selection?

Admiral HEINZ. I think the standards, in the case ——— they must be able to speak English, must be a professional—that is, as opposed to a reservist, a Regular force member.

Mrs. HANSEN. Are these their draftees?

Admiral HEINZ. No, this is what I am saying. A Regular member rather than a Reservist or draftee.

Mrs. HANSEN. Graduate of their own military academy.

Admiral HEINZ. Possibly, yes.

In the case of ——— it might be one, two, three or four maximum. In the case of Austria perhaps 15. Usually he should have leadership potential and growth capability.

Mrs. HANSEN. Is this a classified country or are we able to say we are starting a training program?

Admiral HEINZ. ——— has always been classified.

Mrs. HANSEN. How about Austria?

Admiral HEINZ. Austria is not classified.

Mrs. HANSEN. Who makes the selection? Their government on the same basis?

Admiral HEINZ. On the same basis in connection with our Ambassador and attachés. The students would have to have clearance from the Ambassador and attaché.

DEFENSE PROPORTION OF GOVERNMENT EXPENDITURES IN AUSTRIA

Mrs. HANSEN. What is the proportion of Government expenditures and defense expenditures in Austria? You can put that in the record.

(The information follows:)

Defense expenditures as a share of total Central Government expenditures in Austria, 1966

[Current prices]

	Total amount (millions)	Percent of total expenditures
Central Government finances total expenditures	$2,576	100.0
Total defense expenditures	135	5.2

COSTS OF TRAINING PROGRAM

Mrs. HANSEN. What is the cost per student of training these students here for Austria and ———? Who pays the transportation?

Admiral HEINZ. They would pay the transportation.

Mrs. HANSEN. Do they pay any part of the training in this country?

Admiral HEINZ. No. The funds in the fiscal year 1968 program are for course costs. That is the major item and it varies with the course.

Mrs. HANSEN. Does this include subsistence and so on?

Admiral HEINZ. In some cases there could be a per diem.

Mrs. HANSEN. That is paid by us?

Admiral HEINZ. Yes, in some cases. This is not true of all countries.

Mrs. HANSEN. Do you work out agreements with each country?

Admiral HEINZ. Yes. The agreements depend upon the status of the country.

Mrs. HANSEN. Financial ability?

Admiral HEINZ. Yes. For example, Japan has paid transportation costs. Korea has not. We considered the difference in financial capability.

Mrs. HANSEN. Austria and ———, they pay the transportation?

Admiral HEINZ. Yes.

Mrs. HANSEN. How about subsistence?

Admiral HEINZ. They would normally pay subsistence. I do not know the details of the agreement for the Austrian students.

Mrs. HANSEN. How long is the training course?

Admiral HEINZ. The length of training depend upon the course.

Mrs. HANSEN. Such as?

Admiral HEINZ. We show a maximum of ——— students and ——— courses, which would include professional and specialist training. The cost for the ———.

Mrs. HANSEN. $———.

Admiral HEINZ. Yes for ——— total cost.

Mrs. HANSEN. How many students?

AVERAGE COST PER STUDENT

Admiral HEINZ. ——— students. So you have an average of $——— per student.

Mrs. HANSEN. This is not nearly as idle a question as you think. We are paying the cost of $——— per student?

Admiral HEINZ. Yes. That is the average cost for those ——— courses.

Mrs. HANSEN. You say this last is varying amounts of time?

Admiral HEINZ. Yes, depending upon the course.

Mrs. HANSEN. You feel it is helpful to that country to have a knowledge of our country and our processes and so on?

Admiral HEINZ. Yes, I do.

Mrs. HANSEN. I think that is all, Mr. Chairman.

UNLIQUIDATED BALANCES TO THE CREDIT OF EUROPEAN COUNTRIES

Mr. PASSMAN. Admiral, will you place in the record the amount of all unliquidated balances to the credit of each country in Europe?

(The information follows:)

Cumulative deliveries and undelivered balance, fiscal year 1950–67

[In thousands of dollars]

	Cumulative deliveries, fiscal year 1950–67	Undelivered balance as of June 30, 1967
Europe	14,176,699	73,348
Belgium	1,236,905	1,790
Denmark	617,569	———
France	4,153,045	———
Germany, Republic of	900,840	———
Italy	2,289,296	———
Luxembourg	8,237	———
Netherlands	1,217,110	———
Norway	863,905	32,587
Portugal	311,102	11,743
Spain	544,147	26,669
United Kingdom	1,034,547	———
Yugoslavia	693,856	———
European area (includes totals for classified countries)	306,140	559

UNDELIVERED EQUIPMENT FOR COUNTRIES IN EUROPE

Mr. PASSMAN. Do we have any undelivered equipment for France?
Admiral HEINZ. No, sir.
Mr. PASSMAN. Mr. Shriver, any questions on Europe?

PORTUGAL

Mr. SHRIVER. Referring to page 60 of the justifications, relating to Portugal, their NATO committed division ———.
Admiral HEINZ. ———.
Mr. SHRIVER. It would be to Portugal itself, then, would it not?
Admiral HEINZ. I think so.

DEFENSE AGREEMENT WITH SPAIN

Mr. SHRIVER. Are negotiations in progress to extend the defense agreement with Spain which expires next year?
Admiral HEINZ. The negotiations are not yet in progress. But I know that ———.
Mr. SHRIVER. Do you expect any changes?
Admiral HEINZ. ———.
Mr. SHRIVER. We have little to do with the latter?
Admiral HEINZ. ———.
Mr. SHRIVER. That is all.
Mr. PASSMAN. Thank you, Mr. Shriver.

AFRICA

Admiral, you are requesting for fiscal 1968 for Africa $31,167,000. is that correct?
Admiral HEINZ. Yes, sir.
Mr. PASSMAN. What did you request for the African area program last year?
Admiral HEINZ. $31,816,000.
Mr. PASSMAN. What is your program for fiscal 1967?
Admiral HEINZ. The program for fiscal year 1967 for Africa is $34.7 million.
Mr. PASSMAN. An increase of what amount over the amount you requested last year.
Admiral HEINZ. An increase of $2.9 million.

TRAINING ONLY PROGRAMS

Mr. PASSMAN. In addition to six countries you have listed on page 71, for the materiel program, how many countries are you programing for training only, and what is the amount of funds proposed to be allocated to each country?
Admiral HEINZ. We are requesting $——— million for training only in the United States for ———.

Mr. PASSMAN. Of the number of African countries presently receiving military assistance, how many started with a military training program only?

Admiral HEINZ. None, sir.

Mr. PASSMAN. We went directly into these new, emerging countries with a military materiel program without training them first?

TRAINING AND MATERIAL PROGRAMS

Admiral HEINZ. Training and material were instituted at the same time.

Mr. PASSMAN. Is there any good reason why we should have gotten in there at all with military equipment?

Admiral HEINZ. There were good reasons. They are different for each country.

Mr. PASSMAN. Are we financing programs in these two countries that are at loggerheads at this time in that area?

Admiral HEINZ. No, not for military assistance.

Mr. PASSMAN. Are they fighting over economic aid?

Admiral HEINZ. I said we are not furnishing military assistance to any countries which are fighting each other.

PROGRAM DESIGNED TO DEVELOP NATIONAL ORDER

Mr. PASSMAN. Which of the six country programs for Africa are designed to develop the country's armed forces to produce a cohesive national order out of the local tribalism?

Admiral HEINZ. In Africa, to the Congo program.

Mr. PASSMAN. All right, sir.

Admiral HEINZ. Certainly the tribal differences are one of the main problems in the Congo.

Mr. PASSMAN. Does not our assistance to these developing countries' armed forces tend to keep the current regime in power?

Admiral HEINZ. All of our assistance is provided to the regime in power. To the extent that we are giving them assistance, we support the current regimes. Therefore, it would follow that it would help the regime in power. Certainly we would not provide assistance to overthrow a government.

Mr. PASSMAN. In other words, if they overthrow a government it was because we did not give them assistance for that purpose? That is a good question, is it not?

Admiral HEINZ. I am trying to sort the negatives out. We have determined no direct relationship between the overthrow of governments and military assistance.

Mr. PASSMAN. You do not overthrow governments with sticks and stones, do you?

Admiral HEINZ. It is done in many ways.

Mr. PASSMAN. You never heard of the use of broom handles to overthrow a government, did you?

Admiral HEINZ. No.

Mr. PASSMAN. Are any of these nations buying military equipment from Russia or Red China or acquiring it any other way?

Admiral HEINZ. To my knowledge, they are not.

Mr. PASSMAN. Which of the six training-only program will be completed in fiscal 1968 as indicated by the last paragraph on page 70?

Admiral HEINZ. ———.

AFRICAN SUPPORT TO THEIR OWN MILITARY FORCES

Mr. PASSMAN. Are these nations contributing out of their own economy to their military forces?

Admiral HEINZ. Yes.

Mr. PASSMAN. The nations that we are discussing presently?

Admiral HEINZ. They are.

Mr. PASSMAN. In what amount, aggregate?

Admiral HEINZ. I would like to supply that for the record.

Mr. PASSMAN. Surely.

Admiral HEINZ. You want all these countries.

(The information follows:)

Defense expenditures of African MAP recipients

[In millions of dollars]

	Defense expenditures	Self-financed defense expenditures
Congo (Kinshasa) [1]	66.8	65.6
Ethiopia [2]	34.0	34.0
Ghana [1]	36.0	36.0
Guinea [1]	10.5	10.5
Liberia [1]	2.5	2.5
Libya [2]	34.0	34.0
Morocco [2]	102.0	102.0
Nigeria [3]	76.0	76.0
Senegal [2]	14.8	14.8
Sudan [1]	33.0	33.0
Tunisia [2]	14.0	14.0

[1] Fiscal year 1965.
[2] Fiscal year 1966.
[3] Fiscal year 1967.

AID PROGRAMS IN AFRICA

Mr. PASSMAN. I think we have a total AID program in the billion-dollar category.

Admiral HEINZ. The total for Africa?

Mr. PASSMAN. The aggregate.

Admiral HEINZ. $199 million is the aggregate for military assistance through fiscal year 1966.

Mr. PASSMAN. It is $3,300,200,000 total for Africa.

Admiral HEINZ. Is that the total to date from all sources since the inception of the programs?

Mr. PASSMAN. When the AID witnesses come in I am going to establish for the record the small increase these countries have had in

GNP, their per capita income, health improvements, and the literacy rate. At this time I will not mix those statistics in with the military aid program.

Mrs. HANSEN. Maybe we ought to.

Mr. PASSMAN. It appears to me that if you give these people equipment and train them how to use it, then they are going to start taking the money they earn from their exports, their foreign exchange, and buy military equipment while at the same time we are giving them free dollars to pay them to help build up their economy.

I am afraid that we have built our military equipment sales business into our economy and we are just building up an appetite for it all over the world.

CONGO

You are requesting $——— million for the Congo. Is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. What is the rationale for the United States to supply vehicles and communications equipment for ——— in view of the fact that one of principal shortcomings in the Congolese Army is the lack of sufficiently trained officers and noncommissioned officers?

Admiral HEINZ. ——— with vehicles and communications equipment.

TRAINING IN THE CONGO BY THE BELGIANS

These are infantry battalions. The Belgians are training and organizing them, in an attempt to provide forces that are capable of maintaining some degree of internal security and stability.

They have succeeded in establishing a semblance of order in the country.

Mr. PASSMAN. Semblance of order?

Admiral HEINZ. Semblance of order. For the most part, they have eliminated their political infighting.

The rebellion to a great extent has been brought under control. There is some sporadic rebel activity continuing in the eastern Congo. Our assistance supplements the Belgian program. As I mentioned, they are training or retraining these battalions.

Mr. PASSMAN. They are a former colony of Belgium?

Admiral HEINZ. They are.

Mr. PASSMAN. There are quite close trade ties between Belgium and Congo?

Admiral HEINZ. There are close trade ties between Congo and Belgium.

U.S. TRADE WITH THE CONGO

Mr. SHRIVER. How much trade does this country have with the Congo?

Mr. O'NEILL. I do not have the exact figures. It is relatively small compared to the trade with Belgium.

Mr. SHRIVER. Would you put the figures in the record?

Mr. O'NEILL. Yes, sir.

(The information follows:)

Trade with Congo (Kinshasa) [1]

[In millions of dollars]

	Calendar year 1963	Calendar year 1964	Calendar year 1965	Calendar year 1966 (1st 6 months)
United States:				
Exports to Congo (Kinshasa)	78.2	65.8	70.1	35.4
Imports from Congo (Kinshasa)	53.5	44.8	38.3	26.6
Belgium:				
Exports to Congo (Kinshasa)	49.4	63.0	63.7	34.3
Imports from Congo (Kinshasa)	166.8	197.9	204.3	144.4

[1] Source: International Monetary Fund, "International Financial Statistics."

Mr. PASSMAN. It is quite customary for all these new nations to have close economic ties with their mother nations, is it not?

Admiral HEINZ. In general, they have ties with their mother countries.

Mr. PASSMAN. So the mother countries have reason to give aid because they are going to, no doubt, recoup it through profitable trade ties.

COMPETENCE OF CONGOLESE TO OPERATE AND MAINTAIN EQUIPMENT

Admiral, does the Congolese Army have the technical know-how to maintain the aircraft, trucks, and communication equipment that we have been furnishing to it for the past several years?

Admiral HEINZ. They have the competence to operate the vehicles, operate and maintain the vehicles and communications equipment.

Mr. PASSMAN. They do have?

Admiral HEINZ. Yes, they do have.

———.

We have training assistance teams there for ordnance and communications equipment and maintenance. The total mission is about 69 people.

Mr. PASSMAN. You say they do, but your justifications say they do not have. I do not know. Your justifications state, and I quote:

———.

I wanted to read that statement so that we will have your answer and what the book states.

Admiral HEINZ. They do have a lack of sufficiently trained personnel. I stated that they have the capability to operate and to maintain vehicles and communications equipment. In conjunction with Belgian, Italian, and Israeli assistance, our program is designed to achieve a capability to maintain adequate internal security forces. My answer is not inconsistent with the country narrative.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Admiral HEINZ. I said they can maintain the equipment we are putting in. I did not say they had sufficient people.

Mr. PASSMAN. In other words, they do not have sufficiently trained officers and men to maintain this equipment adequately and sufficiently?

Admiral HEINZ. They do not have sufficient commissioned officers and noncommissioned officers.

Mrs. HANSEN. Why?

Admiral HEINZ. To maintain all the items that they should have.

Mr. PASSMAN. And do have? Could I add that?

Admiral HEINZ. No, sir; I did not add that.

Mr. PASSMAN. Should have?

Admiral HEINZ. Should have. Certainly we are not going to provide equipment that they cannot maintain.

Mr. PASSMAN. I am glad you have adopted that policy. I have been around the world and found equipment in a pretty bad state of repair.

Mr. SHRIVER. You have in the past, have you not?

Admiral HEINZ. ———.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

BELGIUM PROGRAMS IN THE CONGO

Mrs. HANSEN. Did Belgium do the training or have the educational programs that would allow the Congo to fluorish as an independent nation?

Mr. O'NEILL. Well, you are going back in history, but the Belgians, of course, thought they were going to be around in the Congo a great deal longer than it turned out they were there.

Mrs. HANSEN. How long were they there?

Mr. O'NEILL. Well, the Congo was operated more or less as a private preserve up until 1908 when the Belgian Government took over. It really was the private domain of King Leopold.

Mrs. HANSEN. What heritage of training and education, for their own defense, their own public safety, what heritage did they leave the Congolese? Belgium was getting, certainly, the resources from there, a great many valuable resources. Through their trade and through their concern, what heritage did they leave so that the Congo could become an independent nation?

Mr. O'NEILL. They operated on the theory which was quite different from the French and the British.

Mrs. HANSEN. Was it really different from the French?

Mr. O'NEILL. Quite different, in that the Belgians believe that instead of educating an elite at the top they should start at the bottom and give the wide spectrum of the population, first of all, primary education and elementary technical training, and then make secondary training and more complicated technical training available, until they brought a large number of people up, whereas the French and British tended to train small elites at the top and not very much at the bottom. So in that sense it was quite different. But the Belgians thought they were going to be there for a great deal longer than they were. So in 1959 when there were riots, the Belgians decided it was not worth holding on any longer. The Congo was ill-prepared at that time for independence because this theory of theirs had not reached the level where they had trained people at the higher levels. They had good primary school training and good technical training, but it hadn't gotten very far.

Mrs. HANSEN. But the point I am getting at is it was their failure, then, that actually placed an obligation on us. Yet Belgium had liter-

ally taken the profit from the Congo and used it for their own economic welfare; is that not correct?

Mr. O'NEIL. Well, they plowed back quite a bit, too, as did all the European countries. But, yes, the Belgian companies there did profit.

Mr. PASSMAN. Of course, that same formula has been applied to practically every nation out there.

Mrs. HANSEN. Yes.

U.S. AID TO FORMER COLONIES

Mr. PASSMAN. We could put in the record the names of many nations that were formerly colonies where we had to get special permission from the mother government to start our aid programs before they had acquired their independence. Just like that man in Syria. He was so elated that day I thought he was intoxicated, when he said it looks as if we are going to be able to get Syria to take some aid after all. I think that is the pattern throughout the world, that is the formula. These people are smart. You must remember that some of these countries had thriving civilizations hundreds of years before there was a United States. Do not sell them short. If Uncle Sam wants to go in and pick up the check, certainly they are going to let us do it, but they are not going to give up their trade ties.

I have been sitting on this committee for 15 years and I can say the people who testify before this committee for the program are dedicated, great patriots and great Americans; I like them, but I have not been able to understand the advantages of this program yet. When I get into an examination of economic aid to these former colonies of the European nations, where we have gone in and picked up the checks for their economic development and let the mother nation, if we want to put it that way, reap the harvest of economic trade, I do not understand it. All you have to do is look at their economic situation and then look at our gold reserves and public debt.

Mr. SHRIVER. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Are we giving economic assistance to the Congo?

Mr. O'NEILL. Yes.

Mrs. HANSEN. Heavens, yes.

ECONOMIC AND MILITARY ASSISTANCE TO THE CONGO

Mr. PASSMAN. Let's put in the record the amount of aid we have given to the Congo so we will know just how much we love them.

Mr. O'NEILL. You mean economic and military?

Mr. PASSMAN. Yes; it is all the same. If you pick up the military costs that releases what they earn from their exports to do with what they want to. Total economic aid is $333,200,000.

Mr. SHRIVER. How much?

Mr. PASSMAN. $333,200,000; and military aid is $17,800,000, for a grand total of $351 million.

Mr. SHRIVER. Could we put in the amount of economic assistance in the same period of time that Belgium has given?

Mr. PASSMAN. You mean that Belgium has given to the Congo?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Yes; put that in the record.

Mr. SHRIVER. And military assistance.

Mr. PASSMAN. Also put in the record the amount of trade that Belgium has with the Congo.

(The information follows:)

Congo (Kinshasa), Belgian assistance (estimated)

	Calendar year 1965	Calendar year 1966
Economic and technical assistance [1]	$22,680,000	$24,056,000
[Deleted]	[Deleted]	[Deleted]

[1] Does not include Belgium's annual debt service of the external debt of the Belgian Congo.

Congo (Kinshasa), trade with Belgium [1]

[In millions of dollars]

	Calendar year 1963	Calendar year 1964	Calendar year 1965	Calendar year 1966 (1st 6 months)
Imports from Belgium	49.4	63.0	63.7	34.3
Exports to Belgium	166.8	197.9	204.3	144.4

[1] Source: International Monetary Fund, "International Finance Statistics."

Mr. PASSMAN. I can afford to give you $2 if I have your assurance you are going to give $2.75 back to me. That is always a good deal. I do not know of any other nation that is giving away its wealth but America. The others are tied to some trade agreement, or tied to a loan with reasonable interest rates and a big profit.

I note that you are programing a number of trucks to the Congo again in 1968 and I am wondering why you have such an extensive program for this purpose in view of the fact that one of the principal shortcomings of the Congolese Army is the lack of sufficient mobility due primarily to a lack of an adequate road network. Off the record.

(Discussion off the record.)

COMMERCIAL TRUCKS FOR THE CONGO

Mr. PASSMAN. Are you requesting funds for any commercial trucks for the Congo for fiscal 1968?

Admiral HEINZ. Yes, we are.

Mr. PASSMAN. How many?

Admiral HEINZ. ———.

Mr. PASSMAN. At what cost?

Admiral HEINZ. I will supply that for the record.

Mr. PASSMAN. Very well.

(Classified information was furnished to the committee.)

Mr. PASSMAN. We think of commercial trucks as those moving produce and commodities, and we think of military trucks as moving military equipment, do we not? Is there any difference between a military and a commercial truck?

Admiral HEINZ. The difference is in the type of specifications for the vehicle. They will both be given to the army but we feel that the higher specifications for a military type vehicle are not warranted in the Congo, that they can do with a commercial type vehicle. It does not have to do with the use, but rather with the specifications for the production of the vehicle.

Mr. PASSMAN. These trucks could be used for commercial or military purposes?

Admiral HEINZ. Either truck could be used for commercial or military use.

Mr. PASSMAN. I think this is commendable that you should order commercial trucks if they can be used for military purposes, as we think of military purposes, as well as for commercial purposes.

Admiral HEINZ. It is not intended that it be used for commercial purposes. I said the difference is in the specifications of the type of vehicle. A truck built under commercial specifications is cheaper than one built under the U.S. Army military specifications.

Mr. PASSMAN. Could these trucks be used for either commercial or military purposes?

Admiral HEINZ. Any vehicle can be used for either purpose, depending on who is driving it where. These are intended for military use.

Mr. PASSMAN. Why are you also supplying military vehicles? You have some of both types.

Admiral HEINZ. We have some of both types because some types of these vehicles are available only with military specifications.

Mr. PASSMAN. I see. But when the chips are down it would be easier to use these trucks for commercial use, than it would be a purely military specification truck for the same purpose?

Admiral HEINZ. No, sir.

Mr. PASSMAN. In other words, it is a military truck with commercial specifications?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. That meets only military needs.

Admiral HEINZ. Yes.

Mr. PASSMAN. And if we should have peace all over the world we just would have to salvage these trucks and ship them back home again.

Admiral HEINZ. Either truck could be used for commercial use.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. The answer is that these trucks are procured solely for military purposes?

Admiral HEINZ. Yes.

Mr. PASSMAN. But they could be used for commercial purposes if it should be so determined by the powers in being?

Admiral HEINZ. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

ETHIOPIA

Mr. PASSMAN. For Ethiopia, you are requesting $——— million?

Admiral HEINZ. Yes.

Mr. PASSMAN. We discussed previously with the Secretary and with you the need and the purpose of this particular program. So we will not go into as much detail now because it would only be repeating what has previously been put in the record.

We understand, however, that this program is necessary, maybe more so than in most other countries where we have military programs.

EXPENSES RELATED TO SHIP GIVEN ETHIOPIAN EMPEROR

Several years ago we gave the Emperor a converted seaplane tender, I believe, which after its conversion, according to my definition, was equal to that of a yacht. How much money has the United States spent on that yacht for maintenance since we turned it over to the Emperor?

Admiral HEINZ. In prior year programs $3.9 million.

Mr. PASSMAN. Just for maintenance?

Admiral HEINZ. This is total.

Mr. PASSMAN. I want to find out what the maintenance cost has been.

Admiral HEINZ. I was giving you the total cost for conversion and maintenance.

