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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1969

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND 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
- Migration and Refugee Assistance
- Peace Corps
- Ryukyu Islands

STATEMENT OF THE SECRETARY OF STATE
TESTIMONY OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

Printed for the use of the Committee on Appropriations

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1969

MONDAY, MARCH 25, 1968.

DEPARTMENT OF THE ARMY

RYUKYU ISLANDS

WITNESSES

JAMES V. SIENA, DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS
LT. GEN. F. T. UNGER, HIGH COMMISSIONER OF THE RYUKYU ISLANDS
RICHARD L. SNEIDER, COUNTRY DIRECTOR FOR JAPAN, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
EDWARD FREIMUTH, OFFICE OF DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS
WILLIAM C. BURNS, COMPTROLLER, U.S. CIVIL ADMINISTRATION OF THE RYUKYU ISLANDS
EDWARD J. McLAUGHLIN, INTERNATIONAL AND CIVIL AFFAIRS DIRECTORATE, OFFICE, DEPUTY CHIEF OF STAFF FOR OPERATIONS

ADMINISTRATION

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Administration	2,938	3,099	3,272
	2. Aid to the Ryukyuan economy	11,992	12,000	17,500
10	Total obligations	14,930	15,099	20,772
	Financing:			
25	Unobligated balance no longer available	18		
	New obligational authority	14,948	15,099	20,772
	New obligational authority:			
40	Appropriation	14,948	14,956	20,772
44	Proposed supplemental for wage-board increases		78	
	Proposed supplemental for civilian pay act increases		53	
	Proposed supplemental for military pay act increases		12	
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	14,930	15,099	20,772
72	Obligated balance, start of year	8,411	8,365	8,334
74	Obligated balance, end of year	−8,365	−8,334	−8,993
77	Adjustments in expired accounts	56		
90	Expenditures excluding pay increase supplemental	15,032	15,000	20,100
91	Expenditures from wage-board supplemental		70	8
	Expenditures from civilian pay act supplemental		48	5
	Expenditures from military pay act supplemental		12	
	Expenditures are distributed as follows:			
01	Out of current authorizations	8,924	9,066	14,068
02	Out of prior authorizations	6,108	6,064	6,045

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Personnel compensation:			
11.1	Permanent positions	1,799	1,911	2,070
11.3	Positions other than permanent	29	30	17
11.5	Other personnel compensation	32	33	39
11.8	Special personal service payments	469	516	527
	Total personnel compensation	2,329	2,490	2,653
12.0	Personnel benefits	199	218	230
21.0	Travel and transportation of persons	338	408	419
22.0	Transportation of things	51	59	59
23.0	Rent, communications, and utilities	31	38	47
24.0	Printing and reproduction	22	23	23
25.1	Other services	2,744	3,100	2,082
26.0	Supplies and materials	595	99	85
31.0	Equipment	45	26	24
41.0	Grants, subsidies and contributions	8,576	8,638	15,150
99.0	Total obligations	14,930	15,099	20,772

PERSONNEL SUMMARY

Total number of permanent positions	397	403	409
Full-time equivalent of other positions	13	8	6
Average number of all employees	396	386	392
Average GS grade	9.3	9.4	9.5
Average GS salary	$10,035	$10,735	$10,762
Average salary of ungraded positions	$1,900	$2,242	$2,334

Construction of Power Systems, Ryukyu Islands

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Financing:			
21	Unobligated balance available, start of year	−7,500	−7,500	−7,500
24	Unobligated balance available, end of year	7,500	7,500	7,500
	New obligational authority			
	Relation of obligations to expenditures:			
72	Obligated balance, start of year	888	683	253
74	Obligated balance, end of year	−683	−253	−253
90	Expenditures	205	430	
	Expenditures are distributed as follows:			
02	Out of prior authorizations	205	430	

Mr. Passman. This is the first session of what will be, in all probability, many sessions this year dealing with various aspects of some 16 or 17 foreign aid appropriation items scattered throughout the budget.

I shall never be guilty of saying I told you so, but I can tell you now that whether it was a good guess or whether I had some facts on which to base my concern, the chickens are coming home to roost. The things that I predicted many years ago are coming to pass. It was perfectly obvious to me years ago that we couldn't continue this wild spending program without people throughout the world losing faith in our ability to run our financial affairs and to know we were going to lose our gold. At least our own Government now has finally reached the same conclusion that I reached many years ago: That when you spend money you don't have for things you don't need, trying to be everything to everybody everywhere, you are going to get into financial trouble.

Now, my role will be to try to help my Government get out of trouble. The only way I know to do that is to try to make a good case for the budget reductions I am sure this committee will want to make this year. I know that I shall have a lot of help from the left and from the right, pointing out where we can be of help in this situation.

The first item we shall consider this year is the $20,772,000 estimate for the Ryukyu Islands. We have as witnesses the Honorable James V. Siena, Deputy Under Secretary of the Army for International Affairs, and Lt. Gen. F. T. Unger, High Commissioner of the Ryukyu Islands.

ANNUAL APPROPRIATIONS, FISCAL YEARS 1955–68

I wish you would place in the record at this point the annual appropriations for the Ryukyus, 1955–68 inclusive, as well as any supplementals that you may have had during that time. Can you do that, sir?

Mr. SIENA. Yes, sir.

(The information follows:)

U.S. Appropriations

Fiscal year:	*Appropriation*	Fiscal year—Continued	*Appropriation*
1955	$3, 100, 000	1963	$8, 900, 000
1956	3, 000, 000	1963 (Pay Act)	54, 150
1957	2, 350, 000	1964	10, 000, 000
1958	2, 475, 000	1965	14, 441, 000
1959	2, 830, 000	1966	14, 733, 000
1959 (Pay Act)	30, 400	1966 (Pay Act)	40, 000
1960	5, 282, 000	1967	14, 893, 000
1961	6, 000, 000	1967 (Pay Act)	55, 000
1961 (Pay Act)	89, 000	1968	14, 956, 000
1962	7, 089, 000		

FISCAL YEAR 1969 BUDGET ESTIMATE

Mr. PASSMAN. We will place in the record at this point the detail of the budget estimate for fiscal year 1969. I believe that is in the amount of $20,772,000.

(The document referred to follows:)

BUDGET ESTIMATE, FISCAL YEAR 1969

Project No.	Project	Estimate, fiscal year 1969
8710	Administrative activities	$3, 272, 000
8711	Pay of personnel	2, 886, 000
8712	Travel of civilian employees	129, 000
8713	Information materials and services	125, 000
8714	Operating expenses	132, 000
8730	Aid to Ryukyuan economy	17, 500, 000
8731	Reimbursement for government services	1, 500, 000
8732	Contribution to government projects	13, 575, 000
8733	Transportation of commodities	5, 000
8734	Technical education and training	1, 325, 000
8735	Technical cooperation	1, 095, 000
	Total estimate	20, 772, 000

Mr. PASSMAN. This is an increase of $5,816,000 over the 1968 appropriation, which was $14,956,000.

BIOGRAPHICAL SKETCH

Mr. Secretary, since this is your first appearance before the committee, we will insert your biographical sketch in the record at this point.

(The sketch referred to follows:)

BIOGRAPHICAL SKETCH OF JAMES V. SIENA, DEPUTY UNDER SECRETARY OF THE ARMY (INTERNATIONAL AFFAIRS)

James Vincent Siena was appointed Deputy Under Secretary of the Army (International Affairs) effective August 3, 1967.

Mr. Siena had previously been associated with the law firm of Covington & Burling in Washington, D.C., specializing in litigation and international trade matters. His previous experience with the Government consisted of a 6-month tour as a consultant with the Office of Economic Opportunity from November 1964 to May 1965.

Mr. Siena is responsible for advising and assisting the Secretary and Under Secretary on international security matters and foreign relations affecting the mission of the Army. Included in his areas of concern are the U.S. administration of the Ryukyu Islands, the Canal Zone government and Panama Canal Company, negotiation and ratification of new treaties concerning the Panama Canal and a prospective sea level canal, civil affairs, certain security and foreign liaison matters, military support of civil defense, and various special projects.

Mr. Siena was born in Cleveland, Ohio on September 25, 1932, the son of Mr. and Mrs. Vincent J. Siena of Cleveland. He graduated from Western Reserve University in 1955 with a BA degree in political science and from Stanford University Law School in 1961 where he was editor of the Law Review.

Mrs. Siena is the former June Harvey of Wilmette, Ill. and they have three children, Katherine, James, and Margaret. They reside at 6351 Utah Avenue, NW., Washington, D.C.

Mr. PASSMAN. We will be pleased to hear from you at this time, Mr. Secretary.

STATEMENT OF THE UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS

Mr. SIENA. Thank you, Mr. Chairman. Mr. Chairman, members of the committee:

It is a privilege to appear before this committee in support of the Army's budget request for administration of the Ryukyu Islands. The amount of the fiscal year 1969 request for aid reflects the enactment last year of Public Law 90–126 which authorizes a total of $17,500,000 for economic assistance to the Ryukyu Islands, in lieu of the past authorization of $12,000,000 under Public Law 86–629. We also appear today in support of a request for a supplemental appropriation for fiscal year 1968.

Mr. PASSMAN. I don't believe the President has sent to the Congress a request for a supplemental appropriation, has he?

Mr. SIENA. This is in the process of preparation.

Mr. PASSMAN. Would it not be a bit unusual to testify for something that hadn't even been presented to the Speaker of the House of Representatives?

Mr. SIENA. I am not familiar with the precedents in Congress Mr. Chairman. We would hope to be heard on the supplemental today.

Mr. PASSMAN. I believe it would be preferable for you to come back to another session for the committee after the request has been made.

You are testifying for your regular appropriation now, are you not?

Mr. SIENA. Yes, sir.

Mr. PASSMAN. Would you let us check with the policymakers and see whether or not it would be appropriate for you to testify for a supplemental budget estimate when the President is undecided as to whether it will be sent to the Congress?

Mr. SIENA. Yes, sir.

Mr. PASSMAN. We wouldn't want to place you in an awkward position and we would not want the committee to be placed in the position of asking questions on a supplemental estimate that the President may not even ask for.

Proceed with your regular statement, please.

Mr. SIENA. Last November President Johnson and the Prime Minister of Japan met here to discuss a number of mutual problems including the status of the Ryukyus. In the joint communique which was issued at the close of their meetings, Prime Minister Sato emphasized the strong desire of the government and the people of Japan for return of administrative rights of the Ryukyus to Japan. The President in turn expressed his full understanding of this desire. The communique then noted that—

> At the same time, the President and the Prime Minister recognized that the United States military bases on these islands continue to play a vital role in assuring the security of Japan and other free nations in the Far East.

The value of our bases on Okinawa to our national strategy in the Far East, and the military flexibility afforded by the present arrangement in Okinawa, has often been attested to before this subcommittee and is, I am sure, well known to each of you. Okinawa has been a major backstop in support of our effort in Vietnam. During last fall's meetings between the President and the Prime Minister it was agreed to keep the status of the Ryukyus under joint and continuous review. But no change was made in the present administrative arrangement and therefore there is no justification for any diminution of our efforts in discharge of our responsibilities there.

Our exercise of administrative authority in the Ryukyus derives from article 3 of the Treaty of Peace with Japan, which provides that pending other disposition—

> 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 * * *.

This article establishes a broad grant of authority. And with that authority comes responsibility.

In recognition of the responsibility which is a concommitant of our administrative rights the Congress has stated in Public Law 86–629, 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.

During the 23 years of our administration of the Ryukyu Islands, United States-Ryukyuan relationships have been marked by amity

and forbearance. But we recognize that foreign rule, no matter how enlightened, does not develop widespread popular support. There is a rising impatience on the part of the people of the Ryukyus and Japan for the reversion of the Ryukyus to Japan. Under these circumstances, and so long as it is necessary for us to continue to administer the islands, our best interests are served by policies which advance the welfare and aspirations of the Ryukyuan people.

In support of this policy, the President has recently taken two significant steps that have been warmly welcomed both in the Ryukyus and in Japan. In the first of these, resulting from the visit of Prime Minister Sato of Japan last November, we joined in the establishment of a tripartite United States-Japanese-Ryukyuan Advisory Committee to the High Commissioner. This committee will recommend measures to improve the social and economic welfare of the Ryukyuan people and to facilitate eventual integration of the Ryukyus with Japan. The requirements to support our participation in the committee, which appear in this budget request, are a very modest investment in a most important enterprise.

The other meaningful step taken by the President was an amendment to Executive Order 10713, permitting popular election of the chief executive of the Government of the Ryukyu Islands. This has long been advocated by all the Ryukyuan people.

The committee is, of course, aware that the Ryukyu Islands have prospered under U.S. jurisdiction. The gross national product in 1967, was nearly 20 percent greater than in 1966, the largest increase recorded in any fiscal year. There was also a 17.2-percent increase in per capita national income in the same period. However, despite these favorable indicia of progress the levels attained in the Ryukyus are still below those of Japan, and the purpose of our appearing before you today is to solicit your support in alleviating this situation.

We have prepared for the committee's use a small brochure entitled "Ryukyu Islands 1968," which sets out some background as well as some relevant statistics regarding economic activity. I hope it is of assistance to you.

To meet the continuing national responsibility which we have in the administration of the Ryukyu Islands the Army has developed the $17.5 million budget proposal for fiscal year 1969 which is before the committee. This budget responds to the social and economic needs of the Ryukyuan people. In considering the specific proposals, as well as the total package, it is to be recalled that the level of our appropriation tends to be used by the Ryukyuans as a measure of the degree of interest the United States exhibits in fulfilling its responsibility for the administration of their islands. On behalf of the Secretary of the Army, I urge your approval of our fiscal year 1969 budget request.

Mr. Chairman, members of the committee, this completes my presentation. Unless you have questions at this point, I should like now to introduce Lt. Gen. F .T. Unger, U.S. High Commissioner to the Ryukyu Islands, who will provide you with further information and details in support of this request.

Mr. PASSMAN. General Unger, you may proceed.

STATEMENT OF THE HIGH COMMISSIONER OF THE RYUKYU ISLANDS

General UNGER. Mr. Chairman, members of the committee, I am pleased to appear before this committee for the second year, this time in support of our budget request for fiscal year 1969.

I would like to reiterate for the committee some of the more important happenings of the past year as a meaningful preface to my budget discussion.

First, as Mr. Siena stated, there was the favorable action by the Congress last October to increase the annual aid authorization from $12 million to $17.5 million. This action paved the way for the United States to further its partnership efforts with Japan in closing the gaps that exist between the Ryukyus and comparable prefectures of Japan, particularly in the areas of public health, education, social welfare, and economic development. Appended to my statement is a fact paper, entitled "Standard of Living: Ryukyus Versus Japan." This paper and its included tables contain key economic and social comparisons between the Ryukyus and Japan. These comparisons continue to show that the Ryukyu Islands lag behind even the poorer Japanese prefectures in health, education, and welfare services.

Another highlight of the year for the Ryukyu Islands was Prime Minister Sato's visit to Washington last November for talks with President Johnson. In the communique resulting from their meeting, the President and the Prime Minister recognized the common interest of the United States and Japan in maintaining the Ryukyu Islands as an effective military base for the security of Japan and other free nations in the Far East. In addition, they agreed that with a view toward minimizing the stresses which will arise at such time as the administrative rights are restored to Japan, measures should be taken to identify further the Ryukyuan people and their institutions with Japan proper and to promote the economic and social welfare of the Ryukyuan residents. To this end, they agreed to establish in Okinawa the Advisory Committee to the High Commissioner of the Ryukyu Islands. The Governments of Japan and the United States and the Government of the Ryukyu Islands have each provided a representative and are providing appropriate staff. The committee is charged with developing recommendations which should lead to substantial movement toward removing the remaining economic and social barriers between the Ryukyu Islands and Japan proper.

Also of significance to the Ryukyuan people was the amendment to the Executive order, on January 31, 1968, to provide for the public election of the chief executive who since 1965 had been elected by the members of the Ryukyuan Legislature. The first election will be held concurrently with the legislatorial election in November 1968.

Finally, I would like to report that the operation of the military base has continued smoothly and effectively, due in large part to the excellent cooperation we are getting from our many Ryukyuan employees. The fact that the Government of Japan on many occasions has publicly emphasized the importance of Okinawa to the defense of Japan, the Rkukyu Islands, and the Far East is, I believe, a significant factor in furthering the effective operation of our base on Okinawa.

MAJOR PROJECTS AND ACTIVITIES PROPOSED

As I did last year, I would like to discuss the principal projects and activities which we would finance with our proposed aid program. Table I, appended to my statement, has been prepared for this purpose. It compares the external assistance requested from both the United States and Japan in fiscal year 1969 with the fiscal year 1968 programs. The figures included in this table are based upon our long-range plan for the economic and social development of the Ryukyu Islands, developed jointly by the U.S. Civil Administration of the Ryukyu Islands (USCAR) and the Government of the Ryukyu Islands (GRI).

The table is arranged by U.S. budget projects in column (1). Key budget activities and individual projects are listed in column (2). Columns (3) through (5) show the United States and Japanese aid programs for fiscal year 1968; columns (6) through (8), the program for fiscal year 1969.

Column (6) gives the breakdown of the $17.5 million budget request before the committee, which can be compared with the fiscal year 1968 appropriation of $12 million in column (3). The approved Japanese aid programs for fiscal years 1968 and 1969 can be compared in columns (4) and (7). Finally, the total external aid programs for the two fiscal years are shown in columns (5) and (8).

To begin my explanation of this table, I invite your attention to the total external aid programs for fiscal year 1968 and fiscal year, 1969, shown in columns (5) and (8), respectively. The figures in these two columns allocated under Project 8732 to the first three budget activities of education, social welfare, and public health, and medical are indicative of the emphasis given by both the United States and Japan in their cooperative efforts to reduce and eliminate, to the extent possible, the gaps between the Ryukyus and Japan in these three areas. The number of dollars of external aid allocated to each in fiscal year 1969 represents an increase of nearly 50 percent in education, 45 percent in social welfare and 66 percent in public health and medical.

Now, as for the total U.S. aid program for fiscal year 1969 shown in column (6), it follows generally the same patterns used in the past. The cost estimates for each project and activity change, of course, from year to year to agree with changing workloads and cost factors and the changing scope of construction and other special projects. Therefore, rather than take your time to explain the minor changes in all of the line items in table I, I will discuss five principal changes wherein the fiscal year 1969 program differs from prior years' programs.

The first change occurs in project 8731, which is a reimbursement to the Ryukyuan Government for general public safety, and public health and sanitation services performed on behalf of and because of the presence of U.S. forces and personnel in the Ryukyus. The fiscal year 1968 level of $1.2 million has been constant since fiscal year 1965, a period of 4 years, despite normal annual wage, cost, and workload increases. The cost of the public safety and health and sanitation services has increased by 65 percent from fiscal year 1965 to fiscal year 1968, from $5.8 million to $9.6 million, and we know that there will be the usual normal increases in fiscal year 1969. Accordingly, we propose increasing the U.S. contribution in fiscal year 1969 from $1.2 million to $1.5 million. In our judgment, such an increase is

more than justified when measured against the benefits in police and sanitation services provided to the military community on Okinawa.

The second and largest variation from prior years' U.S. aid programs occurs in project 8732, activity 1, "Education." Our main justification for increasing the authorization is to participate with the Government of Japan in reducing the gaps that exist between Okinawa and comparable areas of Japan in the fields of health, education, and welfare. At our request, the Japanese Government in fiscal year 1967 began making substantial contributions to the Ryukyuan Government to assist it in defraying the costs of teachers' compensation. In that year, the Japanese Government began contributing 50 percent of the costs of compensation for teachers in the elementary schools and junior high schools, a contribution which the Government of Japan also makes to its own public school teachers through the municipal governments.

As the U.S. share, our goal has been to contribute about one-third of the costs of salaries and related allowances for Ryukyuan teachers in the first 12 grades. The increased authorization has allowed us to budget $6 million for this purpose in fiscal year 1969, which is approximately one-fourth of those costs. Such a contribution will greatly benefit the Ryukyuan people and their government which must pay the cost of all teachers' compensation irrespective of external assistance. The contribution will not only benefit the local education program but will also release Ryukyuan Government revenues to bolster other austerely funded Government functions including those National Government functions and subsidies which Japan would underwrite if Okinawa were a Japanese prefecture.

While on the subject of education you will note that school construction continues to require a large share of the educational budget. Last year, I reported to this committee on the great success of the Trade and Vocational Institute and the Commercial Institute. Based on this success and the continued need for skilled workers in the Ryukyuan economy, we are building two branch trade schools this year and are requesting funds to construct two more in fiscal year 1969.

In addition, since the funds budgeted by Japan and the Ryukyuan Government will provide primarily for regular classroom construction, the U.S. aid program will concentrate on constructing special science classrooms and libraries, particularly in the high schools. Also, U.S. construction funds will be used to construct industrial art shops, homemaking classrooms, libraries in the junior high schools, and school kitchens for elementary and junior high schools. Other budgeted projects include quarters for 136 teachers assigned to off-island isolated schools, plus school toilet and sanitation facilities.

The third principal area of change in the U.S. program is in Project 8732, activity 2, social welfare, where there is an increase from $883,000 in fiscal year 1968 to $1.31 million in fiscal year 1969. This increase, and the large increase in the Japanese contribution, result from the continued phased implementation of the social insurance programs of the Government of the Ryukyu Islands. The first phase of the national pension plan in activity 2d went into effect in fiscal year 1968 with Japanese Government assistance. The first phase was an interim old-age pension plan on a noncontributory basis. The next phase is

programed for implementation in fiscal year 1969 and will cover noncontributory survivors and disability benefits for persons unable to pay premiums. Japan is providing $1.429 million for this program in fiscal year 1969, and it is proposed that the United States contribute $240,000 in fiscal year 1969 to the expanded program. In addition, it is proposed that the United States increase its contribution from $265,000 to $535,000 in activity 2b, the medical insurance program, to cover about 10 percent of the benefit costs of the program. Activity 2a reflects a decrease in the U.S. fiscal year 1969 contribution to the GRI retirement program in order to help accommodate the proposed U.S. assistance of $240,000 to the national pension program.

The fourth principal area of change is in Project 8732, activity 3, public health and medical, where there is an increase from $595,000 in fiscal year 1968 to $985,000 in fiscal year 1969. The principal item of increase is $300,000 to assist the GRI in adding a second floor to the Nago Hospital in northern Okinawa. This amount will provide two operating rooms, two delivery rooms, four labor rooms, an X-ray department, and a recovery room. Also in this area, and of particular interest to you, Mr. Chairman, we have budgeted $125,000 for the two leprosaria, specifically for much needed equipment. Most of the medical equipment at these facilities is either obsolete or in need of frequent repair because much of the equipment was either donated or purchased from U.S. military surplus following World War II. With the requested funds, we will be able to replace such items as operating room, clinical, laboratory, and other medical equipment, and patients beds.

The fifth principal area of change in the U.S. program is reflected at the top of page 2 of table I, in activity 5, public works, which shows a decrease from $2.85 million in fiscal year 1968 to $1.72 million in fiscal year 1969. This decrease permits increased funding to the public health, education, and welfare programs.

Two significant items in the fiscal year 1969 Japanese aid program, in column 7, are contributions by the Japanese Government for cash grants to municipalities, in the amount of $2.778 million, and loans to GRI lending agencies, in the amount of $7.778 million. The cash grants to municipalities are designed to supplement the GRI's contribution to this activity for the purpose of strengthening the financial situation of the Ryukyuan municipal governments which are in very poor financial condition when compared to the municipal governments—that is, cities, towns, and villages—in Japan. The loans to GRI lending agencies are 10- to 15-year, 6.5 percent interest loans to official lending agencies of the Ryukyuan government, such as the Peoples Finance Corporation, and the Central Bank for Agriculture, Forestry, and Fisheries. These GRI agencies will, in turn, lend these moneys to Ryukyuan enterprises, cooperatives, and individuals for low-cost private housing, fishing vessel construction, and other economic development purposes.

The total external aid program exclusive of the Japanese loans to GRI lending agencies will increase from $37.839 million in fiscal year 1968 to $52.436 million in fiscal year 1969. This increased fiscal year 1969 program will be another significant step toward the GRI goal of attaining an annual budgetary level which is comparable to similar prefectures of Japan. The fiscal year 1969 GRI budget is now under

preparation and, when completed in early May, will amount to about $145 million. After financing the estimated costs of Japanese National Government functions and subsidies, which GRI must bear as long as the Ryukyus are separated from Japan, GRI estimates that it will be able to finance in fiscal year 1969 about 80 to 85 percent of the amount needed to provide prefectural government services comparable to those provided by similar Japanese prefectures.

The fact that GRI has never had sufficient funds to adequately fund both its prefectural and national government functions has been a point of contention in the Ryukyus for many years. Some of the more significant of the central government functions performed by GRI are the operation of the court system; internal revenue department; legal affairs department, including prisons and the immigration system; the University of the Ryukyus; national roads and other transportation facilities; and many health and welfare activities.

USCAR GENERAL FUND

In order to give a full picture of our budget position, I would like at this point, to change the focus from aid programs to USCAR general fund programs. As you know, the general fund had its inception in 1947 when the appropriation "Government and relief in occupied areas" (GARIOA) was provided for purchase of the food, medical supplies, and other supplies and services necessary in U.S.-occupied countries. Later on, when charges began to be made for the GARIOA products, the receipts were placed in the general fund to be used for the welfare of the Ryukyuan people. Table II appended to my statement has been prepared for discussion purposes. It shows the original fiscal year 1968 program in column 2; the revised fiscal year 1968 program, which was reported to the Appropriation Committees by letter of March 7, 1968, in column 3; and the fiscal year 1969 program in column 4.

Section A shows our cash balances at the beginning of the year.

Section B shows our estimated revenues. A comparison of columns 2 and 3 of line B–1 shows quite a sharp increase in the estimated POL revenues, from $8 million to $11 million. The $8 million estimate was made back in the fall of 1966. The increase was brought about primarily as a result of two unpredicted circumstances affecting income from petroleum operations. The first is the increase in military activities in support of operations in Vietnam. The second is the continuing increase in four-wheeled civilian vehicles on Okinawa which have been imported at the average rate of over 1,000 per month. Column 4 shows a further estimated increase to $12 million in fiscal year 1969 POL revenues.

Line B–2 reflects corporation earnings which are later deducted in line C–1 as being retained by the three corporations for much needed reinvestment capital. You will note, however, that the income from POL operations continues to be the primary source of additional capital not only for the corporations, but also for other activities as shown in lines C–2 through C–9.

The unanticipated increase in POL revenues could not have come at a more opportune time. As stated in the President's budget, we are preparing to build a new 160-megawatt electric powerplant which is estimated to cost between $25 and $29 million and hopefully to come

on the line before the 1971 summer peak season. In the meantime we have taken action to meet the rapid growth in demands for electric power (which are currently increasing at the phenomenal rate of 21.5 percent per year) in order to avoid brownouts and the stifling of economic development and growth. The Ryukyu Electric Power Corporation, out of its own revenues, was able to purchase two 15-megawatt, gas-turbine generating units to be completed in June 1968 which will meet demand through this year but which will not be sufficient to meet demands in 1969 and 1970.

In addition, the revised fiscal year 1968 general fund program in column 3, item C–3, shows that we are contributing $3 million of our POL revenues to assist our power corporation in financing its approved fiscal year 1968 capital investment program, which includes a 33-megawatt package steamplant for installation in time to meet the 1969 and 1970 demand loads. To assist in financing a 160-megawatt plant, as well as the additional transmission lines, substations, and other needed facilities, the power corporation will need additional assistance from the general fund in fiscal year 1969 and, probably, subsequent years. At present, $1.4 million is programed for this purpose in fiscal year 1969, as shown in column 4.

In line C–4, $1.6 million is programed in fiscal year 1969 as a capital contribution to the Ryukyu Domestic Water Corporation to assist it in financing additional development projects which are needed to meet Okinawa's ever-increasing demands for water. That amount will increase the total general fund contributions for water system development since fiscal year 1963 to $17.5 million. By way of comparison, ARIA appropriations, made in fiscal years 1964 and 1965, have contributed $6 million to this project.

Line C–5 shows that the general contribution of POL revenues to the GRI budget has been eliminated in fiscal year 1969—this, because the GRI has levied its own taxes on POL products.

In line C–8, $4.2 million is programed in fiscal year 1969 for the integrated Okinawa sewer system, bringing the total general fund contribution for this purpose to $8.2 million since fiscal year 1964. For comparison, ARIA appropriations have provided $6 million during the same period.

The last major reprograming action made in fiscal year 1968 was to finance in line C–9 an additional $900,000 in other economic development and public works projects: $350,000 for airfield improvements in Minami Daito, and Yonaguni Islands; $100,000 for rural electrification in northern Okinawa; and an additional $450,000 for roads, bringing the total for roads to $980,000. We plan to finance from the general fund, to the maximum extent possible, the future costs of the water and sewer facilities, plus miscellaneous public works and economic development projects. Furthermore, as I stated earlier, we will probably have to provide additional assistance to the electric power corporation in the financing of future power facilities.

In fiscal year 1969, $4.35 million is programed for item C–9, which includes $2.45 million for roads and bridges, principally for the much needed bypass for Highway 1 and its ancillary roads. This amount is in addition to $900,000 budgeted under the ARIA appropriation. The other principal fiscal year 1969 project in line C–9 is $1.65 million to assist the Government of the Ryukyu Islands in a phased expansion of its civil airfields, particularly the overcrowded and overtaxed civil

air terminal facilities at the Naha International Airport. This will be a large project and land must be reclaimed to the northeast of the present terminal to provide requisite space for the civil aircraft parking ramp and other terminal facilities. The Government of Japan also is assisting in financing this facility by contributing an initial $1 million in fiscal year 1969. The amount programed in the general fund will also be used to extend the runway at Ishigaki Airfield to accommodate larger aircraft which will be introduced later on this year.

Several smaller projects are also programed in fiscal year 1969, including $100,000 for continued rural electrification facilities in northern Okinawa, and $150,000 for continuing comprehensive studies and surveys of economic and social conditions in the Ryukyus. Line C–10 shows the total new obligations.

The entries in section D are standard budgetary items from which is derived the cash balance at the end of the year shown in section E. Please note that, while our ending fiscal year 1969 cash balance in column (4) is estimated to be $8.233 million, lines D–2 and E–1 show that $7.775 million of that balance is obligated. This leaves less than $500,000 unencumbered for emergencies in accordance with budget policy.

ADMINISTRATIVE ACTIVITIES

Now, switching to our administrative activities under Project 8710 of the appropriation request, table III appended to my statement summarizes our fiscal year 1968 and fiscal year 1969 budgets.

The projects and budget activities are listed in columns (1) and (2); the fiscal year 1968 estimate in columns (3), (4), and (5); the fiscal year 1969 estimate in column (6); and a comparison of fiscal year 1969 with fiscal year 1968 in column (7).

Our revised budget for fiscal year 1968 in column (5) reflects increases in the first two projects and decreases in the last two projects, as shown in column (4). The increase in fiscal year 1968 is needed principally to meet increased pay costs resulting from unbudgeted pay increases approved after submission of the fiscal year 1968 budget. Absorption of these costs was not practicable because of the need to support the U.S. element of the advisory committee which began functioning on March 1. Its 15 U.S. personnel should be completely phased in by early fiscal year 1969. The projected personnel phase-in plan will generate 2.4 man-years in fiscal year 1968 and 12.2 man-years in fiscal year 1969, which accounts for most of the $175,000 increase in fiscal year 1969 for project 8711, "Pay of personnel." Pay adjustments also account for a portion of the fiscal year 1969 increase. While USCAR's workloads are increasing because of the support which it must provide to the advisory committee, and the impact of substantial increases in the Japanese aid programs, continuing studies of USCAR's functions and staffing have reduced the number of personnel below that in the original fiscal year 1968 budget by one military and 19 local national spaces. An increase of three U.S. civil service spaces was necessary to cover three highly specialized requirements.

As column (4) shows, we are effecting savings in information activities and operating expenses, projects 8713 and 8714, in fiscal year 1968, and we are holding to the lower level in fiscal year 1969

in accordance with the spirit of the economy mandates of the Congress and the President. Also, we will continue our studies in an effort to effect further savings in the future.

Off the record.

(Discussion off the record.)

General UNGER. Mr. Chairman, this concludes my statement. I will be pleased to answer any questions the committee may have on our fiscal year 1969 budget request.

(The tables referred to follow:)

CFP: STANDARDS 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 1934–36 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 situation.—Currently (1966) Okinawa still ranks with the poorer prefectures of Japan as indicated in the table A attached.

Section 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 11 prefectures that are physically closest to Okinawa. Calendar year 1965 is the latest year available and was obtained from GOJ.

As can be seen, the Ryukyus rank ahead of Kagoshima in per capita national income and behind the other 11 prefectures. In terms of per capita disposable income and consumption expenditures, the Ryukyus rank at the bottom, even below Kagoshima. Kagoshima had a higher disposable income because of large remittances from external sources.

Section IV of the table compares the Ryukyus with the Japanese national average for which we do have statistics through fiscal year 1967 (JFY) 1966.

Section V compares calendar year 1966 price levels against the Tokyo consumer price index which is 100. The figures for the 12 prefectures are available in this case. In calendar year 1966, prices in the Ryukyus were slightly higher than in the 11 prefectures of Japan but lower than Tokyo.

Concerning the three programs area of public health, education, and welfare, with which the Governments of the United States, 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.—One of the primary goals of the long-range plan is to raise the levels of public health, educational and welfare services to levels obtained in comparable areas of Japan.

TABLE A.—COMPARISON OF RYUKYUAN INCOME WITH JAPANESE PREFECTURES

[In dollars]

	I. National income per capita [1]				II. Disposable income per capita [2]				III. Consumption expenditures per capita [3]			
	Calendar year (except as indicated by footnotes)				Calendar year (except as indicated by footnotes)				Calendar year (except as indicated by footnotes)			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
	U.S. fiscal year				U.S. fiscal year				U.S. fiscal year			
	1963	1964	1965	1966	1963	1964	1965	1966	1963	1964	1965	1966
All Japan [4]	503	577	646	709	417	478	540	602	344	394	444	496
1. Tokyo	867	975	1,067	1,171	654	735	817	895	471	542	595	635
2. Tokushima [4]	354	402	467	522	339	386	446	504	247	282	336	377
3. Kagawa [4]	430	496	571	640	384	462	534	616	280	325	380	408
4. Ehime	368	419	476	536	344	395	446	506	252	313	358	425
5. Kochi [4]	355	403	460	521	343	391	447	510	273	312	352	395
6. Fukuoka	437	486	544	621	387	439	497	568	313	343	383	420
7. Saga	336	371	429	498	332	370	423	488	253	274	315	347
8. Nagasaki	318	357	419	495	310	349	412	486	222	257	290	339
9. Kumamoto	326	389	442	503	321	377	433	495	220	234	298	343
10. Oita	323	368	428	492	311	357	417	483	244	282	325	352
11. Miyazaki	304	376	412	481	292	358	387	454	225	286	296	339
12. Kagoshima	266	310	343	402	268	312	346	402	216	248	287	333
Ryukyu Islands [5]	301	323	366	424	289	306	346	400	217	239	261	296

	IV. Comparison of income (Ryukyu Islands with Japanese average)											
	Japanese fiscal year											
	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
	U.S. fiscal year											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
National income, per capita: [1]												
All Japan [4]	224	246	279	285	322	387	454	503	577	646	709	818
Ryukyu Islands [5]	158	165	173	181	202	237	259	301	323	366	424	497
Disposable income, per capita: [2]												
All Japan [4]	200	214	235	249	276	317	369	417	478	540	602	675
Ryukyu Islands [5]	156	165	174	180	199	236	254	289	306	346	400	472
Consumption expenditures, per capita: [3]												
All Japan [4]	173	185	201	213	233	261	301	344	394	444	496	550
Ryukyu Islands [5]	132	136	146	149	158	172	194	217	239	261	296	344

[1] Aggregate earnings of all factors of production.
[2] Personal income less taxes.
[3] Disposable income less savings.
[4] Japanese fiscal year.
[5] U.S. fiscal year.

Note: Data for both Japan and Ryukyus revised in accordance with International Monetary Fund standards. Ryukyuan data also revised on basis of 1965 population census.

V. Comparison of consumer price levels (Tokyo equals 100)

	Calendar year 1966		Calendar year 1966
All Japan	91.3	7. Saga	89.3
1. Tokyo	100.0	8. Nagasaki	92.5
2. Tokushima	91.6	9. Oita	91.0
3. Kagawa	91.6	10. Kumamoto	91.9
4. Ehime	92.5	11. Miyazaki	89.4
5. Kochi	93.5	12. Kagoshima	93.0
6. Fukuoka	92.5	Naha, Okinawa	99.0

TABLE B.—COMPARATIVE DATA ON HEALTH, EDUCATION, AND WELFARE FOR THE RYUKYU ISLANDS AND JAPAN

	Ryukyus, fiscal year 1967	All Japan, calendar year 1966
I. Health:		
1. Doctors:		
Number	394	110,700
Population served per doctor	2,419	890
2. Dentists:		
Number	104	36,100
Population served per dentist	9,163	2,720
3. Nurses (clinical and public health):		
Number	1,011	[1] 149,700
Population served per nurse	943	660
4. Hospital beds: [2]		
Total beds	3,852	918,200
Number per 100,000 population	404	930
TB beds	1,062	214,800
Number per 100,000 population	111	220
NP beds	545	195,000
Number per 100,000 population	57	200
5. Birth rate per 1,000 population	20.3	[3] 13.7
6. Life expectancy (years):		
Male	[4] 68.0	[5] 67.7
Female	[4] 74.7	[5] 73.0
7. Death rate per 1,000 population	5.1	6.8

	Ryukyus, fiscal year 1967	All Japan, Japanese fiscal year 1966
II. Education:		
1. Per-pupil school expenditures:		
Kindergarten	$36.00	$89.00
Elementary school	74.00	154.00
Junior high school	85.00	150.00
Special school	701.00	1,046.00
Senior high school (day)	138.00	185.00
Senior high school (night)	83.00	195.00
2. Pupils per classroom:		
Elementary	40.1	34.5
Junior high school	44.6	39.9
Senior high school:		
Day	46.6	----------
Night	41.6	----------
3. School building area per pupil (excluding gymnasium and auditorium):		
Primary school	2.4 m²	4.9 m²
Junior high school	2.4	4.8
Senior high school	3.4	5.7
III. Welfare programs:		
1. Social insurance:		
Public service personnel retirement annuity	([6])	([6])
Medical insurance program	([6])	([6])
Unemployment insurance	([6])	([6])
Workmen's accident compensation insurance	([6])	([6])
Workmen's annuity	([7])	([7])
Old-age and survivor (national pension)	([8])	([8])
2. Public assistance (daily life security):		
Total (per family per month) [9]	$36.45	$45.42
Livelihood (food and clothing)	30.39	41.90
Housing	5.55	2.67
Educational	.51	.85

[1] Large reduction due to exclusion of nurses' aides.
[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] Usually low birth rate for calendar year 1966 attributed to Japanese superstition concerning girls born that year.
[4] In 1960.
[5] In 1965.
[6] In operation.
[7] Fiscal year 1969.
[8] Payments to Ryukyuan and Japanese households of similar economic status residing in towns and villages. Amount based on household consisting of 4 members. Excludes surplus agricultural commodities (Public Law 480, title III program).