Mr. PASSMAN. I do not want it that way. What did the yacht, by my definition, cost up to and including the day that we turned it over to the Emperor's crew?

Admiral HEINZ. The total initial cost including training of the 200-man crew approximated $3 million.

Mr. PASSMAN. Since the date we turned the yacht over to the Emperor; what has been the repair and maintenance total?

Admiral HEINZ. Approximately $900,000 for major overhaul.

Mr. PASSMAN. $900,000. What part of that is for maintenance and what part was for paying for the crew, would you know?

Admiral HEINZ. It would all be for maintenance.

Mr. PASSMAN. Did we pay to have a foreign crew put aboard to operate the vessel?

Admiral HEINZ. We did expend money for training of the initial crew.

Mr. PASSMAN. And what is the nationality?

Admiral HEINZ. Ethiopian.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. What was the nationality of the officers who operated the Emperor's yacht?

Admiral HEINZ. Ethiopian.

Mr. PASSMAN. The original officers?

Admiral HEINZ. Originally. I do not know whether the commanding officer was originally Ethiopian or Norwegian.

Mr. PASSMAN. I wish you would put in the record the amount per year for the maintenance on this yacht, how many Norwegian sea-

men, including officer personnel, they had aboard, and at what time the Norwegians turned over command of the yacht to the Emperor's crew.

Admiral HEINZ. I know that the Norwegian training mission to the Ethiopian Navy has been or is being discontinued.

Mr. PASSMAN. I am talking about the admiral's yacht, or if you want to call it the converted seaplane tender, that is all right. I am dealing specifically with that because that was a pretty highfalutin, sweet-smelling ship we fixed up for him. I am trying to find out what it has cost since that time.

Admiral HEINZ. I have given you the costs to date.

Mr. PASSMAN. Yes, but I am also trying to ascertain how many Norwegian officers and enlisted men were actually assigned to this one piece of waterborne equipment. You are trying to mix it up with the Ethiopian Navy, unless you are saying that this ship is their entire navy.

Admiral HEINZ. No, sir, it is not the entire navy.

Mr. PASSMAN. Then will you put it in the record?

Admiral HEINZ. I will try to find out.

(The information follows:)

ETHIOPIAN SHIP—HMS ETHIOPIA

The cost of U.S. repair and maintenance support for the HMS Ethiopia, exclusive of major overhaul, has averaged approximately $80,000 a year since Fiscal Year 1963.

Two Norwegian officers were assigned to this ship, but were withdrawn in 1965. At present, one French officer remains assigned.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Why did you not tell me that before? We would have been away down the road by now. Do you have any money for the Emperor's yacht in fiscal 1968?

Admiral HEINZ. Yes, there is money in the 1968 program.

Mr. PASSMAN. How much?

Admiral HEINZ. $———. The major cost would be for the engineering phases. Hull repairs will also be required.

Mr. PASSMAN. Where will the work be done, sir?

Admiral HEINZ. In the United States.

Mr. PASSMAN. Do you know what shipyard?

Admiral HEINZ. It hasn't been assigned yet.

Mr. PASSMAN. What companies have bid on it so far?

Admiral HEINZ. Nobody has bid yet.

Mr. PASSMAN. $———. How did you arrive at the estimate?

Admiral HEINZ. This is the estimate of the cost of ———.

Mr. PASSMAN. Based upon what facts? Did you have any shipyards look at it?

Admiral HEINZ. This is our MAAG estimate. No one can bid on it until the money is allocated and bids put out.

Mr. PASSMAN. I should not have said bids; I meant to furnish an estimate as to the cost. This is just a rough estimate.

Admiral HEINZ. An estimate from the MAAG in Ethiopia of the cost.

Mr. PASSMAN. Submitted by naval personnel who are familiar with yachts?

Admiral HEINZ. Familiar with seaplane tenders.

Mr. PASSMAN. And other oceangoing luxurious features?

Mrs. HANSEN. Do we maintain their navy?

Admiral HEINZ. We provide assistance to their navy. We do not maintain their navy.

Mr. PASSMAN. You do not?

Admiral HEINZ. We provided asistance to their navy. The H.M.S. *Ethiopia* has been used as a training ship.

Mr. PASSMAN. What else is it used for?

Admiral HEINZ. That is its purpose.

Mr. PASSMAN. The only purpose?

Admiral HEINZ. The Emperor has been aboard it, but the Emperor does not use it as his yacht. It is a training vessel for the navy.

Mr. PASSMAN. How many seamen do they train?

Admiral HEINZ. About 100.

Mr. PASSMAN. Per year?

Admiral HEINZ. Yes.

Mr. SHRIVER. This is new to me. How large is the Ethiopian Navy? How many ships?

Admiral HEINZ. They have the one converted seaplane tender, H.M.S. *Ethiopia* and five patrol craft.

Mr. SHRIVER. What is the purpose of the navy in Ethiopia?

Admiral HEINZ. Patrol on the Red Sea.

Mrs. HANSEN. Is it a joint patrol with other nations?

Admiral HEINZ. No, just Ethiopian.

Mrs. HANSEN. To guard against smuggling?

Admiral HEINZ. Control over smuggling is one of their big jobs.

Mr. PASSMAN. Admiral, I have no quarrel with you but this subject has been discussed in previous years and it was understood by this committee, and Mr. and Mrs. America, who furnish the money for these programs, that notwithstanding the statement that this ship was given to Ethiopia for "training," it was generally understood to have been fixed up for the Emperor's personal use. I don't think the wallpaper itself cost so much, but they said they had to air-condition it, too. It is not customary to air-condition seaplane tenders and other vessels of that type?

Admiral HEINZ. All of our seaplane carriers that operate in that area are air conditioned.

Mr. PASSMAN. Do they have wallpaper and plush carpets?

Admiral HEINZ. No, sir; no wallpaper. I think the wallpaper cost $124.

Mr. PASSMAN. Would you put that same color wallpaper in our Navy tenders?

Admiral HEINZ. Our tenders don't have wallpaper.

Mr. PASSMAN. But you do have wallpaper in this special job for Ethiopia?

Admiral HEINZ. Actually this one goes back to 1960 when the Ministry of Foreign Affairs requested a training ship for the Ethiopian Navy and ———.

Mr. PASSMAN. You mean the Ethiopian people did? Off the record.

(Discussion off the record.)

LIBYA

Mr. PASSMAN. Admiral, you are requesting $——— million for Libya for fiscal year 1968.

You state on page 76 of the fiscal year 1968 justifications that: the ———.

Would you reconcile that statement with the statement in last year's justification which stated, ———.

Admiral HEINZ. ———.

PROGRESS IN AFRICA

Mr. PASSMAN. Admiral, to what extent, if any, are we succeeding in this part of the world in getting those people to understand what freedom means, and the contribution we are willing to make for their security? Are we making any progress in that direction?

Admiral HEINZ. I think we are in northern Africa. I think that Libya well understands that we have spent money which has contributed to their security. I think that Morocco understands that our expenditures in that area certainly contribute to their security.

Mr. PASSMAN. Now, is this realized by all the people?

At least the leaders?

Admiral HEINZ. Not by all the people. I think the leaders do understand this to some extent. It is a very difficult question to answer accurately.

Mr. PASSMAN. That is the key to the success of our worldwide program though, to get people to understand what freedom for the individual is worth.

Admiral HEINZ. Yes.

Mr. PASSMAN. If we fail there, the whole program is all in vain, is it not? It is the purpose of our entire military and economic aid programs, to have people help themselves and we have no other designs.

Admiral HEINZ. That is right.

MOROCCO

Mr. PASSMAN. ———. ——— let's take Morocco. We have put an awful lot of money in there. I haven't finished with Libya yet, but let's discuss Morocco for a moment.

——— it would appear to me that if we had succeeded in doing a good job of convincing those people that what we are doing is just as much for the security of their country against these "isms" as it is for America, then they wouldn't want us to get out. I believe it is the winning of the minds of men that is actually going to lessen the turmoil in the world and unless we do win the minds of men then it is all in vain.

MILITARY ASSISTANCE SALES TO LIBYA

In view of Libya's expanding revenues from oil production, are they buying any military equipment from us, Admiral?

Admiral HEINZ. Yes, sir; they are.

Mr. PASSMAN. Would you place in the record the amounts for the past 5 years?

Admiral HEINZ. We will.

(The information follows:)

FOREIGN MILITARY SALES TO LIBYA, FY 1962-66

Foreign military sales to Libya, between FY62-66, have amounted to $1.5 million. ———.

TOTAL ASSISTANCE TO LIBYA

Mr. PASSMAN. Let me place in the record at this point that our total contribution to Libya, economic and military assistance, has been $217,800,000 net.

MOROCCO

Mr. PASSMAN. In Morocco you are requesting $——— million, I believe for fiscal year 1968?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. The total aid we have given to Morocco, military and economic, is $544,400,000.

The question is: Are they buying any military equipment from us on a cash basis?

Admiral HEINZ. ———.

Mr. PASSMAN. ———?

Admiral HEINZ. Yes, sir.

TUNISIA

Mr. PASSMAN. For Tunisia you have $——— million ———.

What did you request for Tunisia last year, Admiral?

Admiral HEINZ. Our request last year was for $——— million.

Mr. PASSMAN. What will you program?

Admiral HEINZ. The program for Tunisia was $——— million.

Mr. PASSMAN. An increase of $——— million.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. I note that the program for fiscal 1967 was authorized by Presidential determination ———.

Admiral HEINZ. Yes, sir.

SALES OR AID OF SINO BLOC NATIONS TO TUNISIA

Mr. PASSMAN. Is Tunisia receiving or purchasing equipment from any of the Sino bloc nations?

Admiral HEINZ. I will have to confirm that for the record.

Mr. PASSMAN. All right, sir.

(Classified information was furnished to the committee.)

Mr. PASSMAN. ———?

Admiral HEINZ. ———.

PRESENT GOVERNMENT OF TUNISIA

Mr. PASSMAN. How long has the present regime been in power in Tunisia?

Mr. O'NEILL. Since independence in 1956.

Mr. PASSMAN. That is 11 years. Would you term the present Government a progressive one?

Mr. O'NEILL. Yes; generally speaking it has been a very good government, and a very stable government and a great deal of attention has been devoted to the economy. The armed forces have been small. Their defense expenditures have been minimal.

Mr. PASSMAN. What is its population?

Mr. O'NEILL. It is getting close to 5 million now.

TOTAL AID TO TUNISIA

Mr. PASSMAN. I believe our total aid since the inception of this new Government amounts to $477,300,000; is that the correct figure?

Mr. O'NEILL. We have given a great deal of economic assistance to Tunisia.

U.S. MILITARY CONTRIBUTION VERSUS TUNISIAN SELF-SUPPORT

Mr. PASSMAN. $500 would have been a great deal to me at certain times in my life. I don't mean to be sarcastic, but I have never heard "a great deal" yet defined.

Is that the correct figure?

Admiral HEINZ. Yes.

Mr. PASSMAN. With this aggressive Government and with all that generous aid, it won't hurt to show that her defense expenditures, as a percentage of GNP, has dropped from 2 percent in 1964 to the present 1.4 percent in fiscal year 1966. Now, if they are making progress, why couldn't they increase rather than decrease the amount of their earnings which they allocate to their military forces?

Mr. O'NEILL. This will increase as they build up their armed forces.

Mr. PASSMAN. But it has dropped while we are increasing ours. Maybe it is good that they don't.

Let's see what has happened with respect to Uncle Sam's contribution. In 1966 it was $571,000; in 1967 it has gone up to ——— and you are now proposing for fiscal 1968 ———. There is only one point I am trying to make and that is, as our economic aid increases, their economy grows. As our military aid program is going up by leaps and bounds, the percentage they are contributing to their military forces is going down. I wonder if you couldn't give us some reason for this.

Admiral HEINZ. I think there is a direct reason for the increase in military assistance.

Mr. PASSMAN. There may be all the reasons in the world, justifiable or otherwise, but I am thinking of the tremendous amount of economic aid we have given this stable government, and wondering why do we have to increase our military assistance so greatly percentage-

wise when they are lowering what they are contributing out of their economy to their own defense.

Why could not they have at least held their own or increased it with this growing and stable government.

Their contribution to their military forces has dropped from 2 percent in 1964 down to 1.4, which is almost a 100-percent reduction, whereas ours is up about 1,000 percent. That is the point I am trying to make.

Admiral HEINZ. The percentages——

Mr. PASSMAN. I can use dollars also. ———.

If you take theirs, it is down by almost 100 percent. From 2 down to 1¼. I am just wondering if it is a question of having some equipment to sell or dispose of.

Mr. O'NEILL. None of this equipment, this 1967 equipment, is yet delivered. When it is delivered, of course, the Tunisian expenses for training, maintenance, and other things, will go up too and it won't begin to show until then. If you compared the figures on the absolute amount spent, I believe you will find while the percentage of GNP spent for the military may have gone down, the absolute amount spent by the Tunisians has not gone down.

Mr. PASSMAN. You people always want to use gross national product as an excuse and now it looks as if you are trying to get out from under it when I try to make a case in the other direction.

Admiral HEINZ. Their defense expenditures will go up as they receive equipment.

Mr. PASSMAN. Our contribution has gone up. Why didn't you hold ours down until their started going up? We are going in one direction and they are going in the opposite direction. You can't get away from that. These are cold statistics.

Admiral HEINZ. Their expenditures in 1965 were $13 million in the defense budget and in 1966, $14 million.

Mr. PASSMAN. Have I read into the record correctly that the defense expenditures on a percentage basis have dropped from 2 percent in 1964 down to 1¼ percent in fiscal year 1966.

Admiral HEINZ. In last year's book it shows 1.5 in 1965.

Mr. PASSMAN. I am talking about 1966.

Admiral HEINZ. It shows here 1.4 in 1966.

Mr. PASSMAN. Then I did read it into the record correctly?

Admiral HEINZ. I think you mentioned a figure of 2 percent.

Mr. PASSMAN. It dropped from 2 percent in fiscal 1964. Let's go get the books.

Admiral HEINZ. Now, I——

Mr. PASSMAN. I am not confused. Let's get the books.

Admiral HEINZ. I would agree with your figures, but I would like to give you some rationale, supporting the reason for the program.

Mr. PASSMAN. Load the record with it because you are going to need a reason, especially in Africa.

INFLUX OF SOVIET EQUIPMENT INTO ALGERIA

Admiral HEINZ. With reference particularly to Morocco and Tunisia, there has been a change in the situation brought about by the

great influx of Soviet equipment into Algeria, of which you are well aware. I am sure you have heard the Secretary talk about this. I know you have the figures on the Soviet aid to Algeria.

Mr. PASSMAN. Let's pin this down before we get too far away from it.

I would like you to verify the figure from page 167 of the justifications of 1966.

Admiral HEINZ. The Tunisian defense budget in 1965 was $17 million, and defense expenditures were 2 percent of the GNP.

Mr. PASSMAN. And in 1966 it went down to 1.4?

Admiral HEINZ. That is correct, and $14 million.

Mr. PASSMAN. Proceed, sir.

Admiral HEINZ. There is an imbalance in the area. ———.

Mr. PASSMAN. From Algeria?

Admiral HEINZ. From Algeria, yes.

We don't want the situation to reach a point where there is a complete vacuum on either side ———.

Mr. SHRIVER. What do you mean?

Admiral HEINZ. I mean a complete lack of defense in either Tunisia or Morocco, or a complete inability to withstand any attack.

PURPOSE OF PROGRAMS IN MOROCCO AND TUNISIA

With the purpose of trying to release some of the tensions and to provide a limited defense, we are giving them very small amounts of equipment ———. This is the major purpose of our aid. ———.

We sent a team over there to look at the situation. We said, "First of all, ———. You need training. You need to use the equipment that you have. You need to get your forces better organized. We will give you a minimal amount of equipment to assist in bringing your defense force up to again what we consider a minimal capability."

That is the purpose of the program.

Mr. PASSMAN. Who picks up at that point, after we get them up to the minimum?

Admiral HEINZ. We would expect Tunisia to have responsibility.

Mr. PASSMAN. We are going to help them reach the minimum point and then we pull out? Who is going to take care of them after that?

Admiral HEINZ. ———.

U.S. AID TO ALGERIA

Mr. PASSMAN. If you ever get to where you understand this puzzle, muddle, or mulligan stew, you let me in on it so I will understand it also. We are giving military assistance to Morocco and Tunisia ——— and we have given Algeria since the inception of the program, $179,400,000. We have an economic aid program going on now in Algeria. It is pretty hard to reconcile where and why you are pouring in this amount of money to various countries.

ALGERIA'S PURCHASE OF MILITARY EQUIPMENT

Is Algeria buying military equipment from any other nation?

Admiral HEINZ. Other than Russia? I do not know.

Mr. PASSMAN. They buy military equipment from Russia but we have an economic aid program for Algeria, do we not?

Admiral HEINZ. We do. A very minor self-help program.

Mr. PASSMAN. I will tell you the truth, I just do not understand it and I do not believe anybody else can understand it.

Mrs. HANSEN. If Algeria were to take the money with which she is buying military equipment from Soviet Russia and put it into her economy, she would not have to have so much aid?

Admiral HEINZ. On the face of it, that is correct, however, there may be other considerations.

Mrs. HANSEN. Why on earth don't we say that?

Admiral HEINZ. Since I am not responsible for the economic assistance program, I can't discuss those considerations.

Mrs. HANSEN. It is time somebody said something.

Mr. PASSMAN. It is just as confusing as it can be. Sound logic and commonsense cannot explain this program. It must take something else. I do not know what it is, but you are fattening them up with economic assistance which releases their foreign exchange to purchase arms from Russia to fight other nations that we are giving military equipment to. It is as confusing as mischief. I believe we need to have the AID and military people together in this room to try to explain this program.

I am afraid that there is a wall down the middle of the street and neither you nor AID can see through it.

LIBERIA

For Liberia you have in fiscal 1968, $——— thousand?

Admiral HEINZ. Yes.

Mr. PASSMAN. Is this a new program?

Admiral HEINZ. No, sir.

Mr. PASSMAN. There is a training program.

Admiral HEINZ. Training and materiel.

Mr. PASSMAN. Did we start off with a training and materiel program?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. What year did we start this program? You can put that in the record.

(The information follows:)

MILITARY ASSISTANCE PROGRAM FOR LIBERIA

Pursuant to a bilateral military assistance agreement concluded on 23 May 1961, we initiated a grant military assistance materiel and training program for Liberia during FY 1961. The U.S. Military Mission to Liberia (LIBMISH) was established in FY 1961 in connection with the initiation of this program.

Mr. PASSMAN. How old a nation is Liberia?

Mr. O'NEILL. About 1847.

Mr. PASSMAN. When did we start our aid program?

Mr. O'NEILL. ———.

Mr. PASSMAN. Have you apologized to them for not doing so?

Mr. O'NEILL. Because of our historic ties, Liberia is a very special case.

Mr. PASSMAN. The nation was born when?

Mr. O'NEILL. 1847.

Mr. PASSMAN. That makes it 120 years old.

When did we start our aid program?

Mr. O'NEILL. After World War II.

Mr. PASSMAN. I want to find out how they got along before we got there. I think we went in with a small program in 1946–48, but we have given them $210,700,000 since July 1, 1945.

How about Libya? How old is that nation?

Mr. O'NEILL. It became independent in 1951, I believe.

Mr. PASSMAN. But those nations actually, as we think of nations or territories, go back for centuries, do they not?

Mr. O'NEILL. They have had varying governments.

Mr. PASSMAN. They have had civilizations many hundreds of years?

Mr. O'NEILL. They have had going civilizations for many years.

Mr. PASSMAN. Great cultures?

Mrs. HANSEN. Morocco was strong enough to lick Spain at one time.

Mr. PASSMAN. We know where we started, but we do not know where we are going, which is a fine statement to put in the record.

Admiral HEINZ. I think the Arabs conquered Morocco around A.D. 600 or 700.

Mr. PASSMAN. On the Liberian program you have asked for $——— thousand. The total, officer and enlisted men of the Liberian Army, I believe, is ———. Is that about right?

Admiral HEINZ. That is correct.

SIZE OF LIBERIAN MILITARY FORCES

Mr. PASSMAN. How many men did they have when we started this program?

Admiral HEINZ. I will supply that for the record.

(The information follows:)

When we initiated plans for a grant material assistance program to Liberia in FY 1961 the Liberian Defense Forces had a reported strength of 2500.

Mr. PASSMAN. Let us discuss that a little. ———.

Admiral HEINZ. The program has been there since at least 1961.

POPULATION OF LIBERIA

Mr. PASSMAN. They have built up a total strength of ———. What size is the nation?

Admiral HEINZ. It has a population of 1.1 million.

Mr. PASSMAN. I believe in November 1961, they had a strength of 2,522.

I wonder if they could not spend this money better for bread and butter.

Admiral HEINZ. They are receiving substantial economic aid.

Mr. PASSMAN. Thank you, Admiral. Your answers are getting better all the time.

TRAINING OF TROOPS IN NIGERIA

What are we spending in Nigeria for the training of troops?

Admiral HEINZ. We contemplate about ———.

Mr. PASSMAN. Have they had a coup recently?

Admiral HEINZ. They had two coups there in 1966.

Mr. PASSMAN. Which side are we supporting now?

Admiral HEINZ. We have relations only with the Federal Government.

We have no relations other than with the Federal Government.

TRAINING VISITS TO THE UNITED STATES FOR AFRICAN MILITARY LEADERS

Mr. PASSMAN. I notice you are budgeting $——— thousand for the orientation and training for distinguished personnel in the military forces of the emerging African nations.

Who are these distinguished people that are going to orient and in what?

Admiral HEINZ. We propose to initiate a program to provide special training visits to the United States for selected African military leaders, which would include chiefs of staff and chiefs of the armed forces. We feel that friendly U.S. relations with these commanders as well as with rising young officers would be helpful.

Usually a Chief of Staff or senior military leader or defense officer coming to this country does so at the invitation of his U.S. counterpart and the visit then is a formal one with full protocol. Only a few such visits are possible each year. We propose these to be less formal but appropriate to the leading personnel of the nations. It would be two, three, or four from various African countries. Perhaps from no more than five countries per year.

Mr. PASSMAN. These would be the top echelon military people?

Admiral HEINZ. Yes, from the various small African countries.

Mr. PASSMAN. They would be the top echelon military people?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. They would be exposed to what military representatives when they come to this country?

Admiral HEINZ. They would be exposed to the United States.

Mr. PASSMAN. It would be more or less a military training program?

Admiral HEINZ. Each foreign visitor would be exposed not only to the military but to other facets of the United States.

Mr. PASSMAN. But these would be primarily military people?

Admiral HEINZ. Yes.

Mr. PASSMAN. That is what I thought. I want to repeat some rural logic. When you talk about going fishing, you want to go fishing. When you talk about going hunting, you want to go hunting. When you start talking about a vacation, you start planning a trip. I think you ought to spend this money for something else. Remember: From little acorns big trees grow.

Mr. Shriver, any questions on Africa?

Mr. SHRIVER. You have done a good job of covering the subject and the hour is getting late, so I am not going to take much time.

MILITARY AND ECONOMIC ASSISTANCE TO THE CONGO

In the information we requested concerning the Congo and who is giving military assistance, I think the request that we made a little while ago should include what other countries are giving military and economic assistance to the Congo.

Admiral HEINZ. I will.

(The information follows:)

OTHER MILITARY AND ECONOMIC ASSISTANCE TO THE CONGO

Belgium, Italy, Israel and France are providing military assistance to the Congo (K). Belgium in the past provided most of the weapons and individual equipment required by the Congolese armed forces. Belgium now provides training assistance to the Congolese army in the Congo, officer and specialist schooling in Belgium and staff advice and assistance in the Congolese Army Headquarters. Belgium Air Force pilots and maintenance personnel man the Congolese Air Force transport squadron. Italy provides air force pilot and maintenance training assistance both in the Congo and in Italy. Israel provides training assistance to Congolese paratroop units. France gives specialist training in French military schools.

Belgium, Italy, France, Israel and Canada and the United Nations all provide economic assistance. The International Monetary Fund which has given direct assistance to the Congo (K) in the past is contemplating additional aid for this year.

RED CHINA EXPENDITURES IN AFRICA

Mr. SHRIVER. How much is Red China spending now in African countries?

Admiral HEINZ. I will have to supply that for the record.

(A classified table was furnished to the committee.)

Mr. SHRIVER. Are they more active or less active than a year ago?

Mr. O'NEILL. Compared to last year, less; less in terms of money spent, in any event.

Mr. SHRIVER. How about people?

Mr. O'NEILL. That has not changed a great deal.

Mr. SHRIVER. Where are they primarily?

Mr. O'NEILL. Mali, Congo-Brazzaville, a few in Tanzania. Mainly those three countries.

MOROCCO

Mr. SHRIVER. Relative to Morocco, this statement is made about the fiscal year 1968 program:

"_____."

What do you mean by that statement?

Admiral HEINZ. In other words, _____. It would take some time to achieve an objective and during that period, hopefully, the international community could bring restraining pressure to bear to stop the aggression.

SUCCESS OF INTERNATIONAL PRESSURE

Mrs. HANSEN. How successful is international pressure now in any event?

I assume you mean the United Nations.

Admiral HEINZ. I am talking of the United Nations.

Mrs. HANSEN. How successful are they at the present time? What have they done to stop the trouble in Vietnam?

Admiral HEINZ. They have not stopped it in Vietnam. The international presence is helping to keep things down in Cyprus. There certainly was an international presence in the India-Pakistan conflict. ———.

JUSTIFICATION OF MILITARY ASSISTANCE IN LIBERIA

Mr. SHRIVER. You are proposing $——— in military assistance for Liberia?

Admiral HEINZ. Yes, sir.

Mr. SHRIVER. Yet you state on page 82 of the justifications that there are no significant internal or external threats. What is the justification for this expenditure, then?

Admiral HEINZ. Of that total program, $——— of it is for training. The justification is to maintain or improve the equality and effectiveness of the forces which, in conjunction with the civil police, can serve as a protection against the possibility of internal subversion.

Mr. SHRIVER. But there is none according to your justifications.

Admiral HEINZ. At present, there is no significant internal threat.

Mr. SHRIVER. Or external either.

Admiral HEINZ. We do not see any aggression against Liberia. They do need small armed forces. We would like to see these decrease. We have had a longstanding relationship with Liberia for many, many years.

We have maintained a very small program because of that particular relationship with Liberia.

Mr. SHRIVER. To build up the military forces.

Admiral HEINZ. Not to build them up, but to improve them.

Mr. SHRIVER. Yet there is not internal or external threat.

Admiral HEINZ. Not to build them up but improve their capabilities.

Mr. SHRIVER. Improve it for what, if there is no threat?

Admiral HEINZ. To prevent the arising of a threat.

Mr. SHRIVER. I think that is all.

Mr. PASSMAN. Did you ever take a child into a toy shop?

Admiral HEINZ. Yes.

Mr. PASSMAN. He wants everything in the shop.

Admiral HEINZ. Not always. Mine hasn't.

Mr. PASSMAN. He was not impressed with the toys?

Admiral HEINZ. She was.

Mr. PASSMAN. And he wanted some of them?

Admiral HEINZ. Not very many.

Mr. PASSMAN. Not all of them, but some of them. Did you ever hear the story of the bull in the china shop? He would wreck it if you turn him loose.

Admiral HEINZ. Probably would.

POSSIBLE CONSEQUENCES OF AFRICAN TRAINING VISITS

Mr. PASSMAN. Aren't you frightened to start this new program of bringing these people from Africa to the United States and exposing them to all the modern weapons around our military bases in this country? Do you not think they will go back with their appetite all whetted up for these sophisticated weapons?

Admiral HEINZ. No, sir; I do not.

Mr. PASSMAN. If you actually feel that way, God bless you. It is as sure to lead us into trouble as can be. I say, leave them home.

Admiral HEINZ. I would like to have these people understand the United States.

Mr. PASSMAN. I would, too, but if you bring them over, do not expose them to our military bases where we have all the latest equipment.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mrs. Hansen?

MILITARY COMMITMENTS IN AFRICA

Mrs. HANSEN. May I say this, when you bring those military leaders to see the United States, I think if they saw some of the American Indian reservations and some of the problems that need attending to here, they would wonder what we are doing spending money abroad. How many of these African nations do we have military commitments with?

Admiral HEINZ. ———.

Mrs. HANSEN. There are two places particularly, ———, where you say potential discontent among the tribal people, students and labor leaders combined with other social and economic factors, such as unemployment and slowness of political and social advances, could bring, about a severe test of the ——— regime.

Supposing that foment comes about through these very things, and there is trouble within the country, is this another potential Vietnam? ———. It is an infiltration of ideas, as you are well aware, of striving to obtain some of the social programs that they feel they want. If you look at the per capita or the total GNP in Liberia, it is not very much.

Mr. PASSMAN. If the lady would yield, I would like to ask one question.

DEFENSE AND STATE DEPARTMENTS RELATIONSHIP TO MAP

Admiral, in previous years I have referred to the military program as being in two branches, that which is handled by the Defense Department under Secretary McNamara and the military assistance program which is under the Secretary of State. I believe the military assistance program is under the Secretary of State and most of these things are worked out with the ambassadors out in the field; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Thank you very much. I might ask one further question.

It is really a State Department program, is it not?

Admiral HEINZ. No, sir.

Mr. PASSMAN. With the consultation of the military people?

Admiral HEINZ. The law is very specific in the responsibilities and the authorities of the Secretary of State and the Secretary of Defense. It is operated in accordance with the law.

Mr. PASSMAN. That is right. But it is a function of the Secretary of State and it is worked out with the U.S. ambassadors out in the field?

Admiral HEINZ. Every program in here has the concurrence of the Ambassador.

Mr. PASSMAN. As we think of the military assistance program, it is a function, by law, of the Secretary of State?

Admiral HEINZ. The Secretary of State is given the final responsibility for determination of whether there shall or shall not be a program in the country, and the amount of assistance to the country.

Mr. PASSMAN. The Secretary of State has the right to veto it up or down? That is his prerogative?

Admiral HEINZ. That is his prerogative by law.

MILITARY COMMITMENTS IN AFRICA

Mr. PASSMAN. Thank you, Mrs. Hansen.

Mrs. HANSEN. Continuing my point, supposing that the rebellion or difficulties begin within a country, as you have said, undoubtedly very well here in Liberia for example, and the same thing is mentioned in the Congo, then supposing that the neighboring countries are being armed by the Soviet or the Chinese or any other group. This brings about the possibility of a situation with internal foment and with external problems that dictates at least some degree of caution or warning for caution at this time, does it not, as to how deeply we get enmeshed in military adventures in Africa.

Admiral HEINZ. I think we need to be cautious.

At one time we had material programs to about 10 African countries or more. This has been steadily decreasing.

EFFECT OF ECONOMY ON INTERNAL SECURITY

Mrs. HANSEN. Isn't it true that that the frailer the economy the more difficult it is to maintain internal security?

Admiral HEINZ. Yes; it is true.

Mrs. HANSEN. The people within the country are seeking employment and education. I think you answered yesterday that Thailand was an example of people asking for better education.

Adimral HEINZ. Yes.

Mrs. HANSEN. So some of these problems involve the people asking for them. It is with some pleasure that I watch that you are becoming increasingly cautious in Africa because I think many of their governments are probably not as stable as they might be due to their own internal economy; isn't that correct?

Admiral HEINZ. That is correct.

PUBLIC ROADS AND HIGHWAY SYSTEMS IN AFRICA

Mrs. HANSEN. You have noted in several places, and I think I asked you last year, about your civic action programs. You included work about public roads. You might put in the record for me how many miles have been achieved since last year.

Admiral HEINZ. I will do that.

(The information follows:)

ROAD CONSTRUCTION BY AFRICAN CIVIC ACTION UNITS

In the past year, MAP-supported engineer units of five African countries—Ethiopia, Guinea, Liberia, Mali and Senegal—have engaged in road construction projects. Ethiopian Army construction of roads contributes to improved internal security while assisting in economic development of rural areas. Of the 750 miles detailed to the Army in 1963, approximately 600 miles have been completed. In Guinea, 22 miles of roads were built in 1966, as personnel gained experience and received advice and support from a U.S. Army engineering mission. In Liberia, 35 miles of roads were built from 1962 to 1966, and an engineer battalion is building 25 miles of road which will connect several large villages in the upcountry. In the city of Gbarnga, a battalion is building a street network which is scheduled for completion this year. A Mali army engineer unit has constructed or rehabilitated more than 20 miles of roads over the past three years. A Senegalese Army engineer battalion is building all-weather, farm-to-market roads, having been assigned the construction or improvement of 250 miles of primary and secondary roads. In 1966, 52 miles of bituminous roads were completed.

Mrs. HANSEN. And what progress has been made in the development of their highway system, which is one of the basic parts of the African economy, is it not, the necessity for better transportation?

Admiral HEINZ. Yes.

IVORY COAST

Mrs. HANSEN. We look at the Ivory Coast. ———.

Admiral HEINZ. At one time I think we had proposed—I am going back now to 1962—when we had an idea of putting small programs into those countries. We made an impact shipment of a small amount, ———.

SOMALIA AND IVORY COAST

Mrs. HANSEN. Do we have any economic aid in these countries?

Mr. O'NEILL. In Somalia or the Ivory Coast? Very little now.

Mrs. HANSEN. I do not think we should have any. We do not want to ———.

Mr. O'NEILL. The tendency of the AID program is toward regional activity. In some countries there will not be any bilateral programs at all.

Mrs. HANSEN. All right.

MILES OF ROAD IN ETHIOPIA

In Ethiopia you might put in here how many miles of road, too.

Admiral HEINZ. Yes.

(The information follows:)

ETHIOPIA—HIGHWAY PROGRAMS

The first Ethiopian highway program began in 1951. An IBRD loan of $5 million enabled the Imperial Highway Authority (IHA) to rehabilitate 950 miles of

roads to the status of all-weather highways and to improve 1,670 miles of secondary (usable only in dry season) roads. The second program (1957–1965) was helped by a $15 million IBRD loan and an AID grant of $1.4 million. 1,300 miles of road were built or reconstructed to all-weather standards. The third highway program (1965–1968) has been assisted by an IDA loan of $13.5 million plus two AID loans totalling $4.7 million. For the third program (80% complete to date) 125 miles of new all-weather roads are to be built, 930 miles of secondary roads to be made into all-weather roads, and 70 Bailey bridges to be installed to enable traffic on the feeder roads to continue year around.

When the first highway program ended in 1956 there were approximately 2,650 miles of road that could be used all year around; at the end of 1966 there were 4,340 miles.

PER CAPITA INCOME IN ETHIOPIA

Mrs. HANSEN. I note the per capita income in Ethiopia is very, very low as is the GNP. Isn't that part of the problem, their poor economy?

Admiral HEINZ. This is part of the problem. They do have a low gross national product, yes.

Mrs. HANSEN. ———. Now, is this new?

Admiral HEINZ. This is not a new development. This has been a long standing problem.

Mrs. HANSEN. This is one of those "iffy" problems again, where apparently you find the Soviets selling a lot of weapons.

Admiral HEINZ. To Somalia.

Mrs. HANSEN. That is right. And you find at the same time the Ethiopian economy is not rising. Now you are going to have the problem there of possible difficulties within the country and not assisted by those from the outside, and then you have again the military problems.

(Discussion off the record.)

Mrs. HANSEN. Sometimes I wonder. But this is one of the situations that could arise.

Admiral HEINZ. I think it could.

Mrs. HANSEN. This committee takes a good hard look at the eventualities of these things.

Admiral HEINZ. I think it should. I know you do.

Mrs. HANSEN. That is all. Thank you.

KOREAN WAR

Mr. PASSMAN. As we are thinking of the United Nations, should not the record show that the one conflict that you could think in terms of the U.N. living up to its Charter would be that of the Korean War; but even in that instance we furnished practically all of the men and practically all of the money, did we not?

Admiral HEINZ. The Koreans furnished a great deal of the money for that one.

Mr. PASSMAN. The Koreans were fighting the war. I am talking about other nations' forces in the United Nations force.

Admiral HEINZ. Certainly a great majority was the United States.

Mr. PASSMAN. I think it was about 95 percent United States personnel.

Mrs. HANSEN. Are we the peacekeeping force for the United Nations?

Mr. PASSMAN. Practically all the expense was incurred by the United States; is not that right?

Admiral HEINZ. I believe that is right.

Mr. PASSMAN. I think it is good for the record to show that fact. Off the record.

(Discussion off the record.)

LATIN AMERICA

Mr. PASSMAN. The final program, Admiral Heinz, is that of military assistance for Latin America. The estimate for fiscal 1968 is $45,500,000. I believe that your program for fiscal 1967 is $55,795,000 and you are making a reduction in the Latin America program in the amount of $10,295,000. Have I stated that correctly?

Admiral HEINZ. Yes.

Mr. PASSMAN. I want to commend you, Admiral. I think that is certainly a step in the right direction.

I also observed that you have limited both your 1967 and 1968 programs within the ceilings of $85 million as required by sections 511(a) and 514(b).

Admiral HEINZ. Yes.

Mr. PASSMAN. Admiral, if your estimate of credit sales and cash sales do not materialize for each of these two fiscal years do you plan on increasing the amount of grant military assistance but still staying within the $85 million ceiling?

Admiral HEINZ. We would stay within the $85 million ceiling no matter what happened. The latest estimates of credit sales and cash sales show that, as a matter of fact, we will reach our estimate and there is no plan to increase the military assistance in the 1967 program. We would estimate again that the sales and grant aid will be very close to the estimates as shown here for 1968.

Mr. PASSMAN. What is the estimated cash sales to the Latin American countries for fiscal 1968?

Admiral HEINZ. For fiscal year 1968 we estimate the original amount at $15 million cash sales and ship loan value. The ship loan value is $1 million per ship and it goes back to the ship loan authorization of 1965.

Mr. PASSMAN. And the amount now of the credit sales?

Admiral HEINZ. The credit sales amount is $37.5 million.

Mr. PASSMAN. Would you place in the record at this point the nations that will receive grant aid and the ones that will buy military equipment for cash and the ones that expect to buy military equipment on terms, what those terms will be, and also a chart showing the amount of military equipment actually purchased by the same nations from countries other than the United States in fiscal 1967 or calendar 1966? Give it to us the best way you can so we will have something to compare what they are doing in the way of purchasing military equipment from other nations.

Admiral HEINZ. Yes, I will do that.

(The information follows:)

Military aid to Latin America—fiscal year 1968

[In millions of dollars]

	Country military budget, calendar year 1966	Grant aid fiscal year 1968	Cash sales fiscal year 1968	Credit sales fiscal year 1968	Terms	3d country Purchases calendar year 1966
Argentina	272.0					0.1
Bolivia	13.4					(1)
Brazil	712.0					0.5
Chile	136.0					14.6
Colombia	119.0					(1)
Costa Rica	2.7	[Deleted.]	[Deleted.]	[Deleted.]	[Deleted.]	----------
Dominican Republic	32.0					----------
Ecuador	25.0					----------
El Salvador	10.3					----------
Guatemala	14.3					----------
Honduras	6.5					----------
Mexico	166.0					----------
Nicaragua	8.6					(1)
Panama	0.6					----------
Paraguay	16.0					----------
Peru	134.0					----------
Uruguay	23.0					----------
Venezuela	177.0					2.0
Latin America area	----------					----------
Total	----------	45.5	[1] 14.4	37.5	----------	----------

[1] Less than $50,000. Total not comparable.

ECONOMIC AID AND MILITARY ASSISTANCE PROGRAMS

Mr. PASSMAN. I would like also the AID people to assist you in this—and it will be good to have it in the record at this point—the amount of economic aid that we have given to the same nations that will embrace this military assistance program for fiscal 1968.

Admiral HEINZ. I will do that.

(The information follows:)

PART I.—*Total economic assistance from inception through June 30, 1966, for countries programed to receive materiel, services, and training*[1] *in FY 1968*

	Millions
East Asia:	
China	$2,293.5
Indonesia	771.4
Korea	4,260.1
Philippines	1,435.5
NESA:	
Greece	1,895.1
Iran	856.8
Jordan	517.2
Saudi Arabia	47.4
Turkey	2,277.7
Europe:	
Portugal	188.9
Spain	1,395.7
Africa:	
Congo (K)	333.2
Ethiopia	208.2
Liberia	235.4
Libya	207.5
Morocco	546.8
Tunisia	468.1

[1] Overseas and CONUS.

Latin America:	
Argentina	$666.4
Bolivia	445.6
Brazil	2,887.1
Chile	1,121.3
Colombia	745.4
Dominican Republic	303.0
Ecuador	234.7
El Salvador	103.3
Guatemala	198.1
Honduras	83.2
Nicaragua	124.3
Panama	170.7
Paraguay	98.8
Peru	543.4
Uruguay	82.0
Venezuela	288.3

PART II.—*Total economic assistance from inception through June 30, 1966 for countries programed to receive CONUS training only in fiscal year 1968*

	Millions
East Asia: Malaysia	$43.7
NESA:	
Afghanistan	343.2
Ceylon	101.5
Iraq	56.1
Lebanon	79.2
Nepal	97.8
Syria	73.2
Europe: Austria	1,198.0
Africa:	
Ghana	174.8
Guinea	74.7
Nigeria	189.0
Senegal	18.5
Sudan	107.8
Latin America:	
Costa Rica	147.1
Mexico	1,056.8

Mr. PASSMAN. It is a tremendous economic aid program that we have going. I think it is over $1.5 billion, if you include all the spigots.

Off the record.

(Discussion off the record.)

ORGANIZATION OF THE AMERICAN STATES

Mr. PASSMAN. Do you have any money in the fiscal 1968 budget for use on a cost-sharing basis for an inter-American military force under the control of the Organization of American States?

Admiral HEINZ. We do not.

Mr. PASSMAN. It is my understanding the Organization of American States must approve the fiscal year 1968 military assistance program for Latin America. Is that true?

Admiral HEINZ. The Organization of American States does not approve it.

Mr. PASSMAN. They do not approve it?

Admiral HEINZ. They do not. The OAS still does not have an effective military organizational arrangement to approve U.S. military assistance programs.

Mr. PASSMAN. Section 511(b) of the authorization act requires that military assistance furnished to American republics be in accordance with the joint plans approved by the Organization of American States to the maximum extent feasible and obligates the President to submit semiannual reports to the Congress on the implementation of that requirement.

Admiral HEINZ. As yet the OAS has not made any military plans. They have not made joint plans. This is what section 511 would like to see them get into.

Mr. PASSMAN. Is it in the making?

Admiral HEINZ. I do not think we will find the OAS activating the Advisory Defense Committee. It has been authorized in the charter. It has never been activated. The proposal last year was to designate the Inter-American Defense Board as the Advisory Defense Committee but it was not adopted, since it was voted down. There is some joint planning within the Organization of the Central American States, CONDECA. This is as far as the accomplishments have gone.

Mr. PASSMAN. So it is very much in limbo now?

Admiral HEINZ. Joint military planning has not been achieved by the OAS.

Mr. PRINGLE. At the meeting of the third Special Inter-American Conference in Buenos Aires the question of activating this Advisory Defense Committee was discussed, raised by Argentina, but was not approved.

Mr. PASSMAN. Where did this idea originate?

Mr. PRINGLE. Section 511(b) to the Foreign Assistance Act, sir.

Mr. PASSMAN. In other words, the OAS has no say-so whatever about the military assistance program as such at this time?

Admiral HEINZ. At this time, that is correct.

SHIP LOAN PROGRAM

Mr. PASSMAN. Do you have any ship loan program for any of the countries in Latin America for fiscal 1968?

Admiral HEINZ. Only to the extent that under credit sales there may be some credit extended for implementation of ship loans authorized in 1965.

Mr. PASSMAN. Thank you.

TOTAL DEFENSE BUDGET FOR LATIN AMERICA

Would you furnish for the record at this point a table showing the total defense budget of the 18 Latin American countries to which we are giving military assistance, the estimated amount of credit sales in one column, the cash sales in another column, and the amount of military equipment that the 18 countries are buying from other nations?

Admiral HEINZ. Yes, sir.

(The requested information is contained on p. 734.)

Mr. PASSMAN. We will dispense with our labors for today and resume Tuesday afternoon at 1 o'clock.

TUESDAY, APRIL 11, 1967.

COMMERCIAL TRUCKS FOR LATIN AMERICA

Mr. PASSMAN. Admiral, I note that you propose to furnish 167 commercial trucks to the various Latin American countries in 1968. Would you furnish a table for the record indicating what countries will receive these commercial trucks?

Admiral HEINZ. Yes, sir.

(A classified table was furnished to the committee.)

INCREASE IN PUBLIC ADDRESS SYSTEMS TO LATIN AMERICA

Mr. PASSMAN. I note you programed 20 public address equipment units in fiscal 1967, 18 more than what was requested last year. Is that correct, sir?

Admiral HEINZ. There are none programed in 1968. In 1967 there were 20 programed; and in 1966, there were 20 programed.

Mr. PASSMAN. There were 18 more units than you requested last year?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How did you miss the number needed by such a wide margin?

You asked for two when you were here last year and you subsequently allocated 20.

Admiral HEINZ. That is correct.

Mr. PASSMAN. What brought about this tremendous increase?

Admiral HEINZ. It was brought about by the increased need in various countries to use them in their armed forces.

Mr. PASSMAN. You did not know of this need at the time you appeared last year?

Admiral HEINZ. They were not requested at the time the program was first made up in the fall of 1966.

Mr. PASSMAN. What do they use them for?

Admiral HEINZ. These are used as public address systems within the armed forces.

Mr. PASSMAN. In auditoriums for use during lectures?

Admiral HEINZ. They could be used for lectures; they could be used for making announcements at armed forces barracks; they could be used as general public address systems within the unit. They are used generally throughout the armed forces.

Mr. PASSMAN. I know that is true, but I was trying to account for the difference between two and 20. How much do they cost per system?

Admiral HEINZ. I will supply that for the record.

Mr. PASSMAN. Also list the countries they went to.

Admiral HEINZ. I will.

(The information follows:)

PUBLIC ADDRESS SETS IN FY 1967 MAP—LATIN AMERICA

Public address sets are programed as follows:

Country	Quantity	Description	Unit cost	Total cost
Chile	1	AN/PIQ-5 PA set	$250	$250
Peru	16	AN/PIQ-1 PA set	439	7,024
Do	1	AN/PIQ-2 PA set	190	190
Do	2	AN/UIH-2 PA set	1,100	2,200

Mr. PASSMAN. I wonder why the recipients could not purchase a small item of this type that is not considered as military hardware out of their own economy?

Admiral HEINZ. It is true that the countries could purchase them out of their military budgets.