TABLE I.—PROPOSED UNITED STATES/JAPAN AID PROGRAMS FOR RYUKYU ISLANDS, FISCAL YEAR 1969 WITH FISCAL YEAR 1968 COMPARISON

[In thousands of dollars]

U.S. project	Budget activity item	Fiscal year 1968			Fiscal year 1969		
		U.S. ARIA	Japan	Total external aid	U.S. ARIA	Japan	Total external aid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total program	12,000	[1] 25,839	37,839	17,500	42,714	60,214
8731	Reimbursement for Government services	1,200	----------	1,200	1,500	----------	1,500
	1. Public safety	800	----------	800	1,000	----------	1,000
	2. Public health and sanitation	400	----------	400	500	----------	500
8732	Contribution to Government projects:						
	1. Education	4,100	11,124	15,224	9,340	13,157	22,497
	(a) Teachers compensation	1,000	8,219	9,219	6,000	9,315	15,315
	(b) Construction	1,800	1,346	3,146	1,975	2,299	4,274
	(c) Equipment and supplies	1,160	1,176	2,336	1,190	1,031	2,221
	(d) University of Ryukyus	55	48	103	30	325	355
	(e) Other	85	335	420	145	187	332
	2. Social welfare	883	2,932	3,815	1,310	4,225	5,535
	(a) Capital-GRI retirement	618	556	1,174	535	----------	535
	(b) Capital-medical insurance	265	250	515	535	----------	535
	(c) Daily life security	----------	1,253	1,253	----------	2,023	2,023
	(d) National pension	----------	466	466	240	1,429	1,669
	(e) Other	----------	407	407	----------	773	773
	3. Public health and medical	595	1,707	2,302	985	2,842	3,827
	(a) Disease control	450	72	522	525	28	553
	(b) Facilities and equipment	145	408	553	460	1,095	1,555
	(c) Treatment of patients	----------	1,227	1,227	----------	1,719	1,719
	4. Public safety	60	282	342	120	476	596
	(a) Facilities and equipment	60	----------	60	120	194	314
	(b) Judicial building	----------	278	278	----------	278	278
	(c) Emigration promotion	----------	4	4	----------	4	4
	5. Public works	2,850	3,890	6,740	1,720	4,839	6,559
	(a) Roads and bridges (non-farm)	1,200	450	1,650	900	364	1,264
	(b) Piers and harbors	----------	503	503	----------	780	780
	(c) Public housing	200	262	462	820	383	1,203
	(d) Airfield improvement	250	----------	250	----------	1,000	1,000
	(e) Sewer system	1,200	----------	1,200	----------	----------	----------
	(f) TV for Sakishima Islands	----------	1,382	1,382	----------	----------	----------
	(g) Telephone circuits, Sakishima Islands	----------	354	354	----------	1,527	1,527
	(h) Weather facilities and equipment	----------	506	506	----------	442	442
	(i) Other	----------	433	433	----------	343	343
	6. Economic development	75	4,910	4,985	100	5,211	5,311
	(a) Agricultural land development	75	385	460	----------	309	309
	(b) Farm roads and farm walls	----------	577	577	----------	490	490
	(c) Capital for CBC	----------	1,139	1,139	----------	472	472
	(d) People's finance corporation	----------	250	250	----------	250	250
	(e) Sugar industry promotion	----------	833	833	----------	1,111	1,111
	(f) Trust fund bureau fund	----------	833	833	----------	----------	----------
	(g) Fishing ports	----------	250	250	----------	271	271
	(h) Ryukyuan products center	----------	----------	----------	100	----------	100
	(i) Funds for industrial development	----------	----------	----------	----------	1,500	1,500
	(j) Other	----------	643	643	----------	808	808
8733	Transportation of commodities	5	----------	5	5	----------	5
8734	Technical education and training	1,302	482	1,784	1,325	666	1,991
8735	Technical cooperation	930	512	1,442	1,095	742	1,837
	Cash grants to municipalities	----------	----------	----------	----------	2,778	2,778
	Total, grants in aid	12,000	25,839	37,839	17,500	34,936	52,436
	Loans to GRI lending agencies	----------	----------	----------	----------	7,778	7,778
	Grand total	12,000	25,839	37,839	17,500	42,714	60,214

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

TABLE II.—USCAR GENERAL FUND PROGRAMS, FISCAL YEARS 1968 AND 1969

[In thousands of dollars]

Section/line	Fiscal year 1968		Fiscal year 1969
	Budget document	Revised January 1969	
(1)	(2)	(3)	(4)
A. Beginning cash balance	$2,273	$6,034	$4,808
B. Receipts:			
1. Petroleum operations	8,000	11,000	12,000
2. Corporation earnings	4,691	5,366	4,876
3. Other	175	238	232
4. Total	12,866	16,604	17,108
C. Program by activities (new obligations): [1]			
1. Corporations' earnings retained for reinvestment	4,691	5,366	4,876
2. Fixed assets: Petroleum facilities	570	570	200
3. Capital contribution for power facilities		3,000	1,400
4. Capital contribution for water system	2,200	2,200	1,600
5. Distribution of POL revenue to GRI	3,500	3,500	
6. Assistance to municipalities	200	300	300
7. Disaster reserve	200	200	200
8. Construction of island sewer system	2,000	2,000	4,200
9. Other economic development and public works projects	680	1,580	4,350
10. Total new obligations affecting expenditures	[1] 14,041	18,716	17,126
D. Relationship of obligations to expenditures:			
1. Obligated balance, start of year		3,446	4,332
2. Obligated balance, end of year		−4,332	−7,775
3. Expenditures	[1] 14,041	17,830	13,683
E. Ending cash balance:			
1. Obligated		4,332	7,775
2. Unobligated		476	458
3. Total	1,098	4,808	8,233

[1] Obligations and expenditures were estimated to be same.

TABLE III.—PROJECT 8710: PROPOSED ADMINISTRATIVE ACTIVITIES, ARIA, FISCAL YEAR 1969 AND FISCAL YEAR 1968 SUPPLEMENTAL APPROPRIATION REQUEST

[In thousands]

Project	Budget activity	Fiscal year 1968			Fiscal year 1969 estimate	Fiscal year 1969 over fiscal year 1968, increase (+) or decrease (−)
		Appropriation	Adjustments (supplemental)	Revised estimate		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
8711	Pay of personnel	$2,562	+$149	$2,711	$2,886	+$175
8712	Travel of civilian employees	119	+12	131	129	−2
8713	Information materials and services	140	−15	125	125	0
8714	Operating expenses	135	−3	132	132	0
	Total, 8710	2,956	+143	3,099	3,272	+173

IMPROVEMENTS TO RYUKYUAN PUBLIC FACILITIES

Mr. PASSMAN. Thank you, General. A very distinguished Secretary of Defense made a statement to the effect that it would be better to cut the Defense Department's budget than to cut the foreign aid request.

This committee, over the years, has been very cognizant of the Ryukyu problems. Your request this year established the fact, "from little acorns, big trees grow."

The first time I visited Okinawa was in calendar year 1949. If I remember correctly, the courtroom then was a little wood shack with just one iron hinge on the door. Inside you had some hard wooden benches and the chief justice sat in a little wood chair with a little homemade pedestal. Do you remember that, any of you? Do you remember those conditions?

Mr. SNEIDER. Yes, sir.

Mr. PASSMAN. Now they have a beautiful stone or cement building, air-conditioned, beautiful mahogany courtrooms, aides and everything that goes to make up a dignified courtroom. Is that right?

General UNGER. That is correct, Mr. Chairman.

Mr. PASSMAN. The schools they had built under the Japanese had no roof, as such, and some little wooden benches. If there should be a rain, they would have to find cover. They seemed to be very pleased, and they were glad we were there.

So this committee, over the succeeding years, recognizing the importance of Okinawa, almost moved over to your side of the table and helped testify for funds. For the past several years I think we recommended every dime you asked for. Prior to fiscal year 1965 we made some small cuts but they were in the nature of very small adjustments. Recently, we have just gone along with your request.

So, from a very happy people living under the conditions I described a moment ago, we have now moved them into modern buildings.

ANNUAL APPROPRIATION INCREASES

In the brief period that it has been my honor to chair this committee, we have increased this annual appropriation from $3 million, I believe, up to $14,950,000.

General UNGER. The request is for $20.7 million.

Mr. PASSMAN. Last year it was $14,956,000. We are being asked to move it up to $20,772,000.

General UNGER. That is correct, sir.

Mr. PASSMAN. Some of the things we did during this time, such as new school buildings, the beautiful administration building, and other facilities, you don't have to do over. That is permanent, isn't it?

General UNGER. That is correct.

Mr. PASSMAN. This is just added improvements?

General UNGER. That is correct.

Mr. PASSMAN. We have really taken them up in a hurry. I don't believe there is any county in the United States where you could find any series of similar projects, where the cost has moved from $3 million to a request of $20,772,000. It would appear that we have gone too far too fast, because we asked too few questions; apparently, we didn't ask you to justify the estimate, but to merely make a statement for the funds.

Now, if we add to that some of the other problems we are confronted with, you will recognize that this year we are going to have to look at all of these budget requests very closely. I hate to think that foreign nations have placed us on probation for awhile to see how we are going to run our fiscal affairs in the future, but it just seems that is the position we are in. You read in the paper all the time now, statements such as: "We will go along with you on this. Take 6 months to get your financial house in order. If not, we want that other $10.5 billion worth of gold that you have over there."

We are going to have to look at all budget requests very closely this year. We have been extremely kind to your predecessors and you too, Mr. Secretary, but I think we are going to have to face up to the facts of life—spending is going to have to be reduced. We have balanced the budget only five times in 38 years. If those who say deficit financing is all right will read the papers of the last few days, they will have some reason to change their minds.

FISCAL YEAR 1968 SUPPLEMENTARY APPROPRIATION

In addition to the fiscal year 1968 appropriation which we have been discussing, do you have a supplemental estimate pending somewhere in the executive branch?

General UNGER. That is correct.

Mr. PASSMAN. You wear dual caps. You are the head of the Military Establishment in the Ryukyus, and you are also the High Commissioner?

General UNGER. Yes, sir.

Mr. PASSMAN. We recognize, General, that you have a tremendous responsibility. We don't want to do or say anything that would make your job harder.

PURPOSE OF U.S. PRESENCE

This may be just as good a question to start with as any: Do these people recognize that our presence there is for their protection as well as for the security of our own country?

General UNGER. To answer that, Mr. Chairman, I would say some of them so do. Some of them do not want to recognize it, to be really honest.

Mr. PASSMAN. They just have a closed mind?

General UNGER. To be really honest, that is right.

Mr. PASSMAN. I think the Japanese recognize that these tremendous expenditures we are making for peace or defense is making it possible for Japan to enjoy great prosperity and to do many things we would like to do here in the United States.

General UNGER. The government party is moving out in a courageous way in an effort to hopefully approach the day when Japan can take on its share of the burden in that part of the world.

Mr. PASSMAN. Do they realize it is for their security?

General UNGER. The government party does, sir.

Mr. PASSMAN. Why don't they familiarize their friends on Okinawa?

General UNGER. They have really tried, sir.

Mr. PASSMAN. What is the population of the Ryukyus?

General UNGER. 952,000, Mr. Chairman.

Mr. PASSMAN. And the population of our country, I believe is 200 million?

General UNGER. Yes, sir.

Mr. PASSMAN. Japan is 100 million, so that would be 300 million, versus 900,000. That gives favorable odds; does it not? If Japan feels that way and we feel that way, I don't think 900,000 people who just refuse to understand the facts are going to push us off the island; do you?

General UNGER. Putting it in that context, I would rather not——

Mr. PASSMAN. Japan recognizes the importance of our military expenditures in that part of the world. We say it is for the security

of our country. We are 200 million. Japan is 100 million. That is 300 million. And you have just a percentage of 900,000 who would not like to have us even have our B–52's on the island; is that right?

General UNGER. Well, sir, is it right——

Mr. PASSMAN. Could it be these Ryukyuans are just good salesmen?

General UNGER. No, sir; I believe there are some real sincere points that some of them make on this score and I would like to make a few points on our behalf, sir, if I may.

Mr. PASSMAN. Let us ask a few questions. That is the trouble with this appropriation now. You have had us on both sides of the table and somehow we have to find some places to cut, General.

REVERSION TO JAPAN

Now, this reversion matter, Is it just the opposition to the powers in being there, or is it generally scattered throughout the 900,000 Ryukyuans?

General UNGER. Mr. Chairman, I believe I can honestly say that the No. 1 subject in the island is reversion.

I have studied this since I have been there for 17 months trying to get at the root of it in order that I can answer the perennial question: Do these people really want to return to Japan?

I can honestly say that the great majority of the people do want to return to Japan. I will quickly say also that a great deal of it stems from emotion. But, after all, emotion is part of the human motivation and human mechanism, but they do want to revert to Japan, sir.

Mr. PASSMAN. General, do the older people there remember the conditions I described earlier? I was there in 1949. These people seemed to be reasonably happy with us there at that time and they were living in what we would describe today as poverty or semi-poverty.

General UNGER. That is correct, sir.

RYUKYUAN VERSUS JAPANESE STANDARD OF LIVING

Mr. PASSMAN. Look at the tremendous improvement we have made. It is fantastic. We know very well by any comparison that the Ryukyus have moved forward a lot faster than some parts of Japan. I didn't say they had moved past them, but they have made greater progress.

I was in Japan at the same time and I don't recall seeing any of their courts—but I do have pictures of the Ryukyuan courthouse in my office. They were meeting in a little wooden building, with wooden benches, and a door with one hinge. I didn't see anything like that in Japan. I didn't see schoolbuildings such as I have described. The point is, they may not have reached the same standards as some of the prefectures in Japan, but they have made greater progress, have they not?

General UNGER. Mr. Chairman, I don't believe statistics will bear that out.

Mr. PASSMAN. Are we thinking about the same thing?

General UNGER. I believe so, Mr. Chairman. This is the thing that I study all the time in an effort to come up with a good justification——

Mr. PASSMAN. What kind of courthouses did you have in Japan prior to 1949? Little wooden buildings with doors with one hinge?

General UNGER. I wasn't there at that time, Mr. Chairman, but——

Mr. PASSMAN. I was there. I think there are witnesses present who could say, if you compare the progress they have made, they have traveled further than most of the prefectures back in Japan.

General UNGER. In 1949 when you were there, Mr. Chairman, you were seeing the results of the war which created the——

Mr. PASSMAN. They had been accustomed to that type of living there.

I believe these people are waxing fat in prosperity and I don't think we should permit them to get you excited and to dictate the policy of our country. If it is a matter of principle, then dollars won't cure it. What we are trying to do is to take dollars and transfer those dollars into some kind of relief proposal, hoping they will be silent. Is that what we are doing?

General UNGER. Mr. Chairman, if I may respond to what you just said—if you would let me——

Mr. PASSMAN. I am asking the questions. That is what I want you to do.

General UNGER. We have been making a very thorough study of the relationship of the conditions in the Ryukyus to conditions in Japan over the last 20-some years. The Ryukyuan people—and we believe statistics will bear it out—have not made any faster progress than comparable prefectures of Japan have made.

PER CAPITA INCOME—RYUKYUS AND JAPAN

Now, in the 1930's the gross national product or the per capita national income was about $25 in the Ryukyus and at the same time it was about $60 in Japan. Now, today, we find that as a result of the fiscal year 1967 indexes that the national income per capita is $497 versus about $818 in Japan.

Mr. PASSMAN. That doesn't mean a thing unless you relate it to something. There are places in the world where you can live very well for just $200 a year. It depends on what you can buy with it.

RYUKYUAN VERSUS JAPANESE ECONOMIC DEVELOPMENT

General UNGER. Attached to my statement I have a fact paper in which I try to point out the differences between the Ruykyus and Japan and it covers the areas of health, education, and welfare. You can see that the school construction, the number of pupils per teacher, the amount of square footage or square meterage per pupil, are much less than in Japan. Also, the number of doctors; the number of nurses, sir. This type of thing, and we are putting our emphasis in the fields of health, education, welfare, and economic development in an effort to try to some day reach the standards that have been achieved in the comparable prefectures of Japan—I am not talking about the rich ones; I am talking about comparable ones—so the Ryukyus can approach those goals.

Mr. PASSMAN. Let me say this: They are far, far, far better off under the present arrangement than they were under Japan.

General UNGER. I don't know about that, sir.

Mr. PASSMAN. You are quite honest about it. I do know, because I have something to compare it by. I make it as a statement of fact and I can load the record with hearings of previous years. I think you have supporting witnesses here who know I am making a statement of fact, that the school buildings I described, the courtrooms I described, and the housing I described were quite primitive. You had very few buildings there at that time, did you not?

Mr. SNEIDER. If I may speak to this subject——

Mr. PASSMAN. I wish you would answer my question first. You had very few typhoon proof buildings. You had little shacks with grass sides and bamboo tops, did you not?

Mr. SNEIDER. Yes, sir, we found those buildings were more typhoon resistant than the quonset huts we had.

Mr. PASSMAN. Why did you use the quonset huts then?

Why are you now using concrete buildings? Don't you have concrete buildings scattered all over the island?

Mr. SNEIDER. We have now.

Mr. PASSMAN. You didn't have them prior to World War II, did you?

Mr. SNEIDER. There were some.

Mr. PASSMAN. Where?

Mr. SNEIDER. There was virtually nothing left in the Ryukyus after 1945 except a few buildings.

Mr. PASSMAN. When I first went to Okinawa in 1949, I found it was quite primitive.

Mr. SNEIDER. In 1949 we were just rebuilding from the war. I was there in 1945, sir. The island was devastated. There was hardly a building left standing.

ANNUAL APPROPRIATION INCREASES

Mr. PASSMAN. I feel some responsibility for this thing since we have approved your full request in the past few years. In 1956 it was only $3 million and you had a big fat budget then and you were just tickled pink that you got all you asked for.

It was cut down to $2,475,000 in 1958 and now we have jumped all the way up to approximately $21 million. Isn't that supplemental the MacArthur philosophy? Didn't he cook that up?

General UNGER. No, sir, I believe this could go back to the meeting of our President with the Prime Minister of Japan and——

Mr. PASSMAN. What do either one of them know about it other than they wanted money?

General UNGER. Well, it was the idea of trying to make the standard of living in the Ryukyus comparable to similar areas in Japan.

Mr. PASSMAN. And maybe superior to some parts of the United States, all on borrowed money.

General UNGER. It could well be to some parts of the United States.

MILITARY IMPORTANCE OF RYUKYUS TO U.S. AND JAPAN

Mr. PASSMAN. Would you comment briefly on the importance to the United States of retaining full control over the Ryukyu Islands,

not only because of its importance to Vietnam, but also as to their importance to our defense posture in that part of the world?

General UNGER. Yes, sir; I would like very much to, Mr. Chairman.

The Ryukyus, and specifically the island of Okinawa, is referred to as the keystone of the Pacific for a very good reason. It sits about 350 miles off the coast of Red China. I like to refer to it as being about 900 miles from anyplace. It is strategically located to provide an ideal forward base in order that we can carry out—we, the United States—can carry out our commitments in that part of the world.

The beauty of Okinawa and the Ryukyus is the fact that we have sole administering authority there. This belongs to us as a result of article 3 of the peace treaty with Japan and our Government leaders later recognized that Japan had residual sovereignty over these islands. Along then with the administrative authority and the responsibilities that we assumed for the economic and social development of these people, there comes a moral obligation which we accepted and it was accepted by the Congress, sir, in making sure that we promote the welfare and well-being of these people, while we use this island for our own strategic forward base. It is a most important—it is the most important base we have in the Pacific, Mr. Chairman.

Mr. PASSMAN. Thank you, General.

Do you foresee a time when its importance will greatly lessen?

General UNGER.———

Mr. PASSMAN. Can you measure it in terms of years?

General UNGER. ——— off the record.

(Discussion off the record.)

Mr. PASSMAN. For the future, it is important?

General UNGER. Yes, sir.

REVERSION TO JAPAN

Mr. PASSMAN. For that reason, why do we give any type of consideration to this reversion proposition? Why don't we just deal frankly with those people? The people in Japan know very well that our control of the Ryukyus is just as much for their protection, or more so, than it is for the United States, and the Ryukyuans, if they are smart enough to talk us out of the amount of money you are asking for this year—and evidently they had something to do with it or you wouldn't have this request—then they are smart enough to know what our presence there means to them.

General UNGER. Mr. Chairman, reversion is coming someday.

Mr. PASSMAN. Certainly it is.

General UNGER. Someday. We started out in 1953——

Mr. PASSMAN. It is not in the picture at this time, is it?

General UNGER. I will defer to my State Department colleague to respond to that one.

Mr. PASSMAN. All right. Let's get an answer right now.

Mr. SNEIDER. Mr. Chairman, as you know, when Prime Minister Sato was here, the President made no commitment on the reversion of the Ryukyus.

INCREASE IN AUTHORIZATION

Mr. PASSMAN. But he did make a commitment on some more money, didn't he?

Mr. SNEIDER. He did make a commitment to keep the status of the Ryukyus under joint review. He made no direct commitment on money, but he did——

Mr. PASSMAN. Then what is the basis for this anticipated supplemental estimate?

Mr. SNEIDER. The supplemental is basically—I think I should let General Unger speak to this.

Mr. SIENA. The increase in the authorization was passed by the Congress before the visit of Prime Minister Sato.

Mr. PASSMAN. The increased authorization gave the two of them something to talk about while he was here.

General UNGER. Mr. Chairman, could I——

Mr. PASSMAN. We have literally hundreds of projects in this country with wonderful justifications and we can't even get them funded.

Mr. SNEIDER. May I finish, Mr. Chairman?

Mr. PASSMAN. Yes.

RETURN OF ADMINISTRATIVE RIGHTS TO JAPAN

Mr. SNEIDER. On the question of reversion, I think it is important to differentiate between return of the administrative rights of the island to Japan, which is contemplated, and the return of the base structure which is not contemplated. There has been a commitment made by every President since 1952 that we would eventually return the islands. It has also been our basic policy that if we did return the islands at some time in the future we would want to retain the bases there. There is a differentiation to be made between the two points.

Mr. PASSMAN. If you give them administrative rights, what would be the second step? They have already indicated in the press, "Get out of here; we don't want your B–52's or anything else dealing with the military." What would be the next step if you gave Japan administrative rights? To get us out altogether?

Mr. SNEIDER. I would not think so.

Mr. PASSMAN. Aren't they asking us to get out now, even when we have control? They are saying, "Get out. Get off," aren't they?

Mr. SNEIDER. No, sir.

Mr. PASSMAN. Where does this stuff come from that is in the local papers?

General UNGER. To elaborate on what my State Department colleague just stated, there is a difference between reversion of administrative rights and retention of the base. We would like to see, and we can see in the future where this could come about; namely, that the administrative rights could be returned to Japan but the United States base could remain there.

Now, the attitudes of the various political parties both in the Ryukyus and in Japan are somewhat different. The far left on the political spectrum, such as the Socialist Party and the Okinawan Peoples Party and the Japanese Socialist Party and the Japanese Communist Party, they would like to see both the reversion of the administrative rights and the elimination of the base.

Mr. PASSMAN. That we understand.

General UNGER. That is just one side of it.

(Discussion off the record.)

Mr. PASSMAN. Will you have to deal with the same people who are making the statements today that ———.

General UNGER. ———.

Mr. PASSMAN. I know you do, but are those the people presently in power?

General UNGER. ———.

Mr. PASSMAN. Are some of them in power?

General UNGER. ———.

Mr. PASSMAN. I am talking about Okinawa.

(Discussion off the record.)

Mr. PASSMAN. Thank you, General. It is a foregone conclusion that in 100 nations of the world and five territories, and for that matter, in all 50 States of the Union, that we are trying to do everything with money. Just kick up your heels a little, make a fuss, and create a riot and then you will see a half-dozen bills introduced to compensate certain people for doing something they shouldn't, but it is a pretty generous handout they get for raising cain in this country. I am just wondering if that hasn't spread all over the world? People know if you just kick up your heels a little bit Uncle Sam will say, "Here, we are going to increase your appropriation."

General UNGER. ———.

Mr. PASSMAN. Oh, I know that.

General UNGER. ———.

Mr. PASSMAN. Put it on the record and then we will take it off if necessary. That is the way we operate, if it is classified data.

General Unger. ———.

Mr. PASSMAN. Too many people are taking us for suckers. I was in an Asian country recently and discussed a program that we thought was already firmed up. They were ready to allocate millions of dollars, too. We asked the foreign nationals how firm the cost-sharing agreement was and we were told that Big Brother had to make his commitment first, and then the other countries will decide how much they will contribute.

I said you will be surprised to see how small "Big Brother" is now. He is just a little fellow. Get the commitments from the other fellows and then the so-called "Big Brother" may take some action.

Do you get my point?

General UNGER. Yes, sir.

Mr. PASSMAN. We are trying to get money to do everything. That is what I am afraid of.

General UNGER. That could be, sir.

Mr. PASSMAN. Thank you, General. You are always fair.

Incidentally, are you related to the Ambassador?

General UNGER. The Ambassador to Thailand—my namesake out there? No, sir. We have known each other. We went to the National War College together. We tried to trace our forebears and I found his came from Hungary and my father's family came from Germany near the Swiss border.

U.S. AID COMPARED WITH RYUKYUAN IMPORTS FROM JAPAN

Mr. PASSMAN. General, would you update the table that appears on page 99 of the printed hearings of last year which relates to U.S. aid to the Ryukyus, Japanese aid to the Ryukyus, and Ryukyu imports and exports to and from the United States and Japan?

General UNGER. Mr. Chairman, I will include that in the record.

(The information follows:)

RYUKYUAN TRADE STATISTICS

Fiscal year	U.S. appropriation			GOJ contribution	Ryukyuan imports from Japan	Ryukyuan exports to Japan	Ryukyuan exports to United States	Ryukyuan imports from United States
	Aid	Administrative	Total					
1956	$1,790,000	$1,210,000	$3,000,000	0	$46,100,000	[1] $16,800,000	[1] $50,000	[1] $10,000,000
1957	1,070,000	1,280,000	2,350,000	0	59,400,000	[1] 17,900,000	[1] 300,000	[1] 11,500,000
1958	1,070,000	1,405,000	2,475,000	0	67,500,000	[1] 13,600,000	[1] 600,000	[1] 17,800,000
1959	1,300,000	1,560,400	2,860,400	0	76,700,000	17,000,000	900,000	16,200,000
1960	3,649,000	1,633,000	5,282,000	$125,000	93,800,000	20,200,000	2,900,000	15,700,000
1961	4,367,000	1,722,000	6,089,000	172,000	101,500,000	32,200,000	2,500,000	19,600,000
1962	5,367,000	1,722,000	7,089,000	570,000	117,400,000	33,200,000	4,700,000	20,100,000
1963	6,950,000	2,004,150	8,954,150	2,774,000	135,700,000	61,600,000	6,700,000	22,100,000
1964	7,860,000	2,140,000	10,000,000	5,027,000	136,900,000	59,500,000	5,200,000	30,600,000
1965	12,000,000	2,441,000	14,441,000	5,208,000	151,300,000	72,800,000	5,100,000	31,400,000
1966	12,000,000	2,773,000	14,773,000	7,964,000	196,200,000	71,900,000	5,800,000	37,700,000
1967	12,000,000	2,948,000	14,948,000	16,114,000	249,200,000	70,200,000	4,800,000	40,900,000
1968	12,000,000	2,956,000	14,956,000	25,839,000	277,800,000	90,400,000	6,200,000	45,300,000

[1] Estimate.

RELATIONSHIP OF JAPANESE AID AND RYUKYUAN SUGAR PRODUCTION

Mr. PASSMAN. If we think in terms of Japanese aid to the Ryukyus, that was started, I believe, many years after we started our program. I believe their first year was 1960.

General UNGER. About that period, yes, sir.

Mr. PASSMAN. In the amount of $125,000?

General UNGER. Yes, sir; and I do recall the figures in 1964. It was $5 million. In 1965, $5 million; in 1966, $8 million.

Mr. PASSMAN. Put the entire table in the record, which shows they went for many, many years without any Japanese aid at all. Then they began to increase their sugarcane yields and it was to the advantage of Japan to grant a little aid to get that sugar. That is when the aid really started out, when the sugarcane production went up, isn't it?

General UNGER. I can't recall whether it was because of an increase in sugar, but we will enter it in the record.

(The information follows:)

GOVERNMENT OF JAPAN AID CONTRIBUTIONS AND RYUKYU ISLANDS SUGAR PRODUCTION, FISCAL YEARS 1959-68

Fiscal year	Government of Japan contribution	Sugar production (thousand metric tons)
1959	0	56.2
1960	$125,000	47.2
1961	172,000	77.1
1962	570,000	112.2
1963	2,774,000	170.8
1964	5,027,000	139.5
1965	5,208,000	298.3
1966	7,964,000	221.9
1967	16,114,000	205.4
1968	25,839,000	221.1

RYUKYUAN SUGAR EXPORTS TO JAPAN

Mr. PASSMAN. I believe all the sugar produced in the Ryukyus is sold to Japan.

General UNGER. That is correct, sir.

Mr. PASSMAN. That is a tremendous advantage to Japan, is it not?

General UNGER. That is right, and they pay 75 percent subsidy. They pay four times the world price of sugar.

Mr. PASSMAN. They have a very substantial trade with the Ryukyus, do they not?

General UNGER. Yes, they do; sir.

PER CAPITA INCOME OF SOUTHEAST ASIAN COUNTRIES

Mr. PASSMAN. General Unger, also insert a table showing the per capita income of the people of the Ryukyu Islands by years since fiscal year 1956.

General UNGER. We will do that, sir.

Mr. PASSMAN. As I said earlier, one of the grandest, noblest, misunderstood misnomers ever committed to writing is the GNP or gross national product. If you don't have something to relate it to, it doesn't mean a thing in the world.

Take our own country. I think last year we claimed a gross national product of $854 billion. If we had some way of placing the 1940

price tags on the same items, our 1967 GNP would be $396 billion; over half of the increase represents inflation. You could run our gross national product up to $5 trillion, could you not, and not increase unit production by $1?

General UNGER. Sure you could.

Mr. PASSMAN. So the price tag gets higher, not just from increase in production, but from inflation?

General UNGER. That is correct.

Mr. PASSMAN. So if you don't have something to compare these things to, then it is meaningless.

We finally got the justifiers to the point where they say, "Well, what we are giving away is only this much of our GNP." It sounds as though they had some license or right to give away our GNP. That is one reason why we have only balanced the budget five times in 38 years, listening to those weak justifications by the justifiers.

That doesn't apply to you, of course, because you are relatively new in this job, and you are a soldier.

Now, if you would, when you are inserting that per capita income table, also include the same data for the Philippines and South Vietnam. If you want to include Korea, Japan, and Taiwan, you can do so, but their great increase has been brought about by our gifts. You might as well throw the whole shooting match in and, if it is good we take credit for it, and if it is bad we just say we didn't give you enough, I guess.

(The information follows:)

PER CAPITA INCOME—CURRENT PRICES, FISCAL YEAR 1956–66

Fiscal year	Ryukyu Islands	Japan	Korea	Philippines	South Vietnam	Taiwan
1956	$158	$224	$73	$87	(1)	$67
1957	165	246	77	89	(1)	86
1958	173	279	80	93	(1)	100
1959	181	285	82	96	(1)	112
1960	202	322	82	99	(1)	120
1961	237	387	80	107	(1)	134
1962	259	454	89	112	(1)	139
1963	301	503	100	125	(1)	156
1964	323	577	111	130	(1)	181
1965	366	646	115	136	(1)	190
1966	424	709	117	142	[2] $126	203

[1] Not available.
[2] GNP—AID.

INCREASE IN ADMINISTRATION EXPENSES

Mr. PASSMAN. This budget was prepared some 18 months in advance of conditions we are confronted with today. As you know, the word has gone out around the world for the United States to cut back on expenditures. Have you been requested to cut back your civilian budget in Okinawa?

General UNGER. Yes, sir, there have been requests to us to cut back; isn't that right, Mr. Secretary?

Mr. SIENA. Yes, sir. In preparation of this fiscal year 1969 budget, the civil administration was informed to exercise—required to exercise considerable constraints, which we believe they did.

Mr. PASSMAN. Do you mean you originally asked for more than this?

Mr. SIENA. As the High Commissioner pointed out in his statement there is a slight increase in our administration request but at the same time there has been a considerable increase in the workload of the administration. First, because the administration must now support our contingent to the advisory committee to the High Commissioner.

Secondly, we monitor the Japanese aid program. As that aid program increases, the amount of work our people must do increases in making sure that it is applied effectively.

Mr. PASSMAN. Why do we monitor their aid program?

Mr. SIENA. We are responsible for the administration.

Mr. PASSMAN. Do they reimburse you for the money you spend in that endeavor?

Mr. SIENA. No, sir, they do not.

Mr. PASSMAN. Japan's aid program is basically because it is for their own people and because of the trade agreements they have with the Ryukyus, is it not, on sugar and other commodities? Ours, of course, is for the base rights. But the Japanese enjoy tremendous profitable trade with the Ryukyus, don't they?

General UNGER. They do that but there is the other aspect, too——

Mr. PASSMAN. I owe both of you an apology. We get off our line of questioning sometimes and never get back to the main road. Consideration of the budget request for 1969 started some 18 months ago; did it not?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. Usually it is 18 months from the time of your initial request until you go before the Congress to justify it.

There has been a lot of water gone under the bridge before this idea of approximately $21 million was—I do not like to use the phrase "cooked up"—it is too mild.

Perhaps a better word would be concocted.

REDUCTION OF EXPENDITURES

Now the word went out, so we were told, from the President to reduce expenditures. How much were you directed to reduce expenditures?

Mr. SIENA. To my recollection—and I have only been in my position since August, and this process as you indicate began before I got there, but I am aware of one occasion where we specifically instructed the people in Okinawa who accomplish this budget process——

Mr. PASSMAN. I am talking about the money already appropriated for fiscal year 1968 that you may have to cut back on.

Mr. SIENA. We examined the possibility of instituting a reduction.

Mr. PASSMAN. You did not get a direct request from the Executive to reduce it?

Mr. SIENA. The request came through to reduce it consonant with the terms of House Joint Resolution 888, I believe.

Mr. PASSMAN. What did that say?

Mr. SIENA. I am not confident in my recollection, but as I understand it, it required each department to reduce its manpower expenditures by 2 percent and other expenditures by 10 percent.

Mr. PASSMAN. That would mean your appropriation for last year then, would it not?

Mr. SIENA. Yes, sir.

Mr. PASSMAN. How much did you finally reduce it?

Mr. SIENA. The total amount of reduction required to be taken by the Department of the Army was taken by the Department of the Army but none was taken from the Ryukyus. In other words, a larger bite was taken out of other operations in which more flexibility was found.

Mr. PASSMAN. For instance?

Mr. SIENA. I believe it was some of the other civil activities of the Department of the Army.

Mr. PASSMAN. What kind of operation?

Mr. SIENA. We operate other civil activities.

Mr. PASSMAN. I see; but nothing out of this aid program?

Mr. SIENA. No, sir; the total amount the Department of the Army was supposed to absorb was absorbed but after review of all of the competing priorities it was felt that we would have to continue our level of spending in the Ryukyus. A large amount was taken out of other activities to compensate for this. These are not in my jurisdiction.

Mr. PASSMAN. We have talked a lot about reducing expenditures but we never seem to reduce them. In this one instance we might as well pin it down. There has been no reduction in the civilian Government of the Ryukyus, based upon the economy drive that we read about in the paper?

General UNGER. In 1968 we reduced a few expenditures in our administrative budget as shown in our table 3 appended. In the information materials and operating expenses we did reduce here about $18,000. I know that is not a great amount, but——

Mr. PASSMAN. You are talking about 1967?

General UNGER. I am talking about 1968, sir.

FISCAL YEAR 1968 UNOBLIGATED BALANCE

Mr. PASSMAN. What will be the amount of unobligated funds that will lapse at the end of fiscal 1968?

Mr. BURNS. None.

Mr. PASSMAN. Then you haven't reduced anything. You have just switched figures.

General UNGER. We had an increased pay item and some of these savings we had effected went to partially offset the increased pay——

Mr. PASSMAN. But you had that increased pay cost when you were before our committee last year.

General UNGER. Isn't it correct there was some increased pay in here that this savings had to go into?

Mr. BURNS. Yes, sir.

Mr. PASSMAN. That is a small amount. You merely transferred it from one account to another.

General UNGER. Yes, sir.

Mr. PASSMAN. You reduced this, but increased something else so you will finish the year with no reductions. Is that a statement of fact?

General UNGER. That is a statement of fact.

Mr. PASSMAN. I am afraid that is going to be too true, and all through the Government.

Mr. SIENA. If I may correct the record on something I said earlier, I am informed now that the reduction spelled out in House Joint Resolution 888 was not applied to the Ryukyus since an exception was given to the Ryukyus by the President under his authority to exclude $300 million worth of projects vital to the national defense. My original explanation was in error.

ADVISORY COMMITTEE

Mr. PASSMAN. Would you comment on the establishment of the Advisory Committee to the High Commissioner?

Mr. SIENA. Yes, sir.

Mr. PASSMAN. When was it established, General?

General UNGER. It was actually established on the 1st of March, sir. I held a meeting with the members in my headquarters the 1st of March this year.

Mr. PASSMAN. What is the purpose of the Advisory Committee?

General UNGER. The purpose, as indicated in the communique that followed the meeting between Prime Minister Sato and President Johnson, was, in looking forward to the day when reversion would come about, to prepare for the smooth integration of the Ryukyuan socioeconomic structure into that of Japan proper to minimize the stresses which would fall upon the Ryukyuan people when the day of reversion did come. And the efforts and the terms of reference were completely circumscribed to indicate the committee's efforts to be only in Health, Education, and Welfare, and Economic Development. Mainly they were not to get into the business of political affairs.

FUNCTION OF USCAR

Mr. PASSMAN. What is the function of the USCAR?

General UNGER. The function of the United States Civil Administration is as the governing body of the Ryukyu Islands. I am the head of USCAR, and the Advisory Committee as distinguished from USCAR, is a planning body. It is not in the operations game. They are all in the field of planning and they provide their recommendations to me as the High Commissioner. It is purely advisory.

Mr. PASSMAN. What is the cost of this advisory committee? What is the estimate for fiscal year 1968?

General UNGER. For 1968, I believe we have budgeted $70,000.

Mr. BURNS. $71,000.

General UNGER. $71,000 for the remainder of 1968.

Mr. PASSMAN. How about fiscal 1969?

General UNGER. For 1968, $200,000 is what we have budgeted, sir.

Mr. PASSMAN. How many members are on the committee?

General UNGER. There will be about 15 persons for the United States, counting both the representative, who is the senior U.S. representative and his assistants plus the clerks and drivers, a total of 15, sir.

Mr. PASSMAN. What are they going to drive? There is not much room to drive out there, is there?

General UNGER. There are two cars, sir; two sedans.

Mr. PASSMAN. Who appointed this committee?

General UNGER. Each of the representatives has been appointed by his respective government.

Mr. PASSMAN. Do we pay the expense of the committee members from Japan?

General UNGER. No, sir; the Government of Japan provides all of the expenses for its contingent, for the direct cost of salaries and allowances. Where we have common costs for the Committee as a whole, then those costs will be shared by the three Governments; uamely, Japan, the United States, and the Government of the Ryukyus.

Mr. PASSMAN. Did you say common costs?

General UNGER. Common costs, yes, as opposed to the direct personnel costs of the salaries and allowances.

Mr. PASSMAN. How often do they meet?

General UNGER. Sir, as I told you they were formally established only on the first of this month and they plan to meet twice a week, formally.

FUNCTIONS OF ADVISORY COMMITTEE

Mr. PASSMAN. Specifically, what do they plan to do?

General UNGER. Work in the fields of health, education, and welfare and economic development and make recommendations on those matters to me.

Mr. PASSMAN. I see. Its function is to find new programs whereby we can do good out there; is that really it?

General UNGER. Yes, sir; in a sense, for Japan and the United States.

Mr. PASSMAN. I hoped I would not get that answer, but I suspected I would.

General UNGER. It is for that purpose.

Mr. PASSMAN. How could this Advisory Committee be abolished? Would it take legislation?

General UNGER. Well, sir, I do not know. The President and the Prime Minister set it up——

Mr. PASSMAN. I know, but they have to have money to function, don't they?

General UNGER. Yes, sir.