Mr. PASSMAN. Why do they not?

Admiral HEINZ. I have no doubt but what some countries have. Where we are providing such equipment, it is furnished as part of the regular table of organization.

COUNTRIES IN LATIN AMERICA RECEIVING MILITARY ASSISTANCE

Mr. PASSMAN. In how many countries do we have some type of military assistance program, either training or materiel?

Admiral HEINZ. We have a total of 18.

Mr. PASSMAN. Have you made these public address systems available to each country? There are 18 country programs and you provided 18 additional public address systems over and above the number you requested last year. I wonder if that means each country received one?

Admiral HEINZ. No, sir; it did not.

Mr. PASSMAN. Will you place it in the record?

Admiral HEINZ. The programs for Latin America are going down, Mr. Chairman.

Mr. PASSMAN. The public address systems are not going down.

Admiral HEINZ. They are going down because 20 were programed in 1966, 20 in 1967, and none in 1968.

Mr. PASSMAN. You asked for two in 1967 and programed 20.

Admiral HEINZ. Yes.

Mr. PASSMAN. How many are you asking for 1968?

Admiral HEINZ. None.

Mr. PASSMAN. That does not mean they would not get any.

TOTAL AMOUNTS OF MILITARY ASSISTANCE BY COUNTRY

Admiral HEINZ. It is possible some may be requested.

Mr. PASSMAN. As we run through the countries in Latin America—incidentally, if you will, Admiral, place in the record the total amount of military assistance we have given to each Latin American country. The total is not classified, is it?

Admiral HEINZ. The total, including 1967, is not classified.

Mr. PASSMAN. If you will, place in the record a list by country and the total amount of military assistance given to each country since the

inception of the program. It will be very helpful to the committee. And in column 2, put the amount of undisbursed funds to the credit of each country. You have certain funds obligated or, as you would say, reserved.

Admiral HEINZ. Obligated, but unexpended.

Mr. PASSMAN. That is right.

(The information follows:)

Fiscal years 1950–67 cumulative deliveries and undelivered balance

[In thousands]

	Cumulative delivery, fiscal year 1950–67	Undelivered balance as of June 30, 1967		Cumulative delivery, fiscal year 1950–67	Undelivered balance as of June 30, 1967
Latin America	$627,624	$97,327	Guatemala	$10,327	$1,864
Argentina	28,955	14,201	Haiti	3,200	
Bolivia	14,968	3,494	Honduras	5,302	881
Brazil	198,228	20,310	Jamaica	1,105	
Chile	82,757	9,234	Mexico	1,631	92
Colombia	66,481	16,538	Nicaragua	8,683	1,297
Costa Rica	1,772	179	Panama	1,971	693
Cuba	10,575		Paraguay	5,014	1,782
Dominican Republic	15,179	3,989	Peru	75,020	12,574
Ecuador	33,960	3,915	Uruguay	35,913	2,941
El Salvador	4,680	612	Venezuela	6,477	524
			Southern command region	15,426	2,207

ARGENTINA

Mr. PASSMAN. You are requesting for fiscal 1968 for Argentina $——— million; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. If I recall correctly, there was a military coup in June of last year and I note on page 19 you have increased your allocation for internal security by $———. I assume that this program for internal security is designed to keep the leaders of the coup in power.

Would you comment?

Admiral HEINZ. I would, sir.

Military assistance to any nation is granted to the government. The only alternative, of course, would be to grant it to a group which is trying to overthrow the government, which is completely contrary to our policy.

The purpose of our aid to Argentina, as stated in the congressional presentation document, is to improve the capability of the armed forces to maintain in conjunction with the civil police internal security. To encourage civic action projects and to increase the capability of elements———.

Mr. PASSMAN. I believe we supported the government which the coup overthrew, did we not?

Admiral HEINZ. We did.

Mr. PASSMAN. Now we are supporting the new one that came into being. Do we know anything about this government? Was it in the making at the time we were supporting its predecessor?

Admiral HEINZ. I would ask Mr. Pringle to answer that question.

Mr. PRINGLE. ———.

Mr. PASSMAN. Not being able to, we allocated the military assistance funds to the new government that had overthrown the legal government?

Mr. PRINGLE. ———.

Mr. PASSMAN. How long?

Admiral HEINZ. ———.

Mr. PASSMAN. When did you reinstate it?

Admiral HEINZ. ———.

Mr. PASSMAN. You suspended the program for about ——— months?

Admiral HEINZ. That is right.

Mr. PASSMAN. Just long enough to give us a chance to get acquainted with the rebel government that overthrew the legal government; is that right?

Admiral HEINZ. It gave us an opportunity to assess the new government to see what its policies were and what it was attempting to do.

Mr. PASSMAN. You assessed them favorably?

Admiral HEINZ. ———.

Mr. PASSMAN. But you also assessed their predecessors favorably, too, did you not?

Mr. PRINGLE. ———.

GOVERNMENTS IN ARGENTINA SINCE INCEPTION OF MILITARY AID PROGRAM

Mr. PASSMAN. Will you place in the record the number of governments there have been in Argentina since the inception of the military aid program.

Mr. PRINGLE. I will.

(The information follows:)

ARGENTINE GOVERNMENTS SINCE INCEPTION OF THE MAP

Changes of government in Argentina since 1961 follow:

March 1962.—A military coup removed President Arturo Frondizi, after opposition party refused to participate in his government, and replaced him with Vice President Jose Mario Quido.

October 1963.—Following an election, Arturo Illia inaugurated as President.

June 1966.—A military coup overthrew President Illia and placed Juan Carlos Ongania in Presidency.

BOLIVIA

Mr. PASSMAN. The next country in Latin America is Bolivia. You are requesting $——— million for fiscal 1968; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How much did you program for this country last year?

Admiral HEINZ. $3,422,000.

Mr. PASSMAN. What did you request for this country last year?

Admiral HEINZ. $3,121,000.

Mr. PASSMAN. What is the reason for the increase of $301,000 in 1967?

Admiral HEINZ. The reason for the increase was concern over the internal security situation, ———, and our desire to assist Bolivia in strengthening the internal security capabilities of its armed forces. An example of the problem in Boliva is the recent guerrilla threat which sprang up in the south central part of the country last month.

EXCESS STOCKS SUPPLIED TO BOLIVIA

Mr. PASSMAN. What was your estimate as to the amount of excess stocks that would be supplied to Bolivia in fiscal 1967?

Admiral HEINZ. $916,000.

Mr. PASSMAN. What is your current estimate?

Admiral HEINZ. $252,000 is the current estimate.

Mr. PASSMAN. What was the estimate at the time you appeared before the committee last year, Admiral?

Admiral HEINZ. $916,000 was the estimate.

Mr. PASSMAN. What is the military strength of Bolivia?

Admiral HEINZ. ———.

Mr. PASSMAN. I notice, Admiral, that you are programing only one rifle for Bolivia in 1967. Is that some kind of a special rifle? Does it go to some special individual?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Does it happen to be an extra one you want to close out?

Admiral HEINZ. That is to close out the outfitting required for one unit.

(Off the record.)

BRAZIL

Mr. PASSMAN. Admiral, I note that Brazil received $1,423,000 worth of excess stocks in fiscal 1967, but which you did not include in your testimony last year. Is that correct, sir?

Admiral HEINZ. For Brazil, the 1967 program submission contained exess stocks in the amount of $855,000.

Mr. PASSMAN. You testified to that when you were before the committee last year for fiscal 1967?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. And you have programed $1,423,000; is that correct?

Admiral HEINZ. The actual program was $1,423,000.

Mr. PASSMAN. The total request for Brazil for fiscal 1968 is $——— million; is that correct?

Admiral HEINZ. That is correct. The comparable figures for last year were $16,601,000 requested, $12,988,000 programed.

Mr. PASSMAN. I yield to Mr. McFall.

CHILE

Mr. MCFALL. The next country in this area is Chile, for which fiscal year 1968 estimate is $——— million. Last year the military assistance program was supporting only ———. This year the justifications indicate that MAP is supporting ———.

Have we increased our commitment to support the Armed Forces?

Admiral HEINZ. We have not. We are showing this year the ——— which are in effect ——— in the country. These are ——— and they are being supported by spare parts and communications equipment. This does not indicate an increase in forces supported in the country.

Mr. MCFALL. It is an internal organization?

Admiral HEINZ. Internal organization of the Army.

COMMERCIAL AMBULANCES FOR CHILE IN FISCAL 1968

Mr. MCFALL. Will you comment briefly on the proposal to furnish ——— to Chile in fiscal 1968?

Admiral HEINZ. The program includes commercial type vehicles—that is vehicles built to commercial specifications rather than military specifications. Whenever it is possible to substitute the cheaper comcercial specification type vehicle, and when we feel it will do the job required of the military forces in the country, we do so.

The cost of a military specification vehicle is considerably greater than the commercial specification vehicle; and, in many cases, the commercial specification vehicle is adequate for the job of internal security forces. In general we provide military specification vehicles to forces which could be in combat, practically to the forward defense countries—for example, Korea and Thailand.

COLOMBIA

Mr. MCFALL. The fifth country in Latin America is Colombia, for which the fiscal 1968 estimate is $——— million.

Would you comment briefly on this new objective of the military assistance program which is "to establish and maintain an effective joint operations center."

Admiral HEINZ. A joint operations center is a center established in a country to coordinate the activities of the three armed services where there are three armed services, the police and other security forces and, in many cases, to coordinate the internal security activity of one country with that of another country.

We have made considerable effort and considerable progress in having the countries establish joint operations centers to coordinate their intelligence and their operations.

Mr. MCFALL. This intelligence is directed at what?

Admiral HEINZ. The intelligence is directed at obtaining information on the internal security situation, on the guerrillas that may be operating in the country, on the internal security threat.

COMMUNIST-SUPPORTED AND CASTRO-SUPPORTED INSURGENCY

Mr. MCFALL. Communist- or Castro-led guerrillas?

Admiral HEINZ. There is Communist-supported insurgency in some countries. Venezuela is a prime example of a country where evidence of Communist support has been found. There have been reports of Communist support of insurgency in Peru, in Colombia and in some Central America republics.

Mr. SHRIVER. Will the gentleman yield?

Mr. McFall. Yes.

Mr. Shriver. Are these just reports?

Admiral Heinz. I do not think there is any question but what there is support in Venezuela, and that there is some support in Colombia.

Mr. Shriver. To what extent?

Admiral Heinz. The degree of support has been varied.

To begin with, we have estimates of 3,000 to 5,000 people trained in Cuba over the past few years. Many of these are now in their native countries training other people. ———. Principally, the support is financial and training assistance, and in some cases smuggling of arms.

Mr. Shriver. Assistance from Cuba?

Admiral Heinz. Yes, sir.

Mr. Shriver. Is there any other Communist activity in any of the South American countries?

TRICONTINENTAL CONFERENCE

Admiral Heinz. To my knowledge, the subversive activities are Castro supported. ———. The Tricontinental Conference in 1966 adopted specific resolutions to carry out increased subversive activities in Venezuela, Peru, Guatemala, the Dominican Republic, and Colombia.

The OAS condemned the action of this Conference ———. But I think there is no question but what Castro is supporting insurgency efforts in Latin American countries.

RUSSIAN AID TO CUBA

Mr. McFall. In turn Castro gets his support from either China or Russia, or do you know which?

Admiral Heinz. He gets his support, economic and military, mainly from Russia. He does get some support from Communist China, but mainly from Russia.

Mr. McFall. They reputedly get a million dollars a day in support from the Soviet Union. Is this type of aid being used for subversive purposes in Latin America or do you have any information that the Chinese also may be supplying materiel used for this purpose?

Admiral Heinz. ———.

COST OF JOINT OPERATION CENTERS

Mr. McFall. If you are going to establish these ——— throughout Latin America, what would be the total cost of such an operation?

Admiral Heinz. It would be very difficult to make such an estimate because the cost would be a local government cost. Our effort is directed toward training and communications. The local government cost would be difficult to estimate because it would vary so much from country to country.

Mr. McFall. What would be the total American cost?

Admiral Heinz. I would estimate it to be from a thousand to $20,000 for communications equipment.

CHINESE COMMUNIST AID

Mr. McFall. Going back to your previous answer about Chinese Communist aid, is there any Chinese Communist aid going into South America at all?

We were discussing the type of aid coming from China and Russia through Castro.

Admiral Heinz. I find no evidence of any military assistance by China to any country other than to Cuba. I do not have the tables of economic assistance to Latin American countries. Do you know of any?

Mr. Pringle. As far as I am aware, there is not any Chinese Communist economic assistance to Latin America. There are factions of Latin American Communist Parties which support the Chinese Communist line, but I am aware of no aid.

Mr. McFall. Would this be coming through Castro?

I think the point which we are trying to establish here is that apparently Castro is providing the aid which is provided by Communist countries to the guerrilla movement in South America. On the record you have a certain amount of Russian aid. If there is any Chinese aid, obviously it would be coming through Castro, would it not?

Admiral Heinz. It would be, but I know of no direct Chinese aid.

Mr. McFall. Do you know of any aid to Castro which would be coming back in this manner?

Admiral Heinz. No, I do not.

There is collaboration between Communist China and Cuba in Africa supporting insurgency efforts. I do not know of any similar collaboration in South America.

YOUTH CAMPS FOR THE UNDERPRIVILEDGED

Mr. McFall. Are we furnishing any services for the conducting of youth camps for underprivileged persons under the civic action program in Colombia?

Admiral Heinz. Not through the military assistance program. There are some local currency grants from AID for youth camps in various locations throughout Colombia. This project was started in 1964. The local currency grants that are shown here amount to $810,000 in prior years, $700,000 proposed for fiscal year 1967.

Mr. McFall. Local currency grants, you say. These are funds which we have developed——

Admiral Heinz. From AID funding.

Mr. McFall. What type of camps are these?

Admiral Heinz. These are camps which are designed to strengthen the ties between the military forces and the youth from potential or actual violence areas and to improve the lives of these youths. The camps last for 3 weeks. Each is attended by about 30 boys from poor families in potential or actual violence areas. The boys are given clothing, toilet articles, and school supplies. They receive instruction in civics, history, geography, personal hygiene, first aid, sanitation, group activities, and supervised sports. There are about 140 Colombian military personnel occupied in this project sometime during the year.

Mr. McFall. It is not in any way related to the theory of the Hitler youth camp?

Admiral Heinz. No, it is not.

Mr. McFall. They do not have a comparable patriotic, shall we say, program similar to that in operation many decades ago?

Admiral Heinz. I would doubt it very much since there is no comparable movement in Colombia, certainly, similar to what Hitler was trying to build up.

Mr. McFall. I would hope that is the answer, but I think this is a question that ought to be asked.

Mr. Conte. What kind of a youth camp is it? What do they do there?

Admiral Heinz. The boys receive instruction.

Mr. Conte. Do they camp there?

Admiral Heinz. There are some 32 camps that are held per year.

Mr. Conte. Do they stay overnight?

Admiral Heinz. They stay about 3 weeks.

Mr. Conte. What is the age group?

Admiral Heinz. The age group is 12 to 16.

Mr. Conte. What kind of drill instructions do they get?

Admiral Heinz. Drill instructions?

Mr. Conte. What do they do in the camp; tell us something about it.

Admiral Heinz. They give them instruction in civics, history, geography, personal hygiene, first aid, sanitation, group activities, and supervised sports.

Mr. Conte. Do they have a uniform?

Admiral Heinz. It is not specific whether they have uniforms or not. They are given some clothing and school supplies.

Mr. Conte. Thank you.

TRANSPORT AIRCRAFT SUPPORT

Mr. McFall. I note on page 101 we are now supporting ——— even though we did not have such a commitment last year. Would you comment on this, please?

Admiral Heinz. There is no commitment to support specific forces in any Latin American country.

The purpose of showing the MAP-supported forces in the country is mainly to indicate the portion of its total forces which we specifically support. In general, our fiscal year 1968 program support for aircraft in this country is all spare parts.

Mr. McFall. In some of these countries you have the army participating in civic action which utilize aircraft, do you not?

Admiral Heinz. Yes, we do.

Mr. McFall. Will you list the type of activity for which this type of aircraft would be used?

Admiral Heinz. In civic action activities, they use transport-type aircraft for carrying personnel and equipment. There is one further example: In at least one country I know of they have fixed up one of the aircraft as a flying clinic.

Mr. McFall. Is that what they are using these for?

Admiral HEINZ. The transport aircraft are not used entirely for civic action; but they may be used partially for civic action.

Mr. MCFALL. For the record, Admiral, why do you not just expand your answer to give us an idea of what they are using these transport aircraft for?

Admiral HEINZ. The activities of the Air Force includes medical civic action, but they would be used for lift of military personnel if required. However, civic action is not their entire activity; it is only a part of their activity.

Mr. MCFALL. If you would, expand on that for the record.

Admiral HEINZ. Yes.

Mr. MCFALL. Just so we have a statement concerning the utilization of these ——— transport aircraft.

(Classified information was supplied to the committee.)

DOMINICAN REPUBLIC

Mr. MCFALL. The sixth country in the Latin American area is the Dominican Republic, for which fiscal 1968 estimate is $——— million.

INCREASE OF DOMINICAN REPUBLIC 1967 PROGRAM OVER JUSTIFICATION

I note you have allocated $3,089,000 in fiscal 1967 to the Dominican Republic program. What was the necessity for increasing fiscal 1967 program above what you had justified to the Congress last year?

Admiral HEINZ. The changes in the Dominican Republic program came about as a result of the need for increased support of the forces which are being retrained. We increased communications equipment and training, added patrol craft, and reduced vehicles and repair and rehabilitation. We also deleted a patrol gunboat.

Mr. MCFALL. What is the difference, Admiral? You justified how much in the 1967 program?

Admiral HEINZ. We requested $2,546,000 and the program was increased to $3,089,000.

Mr. MCFALL. Slightly more than $500,000?

Admiral HEINZ. About $500,000, yes. We are trying to equip the military forces as they are retrained. It is, of course, part of the overall U.S. effort to promote stability in the Dominican Republic. ———. We only support part of the present forces. But much of their equipment is in very poor shape, and we felt there was an increased need for equipment in the country.

The increase was principally in operating costs. It was actually an increase of $500,000 in training for Dominican Republic forces.

Mr. MCFALL. So the whole $500,000 can be justified as an increase in training for the Dominican Republic?

Admiral HEINZ. The principal increase was in training. There were other minor changes, but that was the major increase.

NUMBER OF AIRCRAFT IN THE DOMINICAN REPUBLIC AIR FORCE

Mr. MCFALL. Last year the justification indicated that there were ——— aircraft in the Dominican Republic Air Force and this year

the justification indicates there are ———. What happened to the difference between ——— and ———?

You might provide that for the record.

Admiral HEINZ. I will research this and provide it for the record.

(Classified information was furnished to the committee.)

Mr. MCFALL. ———.

Admiral HEINZ. No, sir.

EQUIPMENT FOR CIVIC ACTION PROJECTS

Mr. MCFALL. What type of construction equipment do you propose to furnish for use on the civic action projects for this country?

Admiral HEINZ. Forklift trucks, tool kits, compressors, a tractor in 1967 and similar type construction items.

Mr. MCFALL. Before we go to the next country, which is Ecuador, when you are correcting our record on Colombia, in our discussion of the youth camps I believe the record should show this is supported by AID and not military assistance.

Admiral HEINZ. That is right. It is supported by AID and not military assistance.

ECUADOR

Mr. MCFALL. The next country is Ecuador, in which the fiscal year 1968 estimate is $——— million.

Would you comment briefly on the MAP-supported joint operation center which is now in operation, and tell the committee how much it cost to set it up and the annual maintenance cost?

Admiral HEINZ. We will have to ascertain the cost of the equipment allocated and supply that for the record.

The joint operation centers for all countries are similar in purpose. They vary in size, depending upon what the country desires to incorporate into joint operation centers.

Mr. MCFALL. Does the country determine it or do we determine it?

Admiral HEINZ. The country determines the size of the buildings, how much equipment, and how many people they can contribute; we provide assistance in the form of advice, training, and communications equipment.

Mr. MCFALL. Presumably your advice determines the extent of the efforts some way or another.

Admiral HEINZ. ———. The main thrust is to have all efforts coordinated so that if an occasion does arise wherein a counterinsurgency effort must be undertaken, all elements capable of combating it can undertake the effort in a coordinated manner.

Mr. MCFALL. Do you find this competition exists quite generally in South America?

Admiral HEINZ. The competition has not been too great in Latin America.

I feel certain this is bringing about better coordination and cooperation.

Mr. MCFALL. Would you comment concerning the reason why some of the South American countries did not have this type of coordinated efforts before?

Is it solely the result of our advice?

Admiral HEINZ. I feel it is the result of our advice, U.S. advice and effort, over the past several years. This is something they had never progressed to.

TRAINING PROGRAM

Mr. MCFALL. In view of your statement on page 104, "———," I am wondering why you are proposing to ——— by approximately ——— percent in fiscal 1968.

Admiral HEINZ. ———.

RELATIONSHIP BETWEEN SPARE PARTS AND TRAINING

Mr. MCFALL. The question in our minds here is the relationship between spare parts and training. If you cut out the training, does this cost you more in spare parts or what is the relationship between spare parts and training here?

If the record would show this, I think it is what we are looking for.

Admiral HEINZ. Of the training that is proposed, well over half will be maintenance training—engineer, communications and electronics maintenance—and logistics training.

The division or the breakdown of the program between training and spare parts depends, each year, upon the judgment of the military group as to how best to program the total funds available to them. Where there are deficiencies in many areas, as there are in many Latin American countries, the percentage of the program allocated to training or to spare parts will vary from year to year.

Mr. MCFALL. The committee is grateful for any reduction in the program, but we just want to make certain your objectives are being properly attained.

Admiral HEINZ. The U.S. military group in the country working with the forces of the country does look at all of these aspects to determine the best division, in any particular period, between training and materiel.

Mr. SHRIVER. Will the gentleman yield?

Mr. MCFALLS. Yes.

Mr. SHRIVER. I notice in the justifications this statement: ———

COMMUNIST TRAINING AND FINANCIAL SUPPORT

To what extent are the Communists receiving outside training and financial support in this country, if you know?

Admiral HEINZ. I cannot give you the specific numbers that receive outside support.

Mr. SHRIVER. Do you have an idea?

Admiral HEINZ. ———.

To go back to the Cuban support, we had no specific mention of Ecuador as a target. There is a threat in the country, but no active insurgency going on now.

Mr. SHRIVER. What is the threat?

Admiral HEINZ. The threat ——— is mainly that of civil disturbance ———.

Mr. SHRIVER. What do you mean by that?

Admiral HEINZ. ———.

Mr. SHRIVER. Going back to the statement "Communists continue to receive outside training and financial support," where are they getting that in the country of ———?

Admiral HEINZ. ———.

Mr. SHRIVER. I am talking about Ecuador.

Admiral HEINZ. In Ecuador it would generally be in the form of support from Castro Cuba.

Mr. SHRIVER. But not too extensive?

Admiral HEINZ. No, not too extensive.

Mr. SHRIVER. That is all.

PERU

Mr. MCFALL. The eighth country in the Latin American area is Peru for which the fiscal year 1968 estimate is $——— million. I note that Peru is reducing her defense expenditures as a percentage of GNP below that of the prior fiscal year. Would you comment on this?

Admiral HEINZ. The last estimate we have on Peru is of defense expenditure amounting to 2.7 percent of the gross national product. In 1963 it was 3.1 percent. We would like to see that trend continue.