Mr. PASSMAN. I think we can be of some help. How binding would their recommendations be on you as High Commissioner?

General UNGER. According to the terms of reference they are supposed to submit to me unanimously-agreed recommendations sir. They are not binding on me. The recommendations are not binding on me.

PERSONNEL ON THE ADVISORY COMMITTEE

Mr. PASSMAN. You have three governments in there looking for new programs on which to spend money. Of the 15 members, how many are from Japan?

General UNGER. No, there are 15 in the U.S. delegation.

Mr. PASSMAN. How many from Japan?

General UNGER. About the same number.

Mr. PASSMAN. How many from the Ryukyus?

General UNGER. About the same number.

Mr. PASSMAN. So we are outvoted 2 to 1 to start with are we not?

General UNGER. Not necessarily.

Mr. PASSMAN. Those are the facts of life.

According to the record, the group from Japan, and the group from the Ryukyus amounts to 30 members, therefore it is 2 to 1 against the United States, is it not?

General UNGER. Mr. Chairman, the U.S. representative is the Chairman of the Committee, sir.

Mr. PASSMAN. That does not mean a thing. I am chairman of this subcommittee and that does not mean a thing. The entire subcommittee determines what the appropriations will be.

Just to verify the record, you have 15 members from the Ryukyus, 15 from Japan, and 15 from the United States. The Ryukyuans want to revert back to Japan, and Japan pretends she wants them back, and the purpose of the Advisory Committee is to develop new programs.

Thank you, General. You are very cooperative. We will try to help you on this, if we can.

General UNGER. Thank you, sir.

Mr. PASSMAN. Will you place in the record at this point a table of the positions, titles, and salaries of each member of the U.S. delegation?

General UNGER. Yes, we will place that in the record, sir.

Mr. PASSMAN. What we want again is the position, title, and salary.

General UNGER. We will place it in the record.

(The information follows:)

Advisory Committee to Hicomry

Position title	*Salary*
Senior U.S. representative	$26,167
Chief, Economics Subcommittee (general economist)	21,469
Chief, Welfare Subcommittee (welfare specialist)	21,469
Chief, Education Subcommittee (educator)	21,469
Executive assistant	21,469
Administrative officer	10,623
Interpreter/translator	10,623
Interpreter/translator	8,054
Secretary to Senior U.S. representative	6,734
Secretary to Chief, Economics	5,565
Secretary to Chief, Welfare	5,565
Secretary to Chief, Education	5,565
Secretary to executive assistant	5,565
Clerk-typists	4,995
Chauffeur to senior U.S. representative	1,200

KIN POWERPLANT

Mr. PASSMAN. Last year we had quite a discussion of the electric power situation in the islands. I noted that through the general fund program for 1968 you have initiated various actions that should have alleviated the situation. Am I evaluating that correctly?

General UNGER. Yes, sir.

Mr. PASSMAN. What is the status of the $7.5 million that remains unobligated of the appropriation in fiscal 1960 for construction of the Kin powerplant, General?

General UNGER. Mr. Chairman, we have not drawn on that balance of the $18 million loan authority. It was very much in contention

when we were in the early stages of developing our project for what originally started out as a 240-megawatt plant and is now reduced to a 160-megawatt plant.

It appears now that we will not need that 7½ million.

REASON FOR ADVISORY COMMITTEE

Mr. PASSMAN. One question I did not ask, General, about this special advisory committee. Of course we have many aid programs going in the Ryukyus, the school program, and many, many types of public works projects that are already planned and in various stages of construction.

General UNGER. Yes, sir.

Mr. PASSMAN. Were you able to accomplish those projects without this committee?

General UNGER. The advisory committee to date, sir, has had nothing to do with the projects we have been talking about.

Mr. PASSMAN. Was there a predecessor to this committee?

General UNGER. No, sir.

Mr. PASSMAN. What we accomplished earlier was done out of your office, the High Commissioner's Office?

General UNGER. That is correct, sir. We have had a long-range plan for the Ryukyus development jointly by the U.S. Civil Administration and the Government of the Ryukyu Islands.

Mr. PASSMAN. It went along very nicely, as I remember.

General UNGER. Yes, sir, and it is still going along nicely.

Mr. PASSMAN. And I believe it will continue to do so.

General UNGER. Yes, sir.

INCREASE IN "OTHER SERVICES" REQUESTED

MR. PASSMAN. Page 4 of the justification indicates you have allocated $3,100,360 in fiscal 1968 for object class 25, "Other services." General, since you requested $1,876,050 for this purpose, last year, would you comment briefly on the necessity for this increase of $1,224,310 above what you justified to the Congress last year.?

General UNGER. We will include it in the record, sir.

(The information follows:)

ADJUSTMENT TO OBJECT CLASS 25 "OTHER SERVICES"

The principal reason for the change noted in Object class 25 is the reclassification from grants, Object class 41, to "Other services," Object class 25, of the $1.2 million sewer project. This change reflects the decision to provide funds for this project directly to U.S. Army Engineer District, Okinawa, instead of passing funds by grant through the Government of the Ryukyu Islands.

INCREASE REQUESTED FOR TRAVEL OF CIVILIAN EMPLOYEES

Mr. PASSMAN. Page 11 states, "Travel of civilian employees in fiscal 1969 is estimated to cost $129,000." This is an increase of $22,000, is it not, above the cost for fiscal 1966?

General UNGER. For 1968 it represents a reduction of $2,000, sir.

Mr. PASSMAN. But it is an increase, I believe, of $22,000 over 1966.

General UNGER. Over 1967 it represents an increase of about—a little less than $14,000, sir, over 1967.

Mr. PASSMAN. I asked that question in view of the fact that net permanent positions in fiscal 1966 was 386.3, and for fiscal 1969 it is estimated to be 386.4, an increase of only one-tenth of a position. Yet there is an increase of $22,000 in the travel cost. Is that on account of increased airplane fares?

General UNGER. Mr. Chairman, I would rather put the answer to that question in the record because my figures do not bear out what you say.

(The information follows:)

INCREASED TRAVEL COSTS

The increase in travel is related not to increased man-years, but to increased turnover and increased change-of-station allowances. Turnover rates increased with implementation of a Government-wide policy of rotating employees with long tenure overseas. Further increase is anticipated in connection with recruitment of specially qualified advisory Committee personnel from outside the Ryukyus. Directed change-of-station allowances effective in July 1966 included a 57 percent increase in household goods weight limits from 7,000 to 11,000 pounds, a 5 percent to 10 percent increase in transportation charges per hundredweight, and certain new allowances such as a $200 miscellaneous expense allowance payment for dependents.

COMMUNIST THREAT

Mr. PASSMAN. Page 12 indicates one of the primary reasons for the need of $125,000 for information materials and services is to convince them, the Ryukyuans, that communism is a threat to their safety and a menace to their welfare; is that correct?

General UNGER. That is correct, sir.

Mr. PASSMAN. I met a lot of those people and I think of them as intelligent people. Don't you think they are just as familiar with the dangers of communism as we are?

General UNGER. A great many of them are, sir. A great many of them are not.

Mr. PASSMAN. Haven't we heard "Convince a man against his will, he is of the same opinion still"?

We are going to spend $125,000 to convince them that communism is a threat to their safety and a menace to their welfare. Who are we going to convert, those who are already converted or are we going to take on a new class?

General UNGER. This press and publication requirement, here is a really important requirement in that the newspapers in the island—we have two Japanese language newspapers and it is essential that we provide accurate facts of the world situation.

Mr. PASSMAN. Then how do you expect to get this over because these two Japanese language newspapers will have more coverage than you have.

General UNGER. We have other media such as radio which we provide with factual data.

Mr. PASSMAN. I am afraid we are doing too much appeasing all over the world. We are just not firm enough.

I think that those people know just as well as you do and I do——

General UNGER. I keep putting out that word there, sir——

Mr. PASSMAN. I just feel that we are not firm enough with people, that we go too far to appease. I do not think that policy is paying dividends. Those people are highly intelligent. I think they know the score and I think they know the louder they holler, the more apt we are to come running with the grab bag.

But I just think we are being too easy and if they do not know now that there is a threat, they never will know. But if you think you need it, you make that decision. It is not my right.

But we have information materials and services to convince them that communism is a threat to their safety. That should be up to their Legislature and to the Chief Executive of the Government there and others.

Are they cooperating?

General UNGER ———.

Mr. PASSMAN. Do they issue statements that the papers won't carry?

General UNGER. ———.

Mr. PASSMAN. Wouldn't a statement by the Chief Executive have more effect if he issued a warning, than if we put out a lot of white papers?

General UNGER. I think it would if it were printed——

Mr. PASSMAN. Why wouldn't he cooperate to that extent?

General UNGER. He has upon occasion supported and made such statements.

U.S. ADVISORY COMMITTEE

Mr. PASSMAN. What does the U.S. Advisory Committee, 14 United States employees and one local, do with two cars? They meet twice a week, you say.

General UNGER. They have to move around the island and move from one headquarters to the next.

You might say both cars will be more or less in a pool with the senior representative having a call on one of the cars when he needs it.

Mr. PASSMAN. Do you have to furnish him a chauffeur?

General UNGER. We will have a Ryukyuan chauffeur, yes, sir.

Mr. PASSMAN. Isn't that wonderful?

General UNGER. The chauffeur will drive the car for all those on the committee. It is a pool car and anyone can use it.

Mr. PASSMAN. Members of this new committee will have access to chauffeured automobiles?

General UNGER. In a pool sort of way, yes, sir.

Mr. PASSMAN. I mean when they get ready to go somewhere they can get in the back seat and have a chauffeur drive them?

General UNGER. That is correct, sir.

Mr. PASSMAN. I am a Congressman but I still have to provide my own transportation in connection with my work.

Mr. SIENA. Mr. Chairman, with regard to this Advisory Committee, I would not like the record to be closed with the impression left that this Advisory Committee is in the business of putting together programs which will require the expenditure of funds. There are numerous areas where the system in the Ryukyus differs from that in Japan. Looking to the day when the Ryukyus will return to

Japanese administration, those differences have to be ironed out and this will be one of the major areas of responsibility for this Advisory Committee——

Mr. PASSMAN. That is good enough. You are supplementing what the general said. One thing is to cook up programs in the field of education, and other types of aid programs that will be beneficial to the economy. I hope we are not going to have to take that out of the record. You can supplement it with anything else you want but the facts are that this is a "cook up and formulate new types of programs" committee that will cost money.

OBLIGATIONS AND EXPENDITURES, FISCAL YEAR 1969

Mrs. HANSEN. How much of this appropriation will be spent in fiscal year 1969 and how much will be obligated but spent after June 30, 1969?

General UNGER. Of which obligation, Mrs. Hansen?

Mrs. HANSEN. Of the total appropriation.

General UNGER. I would like to enter that in the record.

Mr. BURNS. The total amount will be obligated and about 68 percent expended in fiscal year 1969; but we will correct those figures for the record.

(The information follows:)

OBLIGATIONS AND EXPENDITURES, FISCAL YEAR 1969 APPROPRIATION

It is estimated that the entire $20.772 million requested will be obligated in fiscal year 1969. Estimated expenditures out of fiscal year 1969 funds for the same period will total $14.1 million. The $6.6 million balance in the fiscal year 1969 budget will be expended after June 30, 1969.

PORTION OF FISCAL YEAR 1969 EXPENDITURES APPLICABLE TO PRIOR YEARS

Mrs. HANSEN. How much of your fiscal 1969 expenditures will be used to liquidate fiscal year 1968 or prior year obligations?

Mr. BURNS. That would be roughly around 30 percent and we will give you the exact amount.

Mrs. HANSEN. The major portion of the total estimate is $17,500,000 for "Aid to the Ryukyuan Economy." It might be well for you to insert in the record at this point pages 16, 17, and 18 of the justification.

(The pages follow:)

ADMINISTRATION RYUKYU ISLANDS, ARMY, FISCAL YEAR 1969—PROJECT SERIES 8730, AID TO RYUKYUAN ECONOMY, SUMMARY

Project	Activity	Actual obligations fiscal year 1967	Estimated obligations fiscal year 1968	Estimate fiscal year 1969	Fiscal year 1969 over fiscal year 1968 increase (+) decrease (−)
	Total—project series 8730	$11,992,300	$12,000,000	$17,500,000	+$5,500,000
8731	Reimbursement for Government services	1,200,000	1,200,000	1,500,000	+300,000
	1. Public safety services	800,000	800,000	1,000,000	+200,000
	2. Public health and sanitation services	400,000	400,000	500,000	+100,000
	Contribution to Government projects	8,857,916	8,563,000	13,575,000	+5,012,000
	1. Educational programs	4,301,788	4,100,000	9,340,000	+5,240,000
	a. Assistance for Ryukyuan teachers' salaries payment	1,000,000	1,000,000	6,000,000	+5,000,000
	b. Public school construction	1,799,688	1,800,000	1,975,000	+175,000
	c. Vocational education equipment	387,284	460,000	490,000	+30,000
	d. Equipment for public schools	679,896	700,000	700,000	----------
	e. University of the Ryukyus	404,959	55,000	30,000	−25,000
	f. English language training	29,961	85,000	145,000	+60,000
	2. Social welfare programs	560,000	883,000	1,310,000	+427,000
	a. Government retirement program	395,000	618,000	535,000	−83,000
	b. Medical insurance program	165,000	265,000	535,000	+270,000
	c. National pension program	----------	----------	240,000	+240,000
	3. Public health and medical programs	937,736	595,000	985,000	+390,000
	a. Disease control	449,093	450,000	525,000	+75,000
	b. Hospitals	188,653	----------	300,000	+300,000
	c. Leprosaria	125,000	75,000	125,000	+50,000
	d. Health centers and dispensaries	149,990	45,000	----------	−45,000
	e. Medical books and periodicals	25,000	25,000	----------	−25,000
	f. Insect and rodent control facilities	----------	----------	35,000	+35,000
	4. Public safety facilities	56,940	60,000	120,000	+60,000
	a. Traffic control signal lights	47,900	20,000	55,000	+35,000
	b. Police vehicles	----------	40,000	----------	−40,000
	c. Police patrol boat	----------	----------	65,000	+65,000
	d. Riot control equipment	9,040	----------	----------	----------
	5. Public works and economic development	1,786,140	1,725,000	1,820,000	+95,000
	a. Roads and bridges	495,090	1,200,000	900,000	−300,000
	b. Seawalls	99,870	----------	----------	----------
	c. Piers and harbors	274,530	----------	----------	----------
	d. Municipal housing	320,000	200,000	320,000	+120,000
	e. Agricultural land development	96,660	75,000	----------	−75,000
	f. Airfield improvement	399,990	250,000	----------	−250,000
	g. Rural electrification	100,000	----------	----------	----------
	h. Ryukyuan products center	----------	----------	100,000	+100,000
	i. Ryukyu Land and Housing Corp	----------	----------	500,000	+500,000
	6. Construction of sewer system	1,215,312	1,200,000	----------	−1,200,000
8733	Transportation of commodities	4,850	5,000	5,000	----------
8734	Technical education and training	964,617	1,302,000	1,325,000	+23,000
8735	Technical cooperation	964,917	930,000	1,095,000	+165,000

PUBLIC SAFETY AND PUBLIC HEALTH

Mrs. HANSEN. How long has the U.S. public safety contribution been at $800,000 per year and how long has the U.S. contribution toward public health services been at $400,000 per year?

General UNGER. 1965, 1966, 1967, and 1968, those 4 years.

Mrs. HANSEN. Why is it necessary to increase it now?

General UNGER. The cost of those services has gone up over the last——

Mrs. HANSEN. By how much?

General UNGER. As far as the public safety is concerned, the costs have increased from $3.2 to $6.3 million——

Mrs. HANSEN. What have been the integral parts of that cost to increase? Is it services, is it supplies or what is it?

General UNGER. It is all the services that go into the field of public safety such as prevention of crime, traffic control——

Mrs. HANSEN. Would you put all the items that go into it in the record and put the amount of the increase necessary.

General UNGER. We will enter that in the record.

Mrs. HANSEN. And you might put the increases in personnel beside it.

General UNGER. Very well.

Mrs. HANSEN. Do the same for the Public Health Services, too.

General UNGER. Yes.

(The information follows:)

I. PUBLIC HEALTH AND SANITATION SERVICES

[Dollar amounts in thousands]

	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967	Estimate, fiscal year 1968	Estimate, fiscal year 1969
Costs:					
Health centers and Laboratories operations	$1,310	$1,373	$1,357	$1,480	$1,663
Preventive medicine activities	1,279	1,301	2,098	2,183	2,477
Total Public Health	2,589	2,674	3,455	3,663	4,140
Estimated inflationary increase	0	78	238	373	507
Staffing (number of employees):					
Health centers	790	780	839	891	918
Quarantine station	18	19	18	20	23
Hygienic laboratory	29	31	30	28	28
Total Public Health	837	830	887	939	969

WORKLOAD

The current level of funding for operating the GRI health centers, laboratories and other sanitation activities has not permitted programs that assure more than the minimal acceptable sanitation conditions for personnel living on the local economy or any more than limited access to community activities. The incidence of water borne diseases remains high, food poisoning is frequent, mosquito transmitted diseases represent a constant threat to outbreak of serious epidemic proportions. Such epidemics would affect troop mobility.

II. PUBLIC SAFETY SERVICES

	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967	Estimate, fiscal year 1968	Estimate, fiscal year 1969
Costs (thousand dollars):					
Police	2,434	2,844	3,467	4,470	4,758
Penal/corrections	696	793	916	1,201	1,332
Immigration	115	137	162	209	230
Total, public safety	3,245	3,774	4,545	5,880	6,320
Estimated inflationary increase	0	97	299	467	636
Staffing (number of employees):					
Police	1,453	1,504	1,572	1,822	1,822
Penal/corrections	453	466	472	508	508
Immigration	92	108	110	111	111
Total, public safety	1,998	2,078	2,154	2,441	2,441

	Calendar year 1965	Calendar year 1967	Percent change (increase)
Workload:			
Police:			
Registered motor vehicles	96,032	129,355	35
Drivers license issued	18,132	26,403	45
Traffic accidents	7,282	11,993	65
Fingerprint card checks	34,589	40,582	17
Penal/corrections: Monthly average inmates	555	574	3
Immigration: Travel documents issued	72,687	85,653	18

Mrs. HANSEN. Indicate how much is due to inflation, and how much is due to increased workload. For example, if you have an immunization program and there is a cost attached to it, give the number of increased immunizations and so on.

General UNGER. Very well, we will do that, Mrs. Hansen.

TEACHER AND PUPIL COSTS

Mrs. HANSEN. Would you furnish a table for the record indicating the salary scale and the number of Ryukyuan teachers in each grade, especially since you propose to increase the U.S. contribution for Ryukyuan teacher salaries by $5 million, Japan's contribution we know is $9.3 million.

General UNGER. We will enter that.

(The information follows:)

Following is a breakdown by grade and type of school of the Ryukyuan teachers as of April 1, 1968:

Type school	Grade				
	Principal	Head teacher	Teacher	Assistant teacher	Total
Elementary	202	172	4,238	180	4,792
Junior high schools	103	117	3,086	42	3,348
Senior high schools	37	55	2,189	24	2,305
Special schools	6	6	143	4	159
Total	348	350	9,656	250	10,604

Mrs. HANSEN. I think you might place right beside that the cost per pupil per year.

General UNGER. We have attached to my statement, Mrs. Hansen, some figures pertaining to just that last statement of yours.

Mrs. HANSEN. Very well.

SCHOOL ENROLLMENT

How many of the Ryukyuan youngsters are in school and what percentage are out of school who are of school age?

General UNGER. I would say we have better than a third of our population in school. It is around 367,000 in 1968.

Mrs. HANSEN. What is your dropout rate?

General UNGER. I cannot respond to that. I will have to put that in the record. I think it is very low.

Mrs. HANSEN. Does it occur between the break of the elementary and the secondary school? Does it occur during the secondary school, or does it occur during elementary school?

General UNGER. I will include that in the record.

(The information follows:)

STUDENT DROPOUTS

Since education is compulsory through the ninth grade, the largest dropout occurs then, at the end of junior high school. In April 1967, 18,513 pupils entered 10th grade out of the 27,148 graduates from junior high school. This represents a current dropout rate of 32 percent. An estimated 12 percent more of the initial senior high school enrollment may drop out before high school graduation. Between 1957 and 1967, the dropout rate of junior high and senior high schools combined has ranged from 37 percent to 48 percent.

NATIONAL PENSION PLAN

Mrs. HANSEN. Comment briefly on the estimate of $240,000 for the national pension plan, which is a new item.

General UNGER. Yes, this is to assist the Government of the Ryukyus in furthering their social welfare programs, where we are entered into a cooperative relationship with the Government of the Ryukyus, and with Japan, in trying to raise the standards in this field to comparable areas of Japan.

In this case, in this year, the program calls for noncontributory survivor and disability costs in addition to the old-age costs.

Mrs. HANSEN. I think it was about 4 years ago that I asked General Watson how our U.S. system of fringe benefits corresponded with that of the system furnished by Japan to their workers.

General UNGER. I cannot tell you what this one is. I would have to enter that in the record.

(The information follows:)

WELFARE PROGRAMS

	Ryukyus, fiscal year 1967	All Japan, JFY 1966
Social insurance:		
Public service personnel retirement annuity	(1)	(1)
Medical insurance program	(1)	(1)
Unemployment insurance	(1)	(1)
Workmen's accident compensation insurance	(1)	(1)
Workmen's annuity	(1)	(1)
Old-age and survivor (national pension)	(1)	(1)
Public assistance (daily life security):		
Total (per family per month) [2]	$36.45	$45.42
Livelihood (food and clothing)	30.39	41.90
Housing	5.55	2.67
Educational	.51	.85

[1] In operation.
[2] Fiscal year 1969.
[3] Payments to Ryukyuan and Japanese households of similar economic status residing in towns and villages. Amount based on household consisting of 4 members. Excludes surplus agricultural commodities (Public Law 480 title III program)

Mrs. HANSEN. How many people does this $240,000 cover and what will be the benefits? If you don't have it, put it in the record.

General UNGER. I will do that.

Mrs. HANSEN. Is this a worker contribution——

General UNGER. About fiscal year 1971, it will go into a contributory type of pension. Right now it covers noncontributory old-age pensions, and in fiscal year 1969, noncontributory survivor and disability benefits will be added.

Mrs. HANSEN. The Government of the Ryukyus, Japan, and us?

General UNGER. The Government of the Ryukyus is really sponsoring the program, but financial assistance is needed from the United States and Japan.

Mrs. HANSEN. What do they put in?

CONTRIBUTION TO NATIONAL PENSION PLAN

General UNGER. They put in about half. This will handle about 30,000 persons this year, who will be about 70 years of age. The Government of Japan did contribute $466,000 in this current year to this project but the United States aid was not needed at the outset. This is for 1969. We plan to contribute $240,000 and Japan will provide about $1.4 million to the project.

Mrs. HANSEN. And what will the pension be?

Mr. BURNS. It is $50 a year for the really poor people.

General UNGER. For the survivor it is very much less than that. For the disability it is very much less than that.

Mrs. HANSEN. If anybody can live on $50 a year, they should receive a gold star.

General UNGER. That is what it is.

LEPROSARIA

Mrs. HANSEN. I note you are requesting $125,000 for leprosaria, primarily for equipment, new or replacement, for buildings constructed during the past 10 years.

Will you please comment on this item? You might divide it between equipment, new and the replacement.

General UNGER. The $125,000 is all for equipment, which will be given to both leprosaria, one in Okinawa and the other one in Miyako.

Mrs. HANSEN. Is this a new type of equipment?

General UNGER. This is replacing equipment they currently have. There are probably one or two pieces of the new type which modern medicine indicates they need. Generally speaking it is to replace outworn and obsolete equipment, which was given to them in the early days. It was kind of surplus equipment from the U.S. Army. It was worn out.

Mrs. HANSEN. How long have they had that equipment?

General UNGER. They had it, I presume, from the late 1940's, right after the war.

COMPARISON OF LAND AND HOUSING CORPORATION AND MUNICIPAL HOUSING PROJECT

Mrs. HANSEN. I notice you propose a contribution of $500,000 to the Land and Housing Corporation, a new item in the Ryukyu Island budget. How do the activities of this Corporation differ from the municipal housing estimate of $320,000?

General UNGER. The municipal housing appropriation and housing project is a cooperative contributed to by the municipal government, by the Government of the Ryukyu Islands, by the United States, and by Japan. The Land and Housing Corporation set up by the Government of the Ryukyu Islands in order to procure land, to develop housing, to sell to all levels of the society. It is just additional effort, whereas the first is under the aegis of the municipality.

The second is a central government, Government of the Ryukyu Islands Corporation.

Mrs. HANSEN. Why would it not be better to consolidate them?

General UNGER. One is to be used by each municipality. It is for the large ones such as Naha, Koza, and they all have requirements for additional housing units.

The Land and Housing Corporation, which is a Government corporation——

Mrs. HANSEN. This does not go——

General UNGER. It covers the whole of the islands.

Mr. BURNS. Municipal housing provides low-cost rental apartments.

General UNGER. For low-income families.

HOUSING PROJECTS

Mrs. HANSEN. While we are on the subject of housing, how much money has been spent to date for housing in the Ryukyus, year by year? How many houses have we built and how many remain yet to be built and what is the housing situation?

General UNGER. First on the municipal housing, from the fiscal year 1963, up to and including fiscal 1969, the budget I am defending, here, there is a total of 2,627 apartment units for a total cost of a little over $8 million, $3.8 million of which is funded by the various municipalities. The remainder of which was funded by the U.S. Government, Japan, and the Government of the Ryukyu Islands.

Now as to the housing requirements still outstanding, we find that there is a housing shortage in Naha City alone, of 21,700, in Koza City, 3,600. Ginowan City, a little better than 2,000, Urasoe Village, about 2,300, and Hirara City, nearly 2,000.

These figures add up to about 32,000 units so there is still a large housing shortage.

Mrs. HANSEN. They have not quite half of the job done.

General UNGER. That is right. We had a survey made in 1960 which showed we had a housing shortage of about 54,000 housing units. Since that time we have built about 2,800 from the municipal. And the new Housing and Land Corporation have started about 500. They are just really getting started. So there is still a terrific shortage. in the neighborhood of 40,000 units.

Mr. SHRIVER. Where do they live?

General UNGER. Many families double up by living in the same home or apartment. They live in just shanties and the GRI is trying to put up housing to protect them from the typhoon dangers and get them out of the hovels and slums.

Mrs. HANSEN. Who establishes the priority for need as to who gets housing?

General UNGER. As far as the municipal housing is concerned, the municipal authorities would provide it, and with regard to the Housing and Land Corporation, I would say the Government of the Ryukyuan Islands establishes it.

Mrs. HANSEN. Have they a housing commission?

General UNGER. They have the Housing Corporation. In the municipal housing I would think if they did not have a corporation as such in each of the municipalities, I am sure that the municipal assembly would make such a priority rating.

In the absence of a corporation to do it, I would say the assembly would do it.

Mrs. HANSEN. Do they have well-defined guidelines for the construction of their housing?

General UNGER. I believe they do.

Mr. BURNS. It is for families of very low income. Most of the municipal housing and apartments. If you earn more than a certain amount you cannot go into this housing. You have to go to the private housing corporation. We can furnish the salaries for you for the record.

Mrs. HANSEN. If you would, please, so the committee has some idea as to the range and scope, and you had better include the total number of people in the low-income brackets that are in need of this low-cost housing. And then those in the middle brackets who need another type

of housing, which apparently is met by private housing. It is a mortgage type of system?

General UNGER. Yes; we will supply that.

(The information follows:)

MUNICIPAL HOUSING

Data on the number of people in low- and medium-income groups requiring housing are not available in the Government of the Ryukyu Islands. As stated by General Unger above, there is currently a shortage of about 32,000 low-income housing units in the major cities.

The following table indicates by number of dependents, the income limitations to qualify for the two classes of municipal apartments available:

Number of dependents	Class I apartments: Annual income may not exceed—	Class II apartments: Annual income may not exceed—
0	$1,184	$1,656
1	1,287	1,728
2	1,380	1,800
3	1,452	1,872
4	1,524	1,944
5	1,596	2,016
6	1,688	2,088
7	1,740	2,160

Note: Montly rental rates for class I units (414 square feet) range from $11.65 to $13.21. Rentals for class II units (343 square feet) range from $7.08 to $10.60.

INCREASE IN MEDICAL PROGRAM

Mrs. HANSEN. Would you comment briefly on the estimate of $685,000 for medical surveys and advisory services. I notice this is an increase of $245,000 above the fiscal year 1968 estimate. And especially since it represents an increase of $565,282 above the first year costs in fiscal year 1966, of $119,282.

General UNGER. Generally speaking we have a resident physician and an intern training program at our Okinawa Central Hospital. We have had nine interns being trained there in fiscal year 1968 and the 1969 program calls for an increase to 20 interns.

This will call for a larger faculty.

Mrs. HANSEN. About how much?

General UNGER. The breakdown of those costs would be salaries for a 25-member staff on Okinawa and two full-time administrative staff at the University of Hawaii, plus University of Hawaii overhead. Then rental expense, PCS travel——

Mrs. HANSEN. Put the details into the record so we can know approximately what each intern is going to cost in terms of the additional faculty salary and so forth.

General UNGER. We will do that.

(The information follows:)

MEDICAL SURVEY AND ADVISORY SERVICES

During the 1968–69 training period, there will be a full class enrollment of 20 new interns. In addition five interns from the previous session will start advanced training on April 1, 1968. The $670,000 requested in fiscal year 1969 is broken down as follows:

Salaries and fringe benefits	$477,075
For the 25 member staff on Okinawa and two full-time administrative staff members at the University of Hawaii plus University of Hawaii overhead expense.	
Rental expense, PCS travel, home leave	138,306
For phase-in of new members and phase-out of staff members who do not renew their contract with the University of Hawaii and to provide home leave for those members with 2 or more years of service on Okinawa.	
Teaching equipment, administrative expenses, etc	54,619
Supplies, administrative expenses and temporary duty travel costs for the professional staff.	
Subtotal, University of Hawaii contract	670,000
Other medical advisory services	15,000
For consultant services in improving existing public health programs and initiating new programs. Included is a leprosy control and treatment program by U.S. Public Health Service consultants at Carville.	
Total, medical and advisory services	685,000

Mrs. HANSEN. You have some very basic problems there, as I recall from the testimony of prior years. Education, water, and sewer programs, social programs such as health and welfare, pension and fringe benefits. Then we have talked about housing, and then the hospital and other health programs; immunizations and so on.

CULTURAL CENTER ACTIVITIES

Now on page 13 I note, "Cultural center activities." How much have you participated financially in the cultural center activities, since the program began? How many people have you reached?

General UNGER. I believe we will have to enter that in the record.

Mrs. HANSEN. All right. I think it should be, because of the questions we have asked in prior years.

(The information follows:)

CULTURAL CENTER ACTIVITIES

A total of $385,356 of U.S.-appropriated funds has been expended in the cultural center activities program from fiscal years 1960 to fiscal year 1968. Attendance for the same period totals 20,477,000, ranging from 1,331,000 in fiscal year 1961 to 3,144,000 in fiscal year 1966.

TEACHERS' WAGE SCALE

Mrs. HANSEN. As to your Ryukyuan teachers' salaries, questions have already been asked on that, but what is the wage? Perhaps you should include a wage scale in the record, and the number of teachers involved.

General UNGER. We will include that.

(The information follows:)

TEACHERS' MONTHLY SALARIES IN THE RYUKYU ISLANDS

ELEMENTARY AND JUNIOR HIGH SCHOOL

Step	1st grade (principal)		2d grade (head teacher)		3d grade (teacher)		4th grade (assistant teacher)	
	Monthly salary	Months to be served	Monthly salary	Months to be served	Monthly salary	Months to be served	Monthly salary	Months to be served
1	$147.30	9	$115.90	9	[1] $69.70	6	$56.80	6
2	151.70	9	119.40	9	71.70	6	58.10	6
3	156.40	9	123.10	9	73.80	6	59.40	6
4	161.20	9	126.80	9	76.10	6	60.80	6
5	166.10	12	130.70	9	78.40	6	62.20	6
6	171.20	12	134.60	9	[2] 80.80	6	63.80	6
7	176.50	12	138.70	9	83.30	6	65.70	6
8	181.90	12	142.90	9	85.90	6	67.70	6
9	187.60	12	147.30	9	88.50	6	69.70	6
10	193.50	12	151.70	9	91.20	6	71.70	6
11	199.60	12	156.40	9	[3] 94.00	6	73.80	6
12	205.90	12	161.20	9	96.80	6	76.10	6
13	212.40	15	166.10	12	99.70	6	78.40	6
14	219.10	15	171.20	12	102.70	6	80.80	6
15	226.00	15	176.50	12	105.90	6	83.30	6
16	233.10	15	181.90	12	109.10	6	85.90	6
17	240.50	15	187.60	12	112.40	6	88.50	6
18	248.10	15	193.50	12	115.90	9	91.20	6
19	256.00	15	199.60	12	119.40	9	94.00	6
20	264.10	----------	205.90	12	123.10	9	96.80	6
21	----------	----------	212.40	----------	126.80	9	99.70	6
22	----------	----------	----------	----------	130.70	9	102.70	6
23	----------	----------	----------	----------	134.60	9	105.90	6
24	----------	----------	----------	----------	138.70	9	109.10	6
25	----------	----------	----------	----------	142.90	9	112.40	6
26	----------	----------	----------	----------	147.30	9	115.90	9
27	----------	----------	----------	----------	151.70	9	119.40	9
28	----------	----------	----------	----------	156.40	9	123.10	----------
29	----------	----------	----------	----------	161.20	9	----------	----------
30	----------	----------	----------	----------	177.10	12	----------	----------
31	----------	----------	----------	----------	171.20	12	----------	----------
32	----------	----------	----------	----------	176.50	12	----------	----------
33	----------	----------	----------	----------	181.90	12	----------	----------
34	----------	----------	----------	----------	187.60	12	----------	----------
35	----------	----------	----------	----------	193.50	----------	----------	----------

Footnotes at end of table.

TEACHERS' MONTHLY SALARIES IN THE RYUKYU ISLANDS

HIGH SCHOOL

Step	1st grade (principal)		2d grade (head teacher)		3d grade (teacher)		4th grade (assistant teacher)	
	Monthly salary	Months to be served	Monthly salary	Months to be served	Monthly salary	Months to be served	Monthly salary	Months to be served
1	$187.60	12	$147.30	9	[1] $69.70	6	$56.80	6
2	193.50	12	151.70	9	71.70	6	58.10	6
3	199.60	12	156.40	9	73.80	6	59.40	6
4	205.90	12	161.20	9	76.10	6	60.80	6
5	212.40	15	166.10	12	78.40	6	62.20	6
6	219.10	15	171.20	12	[2] 80.80	6	63.80	6
7	226.00	15	176.50	12	83.30	6	65.70	6
8	233.10	15	181.90	12	85.90	6	67.70	6
9	240.50	15	187.60	12	88.50	6	69.70	6
10	248.10	15	193.50	12	91.20	6	71.70	6
11	256.00	15	199.60	12	[3] 94.00	6	73.80	6
12	264.10	----------	205.90	12	96.80	6	76.10	6
13	----------	----------	212.40	15	99.70	6	78.40	6
14	----------	----------	219.10	15	102.70	6	80.80	6
15	----------	----------	226.00	15	105.90	6	83.30	6
16	----------	----------	233.10	----------	109.10	6	85.90	6
17	----------	----------	----------	----------	112.40	6	88.50	6
18	----------	----------	----------	----------	115.90	9	91.20	6
19	----------	----------	----------	----------	119.40	9	94.00	6
20	----------	----------	----------	----------	123.10	9	96.80	6
21	----------	----------	----------	----------	126.80	9	99.70	6
22	----------	----------	----------	----------	130.70	9	102.70	6
23	----------	----------	----------	----------	134.60	9	105.90	6
24	----------	----------	----------	----------	138.70	9	109.10	6
25	----------	----------	----------	----------	142.90	9	112.40	6
26	----------	----------	----------	----------	147.30	9	115.90	9
27	----------	----------	----------	----------	151.70	9	119.40	9
28	----------	----------	----------	----------	156.40	9	123.10	9
29	----------	----------	----------	----------	161.20	9	126.80	9
30	----------	----------	----------	----------	166.10	12	130.70	9
31	----------	----------	----------	----------	171.20	12	134.60	9
32	----------	----------	----------	----------	176.50	12	138.70	9
33	----------	----------	----------	----------	181.90	12	142.90	9
34	----------	----------	----------	----------	187.60	12	147.30	9
35	----------	----------	----------	----------	193.50	12	151.70	9
36	----------	----------	----------	----------	199.60	12	156.40	9
37	----------	----------	----------	----------	205.90	----------	161.20	9
38	----------	----------	----------	----------	----------	----------	166.10	----------

[1] Starting salary for junior college graduates.
[2] Starting salary for teachers holding bachelor degrees.
[3] Starting salary for teachers holding master degrees.

Note: Rates above do not include bonuses totaling 435 percent of monthly pay which are paid annually.

Following is a breakdown of the Ryukyuan teachers employed as of April 1, 1968:

Elementary schools, 4,792.
Junior high schools, 3,348.
Senior high schools, 2,305.
Special schools, 159.

U.S. ASSISTANCE TO RYUKYUAN EDUCATIONAL SYSTEM

Mrs. HANSEN. It says the Government of Japan has been requested to assist the United States in contributing large sums to the support of teachers' salaries and to help finance the emerging GRI social insurance program.

I think we should show here, for the record, the total amount of money we have spent through the years in the school programs of the Ryukyus; the number of pupils reached by these programs; the number of schools involved; the number of schools that have been built since we went there; and also the dropout rate through the years that we have participated in the program.

General UNGER. We will do that.

(The information follows:)

SCHOOL PROGRAMS

A total of $28,242,895 from various U.S. fund sources has been contributed from fiscal year 1954 to fiscal year 1968 in support of the following education programs in the Ryukyu Islands:

Public school construction	$13,733,532
University of Ryukyus	2,119,829
Public school vocational education equipment	2,599,871
Public school equipment	2,419,882
English language training	369,781
Contribution to teachers' salaries	7,000,000
Totals	28,242,895

A total of 3,520 classrooms have been constructed with U.S. contributions from fiscal year 1954 to fiscal year 1968. Following is a breakdown of the number of Ryukyuan schools and student enrollment as of September 1967:

	Number of schools	Enrollment
Kindergarten	78	11,507
Elementary	241	144,781
Junior high	155	79,931
Senior high	37	50,532
Special (blind, handicap)	4	695
Total	515	287,446

Between 1957 and 1967, the dropout rate of junior high and senior high schools combined ranged from 37 to 48 percent. See additional details on page 42.

PRIORITY PROJECTS

Mr. PASSMAN. General Unger, if it becomes necessary to establish priorities on certain public works projects here in our own country, such as Hill-Burton hospitals and other educational programs, do you think it would be equally fair to establish the same type of priority on projects in your area in the event it is necessary to make reductions?

General UNGER. I would say that if it is necessary to make reductions in our program a priority rating naturally would be the way to do it.

Mr. PASSMAN. Do you have one presently?

General UNGER. To set up a priority on the various projects I do not at the current time have one where I could say, "This is No. 1, this is No. 2," all the way down through the list. I do not have that.

Mr. PASSMAN. Could you furnish the committee with this type of information: Of the total request for fiscal 1969, in the amount of $20,772,000, what part of that would be termed administrative expense—all categories, and what percentage actual capital projects, as we think of projects?

PROJECTS INCLUDED IN FISCAL YEAR 1969 APPROPRIATION

General UNGER. In the budgetary terms, $17.5 million is in what you would call the ARIA economic assistance program and the $3.272 million would be in the ARIA administrative category.

Mr. PASSMAN. Of the total $17.5 million, what part of that would represent entirely new projects, what part would fall in the category of continuing projects, where previously you had allocated a slice; and you intend to add to it this year?