Mr. MCFALL. It is all for the good in South America.

Admiral HEINZ. Yes.

Mr. PRINGLE. Might I comment?

———.

Mrs. HANSEN. Will the gentleman yield?

Mr. MCFALL. Yes.

PURCHASE OF AIRCRAFT

Mrs. HANSEN. In Peru they requested some planes from us, as I recall, or it was contemplated that they would buy some. Are they going to try to buy them someplace else in the world?

Admiral HEINZ. Peru is one of the countries that has requested F–5's from us.

Mrs. HANSEN. I know.

Admiral HEINZ. ———. They have reportedly been shopping in various countries in Europe looking toward buying additional air craft.

Mrs. HANSEN. Would you tell me why they need any planes in Peru and why they need an elaborate military establishment? They have poverty enough to take care of them for the next 50 years.

Admiral HEINZ. What Peru is trying to do is to replace its old aircraft. Most of the aircraft in Latin America are of the vintage of 1948 or earlier.

Mr. LONG. Good.

Admiral HEINZ. ———.

Mrs. HANSEN. What is the per capita income in Peru?

Mr. SHRIVER. $378.

Mrs. HANSEN. I believe that is that portion of the GNP. You can put that in the record.

Admiral HEINZ. $378. That is the per capita GNP.

Mrs. HANSEN. That is what I thought.

Now, back to those aircraft, why does Peru want them? Is it to keep and, shall I say, follow the status or the fashion in South American countries?

Admiral HEINZ. Peru wants them to replace its old aircraft.

Mrs. HANSEN. That is only half of it.

Admiral HEINZ. ———.

Mrs. HANSEN. I agree with you.

Admiral HEINZ. Peru wants them because they feel their old aircraft are obsolete.

Mrs. HANSEN. Because Chile has some?

Admiral HEINZ. Chile hasn't gotten any. Chile is buying some aircraft, but Peru has been wanting more modern aircraft for some time.

PURCHASE OF AIRCRAFT FROM ENGLAND BY CHILE

Mrs. HANSEN. Where is Chile buying hers?

Admiral HEINZ. England.

Mrs. HANSEN. What does she need a lot of aircraft for, too?

Admiral HEINZ. ———.

Mrs. HANSEN. But why does Chile feel that they need these aircraft?

Admiral HEINZ. Mainly, they are trying to replace their current aircraft.

MILITARY OBJECTIVES OF LATIN AMERICAN COUNTRIES

Mr. LONG. I think you are missing the whole point, Admiral. What is their military objective?

Mrs. HANSEN. That is exactly what I meant.

Admiral HEINZ. ———.

Mr. LONG. Right. We are helping each one maintain parity, to upgrade and escalate its military posture, vis-a-vis the other country; and the other country is doing the same thing.

Admiral HEINZ. We are not selling any aircraft to these countries. The only aircraft we have sold, let's say——

Mr. LONG. Are they able——

Admiral HEINZ. With respect to the aircraft that we sold to Argentina, their purpose in buying aircraft is to replace the aircraft they now have which, in many cases, are becoming unsupportable. The only aircraft sales that we have made recently have been T–33-type aircraft to Brazil.

CHILEAN PLANE PURCHASES AND U.S. ECONOMIC AID

Mrs. HANSEN. Getting back to Peru and Chile, I wonder if you could explain or provide for us—not for the record, but provide for us the amount of money that Chile spent in purchasing these planes from England, and then at the same time provide the economic aid that we are giving Chile.

Admiral HEINZ. I will do that.

(The information follows:)

CHILE PURCHASES AND ECONOMIC AID

Aircraft purchases.—Chile purchased 21 Hawker Hunter aircraft for a reported $9 million and related support for a five-year period at an estimated $4 to $5 million.

U.S. economic aid.—During the period 1946–66 U.S. economic aid to Chile was as follows:

Total economic aid	$1,121,300,000
Repayments and interests	225,500,000
Economic loans and grants (less repayments and interest)	895,800,000

Mrs. HANSEN. I think these figures belong together. I think I will get back later on when it gets to be my turn and you have finished with your questions.

Mr. MCFALL. I note that the Army has ——— but page 107 indicates that there are only ———. Would you comment, please, Admiral?

Admiral HEINZ. We are providing support to ———, but we do not support all the forces these countries maintain in every case. In this case, we are providing military assistance to only ———. As far as I know, assistance for the other ——— is not required.

Mr. MCFALL. In other words, it is our policy to provide only that much support?

Admiral HEINZ. Yes; only that much.

Mr. MCFALL. What is the estimate as to the cost of material that you propose to furnish in 1968 for in-country construction of the ———.

Admiral HEINZ. I will supply that for the record.

(Classified information was furnished to the committee.)

Mr. MCFALL. Are there any questions on Peru?

Mrs. HANSEN. Are you doing it country by country?

Mr. MCFALL. If you have some questions, we could finish with Peru.

TOTAL U.S. AID AND PERUVIAN DEFENSE EXPENDITURES

Mrs. HANSEN. What military assistance are we supplying Peru in money? What are they spending on defense and what is our total aid to Peru? Will you supply that for the record?

Admiral HEINZ. I will do that.

(The information follows:)

MILITARY ASSISTANCE TO PERU

No military assistance is being supplied to Peru, or any country, in the form of money. The Military Assistance Program for Peru, consisting of defense articles, defense services and training, totals $4,985,000 in FY 1967.

In CY 1966 Peru spent $134.0 million in self-financed defense expenditures. That total represented 2.7% of the GNP, and showed the continuing downward trend of Peruvian defense expenditures as a percentage of GNP (i.e., CY 1962=3.2%, CY 1965=3.0%).

U.S. Economic assistance to Peru in FY 1966 was $43.4 million. Total U.S. Economic and Military Assistance, less repayments and interest, through FY 1966, is $443.3 million.

CIVIC ACTION PROGRAM ROAD BUILDING

Mrs. HANSEN. On Peru, also I would be interested in this: You have a category here under "Army units are active in programs of vocational literacy training," which are good down there of "transportation into remote areas." I wonder if you would put in how many miles of road your civic action program has helped construct and what the cost per mile has been and who they cooperated with? Was it the Government of Peru, was it in concert with our own aid program; what was it?

Admiral HEINZ. I could give you the best example of that in a Peru civic action project. One project of 6 miles of new construction, cost $33,400, which is about $5,576 per mile.

Mrs. HANSEN. What area of Peru was that? If it is out there on the seacoast, all right. If it is up in the mountains, I wonder.

Admiral HEINZ. This is through rain forests in Peru.

Mrs. HANSEN. All right. That is good enough.

Admiral HEINZ. We have a cost breakdown on this.

Mrs. HANSEN. I am sure, as you are well aware, that transportation is one of the vital needs of Peru——

Admiral HEINZ. Yes.

Mrs. HANSEN. And they can't develop economically until they have more highway development there. Now, when you plan a defense highway do you plan it so that there is total economic assistance, too, on these civic action programs?

Admiral HEINZ. Some civic action programs are supported by AID, some are not.

Mrs. HANSEN. No. In your planning, for example, if you are going to build a road into any given area is it done upon the basis of the multiplicity of uses, is it done solely as a defense effort where the use will be largely for defense or control of insurrection, or something like that? Or does the military sit down with AID and with the total mission there and plan their road so that they have complete use?

Admiral HEINZ. In general, the country planning is based on complete use.

Mrs. HANSEN. With the military participating?

Admiral HEINZ. With their military participating in the construction. As an example, in Peru, I have a map which shows the location of major efforts in Peru on road construction. You will see it is in three areas of the country. It is lateral construction, from east to west through the mountainous territory. The country planning considers the military forces available that can be used on construction, civilian construction capabilities that are available in the country, funds from the country's budget that could be allocated to this work and funds that may be available from AID for the project.

Mrs. HANSEN. As you are well aware, President Belaunde is a man interested in building.

Admiral HEINZ. Yes.

ROADBUILDING AND RELATED PROGRAMS

Mrs. HANSEN. So that this country would be a country dedicated to a good program of not only highway building but related programs.

Admiral HEINZ. As an example of this, the first project listed in this book is the Nazareth Ayar Manco project, which will open up an estimated 2 million acres of cultivatible land for local colonization. This will be completed, hopefully, by 1970.

Mrs. HANSEN. At the same time, when they are planning to open up that land for cultivation they are going to have to provide schools and all the other things that go with it. Is this part of the planning, too?

Admiral HEINZ. Yes, but it would not necessarily be civic action planning. The civic action projects are those projects in which military forces participate. These would be only a part of the overall country development effort.

Mrs. HANSEN. I understand that, but I wanted to make sure that they are planned so that they are a multiuse highway or multiuse part of the program.

Admiral HEINZ. Yes, they are. Military usage is not the objective in these projects.

Mrs. HANSEN. That is what I wanted to know.

Admiral HEINZ. It is not the objective. The objective is generally to open up new areas by providing means of transportation in those sections of the country where it has been lacking.

The primary justification is not military for any of these projects.

Mrs. HANSEN. On the very details of construction do they have the equivalent of an army engineer corps that do the programing on this? Are they civilian dominated? What part does the military play?

Admiral HEINZ. This would vary from country to country.

Mrs. HANSEN. We are on Peru.

Admiral HEINZ. The military-assigned projects of the Peruvian Armed Forces are included in the general plans of the National Planning Institute.

Mrs. HANSEN. Which is a Peruvian institute?

Admiral HEINZ. Yes; it coordinates plans with the Ministries of Health, Education, Agriculture, Development, and Interior.

There is a coordinated governmental plan for development.

Mrs. HANSEN. So then they just assign to the military that part of it that they wish to play?

Admiral HEINZ. That is correct.

Mrs. HANSEN. In concert with the others?

Admiral HEINZ. Yes; with the other agencies of the Government.

PER CAPITA INCOME OF PERU

Mrs. HANSEN. Be sure and provide for the record the per capita income there, because this is a country of intense poverty and intense wealth.

Admiral HEINZ. Yes.

(The information follows:)

The Per Capita GNP of Peru in Constant 1965 Dollars was as follows:

1961	325	1963	347	1965	367
1962	345	1964	364	1966	378

This reflects an average annual increase of 3.4%.

Mr. McFall. Mr. Shriver, do you have any questions you would like to ask about Peru at this time?

Mr. Shriver. No.

Mr. McFall. Dr. Long?

Mr. Long. No.

El Salvador

Mr. McFall. In connection with the $——— estimate for ——— in fiscal 1968 I am wondering why you are allocating $——— more in fiscal 1968 than you did in fiscal 1967 for internal security purposes, especially in view of your statements on page 108 which seem to indicate that the armed forces together with paramilitary forces and major police forces are capable of performing their internal security mission. Would you comment on this, please?

Admiral Heinz. Internal security is the major purpose of assistance to ———. The larger program in 1968 as compared to 1967 is to provide about $——— in training and ———.

Mr. McFall. ———?

Admiral Heinz. The training estimate in 1968 is $——— in 1967 it was $———. The total program is $——— in 1968 and $——— in 1967. In 1967 we cut back Latin American programs. ——— was cut back from a request of $———.

Mr. McFall. Mr. Shriver, do you have any questions on ———?

Mr. Shriver. No questions.

Mr. McFall. Are there any questions on this side?

(No response.)

Mr. McFall. Mrs. Reid?

Mrs. Reid. No questions.

Panama

Mr. McFall. In connection with the program for Panama, I note on page 199 of the backup data book that you have delivered 1,000 rounds of shotgun ammunition to Panama through June 30, 1966, even though you have not delivered any shotguns prior to that date. Would you comment?

Admiral Heinz. Actually, the shotguns for Panama were programed before the ammunition was programed. Delivery of ammunition took place in late fiscal year 1966. The shotguns were actually delivered in July of this year.

Mr. McFall. Questions on Panama?

Mr. Shriver. No questions.

Paraguay

Mr. McFall. In connection with the military assistance program for Paraguay, why are you programing ——— equipment items in fiscal 1968?

Admiral Heinz. I will supply that for the record.

(The information follows:)

Electronic and Communications Equipment in Paraguay (FY 1967–FY 1968)

The referred-to electronic and communications equipment for Paraguay consists of:

Fiscal Year: 1967.
Description: AN/URN-5 Radio Beacon.
Quantity: 1.
Cost: $8,500.

For procedural purposes, this equipment is generally categorized as electronic countermeasures equipment. In Paraguay, however, this equipment is intended for the Army Signal Command, whose missions are only internal security and civic action. The Command provides the sole means of signal communication with remote areas in the country.

INTERNAL SECURITY PROGRAM FOR FISCAL YEAR 1968

Mr. McFall. Why are you ——— the program for internal security by $———?

Admiral Heinz. The percentage allocated for internal security is generally ——— for all countries. You will notice that, in 1968 some ——— percent of the total program is devoted to internal security. This is a ——— 1967. For several years we have been reducing the amounts devoted to anything other than internal security. In past years, the Latin America program included a substantial amount devoted to hemispheric defense. This has become negligible.

Mr. McFall. But there is an ——— in the internal security by $———, is there not?

Admiral Heinz. In the case of Paraguay, we have allocated $——— to internal security. Last year, it was $400,000. You will notice that in ——— years, ———, is devoted to civic action. The training in ———. There is a slight ——— in ——— for Paraguay in the 1968 program, as compared to 1967, and also in the amount for ——— in 1968 as compared to 1967.

Mr. McFall. You have an ——— of some $———. Perhaps you can expand your answer for the record to indicate the need for ——— in this ——— percentage for internal security.

Admiral Heinz. Yes.

(Classified information was supplied to the committee.)

Mr. McFall. Are there any questions on Paraguay?

CIVILIAN BENEFITS FROM MILITARY ASSISTANCE PROGRAM

Mr. Shriver. I am curious about this statement in the justification:

The Air Force provides the only regular low-cost air transportation to isolated areas.

You are referring to the air force of Paraguay, I assume?

Admiral Heinz. Yes.

Mr. Shiver. Do civilians use it?

Admiral Heinz. Yes. In Paraguay, the civil transport system is very small, just starting; the air force, using C—47's, has been able to provide air transport to isolate areas to take care of the needs of the people, to some extent.

Mr. Shriver. Do they pay for that service?

Admiral Heinz. In Paraguay, the civilians do pay for it. The revenues go to the air force to help pay for operating costs.

Mr. McFall. Is it a proper thing to say about much of this military assistance aid to South American countries that while it is labeled

military assistance it is primarily used for civic action, civic development, civilian development of the country?

Admiral HEINZ. The actual amount of funds devoted to civic action is relatively small—less than 10 percent.

Mr. MCFALL. But most of the equipment that is being used is used for civilian purposes?

Admiral HEINZ. No. I would not say so because the 8.6 percent in 1968 and 7.5 percent in 1967 which is devoted to civic action includes both training and equipment.

The amount of equipment provided is becoming smaller since it is only provided to initially equip engineering units. You hear a lot about civic action because every country in Latin America has an extensive civic action program and their achievements are in the limelight.

Mr. MCFALL. It seems to me that in your answer to this question, the one Mr. Shriver posed, asking about the military transports being used for civilian transportation system throughout the area, and from the answer to Mrs. Hansen's question about the roads that were being built in Peru, while it is designated as a military assistance program it is being used for civilian development of areas in the country. I am not arguing the point here but it seems to be that while it is designated as military, what we are getting is a great benefit for the development of the country which is not necessarily related to the armed forces or to the military forces or posture of the country. If this is true, I think it is good rather than bad.

Admiral HEINZ. What we have attempted to do is to have the countries employ their military forces where possible in worthwhile projects.

Mr. MCFALL. All right.

Mr. SHRIVER. One more question.

Mr. MCFALL. Yes.

PROBLEM OF BOLIVIAN ACCESS TO THE SEA

Mr. SHRIVER. The Government of Paraguay is not raising any question at this time about not having an access to the sea, as Bolivia is, is it?

Admiral HEINZ. Not that I know of.

Mr. PRINGLE. They are not, so far as I know. They are cooperating with Argentina and Brazil in regional development of the River Plate area and they have access by the River Plate.

Mr. SHRIVER. We are not to that country yet, but I would like to get to your comments concerning the nationalistic overtones of the present Government of Bolivia in connection with demands for access to the sea through Chile and what its relationship might be upon our relations with Bolivia. We are not to that country yet, however.

Mr. MCFALL. Shall we wait until we get to that country and he will be all prepared?

Mrs. HANSEN. That is what you think.

Mr. SHRIVER. We have already passed it so I think I can ask it.

Mr. MCFALL. All right.

Mrs. HANSEN. Which country are you on?

Mr. SHRIVER. Well, we did not start in with a country-by-country examination, so I was waiting to ask that question until we were through with all of them.

Mrs. HANSEN. You go right ahead.

Mr. SHRIVER. That is all.

Mr. MCFALL. Do you have any questions on Paraguay?

Mrs. HANSEN. Not on Paraguay. But I do have some general questions.

Mr. CONTE. I have a lot of questions.

Mr. MCFALL. All right.

Mrs. HANSEN. Mine are general overall.

EQUIPMENT FOR URUGUAY

Mr. MCFALL. In connection with the program for Uruguay, would you comment ———?

Admiral HEINZ. ———.

Mrs. HANSEN. Glad to hear that.

Admiral HEINZ. It does not show the size. They are used exclusively for training.

Mr. CONTE. Could we have the size of these ———? How big are they? Do they make a hole in the wall?

Mr. MCFALL. Are they practice items?

Admiral HEINZ. Yes. I will get the size.

Mrs. HANSEN. Are they U.S. discards?

(The information follows:)

BOMBS FOR URUGUAY

The bomb in question is a 100-pound inert aerial practice bomb which is filled with sand and water, and is supplied for training purposes.

Mr. MCFALL. ——— you can put that in the record unless you have it right there.

Admiral HEINZ. This is part of the overall communications equipment that we provide, ———.

GRANT AID TRAINING FOR VENEZUELA

Mr. MCFALL. In view of the fact that Venezuela is the third richest country in Latin America, what is the rationale with providing her with over a $——— a year in grant aid training when she seems to be able to purchase this type service from us?

Admiral HEINZ. Venezuela is purchasing equipment from us———. We have had a training program in Venezuela for many years ———.

As a matter of fact, Venezuela could include in her purchases from this country training in this amount. Whether she would or not is another matter.

Mr. MCFALL. As a matter of policy, then, this is a mission to assist this country ———?

Admiral HEINZ. Yes, sir.

Mr. MCFALL. This is consistent with the pattern of operation for the other Latin American countries?

Admiral HEINZ. In other Latin American countries, where we have had grants of equipment, we are phasing down in most cases.

MILITARY SALES TO VENEZUELA

Mr. McFall. What are the details of the ———?

Admiral Heinz. The terms ———.

Mr. McFall. What are they purchasing $——— million?

Admiral Heinz. They have purchased mainly miscellaneous equipment for the Army, Navy, and Air Force. It has not been concentrated on major items.

The major items of sales to Venezuela are limited to ———. This is 1960 or prior. Those are the only major items. The remainder is a broad range of equipment for their armed services.

Mr. McFall. What are the major items?

Admiral Heinz. The only major items in the sales program have been ——— in 1960 or prior.

Mr. McFall. In other words, ———?

Admiral Heinz. Since 1957.

Now, there were also some ——— in 1957, and a ——— in 1959. Sales have averaged in the last few years about $———.

REGIONAL PROGRAM FOR FISCAL YEAR 1967

Mr. McFall. Thank you. The Latin American regional program for fiscal 1968 is $1,591,000, ——— of $431,000. How much did you allocate in fiscal 1967 for each one of the six items listed on page 117 of the justifications?

Admiral Heinz. They are listed as command training support, counterinsurgency training, training exercises, training support, training in continental United States.

I will supply that breakdown for the record.

(The information follows:)

LATIN AMERICA AREA PROGRAM—FISCAL YEAR 1967

The Latin America area program for fiscal year 1967 includes the following:

Command training support	$489,000
Counterinsurgency training	34,000
Training exercises	502,000
Training support	80,000
Other support	55,000
Training in continental United States	[1]
Total	1,160,000

[1] Not included in Latin America area program in fiscal year 1967.

MAJOR CHANGE IN THE LATIN AMERICAN AREA PROGRAM

Admiral Heinz. One major change in the Latin American area program is adding to it, as we have done throughout the book this year, training for those countries which have as their only program the training of personnel in the United States.

In the Latin American area this applies to ——— and ———. This accounts for ———. Last year all such programs were shown as individual country programs.

Mr. Shriver. I do not understand that.

Admiral HEINZ. This is due to the fact that the Congress last year enacted legislation limiting to 40 the number of countries which could receive assistance other than training in the United States only. We thus had a new category of country—CONUS training only. There are now three categories of countries: those which receive material, services and training; those which receive training both inside and outside CONUS; and those which receive CONUS training only. To try and clarify the presentation we have identified the individual programs for those countries to which the congressional limitation would apply. We have put the small CONUS training only programs, 16 small country programs, over half of them being less than $70,000, in the area programs.

Mr. SHRIVER. This is not an effort to get around the limitation placed by Congress?

Admiral HEINZ. No, sir; not at all. Its purpose is to highlight the countries which are receiving material assistance and to which the limitation applies, and to group the CONUS-training-only countries, to which it does not apply, into another category. In this latter category there could be from four to 30 people coming to the United States for training, funded in the area programs.

There is no congressional limitation as to the number of countries for which we provide "CONUS only" training. We have listed the countries from which we propose to bring students to the United States.

SUPPORT TO CENTRAL AMERICAN DEFENSE COUNCIL

Mr. MCFALL. What is the cost of the communications support of the joint operation center in the Central American Defense Council?

Admiral HEINZ. I will supply that for the record.

(Classified information was furnished to the committee.)

CONUS TRAINING PROGRAMS

Mr. MCFALL. I note you have $——— allocated for continental United States training of military personnel from Costa Rico and ——— in fiscal 1968. What was the training program for each of these countries in 1967?

Admiral HEINZ. In Costa Rico in 1967 it was $40,000, ———.

Mr. MCFALL. ———?

Admiral HEINZ. We expect that there will be ——— in CONUS training for both countries this next year. However, the final figures for CONUS training will be determined this month. We have worldwide training conferences, and it is at that time that we reallocate training spaces among the countries if we find substantial variation from the estimates of prospective students made last summer.

VARIATIONS IN COSTS OF TRAINING PROGRAMS

Mr. MCFALL. What is the cause of the variation in the costs? What policy determines this?

Admiral HEINZ. We have a constant policy with respect to training for any particular country, but you can never be sure until you get

fairly close to the actual scheduling that the country will have qualified people available to attend the courses.

You have to match qualified people with spaces available in the schools. We attempt to forecast this for the presentation. This presentation was made up last fall. We are now getting firm figures from the services as to spaces which will be available in each of some 200 different schools. We then have to match these up with the students whom the countries say will be available and qualified for those spaces.

COST OF OPERATION OF THE SCHOOL OF AMERICAS

Mr. McFall. Then when you receive those firm figures, we would appreciate your informing the committee because we may find a saving. What is the annual cost of operation of the School of the Americas?

Admiral Heinz. The total operating expenses in 1966, including both direct and indirect costs, amounted to about $2,055,000.

NONREGIONAL COSTS

Mr. McFall. Now we go to the military assistance program nonregional costs. Would you comment briefly on this entry on page 25 relating to MAP assets and other nonregional costs which indicates the fiscal 1967 program as being minus $67,458,000.