General UNGER. I would prefer entering that in the record.

Mr. PASSMAN. Could you discuss it briefly and give us some general idea?

General UNGER. The construction of schools; we have been on a program to increase the number of schools and classrooms in order to provide better schooling for the Ryukyuan children and that is a continuing program. How much we have spent in the past——

Mr. PASSMAN. That is not the question. Of the total amount you are requesting this year, how much would be allocated to continuing projects, and how much would be for new projects?

Mr. BURNS. The $2 million is for new classrooms.

Mr. PASSMAN. I am not talking about new programs, I am talking about a new project. You have a schoolbuilding that will cost $1 million and you have spent $800,000 on it and you need $200,000 to finish it. Then you have plans for another new building. I want to, if I can, segregate the amount of money you need for fiscal 1969 to continue projects presently under construction, and the amount that you will use to initiate new projects or new programs?

General UNGER. The public works field is the best example. We have a Highway 1 bypass which we started about 2 years ago. This year we are providing money from the ARIA program of $900,000 to work on the second increment of Highway 1. This is the type you are talking about?

Mr. PASSMAN. That is right, that is what I am talking about, I know what the projects are.

I see them in the book, but I want you to tell me. This is a continuing project. This is just another slice on this road that has been under construction.

General UNGER. This is a good example of the thing you are talking about.

Mr. PASSMAN. But if you have one schoolbuilding 90 percent complete, you want money to complete it. Then you may have money in here for another new schoolbuilding. I want to take apart the continuing projects from the brandnew ones.

General UNGER. I understand what you are looking for and I am just looking at my program to try to answer your question.

In the category you are talking about, Mr. Chairman, the only one that I can respond to right off the top of the head and say it fits into the category is the one that I gave you, the Highway 1 bypass. All

of the others that I see are projects that are new in the sense that they are new entities and not a continuing project.

Mr. PASSMAN. In other words, it is a new project.

General UNGER. It is a new project.

Mr. PASSMAN. In that sense.

General UNGER. In that sense.

Mr. PASSMAN. That you would not penalize any prior project by reducing the $17.5 million estimate.

General UNGER. That is correct.

PRIORITY OF RYUKYUAN AID PROJECTS

Mr. PASSMAN. How many universities and colleges do you have in the Ryukyus?

General UNGER. We have three universities in the Ryukyus.

Mr. PASSMAN. I believe we have various programs in these universities, do we not, similar to what we have in our own schools?

General UNGER. That is correct, sir.

Mr. PASSMAN. Allocations for certain capital improvements, for the faculty, and so on?

General UNGER. Yes, sir.

Mr. PASSMAN. If it should become necessary to greatly curtail that type of grant to our own schools in the United States, would it not be quite appropriate to apply that same cutback to schools and universities in the Ryukyus?

General UNGER. Yes, and in this sense the only moneys we have in 1969 that would fit into that category is $30,000——

Mr. PASSMAN. I am covering the entire waterfront. I just happened to use that example.

General UNGER. To answer your question, yes.

Mr. PASSMAN. You have certain hospital construction out there I believe, do you not?

General UNGER. Yes, sir.

We are going to put a second floor on the Nago Hospital.

Mr. PASSMAN. You are familiar with the hospital program in this country where you have matching funds under Hill-Burton?

General UNGER. Yes.

Mr. PASSMAN. We have had many of those projects frozen, and I think some of them are still in that status where they will not release the funds. Now if we are going to freeze funds for badly needed hospitals in this country, shouldn't we also apply that same formula to hospitals in the Ryukyus?

General UNGER. Well, sir, I have been answering "Yes" on these questions all along and——

Mr. PASSMAN. You have been very fair, General. You should answer "Yes."

General UNGER. There are other aspects to the reason why we are providing aid funds for the Ryukyus—and the only reason we are there, as you well know, is to provide a base.

Mr. PASSMAN. I know that, General. We have covered that point already. But should we give Ryukyuan projects priority over similar projects that are badly needed in this country?

General UNGER. That is a hard one to answer.

Mr. PASSMAN. We have finally reached that point in running the people's business up here. We have to ask those questions. If we do not, there will be some other representative of Louisiana asking those questions.

Mr. SIENA. Mr. Chairman, we certainly have not put in this budget all of the needs. For example, the hospitals. There has been an assessment of priorities made already and the projects selected by the High Commissioner are the ones considered to have the highest priorities.

We have engaged in a kind of screening process which you are asking now.

Mr. PASSMAN. We have in this country, also. We only initiate about one-third of the projects. I expect that is a better record than you have out there. I wouldn't know.

General UNGER. No; we have a long-range program on this, sir.

Mr. PASSMAN. We have the same long-range programs here in the States, too. We have the same thing. We have initiated over 600 new programs in the past 6 years.

We have reached the point now where we know if you confiscate all the wealth of all the people in the United States, you still would not have sufficient funds to do all the things labeled "desirable." What we are trying to establish is whether or not, if we have to meet the demands presently before this administration, to make certain adjustments, to keep from losing the rest of our gold reserve, and to raise certain revenues; if we have to cut back, are we going to cut back on what some people say are badly needed projects in this country?

Even though some of them are programs we never heard of before until just a few years ago, and if the time comes to where we have to look at a list of projects, that we cannot continue, or cannot start, should this formula be worldwide—we have a foreign aid program in 100 nations and five territories of the world, plus the Ryukyus, and if there is to be priority, are we to give it to some foreign government? Or are we to give it to our own country, or are we to let each be on the same par? I am trying to be fair about this.

You have the same type projects and programs going in Okinawa that we have in the 50 States of the Union.

Now the word has come down that we are going to have to reduce expenditures by about $10 to $12 billion. I do not know whether we are or not. But if we do have to, I want to know whether or not you could come up with a priority list for this program, or could we postpone this program. That is the only thing I am trying to establish.

General UNGER. Certainly we can come up with such a priority.

Mr. PASSMAN. Would you help us on it?

General UNGER. Yes, I would, sir.

May I make a comment, at this time?

Mr. PASSMAN. Surely.

General UNGER. I think basically, here, the argumentation that you have been pursuing, I could not agree with more.

Mr. PASSMAN. Did you say argument or discussion? I did not mean for it to be an argument.

General UNGER. I would like to make the point, though, that in my humble opinion the moneys that I am requesting unfortunately fall in

the field of aid, whereas I really in my heart believe that these moneys really should fall under the Defense budget, because they indirectly support the military effort. So in this sense, perhaps we are comparing apples and oranges, to be real honest with you.

U.S. CONTRIBUTION TO THE RYUKYUAN ECONOMY

Mr. PASSMAN. What is the annual payroll of the Defense Department in the Ryukyus?

General UNGER. I can tell you what I believe——

Mr. PASSMAN. Civilians and military.

General UNGER. I would say the contribution of the United States to the economy of the Ryukyuan Islands falls in the neighborhood of a quarter of a billion dollars annually from all dollar increments.

Mr. PASSMAN. What is the population, 900,000?

General UNGER. 952,000.

Mr. PASSMAN. Scattered on how many islands?

General UNGER. On 48, inhabited.

Mr. PASSMAN. How many on Okinawa?

General UNGER. About 800,000.

Mr. PASSMAN. Three-quarters of a million.

What would that be on a per capita basis?

General UNGER. That would be about $277 apiece.

Mr. PASSMAN. How would they like to lose this quarter of a billion payroll?

Do you think they want to lose that?

General UNGER. No, but we get services received for it.

Mr. PASSMAN. I know that but it follows nevertheless that you are dropping a quarter of a billion dollars a year into their economy and they benefit by it, do they not?

General UNGER. That is correct, sir.

Mr. PASSMAN. Do you think they want us off that island?

General UNGER. If we moved to any place else, we would have to spend the same money and probably more.

Mr. PASSMAN. I am just stating what it means to them. If you started to move those bases away, there would be so many tears shed in there, you could float the island into the Pacific.

Now, let's be realistic about this. This budget is just a little lagniappe you are giving them, which is in addition to the quarter of a billion dollars.

General UNGER. No——

Mr. PASSMAN. If I did not say that, you would be telling this committee you could not survive without this appropriation.

General UNGER. This is designed for the benefit of this country.

Mr. PASSMAN. It is supporting assistance.

General UNGER. We need the acquiescence of the people on those islands in order to continue to run the base.

Mr. PASSMAN. You can do your job out there with a lot less money. Why has it become so expensive? They were happy with $3 million. Now you are up to $20 million.

General UNGER. The world is not the same, Mr. Congressman. You know better than I do.

FISCAL YEAR 1968 SUPPLEMENTAL APPROPRIATION

Mr. PASSMAN. How about the supplemental appropriation; what is the amount of it?

General UNGER. Five and a half million.

Mr. PASSMAN. What are you going to use that for, if you get it?

General UNGER. Well, I would say $5 million of the five and a half will go toward a commitment that we have made to help the government of the Ryukyu Islands in paying its teachers.

Mr. PASSMAN. Who made the commitment, where, when, and how? Do you mean you actually have a binding commitment?

General UNGER. I would not say it is binding, it is binding morally in the sense that, as a result of our President meeting with the Prime Minister back about 1961, it was agreed between the two that the two Governments, Japan and the United States, should do a great deal in furthering the health, education, and welfare of these Ryukyuan people.

Mr. PASSMAN. That was a former discussion, I believe, and subsequently you did get an authorization, did you not?

General UNGER. Yes, sir. Now, as a part of the long-range plan, which we have developed, and which we have been following as a basis for saying how much money we need, it was generally agreed amongst the government of the Ryukyu Islands, our own U.S. Civil administration in the Ryukyus and the Government of Japan that the three of us together ought to help pay for the teachers' salaries.

Mr. PASSMAN. That was a discussion?

General UNGER. I did not hear you, sir.

Mr. PASSMAN. That was only in the discussion stages.

General UNGER. Yes, sir; but it followed the sense of the resolution of the President and the Prime Minister—that we ought to further the interests of the Ryukyuan people, particularly in the fields of health, education, and welfare.

Mr. PASSMAN. We used to feel that the Congress was the first branch of the Government. Now they make the commitment and say, "Let's have it, we promised it."

We have no legal commitment for one dime of this $5.5 million; do we?

General UNGER. No legal commitment, in a sense——

Mr. PASSMAN. Let's talk about the legal basis because I feel we have no responsibility. I did not give them any letter that they could commit me as a Member of Congress. I have the right to express myself on it as a Member of the first branch of Government.

Now, this is just an authorization. Do these people know that they may or may not get the supplemental?

General UNGER. That is correct; they do know it. It is common knowledge.

Mr. PASSMAN. It all depends on what the Congress wishes to do.

General UNGER. That is correct, sir.

PROJECTS AFFECTED BY SUPPLEMENTAL REQUEST

Mr. PASSMAN. Now, what are you going to use the $5½ million for?

General UNGER. I said $5 million of it, sir, would be used for teachers' salaries.

Mr. PASSMAN. What is it costing to meet the teachers' payroll as of this year?

General UNGER. About $28 million, sir.

Mr. PASSMAN. And you are going to increase their salary?

General UNGER. It is not for an increase of salary. These costs have to be paid whether the government of Ryukyu Islands gets external aid or not. If we and Japan do not provide the money, the government of the islands would have to pay them. If they have to pay them, then a lot of the projects that the government of the Ryukyu Islands now plans to have will have to fall out, if we do not pay it, sir.

Mr. PASSMAN. What is wrong with that?

General UNGER. Well, there are two things wrong with it.

Mr. PASSMAN. They have had to fall out in this country, and I mean by the hundreds of projects, General, that they put a freeze on. I know of several projects in my own district.

What is the salary of a beginning teacher in Okinawa for the present year?

General UNGER. Salaries start at about $1,298 a year. That is a beginning teacher in the elementary school, B.A. or B.S. degree. After 10 years, the salary increases to—after he has been in service 10 years, it increases to $2,163.

Mr. PASSMAN. The beginner is $1,298?

General UNGER. Yes.

Mr. PASSMAN. What is the per capita income?

General UNGER. $497.

Mr. PASSMAN. $250 of that comes from our payroll; is that right?

General UNGER. We are talking about the GNP. I was talking in the context of the GNP. About half their GNP comes from dollar instruments. To say half of their per capita income comes from us, I do not know whether that is correct.

Mr. PASSMAN. I am talking about the overall, General.

General UNGER. If you want to use GNP figures, you could say about half of this would come from that but I question it——

Mr. PASSMAN. General, this is not going to hurt you at all to show just how little these people want this reversion program we talked about earlier.

What did the same teachers get in 1944?

General UNGER. I cannot respond to that. We can get it for you and put it in the record. I would say it was somewhat less than what the teachers in Japan proper get.

Mr. PASSMAN. A per capita income of $497. The teacher is actually drawing about three times the average per capita income?

General UNGER. This is per capita, sir——

Mr. PASSMAN. I am talking about per capita.

General UNGER. I know; but, of the 952,000 people in the Ryukyus, only about 422,000 are wage earners.

Mr. COHELAN. I would like to clarify that figure, General. In the selected annual statistics data it says "per capita GNP, U.S. dollars, $660, for 1969."

General UNGER. I was giving the 1967 figure.

Mr. COHELAN. This data gives $548; is that correct?

General UNGER. That is the GNP. I was talking about the per capita national income If you will look at table A attached to my statement——

Mr. PASSMAN. Can they utilize that much money?

General UNGER. They certainly can, Mr. Chairman. You see, $5 million of the $5.5 million would go to pay the teachers' salaries, sir.

Mr. PASSMAN. Now, what increase would that give them?

General UNGER. It is not for the purpose of giving a pay increase.

Mr. PASSMAN. If it goes for their salaries, you are either going to increase their pay or you are going to hire a lot more teachers?

General UNGER. No, sir. As I indicated before, if we do not pay this, the government of the Ryukyu Islands will have to pay it.

Mr. PASSMAN. What is wrong with that?

General UNGER. What is wrong with it? They would have to drop out $5 million worth of projects that they had planned to——

Mr. PASSMAN. What kind of project would they drop?

General UNGER. In the field of agriculture they would drop out fishing port facilities, mountain conservation, farm roads, agricultural facilities; in construction, roads and bridges to the tune of $1,800,000; seawalls, river conservation, ports and harbors, city planning, municipality programs, water systems, sewer works, municipal housing. In welfare: the facility for mentally retarded children, a TB sanatorium, mental hospital construction, juvenile training home construction, supplies and equipment.

Mr. PASSMAN. Who got that list up?

General UNGER. We got this list up working with the GRI, sir.

Mr. PASSMAN. Have you been financing those projects in the past?

General UNGER. These are what the government of the Ryukyu Islands had planned to undertake in fiscal year 1968——

Mr. PASSMAN. All new projects or are they ongoing projects?

General UNGER. Some are ongoing, some new, sir.

Mr. PASSMAN. Putting it simply, this $5.5 million is just a supplemental. It is new programs then?

General UNGER. Yes, most of them are. Now, I am afraid to answer that, and I would answer it by putting it into the record: Some of these things are absolutely new.

Juvenile training home construction, mental hospital construction, which they need; it is an ongoing program to their overall program of developing new mental hospital beds for the number of patients they have, and who are currently going without beds.

Mr. PASSMAN. I can't quarrel with trying to help people who are sick.

General UNGER. May I put this in the record, sir?

Mr. PASSMAN. Surely. Put it in the record.

(The document referred to follows:)

EFFECT ON FISCAL YEAR 1968 GRI BUDGET IF ARIA SUPPLEMENTAL IS REDUCED OR DISAPPROVED [1]

	Total supplement	Specific ARIA budget projects	Projects from GRI's released revenues
Agriculture Department	$955,849	0	$955,849
Fishing port facility	193,100	0	193,100
Mountain conservation	10,000	0	10,000
Farm roads	56,000	0	56,000
Agriculture facilities	696,749	0	696,749
Construction Department	3,457,704	200,000	3,257,704
Roads and bridges	1,837,360	0	[2] 1,837,360
Seawalls	12,200	0	12,200
River conservation	20,000	0	20,000
Ports and harbors	110,000	0	110,000
City planning	680,987	0	[3] 680,987
Municipality programs	122,740	0	122,740
Water system projects	230,600	0	230,600
Sewer works (Naha, Koza)	243,817	0	243,817
Municipal housing	200,000	200,000	0
Welfare Department	156,330	0	156,330
Facility for mentally retarded children	49,869	0	49,869
T. B. sanatorium construction	63,145	0	63,145
Mental hospital construction	16,751	0	16,751
Juvenile training home construction	9,667	0	9,667
Supplies and equipment	16,898	0	16,898
Education department	487,346	300,000	187,346
School construction	300,000	300,000	0
Vocational education equipment	30,000	0	30,00
Public school equipment	20,000	0	20,000
Museum construction	25,600	0	25,600
GRI library construction	111,746	0	111,746
General affairs department:			
Land purchase for university and Government high schools	416,000	0	416,000
Police Department:			
Police station improvement	26,771	0	26,771
Total	5,500,000	500,000	5,000,000

[1] Preliminary estimates, subject to revision. Not listed in order of priority.
[2] Includes about $800,000 for bypass right-of-way and land.
[3] Includes $200,000 for Aja-Uchima road connecting to bypass.

Mr. PASSMAN. It is the same type of projects we have right here in the United States.

General UNGER. Now we are coming right back to that.

Mr. PASSMAN. I want to come back to it.

General UNGER. May we go off the record, sir?

Mr. PASSMAN. Certainly you may go off the record, but I am trying to establish for the record you have the same type of projects going in Okinawa that we have going here in the United States. We are going to have to slow ours down because the money is just not in sight, and if we have to slow them down in the United States, why not slow them down in the other 100 nations of the world where we have some type of an aid program going, and in the Ryukyus especially?

General UNGER. The big difference is, sir, we have a base out there.

Mr. PASSMAN. I know, but we are protecting those people, and you are up requesting $5.5 million for fiscal year 1968 and $21 million for fiscal year 1969, which is in addition to $250 million input on that little island.

General UNGER. Off the record.

(Discussion off the record.)

Mr. PASSMAN. General, do you know why I am just a little excited about this examination today?

General UNGER. Why is that?

Mr. PASSMAN. I have been a defender of this particular program over the years.

General UNGER. I know you have.

INCREASE IN ANNUAL APPROPRIATIONS

Mr. PASSMAN. We started with a $3 million appropriation and a lot of happy people and they couldn't believe we were going to give them $3 million. Since then the payroll on the islands, civilian and military, has tripled. There is just a handful of people on the islands and we are spending a quarter of a billion dollars a year.

Now, we can leave the military; they are benefiting by it, and we get into a straight-out aid program and that is what this is, isn't it?

General UNGER. I disagree with you on that about the aid.

Mr. PASSMAN. You are giving it to them because you say we have the base but, regardless of why, it is an aid program, isn't it?

General UNGER. It is an aid program in the sense that we have taken on a responsibility, both legally and morally, to promote the welfare and well-being of these people, because it is in our own self-interests to run a base out there, sir, and we need to have the reasonable acquiescence of the people in order that we can continue to operate a base.

Mr. PASSMAN. I would go along with you even though, as Mr. Rooney has said, if you keep on you are going to start believing this argument yourself. But, to move from $3 to $20 million seems to me we are going too far too fast. We are going to have to cut back on spending and all I want to do is to help you establish today that in all probability you are going to have to stand some cuts in this purely aid program.

I don't have anything to do with the military, but I do know so far as these programs are concerned in all probability you are going to have to take some cuts because this program has grown. I must take some of the responsibility for allowing it to go from $3 up to $21 million, and a supplemental pending for public works projects that are being suspended or greatly curtailed in our own country.

I don't think the people are going to tolerate a straight-out aid program going without some curtailment in the Ryukyus if we are going to have a cutback here.

General UNGER. Mr. Chairman, I couldn't agree with you more on the aid aspects of the problem.

AID TO LEPROSARIA

Mr. PASSMAN. I want to commend you, sir, and all your associates for the help you have given these leprosaria; but for the grace of God, I could be the next victim. I think you know how I feel about them.

General UNGER. We do that.

Mr. PASSMAN. I have no more fear of leprosy than I do of a glass of water. If our Heavenly Father will not take care of me when I am with those people, He is not going to take care of me anyway. On this last trip, we spent some time at the leprosarium in Hong Kong. I believe that society has begun to accept them a little bit.

General UNGER. That is correct, and there is money in the Japanese aid program this year, Mr. Chairman, incidentally, to take care of those leprosarium inmates who have been cured, but who are reluctant to leave there because of the stigma society attaches to it.

Mr. PASSMAN. Isn't it being arrested to some extent?

General UNGER. We have—about one-third of our patients in the two leprosaria really are inactive cases, people who could leave.

Mr. PASSMAN. But, of course, they have better quarters now, do they not, and better cooking equipment?

General UNGER. They are getting better quarters every year.

Mr. PASSMAN. And medical attention?

General UNGER. Yes, sir; and we have in our budget this year $125,000 to take care of new equipment for them.

Mr. PASSMAN. Mr. Shriver?

AUTHORIZATION INCREASE

Mr. SHRIVER. Is this supplemental going to be a continuing increase of the level of funding in successive years, the $5.5 million figure, from $12 up to $17.5 million? Is this an increase in the rent we are paying for the Okinawa Island that has been agreed upon by the President and the Prime Minister?

Mr. SIENA. The increases in the fiscal 1969 appropriation over the fiscal 1968 appropriation, in the supplemental which we have been discussing, are both occasioned by an increase in the basic authorization; unless Congress increases the authorization we could not seek an increase in the appropriations.

Mr. SHRIVER. Frequently in the Appropriations Committee we do not go up to the top amount of the authorizing legislation and my question was: Is the request going to continue in this increased amount according to the authorization bill each year and not just for this year? Since you have asked for it as a supplemental for the balance of this fiscal year, and you are asking for it again in the 1969 budget request——

General UNGER. Yes; it is our intention to continue to ask for the $17.5 million which is the current authorization. The reason for it is that it is in line with the requirements of the long-range plan that we have made which indicates our efforts to close the gaps in the fields of health, education, and welfare between the Ryukyu Islands and comparable prefectures of Japan, in a reasonable period of time, sir, and this amount of funding is necessary.

The Congress, on three different occasions—that is, the House, on three different occasions, as far as the authorization is concerned, has increased the authorizationfrom $12 to $25 million, but the Senate on two occasions rejected the increase and on the third occasion which was last October, increased the authorization to $17.5 million.

Mr. SHRIVER. I recognize there is authorizing legislation, but my question is, Can this increase be postponed or perhaps held to a lower level because of our present budget difficulties?

I just noticed on Saturday of this week that the chairman of the Appropriations Committee, Representative Mahon of Texas, said: "The Nation is in a very desperate situation financially requiring higher taxes and cuts in Federal spending at once."

He is the chairman of our full Appropriations Committee. In view of the serious situation we are faced with, if this increase can be postponed or held to a lower level, it should be or are we bound diplomatically and cannot reduce it?

General UNGER. Mr. Congressman, I would like to go off the record on this.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

UNITED STATES AND JAPANESE SUBSIDIES

Mr. SHRIVER. On page 8 of your statement, General, you mentioned the Japanese program of loans to the GRI lending agencies. Since the economy of the islands has improved in the last few years, why haven't we patterned more of our assistance programs on the loan basis instead of grants? We have done so in other countries.

General UNGER. I am not answering your question directly. We have the Ryukyuan Development Loan Corporation which really had its start in the GARIOA days. Here of late there has been a lack of capital. Until just a few months ago—in fact, in January, when the President's budget document came out, the Ryukyuan Development Loan Corporation was authorized to float $10 million worth of bonds in fiscal year 1968 and fiscal year 1969 in order to create more capital for loan purposes. This is in order to enhance the private sector of the economy. Most of the aid we are asking for is for the direct Government-type projects and activities, in order to let the local government take care of the functions in these areas, such as public health, education, and so forth, which the Government has to provide.

Mr. SHRIVER. I would think the recipient country would feel less hostile toward loans, even though they might not even be paid back, than toward straight grant aid.

General UNGER. In the Japanese Government program for this year about $35 million of their program is grant-in-aid and the other $7.8 million is for loans—10 to 15 years, 6.5-percent interest loans which will be loaned to Ryukyuan loan agencies which will loan it out for housing, development of small and medium industries, and other types of activities of that sort.

TRADE BENEFIT TO JAPAN

Mr. PASSMAN. Shouldn't we indicate for the record though that the Japanese benefit greatly financially from their trade pacts with the Ryukyus? They have a different viewpoint than we do; isn't that correct?

General UNGER. Yes; they do. You look at Ryukyuan exports and imports, the great majority is with Japan, it is about 90 percent——

Mr. PASSMAN. The record ought to show that they have in mind something other than just aid. There is tremendously profitable trade relationships between the Ruykyus and Japan. That is true; isn't it?

General UNGER. That is correct, sir, and also in order to further elaborate on this theme we are on, in addition to the $42.7 million in aid and loans which Japan plans to provide in fiscal year 1969, if

you take the sugar subsidy, this subsidy represents $34 million out of a total of $46 million paid by Japan for 1967–68 sugar production. In other words, better than 75 percent is subsidy, so that $34 million is also aid that they are giving.

In the pineapple industry, which sales will run about $16 million, about $2.5 million of that is subsidy in the form of Japan waiving its 55-percent duty.

Mr. PASSMAN. But it is to their financial advantage to do this. Otherwise they would have to get into one of these sugar pools we are in; would they not?

General UNGER. They are paying four times the world price for sugar by giving a subsidy.

Mr. PASSMAN. I will not delay the gentleman's questioning, but I wanted the record to show Japan is in there on a financial basis and not solely on the basis of charity.

General UNGER. She is in there on that basis, too, in addition to being in on a basis of grant-in-aid.

RYUKYUAN VEHICLE IMPORTS

Mr. SHRIVER. Speaking of imports into the country, you mentioned on page 10 about the 1,000 per month of four-wheeled civilian vehicles being imported into the country. Where are they coming from?

General UNGER. A great many of them are Japanese vehicles, sir, that are coming in, that are being sold. We are having about a thousand per month increase in our vehicle population and all of them are on the local economy.

Mr. SHRIVER. They are being sold to the——

General UNGER. To the local Ryukyuan people.

Mr. PASSMAN. By the Japanese mainly?

General UNGER. Yes, sir; mainly by Ryukyuan firms who import Japanese automobiles.

ELECTRIC POWER CONSUMPTION

Mr. SHRIVER. You point out at page 11 of your statement that demands for electric power are increasing at the rate of 21.5 percent a year.

General UNGER. That is correct, sir.

Mr. SHRIVER. This would seem to indicate a rather strong economy.

General UNGER. Yes, sir. If they can afford to purchase machinery and appliances to demand that much additional electric power.

Mr. SHRIVER. Is any of this for our own base?

General UNGER. Right at this point in time about 53 percent of the total output of electricity is needed for the military community and about 47 percent——

Mr. SHRIVER. Of this increase?

General UNGER. Yes, sir; you could say that too, because we have built new warehouses in our big service area, warehouses that require in some cases air conditioning, refrigeration, and so forth, which require electricity. So it's about that.

Now, the proportion of the total output of electricity for the civilian side of the economy has been on the rise. I would say about 3 years from now it will be a 50–50 proposition, military versus civilian.

Mr. SHRIVER. You think 3 years from now they will continue to need the increase in our aid?

General UNGER. Our projection goes up like that [indicating].

Mr. SHRIVER. Our aid?

General UNGER. Well, not our— aid—I was talking about power consumption, sir. Now you are saying, are we going to need aid on a rising scale?

Mr. SHRIVER. Yes.

General UNGER. I wouldn't say that, no, sir, because we are providing a great many of these utility developments from our general fund.

Mr. SHRIVER. How often do they have elections over there?

General UNGER. Every 3 years, sir.

Mr. SHRIVER. So we can expect it about 3 years from now?

General UNGER. To be realistic, you could expect something like this. It is a reality.

U.S. AND JAPANESE EXPENDITURES IN AND TRADE WITH THE RYUKYUS

Mr. SHRIVER. Would you provide for the record again this year the total of U.S. assistance the Ryukyuan economy receives, including wages paid to civilian employees—you did this before—military and military personnel spending, and economic assistance and compare this total with that of Japan, which you have partially done. On the same table will you show the U.S. and Japanese exports and imports regarding the Ruykyus?

General UNGER. Yes, sir; I will include that.

Mr. SHRIVER. Similar to the previously submitted list.

(The information follows:)

UNITED STATES AND JAPANESE EXPENDITURES IN AND TRADE WITH THE RYUKYU ISLANDS (IN MILLIONS OF DOLLARS)

	U.S., fiscal year 1967	Japan, fiscal year 1967
1. Expenditures by Government agencies and personnel	200.2	11.3
a. U.S. Army engineers construction	37.5	(1)
b. Other procurement	22.6	(1)
c. Pay of Ryukyuan personnel (direct hire only)	28.3	(1)
d. Payment for utilities	9.4	(1)
e. Land rentals	4.5	(1)
f. Expenditures by service and civilian personnel	68.4	(1)
g. Nonappropriated fund activities expenditures	29.5	(1)
(1) Ryukyuan personnel salaries	9.5	
(2) Local procurement	20.0	
h. Pensions		11.3
2. Direct aid	29.2	17.0
a. Grants	27.1	17.0
(1) Direct appropriated aid	10.1	
(2) Pretreaty claims payments	9.1	
(3) General fund grants	3.7	
(4) Aid in kind	4.2	
b. Loans	2.1	(1)
(1) Public Law 480, title IV	1.9	
(2) U.S. Treasury	.2	
3. Capital transactions	10.2	8.7
a. U.S. commercial bank credits Ryukyuan banks received or repaid	.6	(1)
b. Purchase of homes from Ryukyuans by U.S. personnel	2.6	(1)
c. Direct investments	7.0	8.7
4. Exports of goods and services	17.4	91.6
a. General exports	4.8	70.2
b. Free-trade zone	3.2	(1)
c. Services and personal remittances	9.4	21.4
Total expenditures	257.0	128.6
General imports	40.9	249.2

[1] Not applicable or negligible.

COMPARISONS OF PREFECTURES

Mr. SHRIVER. Is there any area that could really be compared to Okinawa rather than using the faraway prefectures of Japan?

General UNGER. We found in our efforts, to set a goal for what we are trying to do, that our best comparison was to use the 11 prefectures geographically closest to Okinawa.

Mr. SHRIVER. How close are they?

General UNGER. They are in the lower two islands of the main Japanese islands. They happen to be the poorer prefectures and they contain the prefectures that approximate the population of the Ryukyus also.

Mr. SHRIVER. How far away?

General UNGER. The closest, Kagoshima, is about 340 miles away.

NUMBER OF PEOPLE PER DOCTOR

Mr. SHRIVER. In table B you show the number of people per doctor. It is almost three times the number in Japan.

General UNGER. Yes, sir.

Mr. SHRIVER. How would you explain that?

General UNGER. There is an acute shortage of doctors in the Ryukyus which we are trying to overcome.

Mr. SHRIVER. Yet the life expectancy in the Ryukyus is slightly longer.

General UNGER. I guess there is less activity there, less ulcers in the Ryukyuan society than there are in the Japanese society. I notice there is a difference of three-tenths of a year which would be about 3 months difference for the male population and for the female population about a year and seven-tenths.

Mr. SHRIVER. Perhaps they do not have to supply all of the needs that Japan and this country supply.

General UNGER. That could well be, sir.

PUBLIC LAW 480 COMMODITIES

Mr. SHRIVER. The public assistance camparisons in table B omit the impact of Public Law 480 commodities, your Public Law 480 commodities.

General UNGER. I didn't hear the question, sir.

Mr. SHRIVER. How much Public Law 480 commodities do they receive?

General UNGER. In the school lunch and welfare feeding program, which is title II of the public law, it runs about $2.5 million.

In title I, it is long-term credits, about $1 million this year.

Mr. SHRIVER. Would it change those figures much if you included this form of assistance?

General UNGER. Would it change——

Mr. SHRIVER. On the table.

General UNGER. I don't think so, sir.

U.S. VETO POWER

Mr. SHRIVER. Will the United States retain veto power over the new Chief Executive Officer who is going to be elected?

General UNGER. No, sir. It is a popular election.

Mr. SHRIVER. Will you have any veto over his power?

General UNGER. The only veto I have is that in paragraph 11 of my charter, the Executive order, under which I can remove any official from office; however, to use this power I would be a little chary about it. It would have to be a really serious case to actually exercise that power. I have the power. It is authorized.

FISHING SCHOOL

Mr. SHRIVER. I recently read a newspaper account of a fishing school which is being conducted in Hawaii for the fishing industries of Southeast Asia. I assume people from the Ryukyus participated in that?

General UNGER. I can't answer that. I know there is an effort to get a fishing school going in the Ryukyus, Mr. Congressman, but whether they participate in the one in Hawaii, I don't know.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Shriver.

General, wouldn't it be helpful to indicate for the record at this point that your predecessors justified this appropriation on just about the same basis that you are justifying it?

General UNGER. In order to continue to maintain our base?

Mr. PASSMAN. Yes, sir.

General UNGER. I think that is a fair statement, since the only reason we are there is because of our base.

Mr. PASSMAN. And we have actually moved from $3 million since fiscal year 1956 to a request of almost $21 million this year? In previous years the absolute ceiling on the appropriation was $12 million? I am talking about the high ceiling until this year, fiscal year 1969. The ceiling that you operated under was $12 million and that was the ceiling when you appeared before this committee last year.

General UNGER. That is correct, sir.

Mr. PASSMAN. And this committee appropriated every dollar that they could under the then existing authorization?

General UNGER. That is correct, sir.

Mr. PASSMAN. After you had testified before the committee, then we had an authorization bill that raised that ceiling from $12 to $17.5 million.

General UNGER. That is correct, sir.

Mr. PASSMAN. Then the idea originated somewhere that they would come back then and ask for a supplemental applicable to the fiscal year that we had already moved into, and that was fiscal year 1968. We were many, many months in fiscal year 1968 with the appropriation at $12 million before you even had any authority that would give you the legal right to ask for $5.5 million; is that correct?

General UNGER. That is right, and I would like to add something to it, sir.

Mr. PASSMAN. When I finish, you may.

You have read in the papers from time to time where the Congress appropriated a sum substantially below what had been authorized, have you not?

General UNGER. Yes, sir.

Mr. PASSMAN. I believe in foreign aid, if you consider the last 13 years, that the reduction for about 10 of those years was almost $1 billion a year, or over $10.7 billion during the 13-year period.

General UNGER. Yes, sir.

Mr. PASSMAN. That authorization expired each year and we just would not appropriate the total amount of the authorization.

Now, in your case you are in with a request. I dislike getting on this subject after I had decided not to—but you are asking for the very top figure, aren't you?

General UNGER. That is correct, sir.

Mr. PASSMAN. When you asked for $17.5 million, you couldn't even ask for $1 more because that is the very top figure?

General UNGER. That is correct, sir.

Mr. PASSMAN. Repeating, if I may, that authorization came about after you testified before us last year.

REASON FOR FISCAL YEAR 1968 SUPPLEMENTAL REQUEST

Now, why couldn't you people have waited until fiscal 1969? Why do you have to go back and make something retroactive for ongoing programs, or programs that may continue on for years and years and years to come?

General UNGER. Because last year, sir, if I may answer, last year there was in defense legislation an effort to increase that aid authorization from $12 to $25 million.

Mr. PASSMAN. I know. You are talking legally. You had a right to come back but why didn't you just say "We are not going to do that. We will pick it up next year when we go back."

General UNGER. We already had in the President's budget last year, sir, a regular budget of $12 million plus a forecasted supplemental of $7.5 million, for a total of $19.5 million.

Mr. PASSMAN. I know, but that was something that hadn't been authorized. That President's budget doesn't impress me greatly. There is a lot in that budget that I am not for and never will be for.

General UNGER. And so then it really turned out we did not get a $25 million authorization; we got $17.5 million, so we reduced out supplemental from $7.5 to $5.5 million, sir.

Mr. PASSMAN. Very well, sir, but we are almost quoting verbatim what your predecessors quoted when they came before this committee 10 or 12 years ago.

General UNGER. Except it is a little tougher now, sir.

Mr. PASSMAN. It is a little tougher because they found out we are a little easier.

General UNGER. Our maintaining the acquiescence of the people on that island is a little harder.

Mr. PASSMAN. I think it is better. I think those people are just good salesmen and we are just being taken. That is the way I feel and I can't help it, because they are benefiting greatly by us being there not only financially, but we are also giving those people protection. If they are not smart enough to know we are protecting them against the menace of communism, then I don't think they would know $17 million from $12 million. I think they know the difference, and I think they know the difference between communism and what we are trying to help them build. But if they don't know that I think you could fill up every rathole out there and they still wouldn't be satisfied. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mrs. Hansen.

Mrs. HANSEN. Thank you very much.

NATIONAL DEFENSE BUDGET FOR JAPAN

Continuing the question that the chairman has raised, can you give me the percentage amount of the Japanese budget in Japan proper for national defense?

General UNGER. I will have to enter that in the record. I have been quoting a figure out there of their GNP. They are spending about 1.-plus percent of their GNP on defense and of their budget I believe it runs in the neighborhood of about 5.5 percent. We will put it on the record.

(The information follows:)

Government of Japan budget and national defense expenditures, Japan's fiscal year 1967

[In billions of dollars]

General account budget	13.883
Fiscal loan and investment account	6.328
Total, Japan's fiscal year 1967 budget	20.211
National defense expenditures	1.058
Percent of national defense to total budget	5.2

RELATION OF DEFENSE TO SOCIAL EXPENDITURES IN JAPAN

Mrs. HANSEN. Let me ask you this question and you can take it off the record if you wish: Isn't it true that Japan has been able to afford her social programs because she has not had a large defense budget?

General UNGER. I will let my State Department colleague respond to that but, first off, I would say not only her social programs, but also a lot of her prosperity can really be attributed to the fact that her defense has cost less than it normally would have.

Mrs. HANSEN. The subcommittee which I chair, Interior, has discovered that Japan, for example, has a very vigorous national housing program. All segments of Japan are sharing in a very vigorous housing program. Obviously she would not be able to afford the housing program if she had to place as much in the category of defense as we do, because our housing program is down.

Mr. SNEIDER. I think that is true, Mrs. Hansen.

Mrs. HANSEN. Now, the thing I want to get is this: If Japan is to accept a larger share of a defense budget for herself, would it then be logical to say that the left group, the opponents of this, will rise in Japan and become stronger, or to pay for it will she have to go into—I asked this question last year—an armament industry to supply other nations rather than cut her social programs?

General UNGER. I will ask Mr. Sneider to speak to that.

Mr. SNEIDER. I think there will be continued opposition to increased defense expenditures.

Mrs. HANSEN. Which will again reflect in places like the Ryukyu Islands.

Mr. SNEIDER. I don't think so. I think that actually the Japanese defense——

Mrs. HANSEN. Now wait a minute. If Japan has to curtail her social programs, which obviously are going to show up because you are going to put it in the record, it will show up her social programs against ours in the same area—do you think they will willingly forsake these social programs that are so much a part of the Japanese progress and development today since this is what has become a total part of Japanese prosperity?

Mr. SNEIDER. No. I think a lot of the increased expenditures in the social infrastructure will come out of the additions in the budget.

It will affect the ratio of defense-to-social expenditures but the programs in the Ryukyus are largely programs required by legislation in the sense they require support for municipal and prefectural governments. The Japanese programs there today are counterparts of essen-

tially legal requirements on the part of the government to support local government entities.

Mrs. HANSEN. The Japanese people are not going to stand to see the Ryukyus with a higher level of social programs than she has. To this extent you will have this interchange.

Mr. SNEIDER. Right now they are at a lower level.

Mrs. HANSEN. That is right, but they are trying to bring them up all the time and this is one of the rubs, is it not?

Mr. SNEIDER. Yes.

Mrs. HANSEN. And this is one of the reasons we have difficulty—if I recall the testimony—off the record.

(Discussion off the record.)

Mrs. HANSEN. I may point out for the general's information, after hearing the story of Alaska the other day where you show the life expectancy in the Ryukyus as 68 years, the life expectancy of the Alaskan native according to our witness was 34 years.

These are some of the crises the United States faces in its funding. Many people are asking questions and certainly after a subcommittee chairman has examined witnesses that are speaking for the welfare and well-being of the United States, in the defense of her own people and of her own integrity and resources, one does have to ask the questions in relationship to other funding we do.

COST OF GRI HEALTH PROGRAMS

On page 23 where you have some of the services provided by the GRI, how much has been the total amount spent to date by the United States in the prevention and treatment of infectious diseases, refuse disposal and collection programs, sewage and drainage programs, and in water treatment and distribution facilities, in spraying ditches and other insect-breeding places, and in total inspection? What is the reduction in infectious diseases? This is a question I ask you each year so it shouldn't be unexpected. Supply that for the record.

(The information follows:)

PUBLIC HEALTH SERVICES

From fiscal year 1955 to fiscal year 1968 the United States reimbursed the Ryukyuan Government a total of $4,311,000 to cover public health and sanitation service provided by the GRI on behalf of and because of the presence of U.S. military forces and their dependents. Such services include the prevention and treatment of infectious diseases; surveillance over refuse dispposal and collection, sewage and drainage facilities, water treatment and distribution facilities; spraying ditches and other insect-breeding places with insecticides, etc. Additionally, a total of $3,514,030 in ARIA funds was spent in disease control programs during the same period. Another $220,069 in resettlement funds was contributed in fiscal year 1957 to fiscal year 1962 to cope with the high malaria rate.

There have been reductions in infectious diseases throughout the Ryukyu Islands. Malaria has been eradicated in the islands since 1961. Filariasis has been reduced in the southern islands from average of 19 percent to 3 percent. Japanese "B" encephalitis cases in the last 3 years are reported at 22–33 cases per year compared to 217 cases in 1953, 154 cases in 1956, 120 in 1963.

There have been no polio cases reported in the last 3 years.

Tuberculosis remains as the primary disease problem. The BCG vaccination program was introduced in fiscal year 1968 and will be expanded in fiscal year 1969.

Early detection and treatment of Hansen's disease have resulted on a decline in the known disease rate.

Health education stressing personal hygiene have been especially effective in reducing trachoma and Hansen's disease cases.

Efforts in all these areas have resulted in providing a more healthy climate for U.S. forces and their dependents in the Ryukyu Islands.

Mrs. HANSEN. You have a whole list of programs. Your trade and vocational schools is on page 25. How many people attend per year and what is the total amount we spend per year in training and vocational schools? You show $300,000.

General UNGER. This $300,000, Mrs. Hansen, is to provide two additional trade and vocational schools.

Mrs. HANSEN. How many have we in addition to this?

General UNGER. We have three. This would make five.

Mrs. HANSEN. What is the total we put into this program and how many people attend? You can answer the same question on the libraries. Why wasn't the library facility included at the time of the original construction? It is much cheaper, as you know, to provide the room space for libraries, special classrooms and so on, in the original construction job. Why wasn't it included?

General UNGER. I can't answer, but we will answer it for you on the record.

Mrs. HANSEN. You can answer these all the way down. On the special classrooms for the high schools, is this due to additional attendance over and beyond the preliminary estimates?

General UNGER. No.

Mrs. HANSEN. Why didn't they put them in in the beginning then? Why don't they start taking a longer look at their design and planning?

General UNGER. I believe there were several aspects and we will put it in the record. There is an effort now and there has been in the last year or two to try to develop some of the skills in these high school children.

Mrs. HANSEN. Why weren't we foresighted enough in the beginning to do it right? It would have cost less.

General UNGER. It probably would have. I can't answer that.

Mrs. HANSEN. You know, when you add on a classroom it costs a lot more than when you include it in the original planning.

(The information follows:)

EDUCATION FACILITIES

Through fiscal year 1968, $1,540,632 in U.S. appropriated funds have been expended to construct, equip and furnish the three trade and vocational institutes. Present enrollment at the three schools is 832. Total enrollment for a full year exceeds 1,000 since the length of courses varies from 3 months to 2 years.

A total of $175,000 in U.S. appropriated funds has been spent to construct and furnish school libraries through fiscal year 1968.

Special classrooms have been included in initial plans for high schools constructed after fiscal year 1965. High schools built before fiscal year 1965, utilized their regular classrooms as small special classrooms since it was more important to provide regular classrooms for the steadily increasing high school enrollments. While it is agreed that construction of expanded library and special classroom facilities on a piecemeal basis is more costly, the limited construction funds available to the Government of the Ryukyu Islands after the end of World War II had to be directed principally to replacing temporary facilities and alleviating overcrowded conditions caused by increased enrollments and population shifts.

Mrs. HANSEN. Do we have a well designed educational program within the Ryukyu Government so that waste like this will not occur again?

General UNGER. I believe so, Mrs. Hansen.

Mr. BURNS. It is one of the best parts of the long-range plan, I believe. I think in partial answer to the question you asked, they did not have enough money 10 years ago to be able to afford anything but basic classrooms. This is the problem. Now we have had a larger school construction program going with Japan, the United States and the Government of the Ryukyu Islands assisting for 3 years.

Mrs. HANSEN. This same basic planning runs through the whole Government structure and it isn't only in the Ryukyus, it is right here in the United States, where in the beginning we do the kind of orderly planning that should be done to save money by getting construction done promptly and efficiently.

I can show you Indian schools where we are transporting northwest students to Oklahoma and Alaskan students to Oregon when it doesn't make sense from the standpoint of the costs that accrue because we are not building the proper facilities in relative locations. It seems to me for the future we have a pretty good guideline on the kinds of facilities you are going to need, the student enrollment that has to be met and the kinds of classes that are going to have to be taught. I think it would reduce your costs no end.

SCHOOL SANITATION FACILITIES

Item 10, page 27. School toilets. Do you mean we built schools without them?

General UNGER. Weren't these original schools by the GRI and their sanitation facilities were pretty limited?

Mrs. HANSEN. We have been there how long?

General UNGER. Since 1945.

Mrs. HANSEN. Do you mean to say it has taken us that much time?

General UNGER. It probably has, again from the point of view of not having enough money in the early days.

Mrs. HANSEN. You would think when you are going to use any facility it would be basic to our ideas of sanitation. If you are going to clean up an area, you would put school toilets in.

General UNGER. There was a period when we were getting less than $1 million per year, so there was little money applied toward this type of thing.

Mr. FREIMUTH. There are modern toilet facilities rather than the antiquated hole-in-the-ground facilities.

Mrs. HANSEN. I realize that, but I thought it has been our endeavor for the last 35 years to abandon holes in the ground.

General UNGER. In the old years we did not have the financial effort in improving health, education, and welfare.

Mrs. HANSEN. No wonder you get opposition over there.

CONSTRUCTION OF ROAD FACILITIES

On pages 32 and 33 you have traffic control signal lights, $55,000, and then you have bridges, $900,000. In your statement you have over 2,000 miles of road, excluding farm roads. Who has built the farm roads?

General UNGER. Generally speaking, the Government of the Ryukyuan Islands.

Mr. BURNS. And Japan has come in heavily in this area.

Mrs. HANSEN. I assume the 2,000 miles has been part of our effort?
General UNGER. That is right.

STATISTICS ON COST AND MAINTENANCE OF ROADS

Mrs. HANSEN. I think you might put in the record the total amount of money we have put in roads and the cost per mile of construction of the roads, and do we have a standard maintenance program on them so that you don't have a road go completely to pot so that you have to rebuild it?
General UNGER. Yes.
(The information follows:)

ROADS CONSTRUCTION

From 1955 to 1968, $6,467,537 in ARIA funds have been contributed for construction of roads and bridges. During the same period an additional $1,113,333 has been contributed from the general fund.

Cost per mile of construction varies in Okinawa according to terrain and soil conditions. The following costs are for bituminous surfaced roads:

(*a*) Improvement of existing major two-lane roads in flat to rough terrain; $65,000 to $130,000 per mile.

(*b*) New construction of major two-lane roads in flat to rough terrain; $95,000 to $200,000 per mile.

(*c*) New construction of four-lane expressways in flat to rolling hill terrain including crossroad interchanges, overpasses, lighting, pedestrian crossing and drainage structures; $1 million to $1,600,000 per mile for construction; $1 million to $1,400,000 per mile for acquisition of land right-of-way.

ON-THE-JOB TRAINING PROGRAM

Mrs. HANSEN. Now, on-the-job training, page 14. You have $150,000. Would you please place in the record the total amount that you spend on job-training programs, and the number of people you train each year? You can put that in for 1966, 1967 and 1968.
General UNGER. All right.
(The information requested follows:)

ON-THE-JOB TRAINING

Fiscal year	Number or participants	U.S. expenditure
1966	189	$55,158
1967	211	97,823
1968	229	145,000
Total, 1966 to 1968	629	297,981

STRESSES IN REVERSION TO JAPAN

Mrs. HANSEN. I notice you stated if the Ryukyus want to revert it would be necessary to take care of the stresses. Well, if they want to revert, why would there be any stresses?
General UNGER. This is a part of the function of the Advisory Committee, to try to——
Mrs. HANSEN. No; I mean if they feel strongly enough to vote to revert, why would there be any stresses involved?
General UNGER. There are going to be, economically speaking.

Mrs. HANSEN. I know, but this is something they should be made aware of. It would seem to me you should make them aware of it in your discussions.

If suddenly my State decided to secede, they would certainly have a pretty good vision of what the consequences would be.

General UNGER. Mrs. Hansen, this is part and parcel of the emotional approach. We have been telling them to devote some of the efforts they have been devoting to the business of reversion to thinking about some of the real hard facts and consequences of reversion; what is it going to mean to the Ryukyuan people. This is an effort to try to get them to do some planning for that day.

Mr. PASSMAN. Don't you think they actually know what it is all about and that they actually want us there with that payroll and they have just done a hard selling job?

General UNGER. This is a similar question to the question I get all the time: Do they really want to go back to Japan, and I must say my best answer after 17 months out there is "Yes, the great majority of the people do want to go back to Japan."

Mr. PASSMAN. But they know we have a treaty with Japan and they must know that we are going to stay there. Why don't you just insist that they learn to live with it and to be satisfied with this quarter-of-a-billion-dollar payroll?

General UNGER. Mr. Chairman, I have been using all of my efforts to try to apprise them of the benefits.

Mrs. HANSEN. Isn't it true the same kind of feeling is growing, or at least some are attempting to develop it in the trust territories?

General UNGER. I would rather not speak about the trust territories I do not know that much about them.

MILITARY INTEREST IN THE RYUKYUS

Mrs. HANSEN. Isn't it true that the military has a great deal of interest in the trust territories, as well as in the Ryukyu Islands?

General UNGER. I believe that is true. I would ask Mr. Sneider to respond to this.

Mr. SNEIDER. Yes; it is true. I think it is true that the standard of living in the areas that we have occupied and that are governed by the military is much higher than it is in the trust territories.

Mrs. HANSEN. The job the military has done here has been better than the job done by the trust territories? Be perfectly honest.

Mr. SNEIDER. Off the record.

(Discussion off the record.)

Mrs. HANSEN. Thank you very much.

Thank you, Mr. Chairman.

RYUKYUAN ATTITUDE ON REVERSION

Mr. CONTE. Would you comment on the status of the attitude on the islands concerning a return of the islands to Japan and reduction of U.S. influence there?

General UNGER. A majority of the people desire a return of the administrative authority to Japan. This is primarily an emotional matter, as you can well understand; that is, Japanese people desiring a return to the fatherland.

Return of the administrative rights would automatically result in the United States withdrawing from the Government of the area.

LESSENING OF U.S. INFLUENCE

Mr. CONTE. Reference has been made to last fall's agreement to keep the status of the Ryukyus under joint and continuous review. In your opinion are we getting close to the point when certain adjustments are going to have to be made in terms of limiting our present responsibilities and authority in the Ryukyu Islands?

General UNGER. As long as the United States possesses the administrative rights under article 3 of the peace treaty with Japan, we can neither limit nor dilute our present responsibilities and authority in the Ryukyus. Of course, we will continue our efforts to provide more autonomy to the local Ryukyuan government in keeping with my mission to promote a responsible and effective local government. You will recall, that during discussions last November, the President and the Prime Minister of Japan agreed to keep the status of the Ryukyus under joint and continuous review guided by the aim of returning administrative rights over these islands to Japan.

FUNCTIONS OF ADVISORY COMMITTEE

Mr. CONTE. Could you expand a little on the newly established Advisory Committee to the High Commissioner and how it will function?

General UNGER. Whereas the Governments of Japan and the United States will keep the status of the islands under continuous review, the Advisory Committee is not involved in this review. Instead, the Committee will perform a continuing review of the status of the Ryukyuan economy and of the social programs of public health, education, and welfare, as well as our long-range plans for economic and social development of the islands. From such reviews and special studies, the Committee will develop recommendations for improvements, modifications, accelerations, and other specific measures believed to be necessary to eliminate economic and social barriers between Japan proper and the Ryukyu Islands. In this way, the Committee is able to prepare for the smooth integration of the Ryukyuan socioeconomic structure into that of Japan proper when the administrative rights are reverted to Japan, and to promote the economic well-being, health, education, and welfare of the inhabitants of the Ryukyus. The representatives from the three governments to the Committee are presently developing internal administrative and operating procedures for the Committee.

RESULTS OF U.S. AID IN HEALTH, EDUCATION, AND WELFARE PROGRAM

Mr. CONTE. General Unger, could you give us a general comment on the health, education, and welfare situation in the Ryukyus and on what have been the results of our aid efforts in these areas?

General UNGER. While improvements have been and are being made in many areas of activity, including the construction of school facilities and hospitals, the Ryukyus still lag considerably behind Japan. A number of the areas are shown in the fact paper appended to my statement where the Ryukyus in nearly all instances fall below the standards found in the poorest Japanese prefectures. With the increased aid we are requesting under the new authorization, and with the continued cooperation of the Japanese Government, we will make progress in all of the areas in our goal to raise the status of public health, education, and welfare programs to the levels of comparable areas of Japan.

U.S. EMPLOYMENT OF RYUKYUANS

Mr. CONTE. How many Ryukyus citizens are employed by the United States on the islands?

General UNGER. As of January 1968, Ryukyuans employed by U.S. Forces and related activities totaled 61,018, including U.S. contractor employees and domestics employed by U.S. Forces personnel.

ELECTRIC POWER

Mr. CONTE. Last year we discussed in some detail the electric powerplant situation in the islands. Could you tell us what the status of this situation is today?

Mr. MCLAUGHLIN. As of 1967 the Okinawa power system generating units totaled 223 megawatts. We anticipate the total demand will increase from 220 megawatts in 1967 to 362 megawatts in 1972. To cope with this demand the Ryukyu Electric Power Corporation, an instrumentality of the U.S. civil administration of the Ryukyu Islands, has undertaken an increase in its power production capacity from 223 to about 445 megawatts at a cost of approximately $37 million. Sixty-three megawatts of additional electric power generating capacity is scheduled to be installed by the end of 1969, which will require obligation of about $7 million out of the general fund and REPC revenues in 1967 and 1968. It is also planned to construct a 160-megawatts steam turbine plant to cost approximately $30 million and to be completed by the end of 1971, the cost to be funded by the corporation partly out of accumulated cash ($5 million) and partly out of future earnings ($25 million).

The plant will be obtained under competitive bids providing for long-term credit arrangements by the construction contractor. We may, if required, guarantee a portion of the contractor's investment

by a 10-year power purchase contract between the REPC and the U.S. military services. When completed the proposed expansion will permit retirement of certain obsolete, high-cost generating units.

Presently, two 15-megawatt gas turbine units, to cost $3 million, are on order to be installed in June 1968. These will meet the 1968 peak demand. A 33-megawatt thermal plant costing $4 million was contracted for on March 12. It will be completed in time to meet the 1969 peakload. Finally, the request for proposals for construction of the 160-megawatt steam turbine plant will be issued shortly. This plant is scheduled to be operational in October 1970 and meet peakloads 1970–72.

RYUKYUAN SUPPORT OF AMERICAN ADMINISTRATION

Mrs. REID. Mr. Secretary, you mentioned on page 3 of your statement that foreign rule, no matter how enlightened, does not develop widespread popular support. Has there been a substantial decrease of popular support for the American administration in the last year, would you say more so than previously?

Mr. SIENA. The High Commissioner, of course, living out there, is much closer to the situation than I am. My impression certainly is that the pressures for reversion and the desires for reversion have been there ever since we began our administration and that they have increased, and they continue to increase each year. The longer we administer the islands, the longer they are separated from what they consider their homeland to be—Japan—and the greater their frustration and the greater their desire to return.

General UNGER. That is correct.

FOREIGN CAPITAL INVESTMENT

Mrs. REID. Last year you indicated that you were working on a project to encourage capital investment in the Ryukyuan Islands. What new incentives have been initiated to encourage capital to flow to the islands?

General UNGER. We have been using all of the media we have there such as the various associations, the press, the Rotary Clubs, to try to put forth the message of the need for foreign investment.

There has been some result because of this. Not too long ago the government of the Ryukyu Islands issued four licenses to four American oil companies to permit them to build refineries in the Ryukyus. This is the biggest item.

Mrs. REID. If there have been others, could you submit those for the record?

General UNGER. Yes. We have had a lot of tourism that has come about as a result of increased capital. We will submit them for the record.

(The information follows:)

FOREIGN INVESTORS (JULY 1, 1966–MAR. 31, 1968)
(Permanent license)

Investor	Country	Investment	Amount of investment
Kaiser Cement & Gypsum Corp	United States	To finance Ryukyu Cement Co., Ltd., to construct storage facilities.	$625,800
Daikyo Kanko Co., Ltd	Japan	Family recreation land project	300,000
Japan Airlines Co., Ltd	do	Interisland air transportation	216,200
Lin Chien	China	Cultivation, processing, and sale of plants	50,000
Gulf Oil Corp	United States	Oil storage terminal	32,000,000
Nishinihon Contractor Security Co., Ltd	Japan	To provide security for local contractors for public construction projects.	16,000
Nikka Whisky Distilling Co., Ltd	do	Manufacture and sales of whisky	30,000
Hajime Watanade	do	Processing and sale of pottery	12,000
Continental Airlines, Inc	United States	Tourist motel	271,500
Gulf Oil Corp	do	Oil refinery	60,000,000
Kaiser Cement and Gypsum Corp	do	do	30,000,000
Caltex Petroleum Corp	do	do	40,000,000
Esso Standard Eastern, Inc	do	do	55,000,000
Marubeni-Iida K. K	Japan	Sugar manufacture	100,000
Marubeni-Iida K. K	do	do	200,000

(Short-term license)

Robert Dennis Health	United States	Show promotion	1,000
Woo Yong Seng	China	Manufacture and export of hand-carved rosewood decorative articles.	10,000
Jack Lee Brooks	Korea	Manufacture and sale of indoor decoration	4,000
Katsuhide Takagi	Japan	Dentist	
Shinagawa Jushi Kosan K. K	do	Manufacture and sale of plastic products	40,000
Isao Kawashima	do	Certified public accountant	1,500
K. K. Okamoto Seisakusho	do	Operation of recreational machines	50,000
Nishimoto Trading Co., Ltd	do	Building construction and rent	72,000
Minami K. K	do	Manufacture and sale of knit products (sweaters).	7,000
Kuromori Industry Co., Quai Tien Huang, and 7 others.	China	Mining sulfur	80,000
Mitsuo Nagano	do	Business consultant	1,500
Yutaka Awabayashi	Japan	Manufacture of nylon sign pen and ball-point pens.	2,500
Hsu Chin Ven and 2 others	China	To afforest camphoric trees and manufacture of camphor oil.	15,000
Fuji Xerox Co., Ltd	Japan	Import, sales, and repair service of Xerox office machines.	50,000
Chen Wu and Chen Wu-Shiung	do	Processing and manufacture of various kinds of carved souvenirs.	20,000
Lin Huo Yung and Chen Wen Li	China	Cultivation of fruits	20,000
Hsuan Choi-Tse Choi Ken Wah	do	Import and sale of decorative accessories and handicraft items.	22,500
Albert A. Champion	United States	Show promotion	1,000
Van Joh Kwei	China	Manufacture and sale and export of caps and hats.	10,000
Earl W. Glines	United States	Maritime consultant service	10,000
Yun Ho Kim	Korea	Import and sale of Korean arts and handicrafts.	7,000
Yen Nee King Even	China	Operation of Formosan-style restaurant and food processing factory.	20,000
Edward Mish	United States	Newspaper distribution (the Overseas Weekly).	
Lee, Allen, and Wong How Ngi	China	Photoprinting on plates, platters, and ceramicware.	20,000
Dudley L. Critterden	Australia	Import and sale of car and its parts	15,000
Arjan L. Sakhrani and Mohan D. Mayani	India	Indian-style restaurant	15,000
MBF Sporting Goods Co	United States	Manufacture and sale of sporting goods and recreational machines.	30,000
Lyon Associates, Inc	do	Land survey for construction projects and architectural designing.	405,000
Kus Wang Gun	China	Eel raising and sales	20,000

Note: Total visitors to the Ryukyu Islands: Current year 1965, 64,278; current year 1966, 85,822; current year 1967, 112,117.

AIRLINE FACILITIES

Mrs. HANSEN. What airlines fly in there now?

General UNGER. Northwest, the JAL, Cathay-Pacific——

Mrs. HANSEN. Does that contract with the trust territories involve Okinawa too?

General UNGER. Yes, they are trying now to get a stop there. Continental Airlines. It is now in the hands of the CAB, I believe. As is also another airline, Northwest.

Mr. COHELAN. Doesn't World Air go in there?

General UNGER. They have contract flights for the Military Airlift Command.

Mr. COHELAN. Any other contract carriers?

General UNGER. Yes, MAC has a good many carriers. Northwest is one of them. Pan American. Braniff.

OKINAWAN POLITICAL PARTIES

Mrs. REID. You have discussed the various political parties. I think you said the Okinawan People's Party is the Communist Party.

General UNGER. That is correct.

Mrs. REID. Would you say this is the main source of agitation against our base there, or does it come from other sources as well?

General UNGER. It comes from the combination of the opposition parties, but particularly OPP and the OSP, the Socialist Party. There is another element called the Okinawa Teachers' Association which is neither a party nor a union. Of course, labor has agitated. All organizations there except the Government party agitate for removal of the base. They call it a joint struggle.

Mrs. REID. The Okinawan Liberal Democratic party is in control now?

General UNGER. That is correct; that is the Government party.

Mrs. REID. Would you care to say whether you feel that they will retain control?

General UNGER. This is our problem, Mrs. Reid. Off the record.

(Discussion off the record.)

ECONOMIC SURVEY PROMOTED BY ADVISORY COMMITTEE

Mrs. REID. Have any recommendations been submitted by the Advisory Committee? I realize this has just been in existence since February of this year.

General UNGER. March 1st was the first meeting. There has been one recommendation that has been submitted to me which I have approved. This is an effort by Japan to fund and to conduct a survey to determine what is needed economically in the islands. This will be done. We have welcomed this, if they fund it and they will do the survey, as long as they do it under the aegis of the Advisory Committee.

Mr. SHRIVER. Hasn't this been done? Haven't you had a survey?

General UNGER. We have had several surveys. We have one being completed jointly by Daniel, Mann, Johnson, Mendenhall—Japan Economic and Engineering consultants (DMJM–JEEC) companies and we shortly will be getting the final report. We paid $200,000 for

it. We are specifying that any additional surveys that should be done, should use this survey as a point of departure to determine what additional facts are needed.

ELECTION OF CHIEF EXECUTIVE

Mrs. REID. Under Executive Order 10713 there will be a popular election, is that true?

General UNGER. That is correct.

Mrs. REID. Has your relationship as High Commissioner changed or been modified in any way to that of the chief executive?

General UNGER. No. Just prior to the issuance of that change to the Executive order, which permitted the popular election of the chief executive, the chief executive had been elected by the legislature. A few years prior to that the chief executive was appointed by the legislature and had to be subsequently approved by the High Commissioner. Right prior to the issuance of this change in the Executive order, which you have just noted, and which was issued on the 31st of January of this year, the chief executive was elected by the legislature without the High Commissioner approving or disapproving. As I mentioned in answer to another question, in paragraph 11 of my terms of reference I can remove any official from office or change any law, abrogate a law and so forth; total power but the use of total power would only be on very exceptional occasions.

OLD-AGE-PENSION PLAN

Mrs. REID. There was reference made to the first phase of the old-age-pension plan and the noncontributory basis. How many people are involved and how much will the first year cost?

General UNGER. About 30,000 people were involved in the first phase of that program which is the noncontributory old-age-pension phase of the plan. It is for people who have reached the age of 70, who then receive $50 a year. Our effort here for fiscal year 1969 is to add disability and survivor benefits. There would be a lesser number of people. If there are 30,000 to receive the old-age pension there are in the neighborhood of 7,000 or 8,000 who will get survivorship and a little less than that would get disability. There are actuarial tables on how many would be disabled each year. It is less than the 30,000.

Mrs. REID. Would Japan be contributing to this phase at all?

General UNGER. That is correct. In fact, it is $1.4 million they will contribute to it.

LEPROSARIA RESIDENTS

Mrs. REID. You may have given this figure before, but how many people live in the leprosaria?

General UNGER. We have two leprosaria. One is on the island of Okinawa and we have another one which is down in the island of Miyako about 155 miles south. Between the two leprosaria we have in the neighborhood of about 1,000 people and about one-third, about 325 of the cases, are inactive cases.

Mrs. REID. From your conversation before, it seems that you are doing a great deal to try to rehabilitate these people.

General UNGER. Yes, we are. As I indicated before, Dr. Merlin Brubacher, who is head of the Carville Leprosarium in Louisiana and one of his assistants, Mr. James McCullough, made two trips to the Ryukyus during the time I have been there, and the great emphasis they have devoted to the program was in the area of trying to get a public awareness of the disease and why it should not be a disease that causes the villagers from whence the patient comes to put them aside and isolate them.

RYUKYUAN ATTITUDE ON U.S. WORLD POLICIES

Mrs. REID. On page 12 of the justification you list seven primary objectives of USCAR, one of which is "developing an understanding and appreciation of a posture of the United States in world affairs."

Do you feel you have been successful in this area?

General UNGER. Not as successful as we would like to be.

Mrs. REID. How do you proceed to achieve this objective?

General UNGER. We have our own publication. ———

Mr. BURNS. There are TV programs also.

General UNGER. Wall posters, cultural center.

Mr. BURNS. USIS material.

Mrs. REID. What is the reaction there to the situation in Vietnam?

General UNGER. They are very cognizant of what is going on in Vietnam.

——— in the light of the great destruction in the Ryukyus at the end of World War II, you must see—it is understandable why they are concerned.

Mrs. REID. I can understand that.

NUMBER OF ENGLISH-SPEAKING RYUKYUANS

In connection with English language training, how many of the people speak English?

General UNGER. I would say a great number of those people who are associated with the U.S. civil administration, or who are associated with the military activities, the Army, Navy, and the Air. I would guess better than half of them have just a basic knowledge of yes and no and how to find their way around and how to get what they would like. In the Government circles there are some who are very erudite and very well spoken.

LANGUAGES TAUGHT IN RYUKYUAN SCHOOLS

Mrs. REID. Are there any other languages taught in the schools?

General UNGER. Japanese and English.

Mrs. REID. Just those two?

General UNGER. So far as I know. In the university they have Spanish. The emigration effort from the Ryukyus has been toward South America; Brazil, Argentina, Bolivia, Peru.

Mrs. REID. I think that is all, Mr. Chairman.

Mr. PASSMAN. We have a perfectly legal right to be there as a result of a treaty we have with Japan. Japan knows we have that right. They know we should be there and they are supporting us.

General UNGER. That is correct.

U.S. CONTRIBUTION TO RYUKYUAN ECONOMY

Mr. PASSMAN. As you stated earlier, the civilian and military payroll are—let us say the release of U.S. dollars is around one-quarter of a billion dollars a year. This is more or less sort of a local welfare program for public buildings and projects, is it not?

General UNGER. This is to pay for services rendered, sir. Most of it, I would say.

Mr. PASSMAN. That is a quarter of a billion, but we are talking here about specific projects.

General UNGER. I thought you were associating it with the quarter of a billion dollars.

U.S. PUBLIC DEBT

Mr. PASSMAN. We do not know whether it is going to happen. Some people believe we are on the verge of financial collapse in this country. The deficit appears as thought it is going to be around $28 billion.

The only way in the world we can get the deficit down to $8 billion is to anticipate a tax increase of $12 billion and we still will have about a $15.4 billion deficit. Then the Executive has come up with a new gadget where you will have $7.4 billion more in trust receipts that you are going to pay out. Even though it belongs to the people, we reduce the budget by $7.4 billion to make it look like it is only an $8 billion deficit and then they move over and increase the public debt by $7.4 billion.

The American people do not like this kind of bookkeeping. I tell you we are in trouble, gentlemen. That is why we are proceeding with a little different line of questioning. We are in trouble in this country and there are about 5 items that are completely related: Deficit financing, balance of payments, public debt, the diminishing gold supply, and inflation.

And I have never known a people to be so unhappy. Vietnam is No. 1; riots, No. 2; and spending, No. 3. I do not know what the Congress is going to demand but in the event we were forced to cut your appropriation back to $3 million, which is the amount of the administrative expense, you would have to try to find some way to get along with it, would you not?

General UNGER. It would be a real disaster if you did that.

Mr. PASSMAN. I do not know whether it would be or not. It would not please you and it would not please some who are getting their share of the grab bag, but that is what you had appropriated in 1956.

General UNGER. But today is a different set of conditions.

Mr. PASSMAN. I think you would have had a better case if you had not come rushing in for a supplemental estimate applicable to a fiscal year that was well on the way, before you even got the authorizing legislation. I am not too sure the President is going to send a request. I am going to do my part and I am going to try to do it without irritating and aggravating people, and to try to indicate to my constituents that I have tried to do my part to cut back on spending until we bring this situation under control.

Mr. Cohelan?

FUNCTIONS OF THE TRIPARTITE ADVISORY COMMITTEE

Mr. COHELAN. Mr. Secretary, at page 3 of your statement you refer to the Sato talks and one of the several things that grew out of them. You speak about the establishment of the tripartite United States-Japanese Advisory Committee to the High Commissioner; is that group in being?

Mr. SIENA. Yes. The three countries have appointed their representatives. All three are in the process of assembling the staffs. The committee has held its organizational meeting. They have already submitted to the High Commissioner one recommendation. We expect as the staffs are completely assembled and the committee gets down to work, to have more and more fruitful results from it.

If the Congressman would care, I think the committee would benefit from an expression both from the High Commissioner and from Mr. Sneider as to the political significance of this gesture.

Mr. COHELAN. I think it is very important for the record.

General UNGER. I believe it is important. The Advisory Committee had its genesis in the talks between the President and the Prime Minister last November.

Even though the Japanese people and the Okinawan people were most disappointed that there did not come out of the talks the setting of a time for reversion, the Government Party in both Japan and in Okinawa really moved out and saw some benefit in the establishment of this Advisory Committee to the High Commissioner. It has representation from the three Governments on it; namely, Japan, the Ryukyu Islands, and the United States. The whole point of the Committee, and as indicated in the terms of reference, is to look into those areas of health, education, welfare, and economic planning, with an effort to take care and take advantage of the time between now and that magic date of reversion, whevener it might be, in order to get the Ryukyuan house in order so that it can be integrated with that of Japan, to eliminate some of the stresses and the differences in the institutions in the Ryukyus with those in Japan.

For instance, on doctors who are licensed to practice in the Ryukyus, can they also serve and practice in Japan? And a lot of other licenses and such. This is just an example.

I believe in the field of business, just to make sure that the Ryukyuan business would not suffer if all of a sudden today reversion came about. So this is a planning as opposed to an operations committee. It is a planning committee to try to help the Ryukyuan people and this committee is supposed to make its recommendations to me in order that I can run the Ryukyu Islands in a little better fashion.

Mr. COHELAN. Are there any procedures worked out for resolving any differences?

General UNGER. The terms of reference call for unanimous recommendations to me.

ECONOMIC SURVEY PROMOTED BY ADVISORY COMMITTEE

Mr. COHELAN. What was the recommendation they made and was it implemented?

General UNGER. There has been one recommendation made to me and that is a recommendation that the advisory committee invite the

Government of Japan, or really to respond to the Government of Japan's request to send a survey team to Okinawa, an economic survey team. And the sense of the recommendation was that the advisory committee would ask Japan to send a representative to Okinawa, to inform the advisory committee what sort of a survey Japan was willing to undertake. In other words, it would be a discussion.

Mr. COHELAN. Isn't that a little redundant? Haven't we surveyed?

General UNGER. As I indicated before on the 1st of March, we received from the DMJM–JEEC companies a draft economic survey report which we have gone over but have not completely analyzed.

We have indicated to the advisory committee that we have this document, that we have the results of this survey and that any efforts Japan makes in this field should use this survey as a point of departure for determining what would be useful avenues for continuing the economic survey of the structure of the islands.

RYUKYUS ECONOMIC SURVEY TEAM

Mr. COHELAN. How about the government of the Ryukyus, don't they have some economic planning of their own? Don't they have a planning team?

General UNGER. They plan with USCAR, and we do a lot of this. This is a continuous thing which is at the base of the development of the long-range plans, the 5-year plan. It is quite comparable to the type of planning and budgeting which are in our own Government.

Mr. COHELAN. To begin with there is a good base for developing this.

General UNGER. I believe so.

Mr. COHELAN. I hope the committee will meet often and will provide you with much help.

General UNGER. Thank you. I hope so, too.

JAPANESE SECURITY TREATY

Mr. COHELAN. General, there are obviously some conflicts here and I do not think it is worthwhile to clutter up this record with them. Your requirements, I think, are pretty clear. As the chairman and others have indicated we are all concerned.

I would like you to tell us a little bit more about the situation in respect to the Japanese security treaty and how this relates to the Okinawan issue.

The reason I ask that, I attended the Japanese-American Assembly in Shimoda, Japan, and I am convinced Okinawa is an enormous issue in Japan.

If a plebescite were taken in the Ryukyus to return to Japan, what do you think the results would be?

General UNGER. If the public opinion polls, of which there have been many in the time I have been there, have any validity to them at all—and I must say that the method that the public opinion pollsters have used in setting this up and getting representation from every echelon of the society is correct—I would say you would probably have out of that plebescite about a good majority of the people who would indicate they wanted to return to Japan.

Mr. COHELAN. Which establishes it is a pretty substantial majority and this takes it beyond argument, actually.

Okinawa will one day revert to Japan and I believe we should plan for this event.

In September last year in Shimoda Senator Mansfield proposed that we return the Bonin Islands which we subsequently did. What is the present status of the Bonins?

Mr. SNEIDER. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We do have a treaty and a perfect legal right to be there. We have the cooperation of Japan. And it is for our security and for Japan's security, is it not?

Mr. SNEIDER. Yes, sir, and we want to maintain that cooperation.

Mr. PASSMAN. I hope so.

PROVISIONS OF THE SECURITY TREATY

Mr. COHELAN. Actually, the security treaty is up for review. Just so we all know what we are talking about, can you review the provisions of the treaty for the record?

Mr. SNEIDER. The security treaty in 1970 becomes subject to renunciation by both parties with 1 year's notice. It will continue in effect if neither party renounces it. It does not automatically expire. But it is anticipated that despite the fact that no action need to be taken in 1970, the Japanese people and political parties will use that year to review the whole total security arrangement with the United States, because it is the 10th anniversary.

Mr. COLEHAN. Then I take it that the renewal of the treaty bears an important relationship to all of our mutual security arrangements, in the Pacific Basin, and specifically Okinawa?

Mr. SNEIDER. It could have a very great effect on it.

Mr. COLEHAN. Could you give us any indication or any prognosis on what may happen in relation to the security treaty? Do you think it will be rescinded? Do you think it will be renounced?

Mr. SNEIDER. At the present time it is our anticipation ——— that the treaty will continue in effect after 1970, after some debate within Japan, and that neither party will renounce it. Certainly neither party has expressed any intention of either renouncing it or seeking an amendment of the treaty at the present time.

REDUCTION OF FORCES IN RYUKYUS

Mr. COLEHAN. Do you anticipate there will be any reduction of our forces in any of these areas subject to review?

Mr. SNEIDER. I do not think so, sir. It really depends on the situation out in the Pacific at that time. But it would not necessarily be tied to the debate on the security treaty.

Mr. PASSMAN. We do not have to reach an agreement with Japan as to the number of military personnel we have on Okinawa, do we?

Mr. SNEIDER. No, sir.

General UNGER. This is under the peace treaty.

Mr. SNEIDER. That is not a part of the negotiation.

Mr. PASSMAN. We do not have to negotiate about anything with Japan as to the military equipment and number of personnel we have in the Ryukyus. We have that right under the treaty, do we not?

Mr. COHELAN. We have treaty rights——

Mr. PASSMAN. I am trying to find out, Mr. Cohelan, if we do not have that right under the treaty.

Mr. SNEIDER. Yes; we do.

Mr. PASSMAN. Whatever personnel we think we need there we can put them there and we do not need agreement with Japan as to the number.

General UNGER. We have full rights, sir.

Mr. COHELAN. But they are interrelated.

KAYSEN REPORT

Turning to the economy and the general condition of the Ryukyus, I will first ask some general questions, General, about the general health profile. You will recall I inquired about this last year in relation to the Kaysen report. Have things improved? Are they worse or are they about the same?

General UNGER. I think they are better.

Several of the diseases have been stamped out or have become a very minor problem. Generally speaking they are much better.

Mr. COHELAN. How about automobile fatalities?

General UNGER. We have in force on our main highway a speed limit of 30 miles per hour. On other highways it is as little as 15 miles per hour. Even though we have a great many accidents—and I look at the blotter practically every morning—we have very few fatalities resulting from these accidents.

Mr. COHELAN. How do they compare with fatalities in, say, Tokyo?

General UNGER. I would say they would compare most favorably.

Mr. COHELAN. Comparable populations?

General UNGER. Much less.

Mr. COHELAN. How about disabilities from injuries and so on?

General UNGER. Here again because most of our accidents are really what you might say bumper-denting affairs, and little upsets, I would say that also those statistics compare very favorably.

Mr. COHELAN. Then your testimony is the health profile generally is improved and as far as automobile fatalities are concerned, it is below what we would consider an average in the United States?

General UNGER. I believe so.

POL REVENUES

Mr. COHELAN. Where did these POL revenues come from that you refer to in your testimony?

General UNGER. The POL revenues come from a contract which the U.S. Civil Administration administers for all motor gasoline used in the islands, whether it is used by the tactical or private vehicles of the military or whether it is used by the vehicles belonging to the local civilians. Every bit of motor gasoline. Also, all of the industrial fuel oil that is used in our power generating plants is provided through this POL operation; and other types. Also, we provide special airplane fuel, the jet A–1, a kind of kerosene, for all the MAC contract carriers as well as commercial airlines. This is where our revenues come from.

Mr. COHELAN. This is not military, this is commercial POL.

General UNGER. This is fuel that is brought in from the Middle East.

Mr. COHELAN. It can be used for any purpose?

General UNGER. Yes, and we supply it also to the PX stations for the use of dependent vehicles. We supply stations throughout the Ryukyus. We have 50 or 60 gasoline stations for the indigenous vehicles, you might say. We supply it for the tactical vehicles of our military units there. We get a less markup on the gasoline supplied to the military than we do on the gasoline supplied to the civilian economy. Our revenues come from this source.

EFFECTS OF POL REVENUES

Mr. COHELAN. What do you do with these revenues?

General UNGER. If you will look at table 2 you will see it is a general fund revenue. We use it for the development of water facilities, for the development of power facilities——

Mr. COHELAN. Capital improvements.

General UNGER. That is correct. Sewer facilities.