NEW LOGISTICS POLICY FOR MAP EQUIPMENT

Admiral Heinz. In the presentation document last year we show this is a minus $4.9 million. The major change resulted from a new logistical policy which provided that responsibility for the stockage, and support of spare parts for MAP equipment was to be transferred from MAP to the services. This came about mainly because of the war in Vietnam. The services had not previously been supporting many types of equipment which were in use by MAP-supported forces.

When they began supporting such forces in Vietnam, we had a situation wherein both MAP and the services were stocking spare parts for the same types of equipment. MAP had previously supplied some $53.8 million for funding for stockage of spare parts. This equity in spare parts was turned over to the services. They in turn released for MAP use in fiscal year 1967, $53.8 million worth of drawdown on spare parts servicewide.

This money became available to MAP in fiscal year 1967.

This change in policy was unanticipated and did not occur until late October, well after the Foreign Assistance Act had been passed.

In addition, there was a drawdown of spare parts from the depot in Japan. We had planned on this, of course; and it was shown in the CPD last year.

Mr. McFall. MAP-peculiar items?

Admiral Heinz. It applies to items of equipment which are peculiar to MAP, and not common. A common item is one that is common to both MAP and the services.

COST OF FINANCING PECULIAR SPARE PARTS

Mr. McFall. In your answer, Admiral, would you discuss what has been the annual cost of financing these peculiar spare parts which will now be funded by the military departments.

Admiral HEINZ. The total value of stockage which was given to the Air Force and the Army amounted to $53.8 million.

Mr. MCFALL. What amount is now included in fiscal 1968 Department of Defense estimates for this purpose?

Admiral HEINZ. That would be extremely difficult to break out because it will be included in the overall spare parts inventory of the services. MAP continues to pay for items issued to MAP countries. It no longer pays to prestock items.

DISTRIBUTION OF AIRCRAFT AND HELICOPTERS

Mr. MCFALL. Could you comment briefly on the T–28 aircraft and UH–34D helicopters which were distributed to the country programs and possibly you might want to insert a table showing which countries received these aircraft.

Admiral HEINZ. The UH–34D aircraft were procured for Vietnam in 1965. When the U.S. forces became involved in Vietnam it was decided to standardize the helicopter inventory there. As a result the H–34's were no longer required for Vietnam. These were not transferred to the services when the Vietnam program was transferred. Instead, they were applied to the ——— program.

Since MAP had already paid for them, they were applied as assets. This increased the MAP assets that could be applied during 1967 by $5.1 million. In 1966 we foresaw that we would have to concentrate efforts to put all T–28 aircraft available into a program for ———. In order to keep the supply going ———, we bought T–28 aircraft and put them into the rehab line in 1966 with the thought of having them available in later years. These were applied to the program in 1967.

Mr. MCFALL. You will put that table in the record?

Admiral HEINZ. All T–28 aircraft were applied ———.

TOTAL COST OF ADMINISTRATION OF THE MILITARY ASSISTANCE PROGRAM

Mr. MCFALL. Would you prepare a table for the record showing the total cost of administration of the military assistance program in fiscal 1966, 1967, and 1968, which would include the amount of administrative expenses which have been spelled out in the appropriation language, the cost of reimbursement to the State Department, and the host government assistance in kind.

Admiral HEINZ. I will.

(The information follows:)

Military assistance support

	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
Administrative expenses [1] spelled out in appropriation language	$23,358,000	$23,338,000	$21,400,000
Reimbursement to State Department for—			
Administrative expenses	(1,600,000)	(1,600,000)	(1,400,000)
Training support	2,460,000	2,900,000	2,740,000
Office, inspector general	175,000	175,000	175,000
Host government assistance-in-kind	11,130,000	7,734,000	6,289,000

[1] Includes funds for reimbursement to State of $1,600,000 in fiscal year 1966, $1,600,000 in fiscal year 1967, and $1,400,000 in fiscal year 1968 shown below in parentheses.

SPECIAL TRAINING FOR MAAG PERSONNEL

Mr. McFall. Also furnish for the record a table showing the 1967 allocation for each of the six items listed at the top of page 119 and what type of special training you give U.S. personnel prior to assignment to MAP duty at a cost of $627,000 that is not covered by the Military Assistance Institute program.

This is a question you can answer now, if you can.

Admiral Heinz. I can answer that now. This is special training for MAAG personnel prior to assignment to MAP duties. It consists principally of training in the operation of aircraft. For example, the host country may have a certain type of aircraft in its air force which is not in operation in the U.S. Air Force. This would apply particularly to H–34 helicopters which are only in use in the U.S. Marine Corps. If Air Force or Army advisers are to advise with respect to H–34 helicopters, we give them the necessary special training. It also applies to F–5 aircraft. The U.S. Air Force now has F–5 aircraft operating only in Vietnam; but we have F–5 aircraft in many MAP countries. So we give some MAAG officers a course in F–5's.

Training is also required in F–104 aircraft. This has been an item in our Congressional Presentation Document for several years.

MAAGS IN COUNTRIES WITH NO MILITARY ASSISTANT PROGRAM

Mr. McFall. What is the number of personnel and their cost that is assigned to any country in fiscal 1968 to which we no longer have a military assistance program? Do we have personnel in countries in which we no longer have a military assistance program?

Admiral Heinz. Yes. We have personnel assigned, for example to MAAG's in Europe, and countries for which there is no longer a grant-aid program, but where there is a sales program. I will supply those for the record.

Mr. McFall. Furnish for the record what their duties are, the number of personnel, and the cost.

Admiral Heinz. Yes, sir.

(The information follows:)

Fiscal year 1968 estimated number and cost of MAP supported personnel and their duties in countries no longer receiving grant aid

Country	Number of personnel			Estimated [2] MAP costs
	United States	Local	Total [1]	
European area:				
Belgium	24	12	36	$325,000
Denmark	25	3	28	238,000
France	10	10	20	176,000
Germany	95	8	103	959,000
Italy	38	5	43	588,000
Netherlands	23	4	27	208,000
Norway	28	13	41	277,000
NESA area:				
India [3]	15		15	208,000
Pakistan [3]	13	12	25	317,000
Africa area: Mali	7	2	9	125,000
Pacific area: Japan	51		51	854,000

[1] MAAG personnel strengths are reviewed annually and reductions effected commensurate with reduced responsibilities. As an example, it is estimated that MAAG Japan will be reduced from the current strength of 80 to the 51 above as a result of a recent survey.

[2] Direct MAP support. Contributed currencies by host governments offset a large part of these costs.

[3] These MAAGs are being discontinued. Form and personnel composition of future organizations a being determined.

Duties Performed: Personnel of U.S. Military Assistance Advisory Groups (MAAGs) in countries where military assistance grant aid programs have terminated, perform the following major functions:

(1) Observe and report on the utilization of military assistance grant aid materiel.

(2) Arrange for the disposition of MAP materiel excess to the requirement of the particular country.

(3) Administer the Foreign Military Sales Program and assist in the development and implementation of cooperative logistic arrangements.

(4) Arrange for the receipt and transfer of undelivered MAP material in Belgium, Norway, India (East-West Highway) and Japan.

In addition, other functions are performed as follows:

(1) Provide Department of Defense representation to host government.

(2) Provide military advice to Chief of U.S. Diplomatic Mission in the country.

(3) Provide point of contact for coordination of host country assistance to third countries.

(4) Assist the Unified Commands in planning for possible U.S. support of host countries' wartime logistic requirements.

Mr. McFall. Mr. Shriver?

Mr. Shriver. Thank you, Mr. McFall.

NUMBER OF PERSONNEL WORKING FOR MILITARY ASSISTANCE PROGRAM

In connection with that last, what is the total number of military personnal receiving a check from the military assistance program and also civilian personnel?

Admiral Heinz. There are no military personnel receiving a check from the——

Mr. Shriver. None of them are employed in the military assistance program?

Admiral Heinz. Military personnel salaries are paid by the services, not by——

Mr. Shriver. Give me the number of them. They get a check from the Government. I do not care what you call it. How many people are working for military assistance?

Admiral Heinz. In 1968 an estimated 4,115 military, and a total of 1,012 civilian personnel.

PERSONNEL RECEIVING ASSISTANCE IN TRAINING PROGRAMS

Mr. Shriver. Now, in addition to all of this, you have all these people receiving assistance in one shape or another in the training programs. What numbers do you anticipate for the coming year? How many do you have now?

Admiral Heinz. We expect that the number of foreign military to be trained in the United States in fiscal year 1968 will be 6,877; and another 4,115 will receive training overseas, of which the major portion will be provided in ——— for a total of 10,992 students.

Mr. Shriver. From Latin America?

Admiral Heinz. From all military assistance countries of the world. The total from Latin American is 4,437, ———

Mr. Shriver. Thank you.

Now, what is the total number of countries in Latin America?

Admiral Heinz. Counting the island Republics in the West Indies, I would estimate there are about 26 countries.

LATIN AMERICAN COUNTRIES RECEIVING NO MILITARY ASSISTANCE

Mr. SHRIVER. Of that total, what countries receive no military assistance from us?

Admiral HEINZ. Cuba, Haiti, Jamaica, nothing in the West Indies except the Dominican Republic, Guyana and Dutch and the French Guiana Territories. All the other countries of Latin America do receive military assistance.

Mr. SHRIVER. All the others of Latin America?

Admiral HEINZ. There are two countries which receive U.S. training only: ——— and Costa Rica.

Venezuela has a training-only program.

COSTA RICA'S REQUIREMENT FOR MILITARY ASSISTANCE

Mr. SHRIVER. I notice Costa Rica has only received about $1.5 million or the equivalent in military assistance since the program started.

Admiral HEINZ. Yes, sir, $1.59 million.

Mr. SHRIVER. Why does this country have such a good record in this regard as compared with the other countries of Latin America?

Admiral HEINZ. Costa Rica has a very small force. It has a Guardia National of about ——— people. The requirements for military assistance are very small.

Mr. CONTE. Would you yield? Up until a few years ago they had no army at all.

Admira HEINZ. They still do not.

Mr. CONTE. They only had a police force then.

Admiral HEINZ. They still call it a police force.

Mr. CONTE. The President did not even have a bodyguard at one time.

Admiral HEINZ. They have not changed that.

Mr. CONTE. Maybe we should not be in there at all with that $1.5 million. Are you trying to create an army?

Mr. SHRIVER. We have a training program there.

Admiral HEINZ. We have training. We plan about $——— for training in the United States. The requirements for that country over the years——

Mr. SHRIVER. I do not get that. Do you mean Agency for International Development is supporting them?

Admiral HEINZ. Their police program.

Mr. SHRIVER. Police program?

Admiral HEINZ. Yes.

Mr. SHRIVER. How long have they done that?

Admiral HEINZ. AID has been supporting the police program since 1963.

TRAINING EXERCISES IN NONREGIONAL PROGRAMS

Mr. SHRIVER. There was a question about the nonregional Latin American area programs. I note that for training excercises there is allocated $645,000 as the U.S. share of the funds for the combined ex-

ercises. What share is borne by the Latin American countries? How much of the total?

Admiral HEINZ. I do not have a figure for the funds they contribute in these combined exercises. The largest one is the naval exercise in which units of different countries participate. There have also been amphibious exercises, in both Central and South America. I do not have the figures on the amount they have contributed to the cost of these exercises. We are planning $645,000 for this purpose through the military assistance program.

Mr. SHRIVER. You must have a total for the exercises. There must be some sharing on the part of some Latin American countries.

Admiral HEINZ. I will attempt to find out what they contribute, what their expenses are. This is not done on a cost-share basis. This is what is costs MAP for the exercises.

Mr. SHRIVER. What is our share of the $645,000? What is it used for?

Admiral HEINZ. It is expenditures for U.S. forces where we participate in these combined exercises.

AID-FUNDED BOYS' CAMPS

Mr. CONTE. How about that fresh air camp located in Columbia?

Admiral HEINZ. Yes.

Mr. CONTE. You said that came under the military assistance program.

Admiral HEINZ. I did not, sir.

Mr. CONTE. Is it in the budget?

Admiral HEINZ. It is in the AID budget.

Mr. CONTE. Why should we promote a camp for boys under AID in Colombia? There are some kids in my hometown who would like to go to camp, too. Tell us about that.

Admiral HEINZ. MAP does not contribute to this. It was listed as one of the projects which the armed forces undertook in their overall civic action projects. There are some 32 camps held per year in various locations throughout Colombia.

Mr. CONTE. Thirty-two AID camps?

Admiral HEINZ. Thirty-two Colombian armed forces camps.

Mr. CONTE. How much do we contribute to those camps?

Admiral HEINZ. The figure that I have is for all prior years, $810,000, and proposed in the fiscal year 1967 budget, $700,000. I am talking now of AID funding. Whether this was actually done or not, I do not know.

Mr. CONTE. You are proposing $700,000——

Admiral HEINZ. I am not proposing anything.

Mr. CONTE. AID is proposing?

Admiral HEINZ. That is what I have indicated.

Mr. CONTE. What is the United States contributing toward these camps this year?

Admiral HEINZ. I have a proposed figure for the 1967 program for AID. I do not know if this program was implemented.

Mr. CONTE. Give me that figure.

Admiral HEINZ. $700,000.

Mr. CONTE. How many children are enrolled in the camp for fiscal year 1968 where you have a figure of $700,000?

Mrs. HANSEN. What ages does this cover?

Admiral HEINZ. My latest information covers the proposed fiscal year 1967 programs. The ages are between 12 and 16. Tools, supplies, and clothing are provided at the camps which are on or near a military post.

Mrs. HANSEN. Why there? A good locale?

Admiral HEINZ. I suppose a good locale and it would eliminate a need to build additional facilities. I have no information as to how much is actually allocated by AID for this project in 1967.

Mr. CONTE. Could you give me the figures on how many children attended these camps?

Admiral HEINZ. Each camp is attended by some 30 boys for a period of 3 weeks. There were some 32 camps. I don't know how many different groups attended each camp.

Mr. CONTE. You have 30 boys and 32 camps. That is 960 boys for $700,000.

Admiral HEINZ. There may be several groups in a year for any one of the camps. I don't know whether that is the total.

Mrs. HANSEN. What criteria do they use in selecting these people to go there?

Admiral HEINZ. The major criterion is that they are selected from poor families in areas of potential or actual violence. That is the only criterion listed in this civic-action book.

Mr. CONTE. The figure we get them comes to $730 per child.

Admiral HEINZ. That will be correct only if there is only one group per year at each camp.

Mr. CONTE. We will pursue this further when AID comes up.

PROGRESS OF COORDINATED PLANNING IN LATIN AMERICA

In response to a question last year, you stated you would like to promote more military cooperation among the Latin American countries and progress there to some type of coordinated plan. I have advocated for 9 years that all military aid in Latin America should be on a regional rather than individual country basis. My question is, What steps have been taken to accomplish these goals that you outlined last year?

Admiral HEINZ. The major effort made to bring about coordinated planning was an attempt to activate the Advisory Defense Committee of the OAS, which is provided for in the Charter of the OAS. It has never been convoked. At the third Special Inter-American Conference in February, the Argentines made a proposal to incorporate in the charter the Inter-American Defense Board as the Advisory Defense Committee. This proposal was defeated by a vote of 11 against, 6 in favor and three abstentions.

Mr. CONTE. That was somewhat like the story Mr. Cohelan and I heard in Africa with regard to regional planning over there; they are coming in for some money now on the African bank. I told the President of the bank there, "How can you have any regional planning when you can't get these countries to sit down together," I gave a lot of examples of different countries.

He said, "That reminds me of the story during the war when the German U-boats were sinking all these British ships and some admiral walked into the Admiralty and said, 'I have a way to stop this.' And he says, 'How do you do it?' He says, 'By heating up the Atlantic Ocean, forcing those submarines up to the surface and shooting them.'

"The admiral said, 'Yes, but how do you heat up the ocean?'

"He said, 'Look, I gave you the idea. Now you carry it out.' "

This is the same situation here. Is this going to be taken up at the conference at Punta del Este this week?

Admiral HEINZ. No.

Mr. CONTE. It is a good opportunity to bring it up, when we are going to be spending money out there.

Mr. PRINGLE. ———.

Admiral HEINZ. ———.

Mr. CONTE. That is not so.

Admiral HEINZ. Of course, it is not so.

Mr. CONTE. I would cut them all off. Every country in Latin America is getting military assistance except a few that you mentioned, such as Cuba, that you can't do anything about, and Haiti and a few others.

Every country is getting military assistance. I would cut them all off and say, "set up a regional military program or else we will no longer provide military assistance."

GROWING DEFENSE PLANNING IN THE CENTRAL AMERICAN COMMUNITY

Admiral HEINZ. ———.

There is growing defense planning in the Central American community now and this is defense planning against the subversive threat, particularly that emanating from Cuba. Again this is where the Joint Operations Centers come into play. A country establishes such a center so that police and military forces can be coordinated within the country and also coordinate the different countries efforts. This is active. The effort is growing and I think that the cooperation is improving.

ELIMINATION OF UNNECESSARY MILITARY EXPENDITURES

Mr. CONTE. Can you state, Admiral, how successful we have been in holding down defense and force expenditures in Latin America and limiting those expenditures only for internal security?

Admiral HEINZ. One of the agenda items of the summit meeting is the elimination of unnecessary military expenditures. This is item 6 on the agenda. What this will lead to, we don't know. ———, but the agenda item itself states that the important role of the Armed Forces in maintaining security is recognized. On the other hand, it is recognized that the limited resources available in Latin America must be directed primarily to meeting the need for economic development and social problems.

I don't know what will develop from this agenda item.

Mr. CONTE. I am afraid, Admiral, that it is not going to get very far.

DECREASE IN MILITARY ASSISTANCE TO BRAZIL

We should go down there and bite the nail and say, "Look, shape up or you get no more assistance." You must agree that that is the only way you can do it. As long as you keep financing them—here you have Brazil; $17 million in 1966; $12.9 million in 1967; $——— million in 1968. When are we going to start cutting them off from military assistance?

Admiral HEINZ. ———.

Mr. CONTE. Is that a promise?

Admiral HEINZ. I can't promise what will happen ———, but certainly you will notice it is going down.

Mr. CONTE. Not sufficiently though. That is a lot of military assistance to that country. It certainly doesn't leave a lot of money for education, health programs, and education programs.

HOLDDOWN OF DEFENSE EXPENDITURES BY LATIN AMERICAN COUNTRIES

Mr. PRINGLE. I would like to comment in terms of what we have been accomplishing in recent years in trying to bring about a holding-down of defense expenditures and I think you should put it on a comparative basis. If you look back to the late 1950's you will find that Argentina was buying a carrier and Brazil was buying a carrier, and Peru was buying cruisers and they were all buying jet aircraft. In recent years the expenditures on prestige items have been held down substantially. In comparison, I think the recent years have been good years in this respect.

Mr. CONTE. I think it has been good because the Congress has been forcing you into this. We put the limitation on you.

Admiral HEINZ. The U.S. expenditures and country expenditures differ. In the country expenditures you find Argentina going down. I am talking about defense expenditures as a percentage of GNP. Argentina has gone down. The Dominican Republic, Ecuador, Salvador, Honduras, Nicaragua, Peru, Uruguay, and Venezuela, have all gone down.

Mr. CONTE. As the chairman has said many times, you can use that percentage of GNP any way you want. How about actual expenditures? Have they gone down or up? That is what I am interested in, dollars and cents.

Mr. PRINGLE. If you find a rising budget in all the other areas but a reduction in defense expenditures as a percentage of GNP, you are making progress.

Mr. CONTE. If you are reducing, but if your expenditures keep going up and your GNP keeps going up, you are going to build up quite an arsenal and still be able to say your percentage is down. The GNP has grown faster.

On the basis of Vietnam—this year we are spending $70 billion on defense. So next year we should spend $75 billion based on GNP. We are spending about 9 percent of the GNP right now. It just doesn't make sense. You are going to build up a fantastic arsensal down there for them to fight each other.

Admiral, you can add anything you want in the record on this.

(The information follows:)

Latin America

Defense expenditures as a percent of total central government expenditures

	1961	1962	1963	1964	1965	1966
Argentina	(1)	17.9	16.0	14.8	12.9	12.8
Bolivia	9.4	8.5	7.1	6.9	13.5	12.8
Brazil	9.7	9.2	10.2	14.5	13.6	16.7
Chile	11.0	11.5	11.3	13.3	11.4	13.0
Colombia	14.7	15.2	17.5	17.0	19.9	22.1
Costa Rica	1.8	1.6	1.6	2.1	2.0	2.2
Dominican Republic	22.8	19.6	17.9	17.3	17.5	16.4
Ecuador	11.2	10.6	9.2	9.7	10.2	10.3
El Salvador	7.2	10.9	9.8	9.1	9.0	7.7
Guatemala	[2] 9.6	[2] 8.5	[2] 9.7	[2] 10.5	10.7	9.6
Honduras	11.4	11.1	11.2	9.6	9.0	8.2
Mexico	9.0	8.8	8.5	7.3	7.3	7.2
Nicaragua	[2] 17.6	[2] 14.7	[2] 14.6	11.2	11.3	9.6
Panama	.7	.6	.6	.7	.7	.5
Paraguay	28.4	28.4	29.6	27.8	23.8	26.1
Peru	16.7	13.7	13.3	12.8	11.6	11.3
Uruguay	6.6	6.1	8.7	8.6	9.3	8.5
Venezuela	8.5	10.8	11.3	9.8	10.1	9.3

[1] Not available.
[2] Fiscal year ending June 30.

Source: Agency for International Development PC/SRD.

Defense expenditures as a percent of gross national product

	1961	1962	1963	1964	1965	1966
Argentina	(1)	2.8	2.3	2.1	1.7	1.7
Bolivia	1.5	1.6	1.7	1.5	2.2	2.0
Brazil	2.3	2.4	2.5	3.6	2.9	3.0
Chile	(1)	2.5	2.3	2.7	2.4	2.9
Colombia	(1)	(1)	1.9	1.7	2.0	2.1
Costa Rica	.3	.3	.3	.4	.4	.4
Dominican Republic	4.7	3.9	3.5	3.5	3.6	3.2
Ecuador	2.3	2.1	1.8	2.0	2.1	2.1
El Salvador	1.1	1.4	1.3	1.2	1.3	1.2
Guatemala	[2] .9	[2] .9	[2] .8	[2] .9	1.0	1.0
Honduras	1.5	1.4	1.4	1.3	1.3	1.2
Mexico	.7	.7	.7	.7	.8	.8
Nicaragua	[2] 1.9	[2] 1.8	[2] 1.8	1.5	1.4	1.4
Panama	.1	.1	.1	.1	.1	.1
Paraguay	2.7	2.7	2.8	2.8	2.9	3.4
Peru	3.1	2.8	3.1	3.1	2.9	2.7
Uruguay	1.1	1.2	1.6	1.6	1.5	1.2
Venezuela	2.1	2.3	2.4	2.1	2.3	2.2

[1] Not available.
[2] Fiscal year ending June 30.

Source: Agency for International Development PC/SRD.