Mr. COHELAN. What is the theory? Why should we tax our own materiel?

General UNGER. Why should we do what?

Mr. COHELAN. Why should we tax our own materiel, particularly military equipment?

General UNGER. We have a markup for the military just for the expense of handling and it is a very small markup.

For the gasoline used in the civilian economy, the markup is much greater.

Mr. COHELAN. That I can understand because that is like a road tax and it is for maintaining services. It is a user tax. But why on military equipment?

General UNGER. The markup is very minimal, just to take care of the handling.

Mr. COHELAN. I am asking why we do it at all. This is the U.S. military operation and God knows we are funding it in our Federal budget. Why should we impose a further tax on ourselves?

General UNGER. Our selling price is the same as the Department of the Army standard price around the world for the cost and sale of these fuels.

Mr. COHELAN. I am afraid I do not understand. I do not want to belabor this, but I just wonder about the difference in the markup.

General UNGER. For instance, on a gallon of gasoline for that used by the military, the standard DA stock fund selling price is 12 cents a gallon. USCAR's expenses amount to 1.5 cents of this amount. Now a similar markup figure for gasoline which is sold in the local economy is 12.4 cents.

Mr. COHELAN. I want you to correct me because I do not want to be unfair and I want to have a clear idea on it myself: We get an inflow of materiel which is called gasoline or kerosene or some other fuel. In our military operations we add a spread of 1.5 which reverts to a general fund which in turn is used for the benefit of the economic development of the Ryukyus. The spread in commercial uses, which I can clearly understand, is 12 cents.

General UNGER. That is correct.

Mr. COHELAN. My question then is why the 1.5? Why do we impose this charge on our own military operation?

General UNGER. It is to handle the expenses. I will delineate what the expenses are. We have a contract with the Caltex Asian Corp. which brings in and stores in our tanks all of these POL products. Then we have to pay these people. We have to pay the Ryukyuans who work there. Secondly, we have what is called the Ryukyuan Oil Co., which is really a wholesale distributing company, which has trucks which deliver the POL products to the various retail places from where it is sold and consumed.

Mr. COHELAN. It is kind of a handling charge?

General UNGER. Yes, sir.

Mr. COHELAN. Is there any excess?

General UNGER. From that?

Mr. COHELAN. Yes.

General UNGER. It depends on the DA standard selling price worldwide which is the price we must use to sell to the military.

Mr. PASSMAN. This becomes a part of the cost of the commodity. It is an f.o.b. cost.

General UNGER. Yes. The military worldwide receive it at cost.

Mr. COHELAN. Then the general flow of funds from the POL revenues comes from the commercial side.

General UNGER. That is right.

CONSUMER PRICE LEVELS—RYUKYUS AND JAPAN

Mr. COHELAN. I notice in the data on GNP and prices—how does the price index in the Ryukyus compare with the price index in Japan?

General UNGER. To give you an example, using Tokyo as 100, the price index in Naha is 99, whereas the price index in some of these other 11 prefectures runs from 89 up to 93.5. Tokyo is 100; Naha, 99; Taking Tokushima, 91.6; Miyazaki, 89.4; Nagasaki, 92.5; and Saga is 89.3.

RYUKYUS PRICE INSTABILITY

Mr. COHELAN. How do you explain an average figure on page 14 of the selected annual statistics of 123.1?

General UNGER. Page 14 is related only to the Ryukyus as I understand this. Using the 1961 price index in the Ryukyus as an index of 100. in 1968 the index has gone up to 123.1.

Mr. COHELAN. And the difference between 1967 and 1968 shows quite a rise?

General UNGER. Yes, it does. It shows about a 4.2 rise.

Mr. COHELAN. So we are not doing so well, are we, on that?

General UNGER. It was 4.2 increase in 1968 and the year before that it was 6.7, while in 1966 it was 3.3, and in 1965 it was 1.7.

Mr. COHELAN. What kind of political flak do you get from price instability as reflected here?

General UNGER. Recently there have been some organizations by the Ryukyuan women. I know there was one organization complaining about the increase in prices. Then there was another one who had its base, I believe, in some of the labor unions who were complaining about the increase in prices.

Mr. COHELAN. How about the employment?

General UNGER. Generally speaking, we have no unemployment. We have less than a half a percent and this takes care of the usual

seasonal changes. In fact, we import labor from Taiwan and from the Philippines at various times during the sugar havesting.

Mr. COHELAN. Looking at the trend line here it seems we should be able to do a little better in that kind of controlled setting on the price level. Isn't there anything you can do to reverse this trend?

Mr. BURNS. Actually, the Ryukyus buy most of their products from Japan and they are controlled by the wholesale price index of Japan which has been going up.

As a result, the retail prices in Okinawa go up, also.

Mr. COHELAN. That can create further political instability?

Mr. BURNS. That is right, sir.

Mr. PASSMAN. Don't we have political instability all over the world, even in the 50 States? Aren't we on the verge of having the dam burst here in America now?

General UNGER. It looks pretty bad.

RYUKYUAN IMPORTS FROM JAPAN

Mr. COHELAN. How about the import gap, generally? Is there anything being done to reverse that?

General UNGER. In the contracts over which we have any control, we have a "Buy America" policy. In fact, we require in those contracts that our district engineer handles, that they stick to the "Buy American" policy to the extent possible. About 90 percent of the imports and the exports to and from the Ryukyus are from Japan and there is not much we can do about it.

Mr. COHELAN. It is actually beyond your control.

General UNGER. Pretty much, Mr. Cohelan.

COMPARISON OF RYUKYUAN AND JAPANESE INTERNAL REVENUE SYSTEMS

Mr. COHELAN. How about the internal revenue system of the Ryukyus? Has there there been any improvement in that since we last talked about it last year?

General UNGER. As we mentioned last year, it is quite comparable to our own. The commodity tax part of the revenue system provides the greatest amount of dollars and then that is followed by the income tax. In fiscal year 1969 it is about $44 million from commodity taxes, $36 million from income tax. They are continually trying to adjust their tax system and their goal is to try to make it as nearly like that of Japan as possible.

Mr. COHELAN. What is the Japanese system?

General UNGER. In the Japanese system they are taxed at three different levels whereas the Ryukyus have only two. For instance, in Japan they have the municipal, prefectural, and the national. We have only municipal and the Government of the Ryukyus which later is really a combination of the prefectural and the national.

In trying to compare—and we, and the Ryukyuan Government, have done a lot of investigatory work on this—we find that a Ryukyuan family in the same economic straits as a family in Japan really pays more income tax but pays less commodity and other taxes. There has been an effort to try to readjust this.

Mr. COHELAN. How does it net out?

General UNGER. Just taking the average, in the Ryukyus, using a fiscal year 1966 average per capita income of about $430 we found

that about $18 would be income tax. In Japan with an average per capital income of about $464, the income tax for a comparable family would be about $14. However, if you take into consideration the total tax picture, you will find the Ryukyuan people pay less than do the Japanese.

Mr. COHELAN. You could conclude also, could you not, if you were trying to make an argument, that the Japanese get more for what they pay for in terms of Government services and other services, as reflected in what you say is the difference in the standard of living?

General UNGER. I believe so and one of the things I did not bring out here today is that the poorer prefectures of Japan—and they are pretty much the 11 we have alluded to here all during the afternoon session—they receive traditionally from the central Government a kickback if you want to call it that, in certain taxes, that amounts to anywhere between $25 million and $50 million per year and the Ryukyus, if they were again a prefecture of Japan, would certainly qualify for this, as far as their tax picture is concered. Of course they do not get that now.

DEMONSTRATION AGAINST EDUCATION LEGISLATION

Mr. COHELAN. General, I only have two more questions: One, do you have any law enforcement problems? Were there any problems of any serious scale?

General UNGER. Last year in February, we had a big demonstration at the Legislative Plaza where about 15,000 people demonstrated. They were demonstrating against the Government Party, because the Government Party was attempting to enact unpalatable education legislation. This 15,000-man demonstration followed on the heels of a similar demonstration on the 1st of February but that involved only about 10,000 people. As a result of these two demonstrations there was a period of about 100 days last spring, the spring of 1967, when the legislature was at a standstill. Also, this feeling between the Government Party and the opposition was exacerbating the situation.

We were fearful then that if this controversy were not brought under control, if some resolution were not brought about, we would have a real problem.

We found fortunately that the Government Party at the end of the year, about November, did give in and decided to shelve these bills. Since that time we have not had any problem.

Mr. COHELAN. General, did anybody get hurt—let me put it this way: How long did the demonstration last?

General UNGER. It lasted all day long and into the start of the darkness hour. There were a few bruises and so forth. No deaths came about.

Mr. COHELAN. No one got hurt?

General UNGER. There were very few injuries.

RYUKYUAN LAW ENFORCEMENT BODIES

Mr. COHELAN. Who are the law enforcement authorities in the Ryukyuan Islands?

General UNGER. We have a police force.

Mr. COHELAN. This is an indigenous police force?

General UNGER. Yes.

Mr. COLEHAN. Responsible to the Government of the Ryukyus?

General UNGER. Yes.

Mr. COHELAN. Finally, over the years it has been known where we have large military forces in a foreign environment that the two populations do not always get along very well, or there are irritations, or even serious problems. Have you had any such problems this past year?

General UNGER. Yes, we have had our share of problems. I believe, though, that we have made, as a result of our efforts to reduce and minimize these problems, we have had great success. About a year ago we made a survey of the problem areas here between the military and the indigenous population and we identified six critical areas in Okinawa. We call them the six hot spots. As a result of this survey, we doubled the number of military police walking patrols. Then we requested the Government of the Ryukyu Islands to put with our military walking patrols a member of the Government of the Ryukyu Islands police so he could enforce their laws.

This system is in effect. In addition, we have a motor patrol where we have representation from all of our military services plus a representative from the Government of the Ryukyu Islands who patrol the highways and so forth. As a result of these efforts we have, I believe, reduced considerably the number of incidents between the indigenous people and our military force.

Mr. COHELAN. If you were asked to have your JAG give you a breakdown on what would be equivalent to the uniform crime reports, what is the state of health in that regard? I refer to rates of crime, e.g. aggravated assaults, murder, rapes and the usual list. Do you have these data?

General UNGER. Of course, we have to base it on something. Try to find areas that are comparable to ours. You could take Korea; you could take Europe; you could take the United States. In some of these areas we are fairly low. In other areas we are about average. I would not like to give you figures right now.

U.S. HOUSING SITUATION IN RYUKYUS

Mr. COHELAN. It has come to the attention of many members of this committee and other committees, because of the advantages that some of our personnel and families receive, there are Ryukyuan resentments. I am thinking now of housing, for example. What is the current situation?

The last time I was out there, there were some real tensions in that area.

Enlisted men have good housing, Ryukyuans, of course, are not as well housed. Do you have any problems in that area?

General UNGER. I am sure that I have problems. I am sure a lot of the trouble and discontent, which is more or less under the surface, is brought about by the Ryukyuans going by and seeing these nice houses and comparing them to what they have. To put a number on it and put a weight on it, I am not able to do so.

Land is my biggest problem there. Land is about the most explosive issue I have. We do everything in our power to make sure that if we

need any additional land, we really need it. Lots of times we forego acquiring land even though it would be desirable to have for military purposes.

Mr. COHELAN. Is housing a problem, General?

General UNGER. Housing is a problem in that we do not——

Mr. COHELAN. I mean for the civilian population.

General UNGER. Yes, as we brought out here earlier, we made a survey about 1960 and found throughout the Ryukyu Islands we needed about 50,000 more units of housing.

Mr. COHELAN. Has the Government of the Ryukyus done any budgeting for redevelopment or anything of that sort?

General UNGER. Yes, they have. We have both a municipal housing program, which is a cooperative effort—it is participated in by the municipality, by the Government of the Ryukyu Islands, by the United States, and by the Government of Japan.

Mr. COHELAN. Were any new houses built last year?

General UNGER. Yes.

Mr. COHELAN. Are any planned this year?

General UNGER. Yes.

Mr. COHELAN. That is all I have.

WORLDWIDE HOUSING PROBLEM

Mr. PASSMAN. This is worldwide, is it not?

General UNGER. The housing problem?

Mr. PASSMAN. Yes.

General UNGER. I would think so, Mr. Chairman.

Mr. PASSMAN. In 130 nations of the world, as well as the Ryukyus, including, of course, our own country.

General UNGER. Yes, sir.

Mr. PASSMAN. I believe we agreed earlier you could confiscate all the wealth of America and you still would not have sufficient funds to do all the things labeled desirable. I think we agreed there, too, did we not?

General UNGER. Yes.

Mr. PASSMAN. So it is a question of how far we can go. I do not agree that all we have to do is just write out a check. I think in the future—it won't happen, but it would be very helpful—if every man who testified for funds could indicate where the money was coming from while he was testifying, it would be well to do so, because this is going to be on borrowed money. Make no mistake about that. The fact is we are into the tune of $1,000,550,000,000 in obligations. Each American is indebted $5,075 when you take the borrowed money and the statutory obligations. We can indicate for the record how desirable these things are but it applies to every nation in the world, not just to the Ryukyus.

DEMONSTRATIONS ON OKINAWA

I am not unsympathetic to your problems. Now if I may, there was something said about demonstrations. You have had some demonstrations in the main city of Naha.

General UNGER. Yes, sir.

Mr. PASSMAN. Frequent demonstrations, or infrequent?

General UNGER. I would say infrequent.

Mr. PASSMAN. I wonder if the Okinawans by chance read in their papers about the demonstrations we had in America last year that involved hundreds of thousands of people with many deaths and no doubt property damage in excess of $1 billion. Did they read about that?

General UNGER. They read about it, sir.

Mr. PASSMAN. They must understand we have problems, too.

General UNGER. Yes.

Mr. PASSMAN. And demonstrating is a hobby of the Japanese. In Japan they are always demonstrating and protesting, are they not?

General UNGER. I understand there is a considerable number of demonstrations.

Mr. PASSMAN. And you could empty the U.S. Treasury in Okinawa and the chances are you wouldn't stop one demonstration, would you?

I am just trying to be fair about this thing. You can build up a record here that indicates everything is hunky-dory, but it isn't that way. Chances are you have less demonstrations in your area than I have in my home State and less than you will have in Washington. I think this is a lot of hogwash about only the Okinawans having trouble. I am not referring to you, but when you read this record you will think this is the only trouble spot on the face of the earth and I want the record to show it is just not so.

GENERAL FUND

Now, you have an account in Okinawa, often referred to as counterpart funds, created by commodities we gave to the Okinawans. It is a general fund but it was created either through commodities we gave them, that they sold and put the proceeds in the fund, and then the fund started generating funds of its own.

General UNGER. That is correct.

Mr. PASSMAN. What is in that fund at this time? What is the total?

General UNGER. The total assets or the cash balance?

Mr. PASSMAN. Total assets, first.

Mr. BURNS. Total assets, about $110 million.

General UNGER. It is $110 million right now.

Mr. PASSMAN. There is $110 million in this account subject to be disbursed at some later date on something mutually agreed upon.

General UNGER. These are assets. This includes all the capital investment of the corporation——

Mr. PASSMAN. These are assets.

General UNGER. That is correct, sir.

Mr. PASSMAN. What part is liquid?

General UNGER. About $23 million but a great part of this is already obligated.

Mr. PASSMAN. You spend it every year, do you not?

General UNGER. Of the $23 million cash on hand—$13 million is obligated and $10 million is unobligated, but mostly committed for obligation for example, by June 30, 1968, only about $446,000 will be liquidated.

Mr. PASSMAN. In addition to the quarter of a billion dollars we referred to earlier, and in addition to the request you are making here, they also have this fund that was created through commodities that we gave them or generated, that can also be spent.

General UNGER. Yes, sir.

Mr. PASSMAN. You wanted that account brought out, did you not?

General UNGER. Yes, I did. In fact, I covered it in table II of my statement.

Mr. PASSMAN. This will make it stand out a little better at this point, that you do have that.

General UNGER. That is right.

REVERSION TO JAPAN

Mr. PASSMAN. Now on reversion, if 80 percent of them would like to revert to Japan, how much do you think that percentage would drop if you get this appropriation?

General UNGER. I am not sure. I cannot answer that.

Mr. PASSMAN. How much do you think it would increase if you do not get it?

General UNGER. ———.

Mr. PASSMAN. You know it was just as critical when your predecessor testified before this committee 13 years ago. You ought to read those old hearings. It would be the most amusing thing that you ever read. It was just as much a threat then.

This mayor of the principal town, he was a threat then. He was in power then and he only got $3 million and he is out of power now and you are asking for $21 million. You ought to read these hearings.

WITNESSES

Mr. RIEGLE. The first thing that comes to my mind—I have never seen such an array of firepower in my life in any committee I ever attended. I would be interested in knowing as a practical matter what everybody is here for. I would like each person to tell me what they do and why they are here.

General UNGER. I guess you know about me and this is the Deputy Under Secretary.

Mr. RIEGLE. Let's let everybody speak for themselves.

Mr. SIENA. I am Deputy Under Secretary of the Army for International Affairs, the Secretary's representative in handling his responsibilities for the Ryukyus.

Mr. PASSMAN. What Secretary?

Mr. SIENA. The Secretary of the Army.

Mr. FREIMUTH. Edward Freimuth, Assistant to the Deputy Under Secretary for International Affairs on Ryukyu Islands matters.

Mr. MCLAUGHLIN. I am Edward J. McLaughlin, International and Civil Affairs Directorate, Office, Deputy Chief of Staff for Operations.

Mr. STABLER. I am Col. Joseph Stabler, special assistant to the High Commissioner of the Ryukyu Islands.

Mr. BURNS. I am William C. Burns, Comptroller, U.S. Civil Administration of the Ryukyu Islands.

General BENNETT. I am Brig. Gen. W. K. Bennett, Deputy Director of International and Civil Affairs, Office of Deputy Chief of Staff for Operations.

Mr. SEEFELDT. I am William Seefeldt, Jr., International and Civil Affairs Directorate, I am the budget officer here in Washington on the DCSOPS staff for the Ryukyu Islands appropriations.

Mr. SNEIDER. Richard L. Sneider, Country Director for Japan, Bureau of Far Eastern Affairs, Department of State.

Mr. MIYAMOTO. I am Paul T. Miyamoto, International and Civil Affairs Directorate, Office, Deputy Chief of Staff for Operations. I am the budget analyst, and am taking notes of materials to be provided for the record.

Mr. LUBIN, I am Joseph D. Lubin. I am a budget analyst in the Office of the Army Comptroller. I am the only representative here today from the Army comptroller. We review this budget when it comes in.

Major ROWELL. Major Milo D. Rowell, aide-de-camp to Lieutenant General Unger.

Colonel STAPLETON. I am one of the military assistants in the Office, Deputy Under Secretary of the Army.

TREATY OF PEACE WITH JAPAN

Mr. RIEGLE. How long in length is the treaty of peace with Japan? Is that a long treaty of many, many pages?

Mr. SNEIDER. It is quite an extensive treaty, sir. I think there are 23 articles.

Mr. RIEGLE. Could I ask you to do one thing? I would appreciate it if you would abstract our responsibilities under this treaty to the Ryukyu Islands and whatever their responsibilities might be to us, and I would like you also, if you would, to include in that abstract whatever Japan's responsibilities are.

Mr. SNEIDER. I think under article 3 of the treaty it specifies our responsibilities but does not specify any responsibilities of the Ryukyuans or the Japanese Government.

Mr. RIEGLE. Is this the extent of it, this summary I see on page 2 of this statement?

Mr. SNEIDER. Yes.

Mr. RIEGLE. It is just that general, and that ambiguous?

Mr. SNEIDER. It gives us authority to administer the island. There is an additional clause in it.

Mr. RIEGLE. That is a pretty general statement. It is not very clear what that means.

Mr. SNEIDER. There is an additional clause on the return of the administration. We can send you an extract from the treaty if you would like it.

Mr. RIEGLE. If it is more specific than this——

Mr. SNEIDER. No, it is not.

Mr. RIEGLE. Well, I would like you if you would, at this point, to insert in the record—if it is this, insert this and if it is longer than this, insert this, plus whatever additional is relevant.

(The information requested follows:)

ARTICLE 3.—TREATY OF PEACE WITH JAPAN

Japan will concur in any proposal of the United States to the United Nations to place under its trusteeship system, with the United States as the sole administering authority, Nansei Shoto south of 29 north latitude (including the Ryukyu Islands and the Daito Islands) the Nanpo Shoto south of Sofu Gan (including the Bonin Islands, Rosario Island and the Volcano Islands) and Parece Vela and Marcus Island. Pending the making of such a proposal and affirmative action thereon, 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.

Mr. RIEGLE. How do the people in the Ryukyu Islands today feel about our involvement in Vietnam?

General UNGER. As I mentioned earlier, here, they are a little concerned that they may be involved in war, because of the fact that we have a base there.

Mr. RIEGLE. A lot of the people in my district have that same concern.

General UNGER. I am sure of that.

They are concerned, to answer your question.

Mr. RIEGLE. Are they with us? Do they support our effort in South Vietnam?

General UNGER. In a sense that I have at the moment the reasonable acquiescence of the people of the Ryukyu Islands, yes. My effort is to continue to maintain this understanding of the people.

Mr. RIEGLE. Are you saying, then, that you think in terms of the basic feelings that the people have there, their thoughts, that they are basically in sympathy with what we are doing in Vietnam?

General UNGER. The fact that I have not had any real problems in continuing to operate the base would indicate that, despite the fact that paradoxically the opposition parties are always looking for some ammunition to embarass the United States.

Mr. RIEGLE. There are a lot of countries around the world whose governments have officially objected to our policy in Vietnam. We have no trouble maintaining commerce with these countries. Is that a good index, the fact that you are not driven off the island?

General UNGER. It is certainly a measure and also it is a little different situation as far as the other countries of the world are concerned who have indicated dislike of our policies. In the Ryukyu Islands the United States has full authority.

Mr. RIEGLE. Is it fair to say then that they are strong supporters of ours in terms of what we are doing in Vietnam today?

General UNGER. That I cannot answer. I would say they have feelings about the B–52's that are on the island. They feel perhaps these B–52's are being used in support of Vietnam. This has caused them a great deal of concern and they have evidenced that concern.

Mr. RIEGLE. If they are with us in Vietnam and you seem to think that fundamentally they are, why wouldn't they be happy to help in this small way? That is a very indirect sort of help.

General UNGER. The B–52's carry with them the connotation of nuclear warfare and as far as Japan is concerned nuclear warfare is really highly sensitive since Japan is the only nation to experience nuclear warfare.

Mr. RIEGLE. Are you saying then if we were just using this—I am not saying that we are, but if we were to use this area as a staging area to deliver conventional weapons in the war in Vietnam, that this would probably not create any real problem?

Mr. COHELAN. Will the gentleman yield? ———?

General UNGER. I was associating their feelings with the B–52.

Mr. COHELAN. ———. That is the only point I wanted to make.

General UNGER. ———.

Mr. COHELAN. ———.

General UNGER. ———.

Mr. RIEGLE. I am not sure I have gotten an answer yet. Am I to conclude that you feel that basically the people are strong supporters of what we are doing in Vietnam?

General UNGER. I think they haven't too much control over it.

RYUKYUAN ASSISTANCE IN VIETNAM

Mr. RIEGLE. The question is how they feel about it. If you have no information on that point, then let's just say that. I mean what seems to be the best indication, if any, about how they feel? Are they helping us at all in this respect? Do we have any help from the Ryukyu Islands in Vietnam today, either men or dollars, or any other sort of backup support?

General UNGER. No, we have no manpower down there. We have none of their dollars. We have a lot of their people working for our bases.

Mr. RIEGLE. Are they volunteers or are they paid?

General UNGER. They get paid.

So, to answer your question, it is a really difficult one, Mr. Riegle.

Mr. RIEGLE. This is a key question though.

General UNGER. I appreciate that and I am trying to answer your questions.

Mr. RIEGLE. Might it be, you know, that they are indifferent about our involvement in Vietnam?

General UNGER. I don't think they are indifferent about it. I think they don't want to have the Ryukyu Islands involved in any operations in Vietnam. The Ryukyu Islands happen to be a quasi-national entity under the authority of the United States.

RYUKYUS IN COMMUNIST SPHERE OF INFLUENCE

Mr. RIEGLE. Do you consider the islands one of the dominoes?

General UNGER. I am not quite sure I know what you mean.

Mr. RIEGLE. As you often know, in terms of discussions of Vietnam, one of the most frequent reasons given by the administration for why we are there is that if the Communists were allowed to sweep through South Vietnam, they would just pick off all the other areas in that part of the world one by one and they would go in a string down through, presumably, Australia, and so forth, and then they would finally be in California.

Do you consider the Ryukyus a domino in that frame of reference?

General UNGER. It depends upon the circumstances of the time.

Mr. RIEGLE. You are in charge of the administration in this area, could you tell us, do you feel the threat in Vietnam is a clear and present danger to you in the Ryukyu Islands?

General UNGER. I would like to go off the record on that.

Mr. RIEGLE. I would like first your on-the-record answer.

General UNGER. I would say I would rather not answer your question.

Mr. RIEGLE. Then let's go off the record.

General UNGER. All right. Off the record.

(Discussion off the record.)

UNOBLIGATED LIQUID ASSETS IN GENERAL FUND

Mr. RIEGLE. What are the plans for the $12 million that you have in liquid assets now that are uncommitted?

General UNGER. Do you mean in the general fund?

Mr. RIEGLE. Yes.

General UNGER. We have most of those funds programed for capital improvement in the water, in the electric power, in the sewage systems, and in the road system, which we need to take care of for the growing economy. This will help not only the indigenous people, but also the military services.

Mr. RIEGLE. Do you really need the appropriation you are asking for as long as you have this $12 million?

General UNGER. We certainly do. I have indicated the projects and the ways in which we will spend this money and this comes from the long-range plan that we have developed.

COMMUNIST THREAT TO THE RYUKYUS

Mr. RIEGLE. Coming back to the political situation in the Ryukyus, to what degree do the people of that country, as nearly as you can assess, fear Asian communism?

General UNGER. I don't know whether the people in the Ryukyus have a really good feel for the dangers of communism. The reason I say this is because they are an insular people and being an insular people, they are concerned primarily with their own affairs, as bordered by the boundaries of that island. They are really wrapped up in themselves and, you might say—to many of them there is no world outside of the Ryukyus. Even though they read about communism in the newspapers and watch it on the television, it doesn't make the imprint on them. This is my feeling.

RESULTS OF WITHDRAWING APPROPRIATION

Mr. RIEGLE. What would happen, do you think—this will not happen but if we decided not to appropriate this money this year and not meet this responsibility as it has been defined here, what would you see as happening under that set of circumstances? We presumably would lose our base rights there, is this right?

General UNGER. To answer you question, I believe it would be disastrous.

Mr. PASSMAN. We can't lose your base rights there.

General UNGER. We have, by article 3 of the peace treaty, the right there. Now, "right" is one thing. However, what would come about if we did not measure up to our responsibilities, which we have taken on? It would just make our problem that much more difficult. We are just asking for more trouble than we have.

Now, the only reason—and I tell the Ryukyuan people this—the only reason we are there is to run a military base. We are there for no other reason, and I tell them that. In doing this, we have taken on certain obligations and I believe it is a matter of meeting those obligations.

AWARENESS OF THE COMMUNIST THREAT

Mr. RIEGLE. We are maintaining a military base in that part of the world to save them first. They are in the periphery of the group of people who presumably would fall under the threat that we are set up there to defend against. Doesn't it strike you as ironic——

General UNGER. To them it is not paradoxical.

Mr. RIEGLE. That is a paradox that is even more intersting.

General UNGER. Sure it is. Now, this subject has been brought to their attention many, many times, and it doesn't have the impact on them. They don't have the feel and grasp of it. A great many of them, particularly in the opposition, feel as does the opposition in Japan, that they would like to stick to article 9 of the Japanese Constitution, the idea of not having any forces; that everything in Japan is going to be peaceful and bright and so forth.

Mr. RIEGLE. It makes you wonder how we are ever going to really maintain a defense in this part of the world against this threat we have defined, if the people out there don't seem to understand the threat.

General UNGER. Off the record.

(Discussion off the record.)

Mr. RIEGLE. Why wouldn't is be useful at this time to accelerate, perhaps, that timetable, and go ahead and think more seriously about transferring authority now and just continue to operate our base there, presumably in our self-interest and theirs?

Do you have any sort of a public information program underway to convince these people as to the threat our administration seems to believe they face that they don't seem to understand?

General UNGER. Yes; and this was brought out earlier. Yes, we do.

Mr. RIEGLE. How much do you spend on that? How much of this goes for that?

Mr. BURNS. $125,000.

Mr. RIEGLE. Do you have any measure of the success of this effort? It sounded to me as though you are not making much headway.

General UNGER. We have had this effort going on to my knowledge for a long, long time. I can't measure how successful we have been except the fact we are still there after 20-some years.

Mr. RIEGLE. But the ransom goes up each year.

General UNGER. But if we hadn't had it, what would be the situation? That is probably the best way I could answer it.

Mr. RIEGLE. I wonder why it is we are having such a tough time delivering the message? Is it because they are just slow learners or maybe we are telling them something that isn't very credible to them.

General UNGER. I really believe it is a natural desire of a people. They don't want an alien rule there. They would prefer to have their own people rule them.

Off the record.

(Discussion off the record.)

RYUKYUAN SUPPORT OF U.S. POLICY IN VIETNAM

Mr. RIEGLE. The Japanese, those in the Ryukyu Islands, are essentially prevented today legislatively from involving themselves directly in conflicts like the one in Vietnam. Recognizing that, there

seems to be no great ground swell of public sentiment in behalf of our position in Vietnam today, in spite of the fact that we have taken on the primary mission of defending these people in this part of the world from this Communist threat in Southeast Asia.

I am saying to you that we know all those things. Now, we need this base, presumably, in this area to carry out our commitments as we see them in Southeast Asia. We just need that base. The one thing we need from the people in this area is their tacit support of what we are doing, quite apart from any direct involvement.

Now, you are telling me that basically we have got that tacit support as long as we are willing to continue to fork over an additional amount of money all the time; that basically if we were not willing to pay for these rights, then their sympathy, I mean their indirect sympathy for what we are doing, suddenly disappears, and you forecast disastrous consequences. Isn't this about the net of it?

General UNGER. Yes, and it is a matter of our using that base and also meeting our moral obligations for the welfare of the people; a welfare which they would realize if they were again a member of the Japanese nation. They want to have the same benefits that the comparable prefectures of Japan have had because they are members of the Japanese national entity, which is an understandable situation.

REVERSION TO JAPAN AND ELIMINATION OF MILITARY BASE

Mr. RIEGLE. If they could get us to go ahead and provide the $17.5 million here and if we were willing, at the same time, to pull our base out, do you think they would like to have us vacate the base? If you had a referendum today and the question there was: Should the United States continue to make its economic assistance available and abandon the base, would they vote in favor of or against that?

General UNGER. I answered this question partially by saying if there were a referendum today I believe better than 80 percent—I believe 88 percent would want to revert to Japan.

Mr. RIEGLE. That is a different question.

General UNGER. Yes; I know. And of that 88 percent, about half of them would like to revert right now, and the other half would like to wait a while, to have a little period of transition.

Now, if I am to believe the opposition parties, they would like—the OPP, the OSP, would like the base eliminated completely; reversion and immediate elimination of the base.

The OSMP and the OLDP would like to have reversion and then they would like to have the bases revert to the same status that our bases in Japan are currently operating under ———.

Mr. PASSMAN. And no aid. We are giving Japan no aid.

General UNGER. If this situation came about where there was a reversion of the administrative authority and we held the base under, say, the base it is now, or the base under a reduced flexible setup, I would presume there would have to be some status of forces agreement.

VALUE OF MILITARY BASE TO EAST ASIA

Now, what the status of forces agreement would involve moneywise, I don't know, Mr. Chairman.

Mr. SNEIDER. ———.

Mr. RIEGLE. Even in the light of the fact that we might use these bases in a direct way in terms of our efforts in Vietnam?

Mr. SNEIDER. As a matter of fact, Prime Minister Sato lectured the Okinawans about the importance of the Vietnam operations.

General UNGER. That is correct. In fact, I have the quote here. "U.S. bases are needed for security." This is March 9, 1968. "Thursday he told a group of Okinawan Liberal Democratic Party members that not only Japan, but South Korea depended on the U.S. bases in Okinawa for national security. Sato said some thought must be given to the fact that Japan is not the only free nation in Asia whose security is dependent upon the protection of the U.S. forces stationed in the Far East. He asked his audience not to forget that Japan, which does not possess nuclear arms, must rely on the Japan-United States security treaty and on the U.S. nuclear deterrent for its security." That was March 9.

Mr. PASSMAN. What paper was that?

General UNGER. This is the Japan Times, March 9, 1968.

Mr. PASSMAN. Did the Ryukyuan papers carry this article?

Mr. BURNS. It was reported.

BENEFITS OF MILITARY BASE TO RYUKYUANS

Mr. PASSMAN. The facts are we are not renting any base. We have just as much right to build bases and maintain them in Okinawa as we do in Louisiana or New York, do we not?

General UNGER. We have that right by Article 3 of the Peace Treaty.

Mr. PASSMAN. There was a war out there and it seems we won that war and this was one of the terms of the treaty with Japan. So this is a basic right that we have under this treaty to maintain bases. It is not rent. It is just a question, if it helps the economy, we are glad that it helps the economy, but there is no rent paid as such. Is that right?

General UNGER. No rent as such; no, sir. We have taken on and our Congress has indicated because we are there and because this is providing a service for us, that we also have the moral right to take care of seeing that they make the normal progress that comparable Japanese prefectures would make. This is the only reason I am asking for money.

Mr. PASSMAN. I don't agree one bit on that because they are enjoying all the benefits that a large airbase would bring, enjoying all the benefits their economy can support and, in addition to that, we have an aid program.

Now, you know very well that you have many people, public officials in this country, where, if there is even any talk of a military base coming to some city, they are willing to go out and buy the land and give it to the Government to get the payroll, isn't that right?

General UNGER. That is right.

Mr. PASSMAN. They would be perfectly willing to go out and buy the land, give it to the Government and build the Commandant's house to get that annual payroll.

So, under our arrangement with Japan, they benefit from these tremendous expenditures we make there, don't they?

General UNGER. Yes, they do.

Mr. PASSMAN. And they are not handicapped on what they can produce in their own economy as far as agriculture and a little manufacturing they do, is that right?

General UNGER. They are handicapped in the sense, Mr. Chairman, that they do not receive the benefits which they would receive if they were a member of the prefectures of Japan.

Mr. PASSMAN. That is a matter of more or less guessing at what they would get. These people have made a lot of progress during our presence there.

I understand what you are up against. I am completely sympathetic to your problems, but I do recognize this is just a little icing on the cake. Their main revenue comes from this tremendous amount of U.S. dollars released in the islands and the little aid program is just more or less to kind of sweeten it up, isn't it?

COMPARISON OF PREFECTURES

General UNGER. I can't respond to that by saying yes, Mr. Chairman. The reason I can't is because—really, everything is relative. Certainly there has been progress made in the Ryukyus but there has also been progress made in Japan. I am not looking to the best prefectures of Japan, but to the comparable prefectures, and there has been progress made in those. Is it natural that these people who would like to be a prefecture again of Japan look to see what would happen if they were a prefecture and they just want the same.

Mr. PASSMAN. It is a supplement to all of the other benefits.

General UNGER. It is a supplement we have to provide because we have the sole administering authority.

Mr. PASSMAN. You mean do provide; we don't have to.

General UNGER. We do provide, because we feel that we have a present responsibility for it and a moral obligation for it, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. RIEGLE. I don't know whether we haven't exceeded our moral responsibility. When I think of the mess we have in our fiscal affairs, by this dime and nickeling of these programs all over the world, I am just not as sympathetic to even some of my own friends' fringe benefits as I used to be.

General UNGER. Mr. Chairman, I understand the point you are making, but I would like to consider this as another in a defense appropriation.

Mr. PASSMAN. Mr. McNamara wanted to put all military assistance in the same context. You could bankrupt America putting it in that context. It doesn't belong there and I am going to try to keep it out.

Thank you, Mr. RIEGLE.

IMPLICATION OF DECREASING 1969 APPROPRIATION REQUEST

Mr. RIEGLE. You indicated if we were to fail to pass this appropriation or even, I suppose, cut is substantially, that the results could "be disastrous." I believe those were your words.

General UNGER. I believe so.

Mr. PASSMAN. In what respect would it be disastrous with a $250 million payroll, a strong economy, with Japan helping out, and with another pot that we sweetened up; what would be so disastrous?

General UNGER. Mr. Chairman, I could use another adjective than "disastrous."

Mr. PASSMAN. Please do.

General UNGER. I could say it would be "bad"——

Mr. PASSMAN. I will buy that. They would be disappointed and I wouldn't go any further because I can tell you, I am sitting here talking to you when these projects left and right in my State are just being cut off and all the funds denied. That is Hill-Burton hospitals, school funds, university funds, flood control, drainage, and the money is just being impounded. It is not disastrous. We are disappointed, but there haven't been any suicides over it yet that I know of.

General UNGER. The people in your State are not being ruled by an alien people.

Mr. PASSMAN. You say it would be disastrous. Do you think it would be mass suicide or what?

I don't want to be facetious.

General UNGER. I am not being facetious either because it is important to me—I know it is important to you too, but I am looking to the long-term interests of the United States out there. We want that base. It is important——

Mr. PASSMAN. We have it. It is ours.

General UNGER. We have it and we want to continue to have it.

Mr. PASSMAN. We will continue to have it as long as we need it.

General UNGER. It will be more difficult for us to operate that base if we take an action such as eliminating a lot of this aid. Right away we are playing right into the hands of the opposition.

Mr. RIEGLE. What do you think happens? What are the practical implications?

General UNGER. The practical implications are the Ryukyuan people, all of them, whether on the Right or the Left, they feel that the United States has been promising them a much increased appropriation and it has not come through.

Mr. RIEGLE. Who made that promise?

General UNGER. It has been reflected in the President's budget for the last couple of years.

Mr. RIEGLE. Well, he is in trouble all over the map for making promises he can't keep.

Mr. PASSMAN. General, let me tell you we are going to have to cut down on these appropriations. I know what we are confronted with. You people read the papers and you ought to know, too; especially the people with the administration. You are just not going to get what you are asking for.

Mr. RIEGLE. This is relevant and it has to be useful for you. We are not just taking your time up for the sake of spending time. It is late for all of us.

In Detroit last year we had a little demonstration. I think the chairman alluded to what has been happening in some of our cities here in this country. This is a trade-off with dollars. A recent public announcement indicated that some 15,000 Federal troops had been set aside for rioting this summer. That isn't enough and we know it. If we are going to have more, we are going to have to find the money somewhere. We may have to find some in your budget, some in other places, and all over the map. We are trying to balance commitments.

That is why we have an Appropriations Committee and I can appreciate the fact that you explain this commitment as you do because you are close to it, you live with it, and it is your job, but there is a very real question here as to what your best forecast is as to the practical circumstances that will follow if this thing were to be cut substantially.

Now, if it is cut in half, what do you predict is the likely consequence? These are the trade-offs we have to consider.

General UNGER. I would like to respond to that.

Mr. RIEGLE. Please do.

POLITICAL IMPLICATION OF DECREASING APPROPRIATION REQUEST

General UNGER. ———

Mr. RIEGLE. Now, what does that mean?

General UNGER. ———

Mr. RIEGLE. Now wait a minute. That group—that is not a Communist group, that opposition group, is it?

General UNGER. The opposition group has within it a Communist element ———

Mr. RIEGLE. But the Communists were a minority within the opposition, as you explained it.

General UNGER. Numberwise, but as in many places in the world, they are much more vociferous and carry much more weight than their numbers indicate, and what no one knows will be the trade-off within the opposition?

Mr. REIGLE. Is it your forecast then, that this country would fall into the hands of leadership that would be Communist dominated?