Defense expenditures (million U.S. dollars)

	Constant 1965 prices						Current year, 1966
	1961	1962	1963	1964	1965	1966	
Argentina	(1)	400.0	317.0	312.0	273.0	270.0	272.0
Bolivia	7.2	8.1	9.2	8.5	13.2	12.6	13.0
Brazil	437.0	481.0	509.0	755.0	637.0	683.0	712.0
Chile	(1)	95.0	89.0	109.0	102.0	131.0	136.0
Colombia	(1)	(1)	88.0	84.0	102.0	114.0	119.0
Costa Rica	1.4	1.5	1.6	2.2	2.4	2.5	2.7
Dominican Republic	40.0	38.0	35.0	38.0	35.0	32.0	32.0
Ecuador	21.0	20.0	18.0	22.0	24.0	25.0	25.0
El Salvador	6.6	9.6	9.2	9.2	10.3	10.1	10.0
Guatemala	[2] 9.6	[2] 9.8	[2] 9.9	[2] 11.8	14.1	15.0	14.3
Honduras	6.4	6.3	6.4	6.1	6.6	6.4	6.5
Mexico	105.0	110.0	117.0	129.0	155.0	166.0	166.0
Nicaragua	[2] 8.0	[2] 8.3	[2] 9.0	8.1	8.2	8.7	8.6
Panama	.5	.5	.5	.6	.6	.6	.6
Paraguay	10.0	11.0	11.0	12.0	13.0	16.0	16.0
Peru	104.0	103.0	118.0	127.0	124.0	123.0	134.0
Uruguay	17.3	18.5	24.4	24.6	22.7	18.8	30.0
Venezuela	128.0	148.0	158.0	154.0	177.0	177.0	177.0

[1] Not available.
[2] Fiscal year ending June 30.

Source: Agency for International Development, PC/SRD.

PROJECTION OF TIME REQUIRED TO ACHIEVE GOAL IN LATIN AMERICA

Mr. CONTE. Could you provide for the committee a list of every country in Latin America receiving military assistance from the United States and a projection of the length of time which it is felt continuing military assistance will be necessary in order to achieve its goal?

Admiral HEINZ. ———.

GUERRILLA FIGHTING CAMPAIGNS IN LATIN AMERICA

Mr. CONTE. Could you give us a rundown of the countries in Latin America today where active guerrilla fighting campaigns are being carried on, and what is the status of these campaigns? Also, to what extent are these campaigns being financed by external sources and are these guerrillas receiving arms from any Communist countries?

Supply that for the record.

(The information follows:)

STATUS OF INSURGENCY IN LATIN AMERICA

There are active, Communist-led insurgencies of longstanding in Venezuela, Colombia, and Guatemala and an incipient movement in Bolivia.

In terms of numbers, the active groups pose no significant short-range threat. ——— nowhere have they gained widespread support. Nevertheless, in Venezuela, Guatemala and Colombia a large part of the security forces are engaged in counter insurgency operations.

The very fact that these small groups have for years defied all attempts to eliminate them is cause for concern in the Latin American context. *First* it points up the difficulties in dealing with this type of threat. *Second*, the insurgents are potential rallying points for all types of dissatisfactions. *Third*, they cause the diversion of scarce national resources from much-needed economic and social programs. Prospects are not good for an early or significant improvement in the basic factors that promote unrest in the area—multiplying populations,

wide social and economic inequities, the too-fast growth of ill-prepared urban centers. Such conditions produce a climate in which any insurgency could be a serious insurgency, and we should not expect that popular support will forever be denied to the activists.

In Colombia, insurgency has stepped up since late February, high-lighted by ambushes of three army patrols, an attack on a police post, and a train robbery.

The political climate in Colombia is ready-made for insurgency. Violence between the Liberal and Conservative political parties neared the level of civil war between 1948 and 1958, costing over 150,000 lives, and ending only with the formation of the National Front government. During this 10-year period, over 100 bands were active, although some were simple bandits. The numbers of active Communist-led insurgents in Colombia are relatively small. The danger of the situation is that significant successes could encourage other violence-prone elements, particularly the inactive bandit gangs, to join the insurgency.

Communist rural insurgency in Guatemala, which appeared to represent a serious threat in 1966, has been set back sharply to rejuvenated government forces. When counterinsurgency operations began last October, two well-trained and well-organized groups were conducting sporadic attacks against government installations and army convoys in the isolated Zacapa-Lake Izabal area of mountainous eastern Guatemala while urban terrorism was conducted simultaneously in Guatemala City. Guerrilla activity has declined and a number of the insurgents have left the hills and reverted to urban terrorism in an effort to relieve military pressure on their rural stronghold. However, several hundred strongly-motivated activists remain, and in a country where Communists once dominated the government and where Communist-inspired violence has occurred for years, there should be no illusion that the insurgency is dead.

In Venezuela, Castro's prime target for subversion since 1963, insurgency which had subsided following a government crackdown against the extreme left in early January has once again erupted. The guerrillas in Venezuela are now showing the capability, will, and daring to attack government forces much larger in size than their own. This new confidence is probably due to an influx of Venezuelans trained in guerrilla warfare in Cuba and other Communist countries.

The active insurgents are made up of two identfiable groups: a hard-line element of the Movement of the Revolutionary Left (MIR) and the Castro-supported Bravo group which split off from the Venezuelan Communist Party and its paramilitary arm, Armed Forces of National Liberation (FALN). The MIR is largely responsible for the terrorism in Caracas and confines most of its rural activity to the Bachiller Mountains southeast of the capital. Bravo's guerrillas are conducting operations in the States of Yaracuy, Lara, Trujillo, and Portuguesa, with Yaracuy being the most active.

The incipient insurgency in Bolivia, which appeared on 23 March, centers on a small band of Castroist-inspired guerrillas in the rugged and remote southeast section of the country. While believed to number less than 100, the band—which includes a number of foreigners—is apparently well-organized and well-trained and has twice successfully ambushed government forces. The Bolivian government is intensifying its efforts to develop specially trained and equipped counter-insurgency forces.

MILITARY AID FROM COMMUNIST BLOC COUNTRIES

Mr. CONTE. Are any countries in Latin America receiving arms or making military purchases from Communist bloc countries; if so, what countries and what quantities?

Admiral HEINZ. None to my knowledge, except, of course, Cuba.

Mr. CONTE. That includes Czechoslovakia and all the other bloc countries?

Admiral HEINZ. Yes.

GAO TRAINING COST REPORT

Mr. CONTE. The General Accounting Office, in a report classified secret dated February 1967, reviewed the cost of providing training on

the military assistance program for ——— personnel in the ———. They made their study for expenditures in fiscal 1965 and concluded that if available facilities had been used in the United States and the schools in the ——— had been discontinued, training costs for the same personnel in fiscal year 1965 could have been reduced by $3.3 million per year.

The report goes on to state that because of increased use of U.S. facilities by our troops, due to the struggle in Vietnam and due to other political considerations relative to our position in ———, it did not recommend closing the school at that time.

Would you comment on the potential savings involved in closing these schools and would you have any problem in taking such steps outside of the factors cited by the report?

Admiral HEINZ. We would have problems in closing the schools.

Mr. CONTE. First of all, do you admit we could save $3.3 million a year.

Admiral HEINZ. No. I do not agree with the cost savings and I will provide details for the record on why we do not agree with it.

Mr. CONTE. All right.

(The information follows:)

MAP TRAINING COSTS IN CANAL ZONE SCHOOLS

We believe that the GAO report has overestimated the cost saving.

Instruction in the Canal Zone schools is given in Spanish. The added expense of English language training would materially increase the cost of providing MAP training to Latin American students in U.S. service schools. A study conducted by the U.S. Southern Command indicates that the average cost of MAP training in continental U.S. schools would be 40% (Air Force) to 60% (Army) higher than comparable training in the Canal Zone schools.

Admiral HEINZ. Secondly, it is correct that we could not provide all this training in the United States because of the capacity of schools.

Third, many students attend schools who cannot speak English. The U.S. instructors in these schools speak ———. Training is in that language.

We feel it helpful in two aspects to give training to these people. First, we have U.S. instructors who can get across some of our American ideas while giving them the professional training. Secondly, and very importantly, it provides an opportunity for military personnel from the different ——— countries to get together. They study, work, and live together. This is something that doesn't happen anywhere else in ——— and I think this is a side benefit which is often overlooked.

These schools also give training to U.S. personnel. The ——— has trained a total of 17,000 U.S. personnel and a total of 18,500 ——— students and ———.

Mr. CONTE. Provide something further for the record on that.

(The information follows:)

TRAINING OF U.S. PERSONNEL AT THE U.S. ARMY SCHOOL OF THE AMERICAS

The expanded use of the Jungle Operations Center of the School of the Americas began in January 1966. The Jungle Operations Course is a two-week course taught in English for U.S. personnel and a three-week course taught in Spanish for Latin American personnel. During calendar years 1966 and in 1967 to date, students have attended the course as follows:

Source of students	Calendar year 1966	Calendar year 1967
CONUS (en route Vietnam)	2,640	836
U.S. Continental Army Command	939	298
U.S. Marine Corps	2,160	1,126
U.S. National Guard	396	201
U.S. School of the Americas	84	
U.S. Southern Command	916	193
U.S. Special Forces	105	
Joint Operations Group	91	
U.S. Navy		69
Total	7,331	2,723

At the current rate, a total of about 9,000 U.S. students will be trained in the Jungle Operations Course during calendar year 1967.

NUMBER OF STUDENTS AND COSTS OF OPERATING SCHOOL OF THE AMERICAS

Mr. CONTE. How many students do we have there in fiscal year 1967?

Admiral HEINZ. I will give you 1966 figures. U.S. students, 6,473. ——— students, 1,369.

Mr. CONTE. Where are these U.S. students coming from?

Admiral HEINZ. Primarily the U.S. Army.

Mr. CONTE. Do they pay tuition?

Admiral HEINZ. I have no idea if the Army charges itself for their tuition. This would be Army-supported training.

Mr. CONTE. What is the budget for 1966 for that school?

Admiral HEINZ. The operating expenses for the school in 1966 are $2,055,000. That is for almost 8,000 students.

Mr. CONTE. That is $250 per person. It would be better to send those kids from that fresh air camp in Colombia up here. It would be cheaper.

CIVIC ACTION PROGRAMS IN LATIN AMERICA

You state that $3.9 million and 9 percent total funds for Latin America is allocated for equipment and training directly associated with civic action.

Admiral HEINZ. Yes.

Mr. CONTE. Could you give us a figure for civic action programs in Latin America in the last 2 years? You can supply that for the record.

(The information follows:)

U.S. military assistance funds for civic action programs in Latin America, fiscal years 1966–67

[In thousands of dollars]

	Fiscal year 1966	Fiscal year 1967
Argentina	286	67
Bolivia	118	305
Brazil	1,901	204
Chile	715	655
Colombia	639	1,023
Costa Rica	1	
Dominican Republic	111	194
Ecuador	81	192
El Salvador	64	23
Guatemala	341	398
Honduras	38	63
[Deleted]	[Deleted]	
Nicaragua	1	1
Panama	39	33
Paraguay	1,064	528
Peru	3,130	401
Uruguay	77	65
Venezuela	41	29
Region	1	4
Area total	8,665	4,185

DEFENSE SERVICES FOR LATIN AMERICA

Mr. CONTE. The justification book at page 88 states that $2.4 million is requested for Latin America for "Defense services" other than training. Will you please expand on what these defense services are? Supply that for the record.

(Information for the record follows:)

The term "Defense Service" includes any service, test, inspection, repairs, training including orientation, training aid, publications, or technical or other assistance, including the transfer of limited quantities of defense articles for test, evaluation, or standardization purposes, or defense information used for the purposes of furnishing military assistance.

DEFENSE EXPENDITURES AS PERCENTAGE OF TOTAL BUDGET

Mr. CONTE. You were talking about the percentages of GNP that these countries in Latin America were spending for military items. Will you give me the percentage of their budgets?

Admiral HEINZ. Yes sir, for each country?

Mr. CONTE. For each country, right.

(The information follows:)

Total defense expenditures as a percent of total Government expenditures in Latin America

Country	Total defense expenditures as a percent of total central Government expenditures	Fiscal years ending—
Argentina	12.9	Dec. 31, 1966.
Bolivia	12.9	Do.
Brazil	16.7	Do.
Chile	13.0	Do.
Colombia	22.0	Do.
Dominican Republic	16.2	Do.
Ecuador	10.3	Do.
El Salvador	9.0	Dec. 31, 1965.
Guatemala	9.6	Dec. 31, 1966.
Honduras	8.1	Do.
Nicaragua	9.6	Do.
Panama	.6	Do.
Paraguay	26.1	Do.
Peru	11.3	Do.
Uruguay	9.2	Dec. 31, 1965.
Venezuela	9.4	Dec. 31, 1966.

Source: Based on data in congressional presentation document "Military Assistance Program, Fiscal Year 1968 Estimates."

ECONOMIC REFORMS AS KEY TO INTERNAL SECURITY

Mr. CONTE. In today's New York Times, President Frei of Chile is quoted as stating Latin American nations will either revolutionize their lives voluntarily in the next 10 years or totalitarian revolutions will be forced upon them. Frei makes the point Latin America must produce basic reforms by consent or face rising unemployment, urban distress, and finally totalitarian reaction.

Doesn't this appear to indicate that unless the economic problems of Latin America are solved all of our military aid to existing governments is going to be wasted?

Admiral HEINZ. I think there is progress toward solving these economic problems and this is where he is directing his efforts. I don't feel that our assistance has been wasted. In addition to providing equipment and training, an indirect influence has been exercised which has been very helpful in Latin America.

Mr. CONTE. Admiral, isn't the best way to provide internal security, which you keep talking about in all these justifications here for Latin America, by dealing with the economic conditions rather than by suppling them with military equipment and arms?

Admiral HEINZ. You have to do both. You have to deal with economic conditions, and at the same time, if you have a band of guerrillas operating in the mountains, you have to get out there to cope with them. The emphasis on internal security is to achieve conditions favorable for economic development. This requires people; it requires equipment; it requires training.

EQUIPMENT REQUIREMENTS FOR ANTI-INSURGENCY MEANS

Mr. CONTE. It doesn't require tanks and all the sophisticated junk that you give them down there?

Admiral HEINZ. We are not giving them tanks or junk.

Mr. CONTE. They could wipe out guerrillas with shotguns, couldn't they?

Admiral HEINZ. No; it takes more than shotguns.

Mr. CONTE. Rifles?

Admiral HEINZ. It requires rifles, radios, and mobility to get at the threat.

Mr. CONTE. Admiral, I have been sitting on this committee for 9 years and for 9 years I have been seeing radios. They must have radios coming out of their ears.

Admiral HEINZ. You will see radios in every program.

Mr. CONTE. How many radios do they need?

Admiral HEINZ. The total number of radios for all the armed forces of Latin America is certainly not out of proportion to their needs. You will find that when you talk about numbers of radios, as you talk about numbers of anything else, that you can't compare small walkie-talkie squad equipment with a large radio which is used at the headquarters.

You have various kinds of radios and the total numbers provided over an 18-year period is probably around 10,000 for all of Latin America. This is certainly not an excessive number.

For example, you have in the total of the program for 1968, ———. This would include the small walkie-talkies, as well as other radios which would be more expensive.

CIVIL DISORDERS IN BOLIVIA

Mr. CONTE. In your justification book at page 94 you talk about ——— are these the kinds of reasons for which we should be providing military assistance to countries?

Admiral HEINZ. Would you comment on the ———, as far as social disorders are concerned, and I will state the reasons for furnishing military assistance.

Mr. PRINGLE. There has been a small guerrilla outbreak in the southeast area. That is the urgent problem at the moment. We don't have very exact details on the size of the threat, but there has been an outbreak in which Bolivian soldiers were ambushed and killed. This is a problem which the Bolivian Government is dealing with at the moment.

Mr. CONTE. How many years have the miners been uprising? It is like the radios. I remember seeing that in justifications every year since I have been on the committee.

Mr. PRINGLE. ———.

Admiral HEINZ. It continues to exist.

This current guerrilla episode in Bolivia started last March. A patrol of some 27 men were ambushed. About 12 were captured and seven were killed by the guerrillas. The Bolivians have been working very hard to try to capture this band.

The size of the band is difficult to determine. There is some evidence that the group contains foreigners, Cubans possibly, or other Communist types from neighboring countries. There is no proof of this. They seem to be fairly well equipped and so far the government has not eliminated this threat.

I think the most serious of actual insurgency in Bolivia in the last couple of years was this one, although there have been other civil disorders and dissidence.

Mr. CONTE. Mr. Pringle, do you know whether the miners are justified in their protest?

Mr. PRINGLE. ———.

Mrs. HANSEN. Is it similar to an American strike?

Mr. PRINGLE. No, I don't think it is very similar to an American strike.

Mrs. HANSEN. Is there an instance over the wages and the fringe benefits?

Mr. PRINGLE. ———.

POLITICAL SITUATION IN DOMINICAN REPUBLIC

Mr. CONTE. Admiral, in reaching your conclusion as to how much to request for the Dominican Republic, what is your assessment of the present political situation in that country and the potential for future disturbances?

Admiral HEINZ. I will give you my assessment and I would like Mr. Pringle to add to it.

Certainly the Dominican Republic has had substantial success in eliminating elements which would tend to overthrow the Government by force. The Government has been trying to unify its armed forces, promote cooperation between the police and the armed forces and improve the effectiveness of the police; and the number of incidents has decreased.

Now, would you add to that?

Mr. PRINGLE. I agree thoroughly. I think the political and the economic prognosis is hopeful. There has been an improvement.

EQUIPMENT FOR PERU

Mr. CONTE. Admiral, why does your request for Peru include a ———? What is the purpose of giving them this plane?

Admiral HEINZ. The ——— will add to their ——— transport capabilities. The total cost of this is $163,000 for repair and rehabilitation. The purpose for it is ——— transport capability in the country is not sufficient, and the ——— can be well utilized. It does not have a great capability, but certainly it can help them with their transport problem.

Mr. SHRIVER. Is this another one of these countries where the civilians use the air force of the country?

Admiral HEINZ. No. Peru has progressed much further than Paraguay as far as civil transport is concerned. The air force in Peru engages in civic action as far as air transport is concerned, principally over to the Amazon jungle area and where the air force and the navy

cooperate by lifting people into these remote places for civic action purposes.

The navy transports army personnel, civilian doctors, dental personnel, teachers, and various other people into these outlying areas, so does the air force.

POLITICAL CONSIDERATIONS IN MILITARY ASSISTANCE PROGRAMS

Mr. CONTE. You were talking about ———. By the same token, we are giving military assistance to nearly every country in Latin America. What consideration will you give in ——— another country? How about the political considerations here?

Admiral HEINZ. The major consideration in ——— is the requirements for example, take the situation where there may be insurgency in a small country. They are having problems in bringing it under control. Whether we can do this or not remains to be seen. The question is whether the requirements will be the same. For example, our small program for ——— is much more important to that country, in terms of our contribution and their budget, than the program is to, say, ———.

For example, the military assistance program for ——— is only about $——— for a very small force, although there is an AID program also. Again, there are special considerations in ——— completely separate from the considerations, say, in ———. These are the problems we can foresee.

——— might be a special country requiring assistance for a longer period of time in order to consolidate the gains made in the last couple of years.

BREAKDOWN OF REQUESTS FOR REGIONAL PROGRAMS

Mr. CONTE. Admiral, for the record will you include a breakdown of the $1.6 million that you have listed for regional programs in Latin America?

Admiral HEINZ. In further explanation of page 117?

Mr. CONTE. Yes.

(A classified table was furnished to the committee.)

UNITED STATES-LATIN AMERICAN JOINT COMBINED EXERCISES

Mr. SHRIVER. I asked you earlier about this U.S. share of funds for conduct of United States-Latin American joint combined exercises. The amount is $———.

Admiral HEINZ. Yes.

Mr. SHRIVER. As I understood it, it is mostly our Navy that has exercises down there?

Admiral HEINZ. The Navy has exercises. There are also exercises programed for U.S. Army participation.

This is not a cost-sharing undertaking. The amount involved is for the costs to the United States, over and above ordinary force costs, incident to conduct these exercises.

Mr. SHRIVER. Why wouldn't this properly be in the Defense budget rather than military assistance, from the use that you have described?

Admiral HEINZ. Funding to cover the cost of these joint exercises could possibly be provided for in the Defense budget. I know that, over a period of years, MAP has contributed training costs, when it has been in U.S. interest to conduct these joint or combined exercises. It is very possible that it could be absorbed in the Defense budget.

Mr. SHRIVER. It seems to me it should be.

MILITARY EXPENDITURES AND FORCE LEVELS OF LATIN AMERICA

Mr. CONTE. I have one last question, Mr. Chairman. Could you, when you give me that percentage of the budget for military expenditures, also give me the force level of military forces in Latin America in 1961 and 1966?

Admiral HEINZ. I will do that, sir.

Mr. CONTE. I have no further questions.

(A classified table was furnished to the committee.)

Mr. MCFALL (presiding). We will take a 5-minute recess.

(Short recess taken.)

Mr. MCFALL. Mrs. Hansen.

MINES IN BOLIVIA

Mrs. HANSEN. On Bolivia, who owns those mines? Put that in the record, and what is the wage, the average daily wage of those miners? The ordinary worker, and what is the average yearly per capita income of those workers, and what benefits were deleted in "trying to make the mine more profitable"?

Admiral HEINZ. I will supply that information.

(The information follows:)

BOLIVIAN TIN MINES

The larger Bolivian tin mines were nationalized by the Bolivian government in 1952, and are administered by a state owned enterprise called the Mining Corporation of Bolivia (COMIBOL). Some smaller mines are privately owned.

In May of 1965 the GOB established uniform wage scales for the COMIBOL miners and instituted a profit-sharing plan. The previous system had featured wide range disparaties from mine to mine and bonuses which were unrelated to productivity. Through this and other reforms the GOB succeeded in placing the majority of the mines on a paying basis, and COMIBOL made money for the first time in CY 1966. Wages are currently estimated at some $80 per month or approximately $1,000 per year (Bolivia per capita GNP=$167); a scale which compares favorably with that existing before institutions of the reforms.

EFFECT OF GUERRILLA ACTIVITY IN BOLIVIA ON U.S. AID

Mrs. HANSEN. It was said about Bolivia the other day when we were talking about Asia, that they apparently sent out more people than were necessary to curtail some of this guerrilla activity, that possibility they did overreact but again, I am quoting, "They felt they could get aid easier and quicker and in more substantial amounts if there were more Communists in the hills."

Now I want to know how much truth there is in that. I am beginning to wonder about all these things.

Admiral HEINZ. I remember seeing that in the paper.

Mrs. HANSEN. It was in the Post.

Admiral HEINZ. ———.

Mrs. HANSEN. Doesn't hope spring eternal?

Admiral HEINZ. I am sure that hope springs eternal in many people's minds.

Mrs. HANSEN. I think it might be worthwhile to have some discussion about this with these countries. I think it should be made perfectly plain by us that this does not of necessity mean that we are just rushing in all kinds of money for something like this.

Admiral HEINZ. ———.

Mrs. HANSEN. I think our Ambassadors in South America have done an excellent job.

Admiral HEINZ. And particularly in this case.

Mrs. HANSEN. I don't think it is well to tell anybody anything once. I think sometimes you have to tell them over.

VOCATIONAL TRAINING PROGRAMS IN THE ARMED FORCES

In your civic action I notice where the Bolivian Army "operates a number of farms to teach improved farming techniques to its conscripts before they return to civilian life"—is this rather similar to the Peruvian educational program where they train these people before they return, in their last 6 months of the draft period?

Admiral HEINZ. This is a common form of civic action on the part of all the armed forces, particularly those that have conscripts. They do carry out vocational training programs.