General UNGER. ———

Mr. RIEGLE. Is that your forecast?

General UNGER. ———

Mr. RIEGLE. Well now, wait a minute. Anything is a possibility or virtually anything. ———

General UNGER. You are going to exacerbate the situation ———

Mr. RIEGLE. ———

General UNGER. ———

Mr. RIEGLE. That is an important question now.

General UNGER. I know it is. ———

Mr. RIEGLE. Are these Russian Communists, Chinese Communists, North Vietnamese Communists? What kind of Communists?

General UNGER. The OPP is a counterpart of the JCP and the JCP is more closely alined with the Chinese Communist Party than with the Russian Communist Party, I believe.

Mr. SNEIDER. It is hard to contradict you, sir.

General UNGER. And the JSP in Japan is the Communist Party of China.

NECESSITY OF REDUCING FISCAL YEAR 1969 FOREIGN AID REQUEST

Mr. PASSMAN. Let's tie this all together. This is serious business. We have a foreign aid program going, Mr. Secretary, this year, fiscal 1968, in 100 nations and five territories. Have you ever heard that figure used before?

Mr. SIENA. Yes, sir.

Mr. PASSMAN. We have fragmentized foreign aid to the point where even the most astute Member of Congress can hardly find it. Nevertheless, the total request for foreign aid and assistance, all spigots, in fiscal year 1968, was over $9,200 million. Certainly we have more control over the Ryukyus than we do other nations, would you not say, where we have foreign aid programs going?

General UNGER. Yes. It is a different setup though.

Mr. PASSMAN. I know it is a different setup, but at least we are entrenched there to a greater extent, are we not?

General UNGER. Mr. Chairman, we have more control there.

Mr. PASSMAN. Then what is going to happen in these other hundred nations where I can tell you now that we are going to cut foreign aid? Are we going to have it repeated there as we are in Okinawa? You see, your answer is a good one, but it frightens me because I know foreign aid is going to be cut. My wishes or yours notwithstanding, it is going to be cut drastically.

We cut it drastically last year. We cut it $1 billion and the administration is going to have to live with it. But foreign aid programs are scattered all over the budget and we are trying to put it together again.

Now, if every person who comes before this committee says there will be disastrous results, if you reduce foreign aid in this country, then you see what kind of position the committee would be in?

General UNGER. I appreciate that, Mr. Chairman.

Mr. PASSMAN. We don't mean to be discourteous. We are somewhat frightened.

I have never known the American people to be so unhappy about our spending policies. Every day the dollar buys a little less. A few more go on the payroll, we appease them, we try to bribe them to be good folks, and people are just downright unhappy. If they are going to be unhappy over a little cut in the Ryukyus where we have control, Heaven help us in some of these countries where we don't have the entree that you have to these people.

Mr. RIEGLE. The resentment is growing at such a rate in this country to our foreign obligations and our foreign aid commitments and what-have-you, that if we don't do a better job of managing these commitments, we are going to get a counterreaction in this country where you have the repudiation of all commitments and we are not far from that today. That is why it is an especially relevant question to decide how close to the line we can cut it as a practical matter from the dollar point of view because we have got to do that with every single one of these spending requests. What it means is that you have to shave your margin for error right down to zero virtually.

In other words, you are going to have a tough situation. It is going to be hard to manage with the money you are going to get; that is just the nature of the problem.

Now, the question is, at what point, when we start cutting this thing back, what is your best estimate as to the precise point where you can still get by? That is a relevant question. If we give you everything you need, and you have your full insurance policy and everybody else gets their full insurance policy, then we are going to go down the drain right here at home and if we go down the drain

here, that is going to cash in all these hands and it will be academic anyway.

If I can do you a favor today, it is to try to give you an injection of the feeling of the 480,000 people that I represent, the feeling they have.

As a practical matter, as someone in Government who tries to balance where we put our dollars, from the point of view of all the commitments that are competing for the very limited number of available dollars, we are right down to the bottom of the barrel. We are melting down silver coins in this country today because some genius figured if we melted down the silver coins and printed tin coins then the administration could get a one-shot windfall to spend. We are spending that. We just removed the gold cover in this country over my objection. Before we had 25 cents in gold in Fort Knox for every dollar we printed. Well, the dollars are flowing out so fast for commitments like these, that we got down to the point where we had no free gold left so we had to take our last $10 billion, free it up by removing the gold cover for our domestic dollars so that our gold could continue to flow out of the country.

As you know, there was just a decision made the other day—and I am not sure whether it has been revoked yet or not, but the fellows who had served a year in Vietnam and were back stateside were sent back to Vietnam for another 4 or 5 or 6 months because of the critical need for manpower.

We are exhausting all these one-shot windfalls all around the globe. We are even doing this in terms of aircraft replacements, as you might know. We have cannibalized a lot of our airplanes.

Maybe this will help you understand how desperate this financial situation is. We bailed ourselves out a week ago with the international financial people because a lot of promises were made which can't be kept, and which won't be kept; just like previous promises were made in domestic programs. So we are down to the wire on this thing and we don't have any margin for error. If this thing can be reduced at all, it is going to have to be.

Now the question is, Do we reduce it without the benefit of the best thinking we can get, or do we reduce it with that thinking, and you are it? This team of people here is the only team that can help us make a good decision. That is why we are here today, and if this is too much, you know, then what is the least you can get by with, and what are the parameters here? If we don't have a good feel for that, you are not going to get a good decision on this. We can't help you unless you help us. You will not get a good decision unless we have that information.

General UNGER. Mr. Congressman, you put me right in the box here. You are asking me to tell you how much less than what I have asked for that I am really going to say I really need?

Mr. RIEGLE. No.

General UNGER. I say to you, Mr. Congressman, that I need every dollar that I asked for, and the reason I say that is, if you do cut, if you start cutting, the fact that you have cut is going to give us trouble out there. This is my best estimate. This is my honest estimate.

Mr. RIEGLE. That is right, and the more we cut it, the more trouble you are going to get.

General UNGER. Where then is the point where you do not have any trouble?

Mr. RIEGLE. Who is in a better position to assess that than you are?

General UNGER. Than me. That is correct.

INCREASED AUTHORIZATION FOR APPROPRIATION

Mr. PASSMAN. You are getting by very nicely with $12 million and you have gone out and made your peace, but this authorization fell through in your favor. You come running back for the $5.5 million applicable to a fiscal year that is over 6 months old. What would have happened if you hadn't got that authorization?

General UNGER. I will tell you what happened. Last year I had trouble with this.

Mr. PASSMAN. Yes; but you came in here, General, and justified $12 million. It is in the record, isn't it?

General UNGER. And I had also in my budget—it was a total of $19.5 million wasn't it?

Mr. BURNS. $7.5 million forecasted. Supplemental for a total of $19.5 million.

Mr. PASSMAN. But you had no authorization for it so you testified for what the authorization would permit, and you were getting ready to live with it, you had no alternative but to live with the $12 million and the Congress increased the authorization, isn't that right?

General UNGER. That is right, and at the end of the year we did not get our appropriation and I will tell you I had more problems in the Ryukyus because of the lack of getting it.

FISCAL YEAR 1969 APPROPRIATION INCREASE REQUESTED

Now this year again for the third year in a row there has been forecasted in the President's budget the fact—it is not in our eyes a fact—in their eyes the fact that we are going to, again, increase our aid so we could do what we said we wanted to do; namely, take care of the health, education, and welfare programs.

SPECIFIC OBLIGATIONS TO RYUKYUS

Mr. PASSMAN. General, I respect your ability, but if we never appropriated another dime for foreign aid, including the Ryukyus we would not violate any legal commitment we have outstanding, would we?

General UNGER. Legally we are there because of the peace treaty.

Mr. PASSMAN. I am talking "legally".

General UNGER. Now morally—Mr. Chairman, it is the sense of the Congress as expressed several years ago that, along with our running a base out there, we have a responsibility to promote the economic and social welfare of the people.

Mr. PASSMAN. Who wrote that sense of Congress authorization? Wasn't that drafted downtown, or out at the Pentagon, word for word?

General UNGER. I am afraid to say. I do not know.

Mr. RIEGLE. Will you yield, Mr. Chairman?

Mr. PASSMAN. It is your time.

Mr. RIEGLE. That is why I asked when I started out here what the Peace Treaty said. I was told what the Peace Treaty says is on

page 2 of the statement. If it is more than that, I would like to know what more there is there.

Mr. SIENA. The Peace Treaty grants us virtually carte blanche rights.

Mr. RIEGLE. What are our specific obligations?

Mr. SIENA. The Congress—the relevant portion is at the bottom of page 2—in addition Public Law 86–629 says every effort shall be made to improve the welfare and well being of the inhabitants of the Ryukyu Islands. That is the keystone of the request for economic assistance.

Mr. RIEGLE. That is what it is limited to?

Mr. SIENA. This has been further elaborated in an Executive order which more precisely defines the direction of our commitment.

Mr. RIEGLE. Would you see to it that that goes into the record? I want to read that.

Mr. SIENA. Surely.

(The information follows:)

EXECUTIVE ORDER 10713

June 5, 1957

As amended by Executive Order 11010, March 19, 1962, by Executive Order 11263, December 20, 1965 and by EO 11395, January 31, 1968

PROVIDING FOR ADMINISTRATION OF THE RYUKYU ISLANDS

WHEREAS under Article III of the Treaty of Peace with Japan the United States is exercising all and any powers of administration, legislation and jurisdiction over the territory, including territorial waters, and inhabitants of the Ryukyu Islands (the term "Ryukyu Islands", as used in this Order, meaning Nansei Shoto south of 29 degrees North Latitude, excluding the islands in the Amami Oshima Group with respect to which all rights and interests of the United States under the said article of the treaty have been relinquished to Japan;

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution, and as President of the United States and Commander-in-Chief of the Armed Forces of the United States, it is ordered as follows:

Section 1. Except as the Congress may otherwise provide by law with respect to the Government of the Ryukyu Islands, all administrative, legislative, and jurisdictional powers reposed in the United States by Article III of the Treaty of Peace with Japan shall be exercised in accordance with this Order.

Section 2. The said powers shall be exercised by the Secretary of Defense, subject to the direction and control of the President of the United States. In the exercise of this authority the Secretary of Defense shall encourage the development of an effective and responsible Ryukyuan Government, based on democratic principles and supported by a sound financial structure, shall make every effort to improve the welfare and well-being of the inhabitants of the Ryukyu Islands, and shall continue to promote the economic and cultural advancement of the inhabitants. The Secretary of Defense may delegate any function vested in him by this Order to such officials or organizational entities of the Department of Defense as he may designate.

Section 3. The Secretary of State shall be responsible for the conduct of relations with foreign countries and international organizations with respect to the Ryukyu Islands.

Section 4. (a) There is established, under the jurisdiction of the Secretary of Defense, a civil administration of the Ryukyu Islands, the head of which shall be known as the High Commissioner of the Ryukyu Islands (hereinafter referred to as the "High Commissioner"). The High Commissioner (1) shall be designated by the Secretary of Defense after consultation with the Secretary of State and with the approval of the President, from among the active duty members of the Armed Forces of the United States, (2) shall have the powers and perform the duties assigned to him by the terms of this order, (3) may delegate any function vested in him to such officials of the civil administration as he may designate, and (4) shall carry out any powers or duties delegated or assigned to him by the Secretary of Defense pursuant to this order.

(b) There shall be under the High Commissioner a civilian official who shall have title of Civil Administrator. The Civil Administrator shall be designated by the Secretary of Defense, after consultation with the Secretary of State and with the approval of the President, and shall have such powers and perform such duties as may be assigned to him by the High Commissioner. (As amended by EO 11010)

Section 5. There is hereby continued, subject to the provisions of this order, the now existing Ryukyuan central government (hereinafter referred to as the Government of the Ryukyu Islands).

Section 6. (a) The legislative power of the Government of the Ryukyu Islands, except as otherwise provided in this order, shall be vested in a legislative body consisting of a single house. Members of the legislative body shall be directly elected by the people of the islands in 1962, and triennially thereafter, for terms of three years.

(b) The territory of the Ryukyu Islands shall continue to be divided into districts, each of which shall elect one member of the legislative body. The present 29 districts are continued, but the number of boundaries of districts may be altered by law enacted by the Government of the Ryukyu Islands with the approval of the High Commissioner. Any redistricting shall be done with due regard to obtaining districts which are relatively compact and contiguous and which have reasonably equal populations. (As amended by EO 11010.)

Section 7. The legislative body shall exercise legislative powers which extend only to all subjects of legislation of domestic application. The legislative body shall determine the procedures for judging the selection and qualification of its own members and shall choose therefrom its officers and determine its rules and procedures. Local legislative bodies, the members of which shall be elected by the inhabitants of the respective municipalities in accordance with procedures established by the legislative body of the Government of the Ryukyu Islands, shall be given and shall exercise appropriate municipal legislative powers. The High Commissioners shall report to the Secretary of Defense all laws enacted by the legislative body of the Government of the Ryukyu Islands and the said Secretary shall report the same to the Congress of the United States.

Section 8. (a) The executive power of the Government of the Ryukyu Islands shall be vested in a Chief Executive, who shall be a Ryukyuan. The Chief Executive shall have general supervision and control of all executive agencies and instrumentalities of the Government of the Ryukyu Islands and shall faithfully execute the laws and ordinances applicable to the Ryukyu Islands.

(b)(1) The Chief Executive shall be elected by the people of the Ryukyu Islands. The person having the greatest number of votes shall be the Chief Executive, provided that he shall have received at least one-fourth of the total number of votes cast. The Chief Executive shall be elected on the same day as are the members of the legislative body and shall serve a term concurrent with the term of the members of the legislative body and thereafter until his successor takes office. The first such election of the Chief Executive shall be on the same day as the legislative elections in November 1968. The legislative body shall by law establish procedures for the election of the Chief Executive, determine the qualifications for the office of Chief Executive, and provide for special elections when necessary to fill a vacancy. (As amended by EO 11395.)

(2) In the event that a Chief Executive is not, within a reasonable period of time, as determined by the High Commissioner, elected to succeed an incumbent or to fill a vacancy, the High Commissioner may appoint a Chief Executive who shall serve until a successor is duly elected. (As amended by EO 11395)

(3) The incumbent Chief Executive at the end of the term of a legislative body shall continue in office until a successor takes office pursuant to either of the foregoing paragraphs. (As amended by EO 11263)

(c) The head of each municipal government shall be elected by the people of the respective municipality in accordance with procedures established by the legislative body of the Government of the Ryukyu Islands. (As amended by EO 11010)

Section 9. (a) Every bill passed by the legislative body shall, before it becomes law, be presented to the Chief Executive. If the Chief Executive approves a bill he shall sign it, but if not he shall return it, with his objections, to the legislative body within fifteen days after it shall have been presented to him. If a bill is not returned within the specified fifteen-day period, it shall become law in like manner as if it had been approved by the Chief Executive, unless the legislative body by adjournment prevents its return, in which case it shall be law if approved by the

Chief Executive within forty-five days after it shall have been presented to him; otherwise it shall not be law. When a bill is returned to the legislative body with objections by the Chief Executive, the legislative body may proceed to reconsider it. If, after such reconsideration two thirds of the legislative body pass it, it shall become law in like manner as if it had been approved by the Chief Executive.

(b) If any bill approved by the legislative body contains several items of appropriation of money, the Chief Executive may object to one or more of such items or any part or parts, portion or portions thereof, while approving the other items, or parts or portions of the bill. In such case, the Chief Executive shall append to the bill, at the time of signing it, a statement of the items, or parts or portions thereof, objected to, and the items, or parts, of portions thereof, so objected to shall not take effect. Should the legislative body seek to over-ride such objections of the Chief Executive, the procedures set forth above will apply. In computing any period of days for the foregoing purposes, Sundays and legal holidays shall be excluded (As amended by EO 11010)

Section 10. Judicial powers in the Ryukyu Islands shall be exercised as follows:

(a) A system of courts, including the civil and criminal courts of original jurisdiction and appellate tribunals, shall be maintained by the Government of the Ryukyu Islands. These courts shall exercise jurisdiction as follows:

(1) Civil jurisdiction in all civil cases, subject to the provisions of paragraphs b (1) and (2), below.

(2) Criminal jurisdiction over all persons except (a) members of the United States Forces or the civilian component, (b) employees of the United States Government who are United States nationals, and (c) dependents of the foregoing, provided, nevertheless, that subject to paragraph c, below, criminal jurisdiction may be exercised by courts of the Government of the Ryukyu Islands over dependents who are Ryukyuans. Criminal jurisdiction may be withdrawn from the courts of the Government of the Ryukyu Islands by the High Commissioner in any case which affects the security, property, or interests of the United States and which is so designated by him. (As amended by EO 11010)

(b) A system of courts, including civil and criminal courts of orignal jurisdiction and appellate tribunals, shall be maintained by the Civil Administration. These courts shall exercise jurisdiction as follows:

(1) Civil jurisdiction over any case or controversy of particular importance affecting the security, property, or interests of the United States, as determined by the High Commissioner. Such cases instituted in a court of the Government of the Ryukyu Island shall be transferred to the appropriate Civil Administration court upon order of the High Commissioner at any time in the proceedings, including final appellate process, prior to the entering of final decree, order or judgment. Cases so transferred may be subject to trial de novo in the discretion of the court of the Civil Administration.

(2) Civil jurisdiction in cases and controversies in which a member of the United States forces or the civilian component thereof, an employee of the United States Government who is a United States national, or a dependent of one of the foregoing, unless such dependent is a Ryukyuan, is a party if upon petition of one of the parties to the suit the High Commissioner deems the case to be important in its effect, direct or indirect, on the security of the Islands, on foreign relations or on the security, property or interests of the United States or nationals thereof and determines that the Civil Administration should assume jurisdiction over the case. In this event, such cases instituted in a court of the Government of the Ryukyu Islands shall be transferred to the appropriate Civil Administration court by order of the High Commissioner at any time in the proceedings, including final appellate process, prior to the entering of final decree, order or judgment. Cases so transferred may be subject to trial de novo in the discretion of the court of the Civil Administration.

(3) Criminal jurisdiction over (a) the civilian component, (b) employees of the United States Government who are United States nationals, and (c) dependents, excluding Ryukyuans, (i) of the foregoing and (ii) of members of the United States forces. (As amended by EO 11010).

(4) Criminal jurisdiction in specific cases of particular importance affecting the security, property, or interests of the United States, as determined by the High Commissioner. Such cases instituted in a court of the Government of the Ryukyu Islands may be transferred to the appropriate Civil Administration court upon order of the High Commissioner at any time in she proceedings, including the final appellate process, prior to the entering of final decree, order or judgment. Cases so transferred may be subject to trial de novo in the discretion of the court of the Civil Administration.

(c) Criminal jurisdiction over persons subject to trial by courts-martial under the Uniform Code of Military Justice (10 U.S.C. 801 et seq.) will be exercised by courts other than courts-martial only when the military commander concerned determines not to exercise military jurisdiction under the Uniform Code of Military Justice and specifically indicates to the High Commissioner his approval of referring the case to another court.

(d) The highest appellate court of the Civil Administration shall have jurisdiction to review:

(1) Any case, civil or criminal, tried in the inferior courts of the Civil Administration, whether initiated therein or removed thereto, upon appeal by any party.

(2) Any case, civil or criminal, decided by the highest court of the Government of the Ryukyu Islands having jurisdiction thereof in which is involved

(i) a conflict of decision between the highest court of the Government of the Ryukyu Islands and the highest appellate court of the Civil Administration or

(ii) a question of United States, foreign or international law, including the interpretation of any treaty, act of Congress of the United States, Executive Order of the President of the United States or of a proclamation, ordinance or order of the High Commissioner upon appeal by any party or, if no such appeal be taken, upon petition, setting forth the special grounds therefor, presented to the court by the chief legal officer of the Civil Administration. The highest appellate court of the Civil Administration shall have power to affirm, modify, set aside or reverse the judgment, order or decree reviewed or to remand the case with such directions for a new trial or for entry of judgment as may be just. In a criminal case, the appellate court may set aside the judgment of conviction, or may commute, reduce (but not increase) or suspend the execution of sentence.

(e) Nothing in this section shall be construed as extending to any court of the Government of the Ryukyu Islands or of the Civil Administration, jurisdiction over the United States Government or any agency thereof unless specific authority has been conferred in the premises by the Congress of the United States.

(f) For the purpose of these provisions the expression—

(1) "Members of the United States Forces" shall mean the personnel on active duty belonging to the land, sea or air armed forces of the United States of America whenever in the Ryukyu Islands.

(2) "Civilian component" shall mean the civilian persons of United States nationality who are in the employ of, serving with, or accompany ng the United States forces whenever in the Ryukyu Islands.

(3) "Dependents" shall mean the spouse and any child or relative by affinity, consanguinity or adoption when dependent upon the principal for over half of his or her support whenever in the Ryukyu Islands.

Section 11. (a) The High Commissioner may, if such action is deemed necessary for the fulfillment of his mission under this order, promulgate laws, ordinances or regulations. The High Commissioner, if such action is deemed by him to be important in its effect, direct or indirect, on the security of the Ryukyu Islands, or on relations with foreign countries and international organizations with respect to the Ryukyu Islands, or on the foreign relations of the United States or on the security, property or interests of the United States or nationals thereof, may, in respect of Ryukyuan bills, laws, or officials, as the case may be, (1) veto any bill or any part or portion thereof, (2) annul any law or any part or portion thereof within 45 days after its enactment, and (3) remove any public official from office. The High Commissioner has the power of reprieve, commutation and pardon. The High Commissioner may assume in whole or in part, the exercise of full authority in the islands, if such assumption of authority appears mandatory for security reasons. Exercise of authority conferred on the High Commissioner by this subsection shall be promptly reported, together with the reasons therefor, to the Secretary of Defense who shall inform the Secretary of State.

(b) In carrying out the powers conferred upon him by the provisions of subsection (a) of this section, the High Commissioner shall give all proper weight to the rights of the Ryukyuans and shall, in particular, have proper regard for the provisions of the second sentence of Section 2 of this order. (As amended by EO 11010.)

Section 12. In carrying out this order, including Section 11, the High Commissioner shall preserve to persons in the Ryukyu Islands the basic liberties enjoyed by people in democratic countries, including freedom of speech, assembly, petition, religion and press, and security from unreasonable searches and seizures, and from deprivation of life, liberty or property without due process of law.

Section 13. The Secretary of Defense may issue such further instructions as may be necessary for the carrying out of this order.

Section 14. Except as they may be inconsistent herewith, the proclamation, ordinances, and directives heretofore issued by the existing Civil Administration and its predecessor Military Government agencies shall continue in force and effect until modified, revoked, or superseded under the authority of this order. No proceeding, either civil or criminal, pending in any court of the Government of the Ryukyu Islands of of the Civil Administration of the Ryukyu Islands on the date of this order shall abate by reason of this order; and any such proceeding shall be conducted and concluded in accordance with laws, ordinances, proclamations, and directives in effect immediately before the date of this order.

Section 15. This order shall become effective immediately, but until its provisions shall severally become operative as herein provided, the legislative, executive and judicial functions now vested in the Civil Administration and the Government of the Ryukyu Islands, shall continue to be exercised as now provided by law, ordinance, proclamation or directive, and the incumbents of all offices under the Civil Administration or the Government of the Ryukyu Islands shall continue in office until their successors are appointed or elected and have qualified, unless sooner removed by competent authority.

TRANSITIONAL PROVISIONS—EXECUTIVE ORDER 11010, MARCH 19, 1962

Section 3. (a) This order shall not operate to terminate immediately the tenure of the Chief Executive of the Government of the Ryukyu Islands now in office. That tenure shall terminate when his first successor, appointed under the provisions of Executive Order No. 10713 as amended by this order, enters upon office as Chief Executive or on such other date as may be fixed by the High Commissioner.

(b) The members of the legislative body in office on the date of this order shall continue in office until the termination of their present terms as members.

(c) The amendment of Section 4 of Executive Order No. 10713 made by this order shall become effective on July 1, 1962. All other parts hereof shall become effective on April 1, 1962.

JOHN F. KENNEDY.

THE WHITE HOUSE, *March 19, 1962.*

BROADENING OF PEACE TREATY TERMS

Mr. RIEGLE. You are saying the President has broadened the promise?

Mr. SIENA. He has taken the commitment in this act and made more precise the areas in which our aid and other assistance will be directed.

Mr. PASSMAN. Who did that?

Mr. SIENA. This is under Executive order which generally indicates that our efforts should be directed primarily in the areas of health, education, and welfare.

Mr. PASSMAN. It has been established—and I am pretty sure that this would be a conservative figure—that it would take 702 men to do all the things that are done in the name of the President. Everything is, "The President is for this, the President's budget did this." But we know that the President speaks only for the administration. He could not possibly possess knowledge about these thousands of programs scattered all over the world, so he must rely upon his subordinates. And since we do not have the right to interrogate the President on these things, we have to talk to his subordinates. These programs are formulated by his subordinates, and then somebody goes to the top and sells the President on them. I think the record ought to show that we do so many things in the name of the President, simply beacuse he is the President. But the President did not do these things. He only speaks after these things have been put together for him.

SOCIAL AND POLITICAL IMPLICATIONS OF DECREASING APPROPRIATION REQUEST

Mr. RIEGLE. If we cut this appropriation in half, would we have a Communist or leftist Government to deal with?

General UNGER. ———.

Mr. PASSMAN. ———.

General UNGER. I do not think so, Mr. Chairman. I do not think so, but I do not really have any expertise in this because I have not been dealing with this worldwide, but I have been dealing with my problem in the Ryukyus.

Mr. PASSMAN. But you do have better control over Ryukyus Islands than we have over some of these other countries, do you not?

General UNGER. In comparing other areas I think you are mixing apples and oranges. In the other hundred countries of the world we do not presume to have full administrative and authoritative rights as we have in the Ryukyus. There goes with those rights an obligation.

Mr. PASSMAN. I am not ready to agree that 900,000 people scattered around in 72 islands can successfully challenge 300 million people, and that is Japan and the United States.

Mr. RIEGLE. ———. If we were to have a leftist government, what would be the practical impact as far as that base is concerned?

General UNGER. Off the record.

Mr. RIEGLE. I want the answer on the record. Give me the best answer you can and then go off the record, if necessary.

General UNGER. It would make it more difficult for the U.S. Civil Administration to operate the base in a satisfactory manner.

Now off the record.

(Discussion off the record.)

Mr. RIEGLE. Give me the best indication you can of the kinds of problems that might crop up if the appropriation were whittled down sharply. In other words, what are the kinds of problems in that country, what sort of social unrest or whatever you want to call it would we have to deal with? What form might it take?

General UNGER. I hope you will understand me when I say that I would perfer, in the interests of the United States, not to answer that question on the record, because this record is read by everybody in the Ryukyu Islands ———.

I understand why you would like to have it, Mr. Congressman. I understand this completely, but I cannot, in the interests of the United States, answer that question.

Mr. RIEGEL. Let me make an off-the-record comment here and then I would like to yield to the chairman.

(Discussion off the record.)

U.S. EXPENDITURES COMPARED WITH RYUKYUAN IMPORTS FROM JAPAN

Mr. PASSMAN. It was my privilege to chair this subcommittee in 1956 when one of your predecessors requested $3 million. At that time the Ryukyus imports from Japan were $46 million.

Now if we move on to fiscal year 1967 as completed, the aid portion of our contribution has moved up to $12 million. Imports from Japan moved up to $208,300,000. Now this tremendous increase, over 450 percent in that brief period was made possible by the tremendous

increase in our civilian and military expenditures on the islands, is that correct?

General UNGER. It contributed immeasurably.

Mr. PASSMAN. Where did the other come from?

General UNGER. Their own increase in production, sir.

Mr. PASSMAN. The $20 million we are talking about is really a form of aid and it is a supplement to the really big program out there and that is the tremendous payroll that we have, both military and civilian. This is a very small percentage of the grand total that we release on the islands, is it not?

General UNGER. Yes, sir.

Mr. PASSMAN. I know what your problems are.

Now we are going to sit here for 300 hours this year and there will not be a man who will come before this committee that won't say there will be dire results if we cut foreign aid. Yet we have in previous years ignored the testimony and cut foreign aid in excess of $11 billion below the request.

Now off the record.

(Discussion off the record.)

Mr. RIEGLE. You indicated before that the Ryukyuans are an insular people, basically, and they do not see themselves as a domino.

AWARENESS OF COMMUNIST THREAT

General UNGER. You asked me whether I thought that, I said I did not think they are. The Ryukyuans, to be real honest, I do not believe they even think in these terms.

Mr. RIEGLE. That is another way of saying what is going on, on the mainland of Asia, is not something that is foremost in their minds. Is this a fair statement?

General UNGER. Yes, I think it is. It is a fair statement that they, being an insular people, are most concerned with their own internal insular problems, and they read the papers, they watch the TV, but what goes on in the Asian mainland it does not necessarily sink in. They still come out with the same objectives they expressed the day before they heard this bad news.

Mr. RIEGLE. The witness just made the comment that they were watching the news on the TV. Did he have that?

General UNGER. Yes, we have NHK from Japan, we have two local Japanese language stations and an Armed Forces English language TV station.

Mr. RIEGLE. Primarily they are concerned with their own affairs and they do not see the problems that are outside their own area.

General UNGER. That is correct.

Mr. RIEGLE. As really having much of a bearing on them.

General UNGER. That is correct.

Mr. RIEGLE. Off the record.

(Discussion off the record.)

U.S. CONTRIBUTION TO RYUKYUS' GNP

Mr. PASSMAN. As the curtain falls on act 1 of many acts this year for foreign aid funds, what percentage of all the money that accrues to the credit of the Ryukyus' economy comes from our payrolls, military and civilian?

General UNGER. You mean all dollar instruments? Half of the GNP is from dollar instruments. That is everything considered.

Mr. PASSMAN. If the bases should be closed immediately and these payrolls stopped, then of course their GNP would fall by 50 percent.

General UNGER. That is correct.

Mr. PASSMAN. That is something they lived with prior to World War II. They just happened to be a poor people, Japanese people, an island, and they had nothing to support any greater economy, is that correct?

General UNGER. They were primarily an agricultural economy. They were poor.

Mr. PASSMAN. On the basis that 50 percent of their GNP is from dollars pouring in on account of our presence there, I would have to let the final statement on my part be that, other than for political reasons, there is less need for a foreign aid program in the Ryukyus, than in any underdeveloped country I know of on the face of the earth.

With that said, we are going to be completely fair, we are going to consider your many, many problems out there, and we just hope that when we meet next year, General, those people will understand our position better, because they are really intellectuals, many of them.

General UNGER. There are some——

Mr. PASSMAN. And they understand pretty well what it is all about, wouldn't you say?

General UNGER. Some do, but a lot of them do not.

Mr. PASSMAN. The real leaders out there?

General UNGER. The leaders understand a lot of the problems on our side but there are a lot of people who understand them but do not want to admit they understand them.

Mr. PASSMAN. They know about the old saying, "Convince a man against his will, he is of the same opinion still."

Thank you very much, gentlemen. We hope we have not kept you too long. You will observe we are operating without air condition ng this year, hoping it will expedite the hearings.

TUESDAY, MARCH 26, 1968.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

WITNESSES

GRAHAM MARTIN, SPECIAL ASSISTANT TO THE SECRETARY FOR REFUGEE AND MIGRATION AFFAIRS

CLEMENT J. SOBOTKA, DEPUTY DIRECTOR, OFFICE OF REFUGEE AND MIGRATION AFFAIRS

LAURENCE A. DAWSON, REFUGEE AND MIGRATION OFFICER

JACOB WALKIN, REFUGEE AND MIGRATION OFFICER

RICHARD W. MURRAY, DIRECTOR, BUDGET PLANNING AND PRESENTATION

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
1. Contribution to Intergovernmental Committee for European Migration	3,350	2,500	2,500
2. Contribution to United Nations High Commissioner for Refugees	400	600	600
3. Contribution for care of refugees from Middle East crisis	----	125	----
4. Refugees from European Communist countries	750	650	650
5. Refugees from Communist China	235	200	200
6. Tibetan refugees	100	----	----
7. Cuban refugees	604	669	844
8. Administration	461	635	641
9. Contribution to the International Committee of the Red Cross	50	50	50
10. 1967 program funds obligated in 1968	−75	75	----
11. 1968 program funds obligated in 1969	----	−375	375
10 Total obligations	5,875	5,129	5,860
Financing:			
17 Recovery of prior year obligations	−40	----	----
21 Unobligated balance available, start of year	−578	−175	−375
24 Unobligated balance available, end of year	175	375	----
25 Unobligated balance lapsing	618	289	----
New obligational authority	6,050	5,618	5,485
New obligational authority:			
40 Appropriation	6,050	5,500	5,485
42 Transferred from other accounts	----	125	----
43 Appropriation (adjusted)	6,050	5,625	5,485
45 Proposed transfer to other accounts for pay increases	----	−7	----
Relation of obligations to expenditures:			
10 Total obligations	5,875	5,129	5,860
70 Receipts and other offsets	−40	----	----
71 Obligations affecting expenditures	5,835	5,129	5,860
72 Obligated balance, start of year	5,789	3,812	1,830
74 Obligated balance, end of year	−3,812	−1,830	−1,985
77 Adjustments in expired accounts	−505	----	----
90 Expenditures	7,307	7,111	5,705
Expenditures are distributed as follows:			
01 Out of current authorizations	3,332	3,709	3,834
02 Out of prior authorizations	3,976	3,402	1,871

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

Personnel compensation:			
11.1 Permanent positions	285	434	437
11.3 Positions other than permanent	2	2	2
11.5 Other personnel compensation	5	3	3
Total personnel compensation	292	439	442
12.0 Personnel benefits	52	61	64
21.0 Travel and transportation of persons	10	10	10
22.0 Transportation of things	1	1	1
23.0 Rent, communications, and utilities	16	14	14
25.1 Other services	1,602	1,344	1,944
25.2 Services of other agencies	92	100	100
25.3 Services of working capital fund	4	4	4
26.0 Supplies and materials	3	3	3
31.0 Equipment	3	3	3
41.0 Grants, subsidies, and contributions	3,800	3,150	3,275
99.0 Total obligations	5,875	5,129	5,860

PERSONNEL SUMMARY

Total number of permanent positions	33	44	44
Average number of all employees	33	41	41
Average GS grade	8.3	9.3	9.3
Average GS salary	$11,061	$12,201	$12,201
Average grade and salary rates established by the Foreign Service Act of 1946 (22 U.S.C. 801-1158):			
Average grade:			
Foreign Service officer	5.0	4.9	4.9
Foreign Service reserve	2.0	2.8	1.8
Foreign Service staff	8.5	8.4	8.4
Average salary:			
Foreign Service officer	$12,432	$13,385	$13,521
Foreign Service reserve	$19,333	$22,481	$22,481
Foreign Service staff	$5,953	$6,548	$6,576
Average salary in foreign countries (local rates)	$3,294	$3,509	$3,714

Mr. PASSMAN. The committee will come to order.

We will consider this afternoon the budget request for $5,485,000 for the migration and refugee assistance program.

Our principal witness will be the Honorable Graham Martin, former Ambassador to Thailand, and presently Special Assistant to the Secretary of State.

Ambassador Martin, before you start your statement, I want to thank you again on behalf of myself and members of the committee who have had the privilege of visiting with you in Thailand in the past years. I might say without exception we all left there commenting on the fact that you were one of our ambassadors that it was our privilege to know, who, no doubt, possessed a greater knowledge of the problems in the Far East than any other individual we had talked to.

It is always a privilege for this subcommittee to visit with you and to have the privilege of talking to your well-informed staff.

We would be very pleased to hear from you at this time, Mr. Ambassador, any statement you care to make before the committee.

Mr. MARTIN. Thank you very much, Mr. Chairman, for your very kind remarks. I always welcome the opportunity to meet with Members of the Congress on their trips abroad. I have found that over the years it has been a very wonderful educational experience for me.

GENERAL STATEMENT

Mr. Chairman and members of the committee, I am appearing before you today to support the Department of State appropriation request for migration and refugee assistance for fiscal year 1969 in the amount of $5,485,000.

This is my first appearance before the committee in my present capacity. My name is Graham Martin, special assistant to the Secretary of State for refugee and migration affairs. I am a native of North Carolina and a graduate of Wake Forest College there. I have been in the service of the U.S. Government since 1933, serving with the National Recovery Administration, the Social Security Board, and the Federal Security Agency. After service with the military forces during World War II, I entered the Foreign Service in 1947. My first post was Paris and my most recent assignment prior to this present one was as Ambassador to Thailand where I served since 1963. In December of 1967, I was asked by Secretary Rusk to undertake to focus wider general attention on the broad range of governmental activities related to refugees, with particular consideration to the refugees in Asia and the Middle East.

Included in my responsibilities are the refugee programs conducted by the Department of State and authorized under the Migration and Refugee Assistance Act of 1962. It is to these programs that our appropriation request of $5,485,000 for 1969 is directed. Included within the request also is the small annual U.S. contribution to the International Committee of the Red Cross (ICRC).

The unsettled state of the world today has resulted in millions of people having to leave their homes and seek refuge in other places, often in alien lands. The causes of their flight are many. People do not give up their dwellings, their means of support, and their native environment except under extreme pressures. Today's refugees are the

results of war, persecution, the struggles of new nations emerging from colonial domination, Communist aggression, and political disputes which cause people to flee for safety or freedom. The United States is concerned with large refugee problems in the Middle East, with the 48,000 Cuban refugees who arrive on our shores each year and, of course, in Southeast Asia. There are also hundreds of thousands of refugees in many parts of Africa where new refugee problems are constantly arising.

In contrast to some of the larger refugee situations which are constantly in the news and attracting public attention, the refugee problems for which we are seeking this appropriation are smaller, continuing, less conspicuous, but not less important in terms of American foreign policy interests. There are still refugees fleeing from Communist countries in Eastern Europe into countries in Western Europe and the Middle East. Many of these refugees come to the United States, usually because they have relatives and friends here among American citizens of the various eastern European ethnic origins. Frequently, these refugees bring real assets in the form of professional qualifications and needed skills. They also bring a dedication to those values which led to our own independence.

The numbers of refugees seeking asylum in the West show a small but steadily rising trend. Several of the programs covered by the appropriation, the United Nations High Commissioner for Refugees (UNHCR), the U.S. refugee program (USRP), and the Intergovernmental Committee for European Migration (ICEM), all play a part in the onward movement of these refugees and their ultimate resettlement. Our justification, which you have before you, gives a more detailed statement on each of these programs, but I would like to comment on how the several programs currently work together in dealing with refugees.

EUROPEAN REFUGEES

The Western European countries which are signatories to the United Nations Convention on Refugees have been liberal in granting asylum to eastern Europeans who arrive in their countries and ask for status as political refugees. The United Nations High Commissioner has, as one of his principal functions, the legal and political protection of refugees and works closely with the countries of asylum to insure that the terms of the convention are met. The U.S. refugee program supplements the assistance given by the countries of asylum in the initial reception, care and maintenance, counseling for emigration, and processing the refugees for resettlement. USRP works through contracts with American and international voluntary agencies which also contribute their own funds and efforts to these purposes. Finally, the Intergovernmental Committee for European Migration assists the refugees by using its facilities and transportation network for the movement of refugees from countries of asylum to countries of resettlement at reasonable prices.

These three programs work together as a team, coordinating their efforts and each performing an important segment in the reestablishment of the refugees. Through the cooperative efforts of the UNHCR, USRP, ICEM, and the private voluntary agencies, an efficient pattern of operations has been established which helps maintain a steady

flow of refugees through the countries of asylum to their ultimate destinations. Were these programs not operating in their present effective manner, the refugees would begin to accumulate in the countries of asylum and become a political and economic burden to them. Such a development would tend to weaken the willingness of the asylum countries to permit the refugees to stay and more of them would be turned back to their own Communist countries to face the consequences of seeking to leave. The U.S. monetary participation in these programs has been progressively reduced and is now relatively small, but continued U.S. participation, interes , concern, and indeed leadership, is necessary to keep the present pattern of refugee flow moving freely. It is very much in our national interest to see that it remains so.