SOUTH AMERICAN COUNTRIES WHICH HAVE CONSCRIPTS

Mrs. HANSEN. How many countries in South America have conscripts?

You might put that in the record.

Admiral HEINZ. I will.

(The information follows:)

CONSCRIPTS IN LATIN AMERICA

The following countries in Latin America have a conscription system: Argentina; Bolivia; Brazil; Chile; Colombia; Cuba; Dominican Republic; Ecuador; El Salavador; Guatemala; Honduras; Mexico; Nicaragua; Paraguay; Peru and Venezuela.

The conscription system exists but is not used in the Dominican Republic, Mexico, Nicaragua and Honduras.

AID FUNDING OF FARMING PROGRAMS

Mrs. HANSEN. Do we make any financial contribution to this farming program? It is really an educational program. And if so, how much.

Put that in the record.

Admiral HEINZ. I find here that $1,600 of U.S. AID funding has been obligated in prior years to an army farm project at Santa Cruz, and a similar amount to the army farm at Latramarada.

Mrs. HANSEN. You might put in the record how many of these farms there are, the total contribution and whether AID trains the people

that go down there as technicians, whether they are AID technicians, or what, and how many technicians we have and what the cost of it is.

(The information follows:)

CONTRIBUTION TO AID CIVIC ACTION FARM PROGRAM IN BOLIVIA

The A.I.D. contribution to nine Bolivian Army Farms within the overall Civic Action program is estimated at the equivalent of approximately $20,000. Consistent with U.S. efforts to encourage Bolivian self-help, A.I.D. funding of civic action has been primarily in the form of a matching budget contribution on a declining share basis. No A.I.D. technicians are assigned to Bolivian Army Farms.

BANDITRY INCIDENTS IN COLOMBIA

In Colombia, what decreases and delays in the civic action program, in dollars, due to banditry, are on the record for the past year and how have the number of incidents decreased?

You can put that in the record.

Admiral HEINZ. Yes.

(Classified information was furnished to the committee.)

OFFICER TRAINING ACADEMIES

Mrs. HANSEN. We get down to Chile where we are assisting in a training mission. Is it not true that Chile has its own academies for training their officers?

Admiral HEINZ. Chile does have an academy. They have a new naval academy.

Mrs. HANSEN. At Valparaiso, that is right.

Admiral HEINZ. I am sorry, I was thinking of the new naval academy in Peru.

Mrs. HANSEN. They have one in Chile too?

Admiral HEINZ. I do not know whether it is new or not.

Mrs. HANSEN. It is relatively new, it is not an old one.

Do they not have European-trained officers there because it seems to me the observation was made to me in Santiago the army had been trained by a great many German officers, and the navy had had the counsel and advice of a great many British officers.

Admiral HEINZ. It is true in past years there were European training missions in many Latin American countries. These have all been replaced by U.S. training missions.

Mrs. HANSEN. They had no backlog of trained people of their own as a result of the European training?

Admiral HEINZ. The Latin American countries have requested training missions from us. I would have to do some research to get the exact date as which each U.S. training mission was established.

Mr. HANSEN. You might also just make some casual inquiry about how many years the European countries were training there, how long that was, and how long there was any vacuum before the American mission—we could almost date it by looking back in the appropriation book.

Mr. PRINGLE. The first European training mission was about 1898 and that was a German mission in Chile.

Mrs. HANSEN. How long did it last?

Mr. PRINGLE. The European missions in many cases lasted until just before the Second World War.

Mrs. HANSEN. And were there not some afterward too?

Mr. PRINGLE. Not after the Second World War.

CIVIC ACTION AND MILITARY CONTRIBUTIONS TO STABILITY

Mrs. HANSEN. With the problem in South America, the relative instability in some of these governments, if the civic action programs and if the military training programs are used to become symbolic of a stable operation, isn't there a tendency to equate stability of government with a military government—which would lead to coups?

Admiral HEINZ. I think that what is happening is just the opposite.

Mrs. HANSEN. I hope so. I do not know.

Admiral HEINZ. ———, the incidence rate of coups has gone down, and the number of elections has gone up.

ECONOMIC GROWTH AND STABILITY IN LATIN AMERICA

Mrs. HANSEN. This is stable at the present moment, admiral, but if their economy in any way deteriorates, or it does not move any faster than it apparently is moving, problems may arise. I notice here a press release from our own AID, where the growth gap widens for the have-nots:

> It has been reported that the per capita economic growth in 1966 averaged only 1.1 percent compared with the announced target of 2.5 percent a year.

As you placed in your own testimony in country after country through Asia and Africa, the stability of the country was directly related to the economy, poverty, lack of literacy, and so on, if this deteriorates, then are there not opportunities for coups and for revolution that will bring the cycle around?

Admiral HEINZ. If the economy deteriorates, there would unquestionably be pressure to change the government. Hopefully the pressures to change would be through a constitutional process rather than by a coup.

For example, I would say that President Frei is under pressure to improve his country in all ways.

Mrs. HANSEN. I noted he is going to move left in the papers.

Admiral HEINZ. ———.

Mrs. HANSEN. It is reasonably stable now—granted. But poverty and all the attendant evils that go with it are not going to make a society flourish and I think I observed to you last year that in Peru alone in the city of Lima I saw enough potential problems that could cause a severe upset. Some of them might use the constitutional avenue, and again some might not.

Admiral HEINZ. Certainly we hope that any change is made by the constitutional means.

PER CAPITA INCOME VERSUS PER CAPITA GNP

Mrs. HANSEN. I think what worries this whole committee is per capita income. The reason I asked for the per capita figures and gross national product is perhaps misleading.

A country can be very wealthy with gross national product through oil or any number of things and the country can have an extremely poor per capita income.

Mr. LONG. I do not follow that.

Mrs. HANSEN. Really this is true.

Mr. LONG. Income and GNP are closely related.

Mrs. HANSEN. They are related.

Mr. LONG. There is only a technical difference.

Mrs. HANSEN. I know, but the technical difference comes through to some people a lot quicker.

Mr. LONG. No.

Mrs. HANSEN. You are talking like an economist.

Mr. LONG. The per capita is only the number of people.

Mrs. HANSEN. That is right, but you can have an awful lot of poor people and these are the ones that are going to cause the turmoil. This is the thing I think this committee worries about, that they not at any time begin to increase their military budget beyond their ability when they do need so desperately so many other things in their economy—schools, health programs, highways.

HIGHWAY CONSTRUCTION IN SOUTH AMERICA

I think you will agree the civil action program that is helping on highway construction in South America is probably one of the best things for the total economy there is. I think we would like to know the total number of miles. You said you had a summary of it.

Admiral HEINZ. I have a summary.

Mrs. HANSEN. Total number of miles that have been constructed in South America through our civic action programs.

Mr. PRINGLE. Might I comment on that?

Mrs. HANSEN. Yes.

Mr. PRINGLE. I think that we thoroughly agree with you. The fact that the vast amount of our assistance in Latin America, well over 90 percent, is going to economic and social development rather than to the military assistance is proof of the fact economic and social development is our objective.

Mrs. HANSEN. I think the committee is very interested in seeing the economy of these countries come up.

LEVEL OF POVERTY IN DOMINICAN REPUBLIC

Let's look at the Dominican Republic, for example. You have a tremendous level of poverty there, do you not; is that not true?

Mr. PRINGLE. Yes.

Mrs. HANSEN. And relatively small opportunities for the average person?

Mr. PRINGLE. Yes.

Admiral HEINZ. As a comparison, the per capita GNP has declined in the last 2 years in the Dominican Republic.

Mrs. HANSEN. That is right. What has been the cause of that decline?

Admiral HEINZ. It was rising until 1964 and it decreased from 1964 to 1966. I would ascribe it to the political upheaval of the last 2 years, the changeover from Trujillo.

Mrs. HANSEN. What caused that instability?

Admiral HEINZ. It resulted from the political conditions caused by the Trujillo regime and its aftermath until the government stabilized.

RATE OF GROWTH IN DOMINICAN REPUBLIC

Mrs. HANSEN. Is that government able to meet its economic needs? What is the rate of industrial growth, what is the rate of employment growth, what is the rise in their income and what is the rise in their literacy?

Admiral HEINZ. The AID figures estimate the agricultural production index for 1966 at 106. In 1965 it was 102, in 1964 it was 109. The production of sugar cane in 1966 was 6,554 thousand tons. In 1965 it was 6,430 thousand tons. Rice production increased in 1966 compared to 1965.

Mrs. HANSEN. Does that meet their economic needs?

Admiral HEINZ. I do not know what their total economic needs are.

Mrs. HANSEN. Because I think your own statements touching all areas of the world have been that you have only stable government where you have some stability of economy.

Thank you very much, Admiral Heinz. I am sorry to ask inquisitive questions.

Admiral HEINZ. I think you should.

FOREIGN AID VERSUS DOMESTIC AID

Mrs. HANSEN. After all, I think the committee looks at all of these enterprises of ours with a great deal of caution, and at the same time realizing that there are many places in the United States where in this budget year we have to do a great deal of paring and chopping of most desirable programs, programs that mean flood control, that means the preservation of our own natural resources and the development of them. That is the reason why the committee is inquisitive.

Admiral HEINZ. I think you should be.

Mr. MCFALL. Mrs. Reid?

Mrs. REID. I have a number of questions.

The general tone of your statement as it involves Indonesia is for the most part optimistic. Leaving out the political considerations of the recent change in government there, how would you evaluate their current military capability?

Admiral HEINZ. ———.

THE PHILIPPINES

Mrs. REID. According to your statement, the Philippines is to be the other major country program in the Far East for fiscal year 1968. Could you give us a brief summary of our program there and how long you feel aid might continue to be necessary.

Admiral HEINZ. The objective of military assistance for the Philippines is to provide for balanced military/paramilitary forces organized, trained, and equipped to maintain the internal security of the Philippines ——— and to support a capability to deploy limited Philippine forces for mutual defense tasks.

The proposed fiscal year 1968 program for the Philippines is almost $——— million and emphasizes mobility for the Philippine Army and constabulary, and coastal surveillance capability for the Philippine Navy, and is designed to improve internal security and antismuggling capabilities. Civic action equipment is also included. The significant end items of equipment in this program include ———.

EFFECTIVENESS OF PROGRAMS IN LATIN AMERICA

Mrs. REID. Admiral Heinz, from where you sit as Director of Military Assistance, how would you appraise our overall military assistance program to Latin America in terms of effectiveness and adequacy? What do you foresee in the future for this region?

Admiral HEINZ. I think the effectiveness of the Latin American armed forces has steadily improved since the inception of MAP. Materiel and training have contributed to increased capabilities for internal security, and civic action, and to the ability of some countries to provide selected units for multilateral OAS or U.N. peacekeeping assignments. I believe that the equipment provided has been consistent with need and assigned missions. Training has enhanced the professional capabilities of the armed forces, ———.

As to the future, currently planned grant military assistance to Latin America ———.

KOREA

Mrs. REID. You further indicate that infiltration efforts from North Korea still continue. We don't hear too much about this these days. To what extent do they continue?

Admiral HEINZ. Infiltration reached ——— in 1966. Agent activity has included "terroristic acts" and could intensify in the spring and summer of 1967 ———. Increased DMZ activity during autumn 1966 was only partly infiltration; many incidents were pure harassment.

Statistics indicate that from 1951 through 1966, approximately ——— agents were killed or apprehended in South Korea. The greatest number was in 1953, the final year of the Korean war, when North Korea launched a large operation against South Korea. From 1961 through March 24, 1967, over ——— agents were killed or captured.

The total of ——— agents captured or killed in 1966 indicates improvement of the barrier and security along the DMZ, the improved internal security posture of ROK agencies, and the active support of the local population.

	1961	1962	1953	1964	1965	1966	1967
Agents captured	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]
Agents killed	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]
Total	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]

Mrs. REID. I am interested in your comment that two countries of the Near East—Greece and Turkey—account for only 13 percent of the NATO population but provide almost one-third of the NATO land forces. I am just curious to know why this disparity.

Admiral HEINZ. ———.

MILITARY ASSISTANCE TO WESTERN EUROPE

Mrs. REID. You state that fiscal year 1967 marks the virtual termination of the military assistance due Western Europe. How much did

we spend for MAP since World War II? Do you have a country-by-country breakdown?

Admiral HEINZ. I will provide that for the record.

(Information follows:)

Western Europe—Cumulative military assistance grant aid programs, fiscal year 1950–66

	Millions
Austria	
Belgium	$1,238.7
Denmark	617.6
France	4,153.0
Germany	900.8
Italy	2,289.3
Luxembourg	8.2
Netherlands	1,217.1
Norway	896.5
Portugal	322.8
Spain	570.8
United Kingdom	1,034.5
Yugoslavia	693.9
European area	209.3
Total	

Mrs. REID. Being a new member of this committee, I am not entirely familiar with our commitment to Norway and Denmark which you indicate on page 5 has now been completely funded. What was the extent of our commitment to these countries?

DENMARK

Admiral HEINZ. Military assistance for Denmark was authorized by the 1949 Mutual Defense Assistance Act and instituted under a bilateral agreement in 1950. From 1950 until the final year of the program, fiscal year 1967, $617.1 million of assistance was programed.

In April 1962, Secretary McNamara ———.

Subsequently, in April 1963, Denmark was informed that grant aid would end upon completion of then existing commitments. Subsequent programs were delivery and phaseout operations.

NORWAY

Military assistance for Norway was authorized in 1949 by the Mutual Defense Assistance Act and executed under a bilateral agreement of 1950. From fiscal year 1950 until the final program year, fiscal year 1967, $896.5 million of assistance was programed.

In March 1962, Secretary McNamara ———.

In April 1963, Norway was informed that grant aid would end upon completion of then existing commitments.

Current programs consist of delivery and phaseout operations.

Mrs. REID. Your statement on page 19 says, "We are encouraging the Tunisians to seek additional assistance from other free countries." How successful have we been in such "encouragement"? How much do you employ this tactic with other countries?

Admiral HEINZ. Tunisia has had recent discussions with both French and Turkish Government officials. As a result, the French have already completed a survey of selected military training require-

ments and are now assisting in establishing a military academy. Turkey is considering a Tunisian request for small arms and ammunition and has offered to provide training in Turkish military schools. Our general policy is to encourage, to the greatest extent practicable, other free world countries to provide assistance and recipients to seek assistance from other free world sources.

Mrs. REID. That's all I have. Thank you.

(Off the record.)

Mr. MCFALL. Dr. Long?

Mr. LONG. No questions.

Mr. MCFALL. Mr. Riegle?

LATIN AMERICAN MILITARY COOPERATION

Mr. RIEGLE. I am wondering, we talked earlier in the question and answer part of this discussion about the whole issue of cooperation between Latin American countries on the military question. We have not made very much headway in getting these folks together; is that right?

Admiral HEINZ. I would say there has been practically no headway in establishing an organization responsive to the OAS insofar as military planning and military cooperation is concerned.

There has been progress in Central America. There is another area in which progress has been made and that is in combined multinational exercises. Operation UNITAS has been held for 6 years. During the exercises we have at least two navies and at times three operating together at the same time.

This is something that is relatively new for these nations. We had an exercise in Peru in which six nations participated.

We also held a landing exercise in Central America with five nations participating. These are helpful developments.

Mr. RIEGLE. Then in the South American area, and apart from Central America, and aside from these military exercises, which I think fall in a different category of activities say than the comprehensive planning or interrelatinship of military forces to act in a coordinated way from time to time, there has really not been much progress in this area.

Admiral HEINZ. There has not been. The Inter-American Defense Board does some planning, but it is not responsive to the OAS, it is responsive to individual governments.

Mr. RIEGLE. What is the idea or thought you have for breaching this apparent impasse? What do we have to do that we are not doing now?

How do we get out of this wheel-spinning period where apparently, I take it from the tone of your remarks, you feel we need to have more cooperation and coordination and yet do not seem to be able to achieve it?

Admiral HEINZ. I think it is a process of wearing down rather than making a breakthrough.

One of our other methods is to hold meetings of all heads of armies of Latin America or all heads of navies. This provides a forum where

they can talk to each other and discuss ideas. Even though there may be some things they will not discuss with each other, they at least have a chance to exchange ideas.

The schools where members of the armed forces of different nations go to the same school is going to mean something. The senior officers attending the Inter-American Defense School in Washington will feel an effect that will grow over the years. These are all avenues toward cooperation.

Mr. RIEGLE. But the net of it all is basically you are saying the natural forces are such that you cannot really make material progress?

Admiral HEINZ. I think it will require a long time.

Mr. RIEGLE. But you cannot make material progress in a reasonable period of time, 2, 3, 5 years?

Admiral HEINZ. I think in 2, 3, 5 years there is little chance of a breakthrough. I would not predict that, no. It will be a long continual process. However, we should look at it the other way. There has been progress and this progress will continue. Perhaps we expected too much.

Mr. RIEGLE. This is a problem because I think the American people expect there is a leverage effect in any foreign aid money spent, whether it is spent for military assistance or other types. Apparently there really is not very much leverage in these dollars in the sense of coordinating activities.

Admiral HEINZ. Perhaps in this one area there is a leverage in saying that the OAS as a body will have a coordinated planning group responsive to it. The OAS has in its charter provisions for an Advisory Defense Committee, but that Committee has not been convoked.

I think we have influenced the efforts of the military along more useful lines. We have been successful in decreasing defense expenditures in many countries. We have been successful in achieving better coordination between the services within countries. We have been successful in many ways and our influence is important in many ways. To say it has not been successful in this one area—for the OAS to have a military organization responsive to it and one that will conduct planning of operations—does not mean that we have not had success or that our leverage is not significant.

Mr. RIEGLE. I appreciate your statement, but it still nets out it is not significant enough to solve that particular problem.

Admiral HEINZ. Not that particular problem. This is a problem that has to be solved politically, although military assistance can help.

OVERALL DEFENSE CAPABILITY OF SOUTH AMERICA

Mr. RIEGLE. I would like just one statement, and it does not have to be a terribly long one, from you on how you really assess the overall defense capability of South America at this time, South America as apart from Central America.

Do you think in total, adding up all of these diverse pieces which really basically do not fit together, that South America is in a reasonable condition to provide for its own internal defense and so forth? Taken as a whole now?

Admiral HEINZ. As a whole, I think that the countries are capable of providing for their own internal security and overcoming the problems that face them. I say as a whole. There are weak spots and there are strong spots.

Mr. RIEGLE. Is the defense posture then basically for South America—a posture composed of many diverse pieces—basically sound?

Admiral HEINZ. I think it is basically sound and it is improving, and I think this is why military assistance is going down. I think, for example, we have provided substantial amounts of equipment over a period of years.

Mr. RIEGLE. I have one other question and if you want to answer off the record, fine.

We just now had a change of government leadership in Brazil. I am wondering if there is any discernible change worth talking about in the military relationship of the United States and Brazil since the new government.

Admiral HEINZ. No, there has been no change. The relation was excellent before the election and still is. There has been a very close relationship with Brazil. I see no change.

Mr. RIEGLE. That is all.

Mr. MCFALL. We will adjourn subject to call of the Chair.

MAY 26, 1967.

INTER-AMERICAN DEVELOPMENT BANK

Mr. PASSMAN. House Document 123, dated May 17, 1967, included a budget amendment in the amount of $300 million for the Inter-American Development Bank.

We can cut the request, but once the authorization bill for this contribution passes the Congress, we have at least a moral commitment to appropriate the full amount requested. And, since this is to provide funds for a lending program—and the potential borrowers are not known at this time—I think we will dispense with a hearing on the estimate and will insert in the record at this point the justifications that have been submitted to the committee by the Treasury Department in support of this request.

(The justifications follow:)

International financial institutions

Budget appendix Page	Heading	Request pending	Proposed amendments	Revised request
71	Investment in Inter-American Development Bank: For subscription to the Inter-American Development Bank for the [third] *first* installment of the United States share in the 1968–1970 increase in the resources of the Fund for special operations of the Bank, [$250,000,000] *$300,000,000*, to remain available until expended.	.....	$300,000,000	$300,000,000

Inter-American Development Bank

JUSTIFICATION

The Inter-American Development Bank (IDB) is an intergovernmental institution, corporate in form, whose capital stock is owned by its member governments. The Bank promotes economic development in member countries through loans, technical assistance, and guarantees of private investment in development projects. Twenty Western Hemisphere republics, including the United States, are members of the Bank (Trinidad and Tobago is now completing steps to become the Bank's twenty first member), and all have completed required payments on their original authorized subscriptions and quotas. Cuba is not a member of the Bank.

Ordinary capital.—The Bank's authorized ordinary capital is now the equivalent of $2,150 million of which $1,770 million had been subscribed as of March 31, 1967. Of the total subscribed, the equivalent of $381,580 thousand has been paid in, and the remaining $1,388,240 thousand is subject to call by the Bank if required to meet its obligations arising out of borrowings or guarantees. The Bank's original authorized capital of $850 million was enlarged to $2,150 million in 1964 through an increase of $1 billion in callable capital, and an increase of $300 million to provide for the possible admission of new members.

Public Law 86–147, approved August 7, 1959, authorized U.S. membership in the Bank, and authorized appropriation of $350 million to cover the U.S. subscription to ordinary capital, of which $150 million was paid in and $200 million was callable. Public Law 88–259, approved January 22, 1964, authorized appropriation of an additional $411,760 thousand to cover an increase in the U.S. callable subscription. The U.S. subscription, as of March 31, 1967, totaled $761,760 thousand.

By March 31, 1967, Bank commitments from ordinary capital had reached $783.2 million on 142 loans.

Fund for Special Operations.—In addition to its ordinary capital operations, the Bank lends from its Fund for Special Operations in circumstances where ordinary capital financing is not appropriate. The initial resources of this fund totaled $146.3 million, one-half payable in dollars and one-half in member currencies. The resources of the Fund were increased to $219.5 million in 1964 and again to $1,119.5 million in 1965. Public Law 86–147, approved August 7, 1959, authorized payment of the initial U.S. quota of $100 million; Public Law 88–259, approved January 22, 1964, authorized payment of $50 million for the first increase in the U.S. quota. U.S. payments totaling $750 million for the second increase in the U.S. quota were made in three successive $250 million installments pursuant to authority contained in Public Law 89–6 of March 24, 1965.

The resources of the Fund for Special Operations will be fully committed by early 1968 in support of Alliance for Progress objectives. In April 1967, the Board of Governors of the Bank recommended an increase in Fund resources of $400 million per year to support operations during the three year period from approximately early 1968 through early 1971. The U.S. share of this increase would be $300 million per year or a total of $900 million. Authorizing legislation for the latter amount is before the Congress. An appropriation for the first $300 million installment of the U.S. contribution is being sought in 1968, with subsequent installments in 1969 and 1970.

As of March 31, 1967, commitments from the Fund for Special Operations amounted to $721.8 million on 138 loans.

Investment in Inter-American Development Bank

Program and financing

[In thousands of dollars]

	1968 request pending	1968 proposed amendments	1968 revised request
Program by activities: Investment in Inter-American Development Bank (costs-obligations) (object class 33.0)		300,000	300,000
Financing:			
Unobligated balance available, start of year	611,760		611,760
Unobligated balance available, end of year	611,760		611,760
New obligational authority (appropriation)		300,000	300,000
Relation of obligations to expenditures:			
Total obligations (affecting expenditures)		300,000	300,000
Obligated balance, start of year	825,500		825,500
Obligated balance, end of year	−746,000	−300,000	−1,046,000
Expenditures	79,500		79,500

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