Our proposed allocations to these programs within the total appropriation are necessarily modest. The estimates represent the minimal amounts which can be provided and still keep the programs on a reasonably effective level. These reduced amounts are made necessary by other obvious and pressing current demands on the U.S. budget. However, the small amounts requested will undoubtedly limit the effectiveness of these programs. For example, our contribution to ICEM is now reduced to about 20 percent of other government contributions and the contribution to the UNHCR will be about 12 to 14 percent of other government contributions. Both these contributions are well below the percentage of our contributions to other international organizations. The level of our program for the USRP will support a barebones operation at a time when the numbers of refugees are expected to continue to increase and when increasing costs in Europe are making the services provided by the program more expensive.

REFUGEES FROM COMMUNIST CHINA

Turning next to another refugee situation covered by this request; namely, assistance to Chinese refugees in Hong Kong and Macao, the Department of State considers it most important that this program be continued as a means of demonstrating the historic friendship and humanitarian concern of the American people toward the Chinese people, even though our differences with the Communist Chinese regime prevent friendly relations on a governmental level. The refugee assistance activities which the United States conducts under the Far East refugee program is one of the few ways in which the American people, working through their private voluntary agencies, can show effectively that we do retain our interest and concern. This program, with a relatively small amount of money, helps to buttress the convictions of the essentially anti-Communist population of Hong Kong and of their relatives in Red China and Southeast Asia.

In 1969, as in 1968, we expect to program $200,000 for the Far East refugee program. This is a small amount considering the values of the program to the United States and especially in view of current trends of an increasing refugee flow into Hong Kong, arising in part from the turmoil within Red China. We would have greatly preferred to have allotted more funds for this area, but pressures from the current budgetary situation have forced a reduction to the proposed level. This level will support the continuing essential services which will help

the more recent refugees to become reestablished and self-supporting in Hong Kong. It will not support some of the larger and more conspicuous but limited projects involving construction and capital works which we have previously found useful as a catalyst in getting others to follow through with other resources. Should there be a significant increase in the refugee flow, it may be necessary to seek additional funds and when the U.S. budgetary position eases somewhat, we would like to restore the program to a higher funding level.

CUBAN REFUGEES

As you know, this appropriation also bears the cost of transporting about 44,000 Cuban refugees to the United States via a regular airlift by arrangement with the Cuban Government. This is an essential continuing expense necessary to provide for an even flow of refugees from Cuba into the resettlement pipeline maintained by the Immigration and Naturalization Service, by the Department of Health, Education, and Welfare, and by private voluntary agencies to reunite the Cubans with their relatives in the United States. We are requesting an increase of $175,000 for this segment of our total program because of expected increased expenses for air transportation and the costs of the Swiss Government which represents us in Cuba.

ADMINISTRATIVE EXPENSES AND INTERNATIONAL COMMITTEE OF THE RED CROSS

The two remaining items covered by our appropriation request are $641,000 for administrative expenses which involves a $6,000 increase over the 1968 level in order to provide for the annualization of salary increase costs and $50,000 to cover our regular annual contribution to the International Committee of the Red Cross, authorized by Congress under Public Law 89-230 This, latter item is a small but important item in our total budget in view of the great assistance which the ICRC provides to the U.S. Government in Vietnam, Laos, and other areas, and of its useful protective and relief activities in troubled spots throughout the world.

1969 REQUEST BELOW 1968 APPROPRIATION

I have previously noted that this appropriation request is smaller this year. These reduced amounts were decided upon before I assumed my present responsibilities. They reflect the considered judgment of the administration in the always difficult job of assigning relative priorities and I, of course, support them. But since I have always governed my approach to committees of Congress by my strict observance of the cardinal dual principles of complete truthfulness and the utmost candor, I am compelled to say that as we assess the period to be covered by this appropriation request, my best judgment currently is that these amounts may be insufficient to best serve the national interests.

This appropriation request represents a tight budget estimate in which there is very little room for shifting amounts between the various segments of the program. Nevertheless, it may be necessary because of the rapid changes which can occur in refugee problems to

make shifts between the amounts estimated this far in advance of calendar year 1969. In addition, the proposed appropriation is so lean that should there be any new refugee problems which develop or any substantial increases in the numbers of refugees assisted under the appropriation, we may have to seek additional funds. We shall exert every effort not to do this, and I have been pleased to inherit an office under Elmer Falk and Clement Sobotka which I have found to be able, efficient, hardfisted, and practical in its continuing effort to see that the United States gets full value for every dollar appropriated under these programs.

In conclusion, Mr. Chairman and members of the committee, I should like to emphasize that the turmoil in the world today makes the prognosis for the disappearance of refugee problems most discouraging. These problems are of direct concern to the foreign policy and security interests of the United States and our programs help us serve both these interests and the traditional humanitarian role of the United States in helping the persecuted and distressed. Many of the refugees involved are of direct concern to the United States because of their relatives and friends in this country. I should like to repeat that in submitting this request, we have been mindful of the many heavy demands on our Government's funds which make it essential to keep all expenditures at a minimum. On the other hand, we do consider that the assistance provided through these programs is important to U.S. interests and most respectfully solicit your consideration of this request in recognition of its values to American political and humanitarian interests.

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

This committee had a great deal of respect for your predecessor, Ambassador Wine. He was a conscientious and dedicated public official. It is my understanding it was his desire to return to private law practice and that he is now practicing law here in Washington. I am sure I speak for every member of this committee when we wish him the best of everything.

I am not prone to be complimentary of those individuals connected with the many, many different foreign aid programs, but occasionally when I have been impressed with personnel and have evaluated in my own way the service some of them have rendered, I think I would be remiss in my duty as chairman of this committee if I shouldn't occasionally so express those feelings for the record.

Mr. Ambassador, I am compelled to say that it has been the policy in my country to spend money we didn't have for things we didn't need, trying to be everything to everybody everywhere on borrowed money.

As I read the record, we are in serious financial difficulty, regardless of the contentions of some people about what we can or cannot do. This is a great and worthy Nation, but world trade and the monetary situation are very delicate things and when you get them out of balance, it can just bring the roof crashing in on you. We are at this time working under an ultimatum—it is almost such—and one that I don't greatly appreciate because of our previous generosity to people all over the world. I fail to see where very many of them are the least bit appreciative of what we have done. They have become very selfish and in many cases the treatment extended to some of our own people who are traveling abroad now just doesn't appear to be too complimentary,

especially when they are discounting dollars in payment of your bills. It is an insult to this country.

I am thoroughly convinced that if you should confiscate all the wealth in America, you still would not have sufficient funds to do all the things labeled "desirable." It is a question of whether we shall take the high road, the low road, or go to the left or to the right. As far as I am personally concerned, I am going to do my part to make some small contribution toward bringing this situation under control before we get into one of those fiscal valleys that we can find from time immemorial in all tongues and all civilizations. It doesn't seem to be any one or any group of politicians that can keep these things from happening.

I am glad that the Secretary gave you this very important assignment. Knowing something about your record for many years as Ambassador, and knowing of the efficient operation of your office and the strict manner in which you operated, I think I would feel a lot better if you were in a more important position; not that this is not an important one.

Even though this is a small dollar estimate, we can nickel and dime ourselves into bankruptcy. You don't have to deal with billions to finally reach that point if you keep giving out nickels and dimes to these small programs all over the world. This program is small, but yet $5,485,000 is still a lot of money.

I want to make two or three observations before I get into the examination of the budget and I think I will feel much better after having made these observations.

A small group from this committee recently made a rather tight and busy inspection trip of the foreign aid program. It was necessary, as you know, for us to go to Geneva because that is where Mr. Haveman and Mr. Besterman—that is the Director and Deputy Director of ICEM—are domiciled. During our brief stay there discussing the migration and refugee program with these two gentlemen, we were their luncheon guests.

We learn now, subsequent to this luncheon engagement that Mr. Haveman became ill and had to have two operations. He is a rather informative and impressive man. How is his health now?

Mr. MARTIN. I am happy to report, Mr. Chairman, it is greatly improved. There was a circulatory difficulty, I think, requiring surgery. The operations have been successful in correcting that situation and he is well on the way to what we understand will be a complete recovery.

Mr. PASSMAN. And how is Walter Besterman getting along?

Mr. MARTIN. Just fine.

Mr. PASSMAN. He is quite an able operator. He is a very impressive fellow and knows his subject extremely well.

I also want to be remembered to him.

One other observation, Mr. Ambassador. I have been going to Hong Kong for many years as a part of my responsibilities as chairman of this giveaway program—not as one of the local columnists would indicate, for shopping, because the only wearing apparel I have from Hong Kong is four 50-cent handkerchiefs, but when the starch was washed out of them I learned they were 25-cent handkerchiefs. I do like to go there, however, because we do have more business in that part of the world than most people realize.

We are certainly interested in crippled children. We are interested in the dread disease, leprosy, and when we get out in that part of the world I find out there is a lot of good that can be done to help improve the image of our own country and at the same time to help a lot of unfortunate people who are afflicted with this dread disease.

I think that one of the better Foreign Service officers I have ever met is Henry Allen who is associated with the Far East refugee program. I have never known of a man any more attentive or a man who could furnish any more accurate information as to what our program was actually accomplishing. I don't have the actual qualification to evaluate these people because I don't have access to the record, but if I ever met a man whom I thought was qualified to be an ambassador if he should be called upon to fill such a post, Henry Allen is one man who could actually meet that responsibility.

JUSTIFICATION MATERIAL

We shall insert justification pages 1 through 12.
(The pages follow:)

Department of State migration and refugee assistance

Appropriation, 1968	$5,500,000
Obligation reduction, Public Law 90–218	−211,000
1968 Federal salary increases Public Law 90–206	+15,000
Adjusted appropriation, 1968	5,304,000
Estimate, 1969	5,485,000
Increase	+181,000

Program by activities	1968	1969	Increase or decrease
1. Intergovernmental Committee for European Migration	$2,500,000	$2,500,000	
2. United Nations High Commissioner for Refugees	600,000	600,000	
3. Refugees from European Communist countries	650,000	650,000	
4. Refugees from Communist China	200,000	200,000	
5. Cuban refugees	669,000	844,000	+$175,000
6. Administration	635,000	641,000	+6,000
7. Contribution to the International Committee of the Red Cross	50,000	50,000	
Total adjusted appropriation or estimate	5,304,000	5,485,000	+181,000

Fiscal year 1969—General narrative statement

1968 adjusted appropriation	$5,304,000
1969 estimate	5,485,000
Difference	+181,000

For fiscal year 1969, $5,485,000 is requested for programs of assistance to refugees and migrants authorized under the Migration and Refugee Assistance Act of 1962 (Public Law 87–510) and under Public Law 89–230 which provides for an annual contribution to the International Committee of the Red Cross. Of this amount, $3,950,000 shall remain available until December 31, 1969.

This appropriation is requested to help meet certain U.S. objectives which relate to refugee and migration problems and which flow from our basic objectives which are to promote peace throughout the world and to support the right of individuals to live in freedom, dignity and self-respect.

Most refugee problems are caused by factors which are contrary to our objectives. Refugees flee from the dangers of war; from oppression and persecution by communist or other totalitarian regimes; or from political disputes between or within nations. Refugee problems concern us because they usually are the result

of tensions, controversies or conflicts which threaten world peace, and they represent conditions which deprive men of their ability to be self-supporting. The flight of refugees across borders adds to or creates new tensions between concerned governments, and often affects the stability of asylum countries. The refugee problem remains a highly political one, until the broader problems from which it stems have been resolved. Thus, humanitarian assistance measures toward resolving refugee problems through whatever means must also be weighed in terms of their political effect and feasibility. It is therefore important that the United States examine refugee problems as they develop and that it deal with them in a manner consistent with our national interests and humanitarian tradition, in a way which will help resolve the broader problem of which the refugee situation is a part.

For many years our Government has sought to help solve refugee problems. Every American President in the past three decades has attached high priority to U.S. participation and leadership in helping refugees and the Congress has repeatedly authorized programs for assistance to refugees and for their immigration into the United States. Although by working in concert with other nations and international organizations the United States has helped hundreds of thousands of refugees to become independent and productive citizens, there are still new or continuing refugee problems which are important to our national objectives. As long as unresolved refugee problems exist, the United States should continue as necessary to participate in action for their solution.

The present request for $5,485,000 is to provide funds in 1969 to the Department of State for contributions to the Intergovernmental Committee for European Migration (ICEM), the United Nations High Commissioner for Refugees (UNHCR), and the International Committee of the Red Cross (ICRC); for assistance to refugees from European Communist countries and Communist China, for the transport of Cuban refugees to the United States, and for related administrative costs.

The 1969 request involves a net decrease of $15,000 over the $5,500,000 appropriated in 1968. However, because of the need for economy and the heavy pressures on the national budget for Vietnam and other priority purposes, and in accordance with Public Law 90-218, the actual amount which will be obligated under the 1968 program has been reduced to $5,304,000 and therefore the 1969 request of $5,485,000 involves an increase of $181,000 over 1968. This increase relates solely to estimated increased costs of the Cuban refugee airlift and to salary increases enacted by law.

The disorder prevailing in the world today has created large refugee problems, the solution of which would require funds far in excess of the funds which can be provided by the United States at this time when other demands on the budget are so great. Taking into account the heavy expenses of the United States for contributions to refugee problems in Vietnam, the Middle East and for Cuban refugees in the United States, and in view of the substantial amounts of Public Law 480 agricultural commodities which are contributed for refugee assistance, we are seeking to hold down the expenses for the programs covered by this appropriation to a minimum level. However, there are increasing refugee needs in many areas. Wars, insurrections, subversion, persecution, national or tribal hostilities, Communist aggression, all contribute to people fleeing for safety or freedom. It is highly important in terms of U.S. foreign policy interests and of our role as a leading humanitarian nation that we continue to provide the resources for assistance to refugees which are adequate to our purposes and to cover an equitable share of the needs.

In arriving at the request of $5,485,000 for 1969, minimum estimates were made for each segment of the program covered by the appropriation. However, because of the uncertain and changing character of refugee problems, it is not possible to forecast this far in advance of calendar year 1969 the precise and actual amounts which will be needed for each refugee problem. It may therefore be necessary, in making actual obligations, to adjust the estimated amounts for each item within the limits of the total appropriation in order to administer the program flexibly to meet changing requirements. The Department hopes to be able to meet these changing refugee needs during calendar year 1969 within the limits of the requested amount.

The following are the program segments for which the requested appropriation is needed:

1. INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION (ICEM)

It is proposed that for 1969 the United States contribute $2,500,000 to the Intergovernmental Committee for European Migration (ICEM), the same amount as our contribution in 1968. ICEM is an organization, outside the aegis of the United Nations, which was organized in 1951 on U.S. initiative to move refugees and migrants out of Europe. Since that time, ICEM, which started with 15 member governments, and now has 31, has moved hundreds of thousands of refugees and displaced persons who faced the necessity of immigrating to new homes and of migrants who were unable to find employment in Europe.

ICEM assistance in transporting Eastern European refugees helps the Western European countries which have given them asylum to take in additional refugees who continue to come in an increasing flow. U.S. foreign policy interests are directly served by ICEM's activities in keeping the doors of asylum open in Western European countries. ICEM also provides trained immigrants for countries in need of manpower which can contribute to their economic development, especially in Latin America.

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 preselection, 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 organizations 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.

There has been a steady reduction in the U.S. contribution to ICEM from 45 percent to 19 percent of the contributions of all governments in 1968. It was possible for ICEM to operate under these reduced contributions prior to 1968 because the number of refugees and migrants moved by ICEM had been declining and substantial repayments were being made by the refugees and migrants on transportation loans. However, the continuation of a reduced U.S. contribution in 1968 and 1969, made necessary by other demands on the national budget, is giving ICEM financial problems which it is hoped can be made up by other member governments. Therefore, the Department will try to obtain optimum results from the proposed contribution of $2,500,000.

2. UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (UNHCR)

In 1969, it is proposed that the United States again contribute $600,000 to the program of the United Nations High Commissioner for Refugees (UNHCR), the same as in 1968. The UNHCR was established by the United Nations General Assembly in 1951. The functions of the UNHCR are first, to promote the international protection of refugees who are within his mandate; second to carry out assistance programs designed to solve permanently the problems of such mandate refugees; and third, to use his good offices in promoting solutions to problems involving refugees not within his mandate.

It is anticipated that the program of the UNHCR for 1969 will be at least as large as the 1968 program, which is currently at the $4.63 million level and which is expected to be increased to about $5 million to enable the UNHCR to deal with newly developing refugee problems and needs. His program will again provide assistance in problems arising out of the turmoil and political ferment in Africa, the Middle East, and East Asia. At the same time, the program will continue its assistance, approximately at past levels, to refugees in Europe and Latin America. The UNHCR is especially helpful to the United States in resolving refugee problems in Africa, where political factors severely limit direct participation on the part of the United States. The UNHCR 1969 program will seek to assist refugees primarily by reestablishment through local integration. A large portion of UNHCR resources in 1969 will be directed toward resolving refugee problems in developing countries, especially in Africa.

The U.S. contribution will be limited to a maximum of 33⅓ percent of the contributions of other governments. However, our proposed contribution for 1969 is expected to be no more than 12 to 14 percent. At the present time, our contribution to the UNHCR is much below the percentage of our contributions to other United Nations organizations.

3. REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

Since 1952 the United States has provided assistance to the more recent escapees from the Soviet bloc and other refugees of special interest through the U.S. refugee program (USRP), formerly known as the U.S. escapee program (USEP). USRP has as its prime operational purpose the resolution of the political and humanitarian problems created by the influx of escapees from the Soviet bloc countries. This is accomplished through supplementing the assistance given by asylum countries by the provision of such services as initial reception, interim care and maintenance, and permanent reestablishment, mainly by overseas resettlement, but also by local integration in Europe.

While the refugee problem in Europe is no longer as great as it was in the postwar years, it is still significant both in human terms and in terms of U.S. 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 lives to escape from it. In assisting these escapees, the United States continues to demonstrate its friendship for the people under Communist domination. While the United States builds bridges wherever we can to encourage liberalization of the conditions under which people live, we try to counter in any appropriate way the forces which suppress the individual. USRP assistance in reestablishing escapees is a primary means through which the United States encourages other Western nations to maintain liberal asylum policies, stimulates their financial participation in refugee programs, and encourages them to offer haven to those still escaping.

It is proposed to utilize $650,000 of the 1969 appropriation for the U.S. refugee program. This is the same program level which has been earmarked for 1968. It is a minimal level which has been set in an effort to comply with the need for economy. This level has been projected at a time when there are an increasing number of refugees seeking asylum. For example, in 1967 there was a 9 percent increase in the USRP caseload over the 1966 caseload and this trend is expected to continue. There are also steady inflationary increases in the costs of goods and services necessary for refugee assistance.

4. REFUGEES FROM COMMUNIST CHINA

The $200,000 which it is planned to apply to the Far East refugee program (FERP) in 1969 (the same as in 1968) is a minimal amount to carry out U.S. foreign policy objectives with regard to refugees from Communist China at this time of instability and potential further upheaval in mainland China.

The Far East refugee program (FERP) promotes U.S. interests by demonstrating that the historic friendship and humanitarian concern of the American people toward 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 those Chinese on the mainland and in Southeast Asia and to those who travel to Hong Kong. At the present time all Chinese, including residents of Hong Kong, are under heavy pressure to show support for the Red Chinese motherland. Evidence of U.S. friendly concern for the Chinese people helps to buttress the convictions of the essentially anti-Communist population of Hong Kong.

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. 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.

Funds for the program are channeled into projects of the greatest known need where little has been done. Currently, we are concentrating on vocational training, selected projects to assist Chinese refugee students and youths, day nurseries, leprosariums, small medical facilities, refugee counseling and emergency assistance. As in previous years, the food-for-freedom program will be continued with FERP providing augmented facilities in Hong Kong, as necessary, for the conversion of nonrice foods to comply with Chinese dietary habits. Similar projects will be carried out in Macao, where FERP continues on a small scale.

The existing level of the program has been reduced to the minimum necessary to carry out essential continuing services to the regular flow of new refugees. It has been necessary to eliminate some of the larger and more conspicuous projects involving construction and capital works in order to provide the basic services. There is some evidence in the first 3 months of 1968 that the numbers of refugees may be increasing substantially. So far there has not been a dramatic increase, primarily because of tight Red Chinese Army control at the borders. Nevertheless the activities of the Maoist Red Guards have inspired a vigorous opposition; there have been internal clashes, and in some areas in Red China chaos reigns in varying degrees. These conditions appear to contain the possibility of a significant increase in the refugee flow.

5. MOVEMENT OF CUBAN REFUGEES TO THE UNITED STATES

In October 1965, the President announced that Cubans who seek refuge in this country would 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 when 1,940 refugees entered Florida by boat. An airlift was started on December 1, 1965, which is still continuing at an even rate of about 3,700 refugees per month. It is expected that the Cuban refugees requiring air transportation in 1969 will again number about 44,000. Their movement, together with related expenses, will necessitate an expenditure of $844,000 which is now requested as part of this appropriation.

When the Cubans arrive in the United States they are assisted by the Immigration and Naturalization Service, by the Department of Health, Education and Welfare, and by private voluntary agencies. The Department of State handles through this appropriation only the transport of Cuban refugees to the United States, including expenses for air transportation, Swiss Government representation services in Cuba, and related departmental costs. Our expenses for this program are difficult to control because our understanding with the Castro government requires the maintenance of an even flow of refugees if the program is to continue.

For 1969, it is estimated that it will be necessary to increase the cost of this program by $175,000, from $669,000 to $844,000. The increase is anticipated because of steadily rising airlift costs which have fluctuated from $651 at the beginning of the program to over $1,000 per flight during 1967. The upward trend in airlift costs is expected to continue because of the great demand for aircraft due to the Vietnam war. Swiss representation costs are also rising partly because of increased costs of personnel and supplies, but also because we must now pay $1 per peso for Cuban peso expenses as opposed to a former more favorable rate of three pesos to the dollar.

6. ADMINISTRATIVE EXPENSES

Despite the widespread intensification of refugee problems in many areas of the world with a consequent increase in the workload of the staff, the Department is not requesting additional positions for fiscal year 1969. The amount which will be utilized for this purpose is $641,000, which represents a $6,000 increase over the $635,000 level for 1968, due entirely to annualization of salary increase costs.

7. CONTRIBUTION TO THE INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

The International Committee of the Red Cross (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 (POW's); (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 U.S. Government, the U.S. Armed Forces, and American civilians. Specifically at this time, tht ICRC is endeavoring to promote humane protection and welfare services for American POW's and civilians detained by North Vietnam and the Communist

Pathet Lao in Laos. The ICRC also conducts many protective and relief activities in trouble spots throughout the world, such as in the conflict in the Middle East, disputes 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 operates the International Tracing Service in Germany, both of which maintain constant searches for POW's and missing persons resulting from military actions.

The annual administrative budget of the ICRC, exclusive of relief activities, exceeds $1 million. 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 1966 Congress, under Public Law 89–230, authorized to be appropriated an annual U.S. contribution of $50,000 toward the expenses incurred by the ICRC. The United States has been making contributions of $50,000 since 1966 and in view of expanding activities of the ICRC that are of importance to the United States and of the contributions of 59 other governments, it is considered important that the United States continue to contribute $50,000 toward the expenses of the ICRC in 1969.

APPLICATION OF REDUCTION IN FISCAL YEAR 1968 APPROPRIATION REQUEST

Mr. PASSMAN. I believe, Mr. Ambassador, your 1969 estimate is $5,485,000, which is $15,000 below the fiscal year 1968 appropriation, is that correct, sir?

Mr. MARTIN. That is correct, sir.

Mr. PASSMAN. If I remember correctly, the 1968 estimate for the Far East refugee program was $400,000. What did the Congress appropriate for the program last year?

Mr. SOBOTKA. $5.5 million. Included in the appropriation was the estimate of $400,000.

Mr. PASSMAN. The Congress did appropriate $5,500,000?

Mr. SOBOTKA. That is right.

Mr. PASSMAN. But you have reduced the program for the Far East by $200,000, is that correct?

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. Is that money going to lapse or are you spending it elsewhere?

Mr. SOBOTKA. Part of the money will lapse.

Mr. PASSMAN. What part?

Mr. SOBOTKA. Of the $211,000 reserved, $189,000 will lapse.

Mr. PASSMAN. Out of the total $5.5 million?

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. But you are taking $200,000 out of this one program in the Far East, are you not?

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. How can you justify that, because every Member of Congress who has been to that part of the world has observed the tremendous work we are doing. Tens of thousands of people are impressed by seeing these useful hospitals, where there is a plaque which says forthrightly, "Built with funds contributed by the taxpayers and citizens of the United States of America."

JOHN F. KENNEDY SPASTIC CHILDREN'S CENTER

I am thinking now of the John F. Kennedy Center for Spastic Children, where you have those many little and beautiful, but crippled

children, which is rendering a great service. People from all parts of the world—you even read where people from Hollywood and other people go through the center and they make personal contributions after they see this beautiful hospital and the service it is rendering to these little crippled children. Do you think I am overstating the case, Mr. Ambassador?

Mr. MARTIN. Mr. Chairman, I would like to say I thoroughly agree with your assessment of the value of these programs in the Far East. As I tried to point out in my statement, I think they have made an enormous contribution; I think a very great contribution in relation to the amounts expended. They have impressed me enormously on my trips to Hong Kong when I took the opportunity to really look into these programs.

Coming back from 4 years of rather intense experience in Asia and Southeast Asia, particularly, I can attest to the fact our programs in Hong Kong are well known to the overseas Chinese in other areas.

Mr. PASSMAN. Right you are, Mr. Ambassador.

Mr. MARTIN. And that they have had an impact, not only in the maintenance of the evidence of our concern and respect for the Chinese people in the mainland, but also an enormous effect on the determination of the attitudes on the vast overseas populations in Southeast Asia.

Mr. PASSMAN. I was there with Mr. Shriver several years ago and we laid the cornerstone, as you will recall, for this children's center. I don't believe Mr. Shriver has been back since it has been completed.

Mr. SHRIVER. That is right.

Mr. PASSMAN. It would fill your heart with joy to go back and see the 100 or 150 little children who are being treated there. They have almost every type of therapy that can be applied to a crippled child and it is a pleasure to see their little faces light up when you visit. I think it is one of the greatest investments we have made anywhere on the face of the earth. We have no way of knowing just where these children come from, but we are helping crippled children. As the Ambassador just stated, there are tens of thousands of people who visit that part of the world and when you can see that this hospital was a contribution made by the taxpayers of the United States of America, and see that we are helping these crippled children, it makes a tremendous impression.

SANDY BAY HOSPITAL

You only move about 200 feet from this hospital and you come to the Sandy Bay Hospital where we financed a wing of that hospital. I have been going there for several years, and the older ones know who I am and my purpose for being there. Their little faces light up and it is hard for me to pull away from them.

I think it is a tremendous investment. If I had the money, I would actually supplement what you are taking away, I think it is that important. I think it is one of the most important programs we have anywhere on the face of the earth.

In other aid programs, in many instances, it is money down a rathole but in Hong Kong you can see tangible evidence of our aid.

There is another program out there. Mr. Shriver was there when we jointly presented a check to the doctor at the leprosarium on Hay

Ling Chau Island. Again, we have been going there for several years and when we walk in the wards and see these victims of leprosy, smiles immediately light up their faces and we just know that people in that part of the world know where this money is coming from.

I want to say for the record that I am in the legislative branch. I certainly have nothing to do with administering the program, but I think it is my prerogative to ask questions about programs and to point out places where I think it is a success. When we go to this part of the world, we spend many, many hours with these unfortunate people—the lepers and, of course, these crippled children. When I see the appropriation reduced by $211,000, $200,000 of the cut applied at the very place where most people think it has been the biggest success, I can't understand it. I wish you would put something in the record for the committee.

(The information follows:)

REDUCTION IN FAR EAST REFUGEE PROGRAM

The Department of State considers it most important that the U.S. program of assistance to Chinese refugees in Hong Kong and Macao be continued. This program is one of the few ways in which the American people can continue to show their historical friendship and concern toward the Chinese people despite the hostility of the Chinese Communist Government. With a relatively small amount of money, this program has helped to bolster the convictions of the essentially anti-Communist population of Hong Kong and of their relatives in Red China and Southeast Asia. Continuation of the Far East refugee program is also important because it could play a most significant role in Hong Kong should there be another massive influx of refugees, which is always a possibility if the instability in mainland China persists.

In 1969, as in 1968, the Department of State expects to program $200,000 for assistance to Chinese refugees. This is a small amount considering the values of the program to the United States, especially if the trend toward an increasing refugee flow into Hong Kong is maintained. The Department of State would have greatly preferred to have allotted more funds for these refugees, but pressures from the current overall budgetary situation of the U.S. Government have forced the reduction to the proposed level.

The Department of State requested for migration and refugee assistance in 1968 a total of $5,660,000, of which Congress appropriated only $5,500,000. The congressional cut of $160,000 was followed by another cut of $196,000 as the result of the provisions of Public Law 90–218. The total reduction in 1968, therefore, was $356,000. This cut had to be applied to certain segments of the program. The Department concluded that it was impossible to reduce the contributions to the Intergovernmental Committee for European Migration, the United Nations High Commissioner for Refugees, and to the International Committee of the Red Cross, which were already at a level considered to be minimal. The increased costs of the Cuban refugee transport program had to be absorbed to insure a continuing flow of refugees and to cover costs of the airlift and Swiss Government representation in connection with the refugees. Administrative costs could not be cut because of an increase in staff workload in connection with the many refugee situations throughout the world and due to the requirement to absorb salary increase costs. Therefore the reduction had to be made in the programs of assistance to refugees from European Communist countries, from Communist China, and from Tibet.

The Tibetan refugee program was eliminated, since it appeared that there would be sufficient international assistance from other countries to make up for the loss of the proposed U.S. contribution of $100,000.

A reduction of $100,000 was made in the U.S. refugee program for assistance to Eastern European refugees. This has brought that program to a minimal level of $650,000, a level so low that it does not provide the flexibility to meet the essential needs of the increasing number of such refugees, nor of the voluntary agency contractor staffs who counsel the refugees.

A larger cut, $200,000, was made in the Far East refugee program primarily because at the $200,000 level remaining, it should be possible to support continuing significant FERP participation in the provision of essential services required

for the more recent refugees to become reestablished and self-supporting in Hong Kong. This lower level will not support some of the larger and more conspicuous projects involving construction and capital works which we have previously found useful in helping the Chinese to realize the concern of the American people for them.

These reductions in the 1968 program are reflected also in the 1969 appropriation request which has been held to the 1968 level, except for essential increases in the Cuban refugee transport program and in salary increase costs. Hopefully, should the U.S. budgetary position become less acute, the Far East refugee program might be restored to a higher funding level which would make it possible to again undertake some of the conspicuous projects which have been so helpful in the past.

Mr. PASSMAN. Many people going through there, people from both parties, some wealthy and some not so wealthy, are now making personal contributions to this center. You are familiar with that, aren't you?

Mr. MARTIN. Yes, I am. This is what I meant when I referred to the catalytic effect of these programs in eliciting contributions from other sources has been enormous.

Mr. PASSMAN. If you total the contributions from movie actors and others going through the hospital, their contributions will no doubt exceed what we have been giving to the hospital.

ASSESSMENT OF 1969 PROGRAM

Mr. SHRIVER. I want to add a word to what the Chairman has said about what I consider is an important phase of our program.

I would say the work with the refugees, all up and down the line, is most important, from a public relations standpoint, one of the best ones we are making in this whole field.

This is a reduced budget from prior years. That is commendable, I suppose. But I can think of a lot of "down the hole" spending that could be put in something like this where we would really be making some contributions for the image of this country, which worries me considerably.

Mr. MARTIN. I thoroughly agree with you. I might observe that perhaps it is a little odd that a witness before this committee should have made the statements that I have made, but I thought that again, in all candor and truthfulness, I had to point out that while I support this tough job of the assessment of priorities which the executive branch must do, I still felt that this appropriation was too small. And given the possibilities of what I can foresee during the period of this appropriation, in the Mideast, in the Far East and elsewhere, I feel very uncomfortable about it.

I might add that the decision to make this reduction again this year, on this item on the Far Eastern program was arrived at most reluctantly, but only in terms of the overall assessment of priorities.

REFUGEES FROM COMMUNIST CHINA

Mr. SHRIVER. How much good will the $200,000 do in Hong Kong, realizing it is about half of what we spent last year, which was probably inadequate, in connection with all these people coming out of Red China. Is it our fair share? The colony is perhaps making large contributions but with all of these people coming out of Red China, wouldn't this be money well spent?

Mr. MARTIN. I think it would, sir. I very definitely believe it would. I think when we talk about the increased appropriations which the Hong Kong government has made, I think it appropriate to point out what I consider to be the facts based on what I found on my visits there, that this would not have happened, or not have happened as quickly had we not taken the lead and had not the interest of the chairman and the members of this committee been so manifest on your visits there. I think all these factors have had an influence on the very large increases in the appropriations which the government of the Crown Colony of Hong Kong has made, and would not have taken place as quickly as they have.

Again, where we can use this money as a direct catalyst—I mean to push others into assuming responsibility—I think it is money very well spent, indeed.

BENEFITS OF PROGRAM

Mr. PASSMAN. Would you not agree, Mr. Ambassador, when you help sick people and help crippled children, you are getting right into the hearts of the individuals.

Mr. MARTIN. Yes.

Mr. PASSMAN. It is a humanitarian program, if I ever saw one. This is something you can see with your own eyes—to see these beautiful buildings, to see these crippled children, and to go into the leprosarium and see these people who are the beneficiaries of our generosity.

When you help people and help crippled children, are you not reaching into the hearts of the individuals? The small expenditures we have made to build these hospitals, and the help we are giving to the leprosarium at Hay Ling Chau, as well as the one now that is on an island off Macao, I believe is a good investment if we are to actually win over the minds of men and have them understand our real purpose.

Mr. MARTIN. I agree completely, Mr. Chairman, and I might add that based on my own experience in the administration of the Lanham Act, just before the war, when hospital construction took place in defense-impacted areas, that the cost per bed in this hospital is amazingly low. I do not think I know of a record where a comparable facility has been built for such a small cost.

Mr. PASSMAN. Thank you, Mr. Ambassdaor.

REDUCTION IN FUNDS FOR FISCAL YEAR 1969

Inasmuch as the Congress appropriated $5,500,000 last year, what did you say, sir, would be the amount that would be unobligated at the end of this fiscal year?

Mr. SOBOTKA. $189,000, Mr. Chairman.

Mr. PASSMAN. So all of the other programs have been fully funded up to the justification last year and the reductions you made are actually coming out of the Far Eastern refuge program.

Mr. SOBOTKA. No, sir; Mr. Chairman.

Mr. PASSMAN. You are obligating the entire $5,500,000, less $189,000 and you are cutting the Far Eastern program by $200,000; isn't that the way it adds up?

Mr. MARTIN. The arithmetic is correct, sir; but I think there were some shifts between items in the other programs during the year.

Mr. PASSMAN. Which ones did you increase?

Mr. SOBOTKA. The Cuban refugee program by $175,000, and the administrative item is increased slightly to take care of salary increases under the salary pay increase law. That was about $6,000.

Mr. PASSMAN. I am going to be consistent. I do not want to recommend any increase above the budget, but I certainly hope you don't let this program die. You have those who would like to kill the entire program, but as Mr. Shriver indicated, this is one place where you actually have an opportunity to win over the minds of men and have them understand our real intentions. I hope that you will keep it alive.

Mr. MARTIN. We will do everything we can to do that, sir. If there were any relief in this appropriation, we would be very glad to—in my own opinion, this would be the first priority and first restoration that I would make.

Mr. PASSMAN. And, too, we must take into account, with the exception of the British crown colony, the people in that part of the world have a standard of living far below our friends in Europe.

Perhaps some of the other nations could absorb some of their problems there.

FISCAL YEAR 1969 ESTIMATE VERSUS FISCAL YEAR 1968 APPROPRIATION

I note in the prepared statement while there is an apparent decrease below the fiscal year 1968 appropriation, you will actually obligate $5,304,000 and consequently the fiscal 1969 estimate is $181,000 above the fiscal 1968 program; is that correct?

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. Would you give us some explanation on the shifting of figures so that the committee may understand it?

Mr. SOBOTKA. The total appropriation for fiscal year 1968 as indicated on page 1 of our presentation, was $5,500,000. There was, on the basis of Public Law 90–218, a reduction for reserves made which ended up at $211,000 as I have mentioned previously.

Then the Budget Bureau also allocated $15,000 from that reserve to cover the salary increase costs for the period of 1968, which ends up without having an adjusted appropriation availability of $5,304,000. That is $181,000 less than our requested appropriation. The $181,000 is for the $175,000 increase for Cuban refugees and $6,000 for the annualization of pay costs for 1969.

Mr. PASSMAN. We actually only appropriated $5,500,000, is that correct?

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. Your allocation exceeds what we appropriated by $181,000; is that right, sir?

Mr. SOBOTKA. That was the appropriation——

Mr. PASSMAN. What you allocated?

Mr. SOBOTKA. Perhaps we could go at it slightly differently, sir. The appropriation was $5,500,000 and after Public Law 90–218 was applied the amount was reduced to $4,989,000, following the strict interpretation of the formula. When this was reviewed, we were allowed an additional $250,000 over and above that, which gave us a figure of $5,239,000. Additional allowances from the reserve raised the figure to $5,304,000.

Mr. PASSMAN. Actually, you allocated from the appropriation $5,304,000.

Mr. SOBOTKA. That is right, sir.

Mr. PASSMAN. The unobligated portion will be $189,000 of what the Congress appropriated for fiscal year 1968.

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. The 1969 estimate is $181,000 above the fiscal year 1968 program.

Mr. SOBOTKA. That is right, sir.

Mr. PASSMAN. Page 4 also indicates you do not feel that the $5,485,000 requested is adequate to fund a responsible refugee program.

You are applying that statement to the overall program, are you not?

Mr. MARTIN. Yes, sir.

CUBAN REFUGEE PROGRAM

Mr. PASSMAN. I notice that the major increase is $175,000 for the Cuban refugee program. Would it not be better if all funds for Cuban refugees were put into one appropriation with language making the necessary amount of the HEW Cuban refugee program funds available to your Office for administration? Do you see anything wrong with this procedure if we were to do so this year?

Mr. MARTIN. No, sir; I think it would be excellent. I noticed in reviewing the record of last year's hearing, that you raised the question then, Mr. Chairman, of the appropriations of the Cuban refugee item being in this particular chapter. I have given it a good deal of thought and it would seem to me that if it could be absorbed in the appropriation for Cuban refugees for the Department of Health, Education, and Welfare, it would be most helpful. I think an additional $844,000 would go a great way in making us a good bit more comfortable, although even then I think it would be a lean budget.

FISCAL YEAR 1969 EXPENDITURES

Mr. PASSMAN. How much of this appropriation will be spent in fiscal 1969 and how much will be spent after fiscal 1969?

I also might put it this way: Of the appropriation, what amount is for 1 year and what part is no-year funds?

Mr. SOBOTKA. We expect to spend in fiscal year 1969, $3,834,000 in fiscal year 1969 funds and in addition we would have prior year fund expenditures of $1,871,000—the total expenditures would be $5,705,000 and the difference would be prior-year funds.

Mr. PASSMAN. This entire appropriation is either 1-year or, in a few programs, 18-month funds and we are dealing with that amount—we make available the amount you put into the pipeline. The other is obligated but will be spent in subsequent years.

Mr. SOBOTKA. That is right, and the expenditure figure represents a reduction in total expenditures over 1968, a reduction from $7,111,000, to $5,705,000.

PUBLIC LAW 480 COMMODITIES UTILIZATION

Mr. PASSMAN. Mr. Ambassador, in addition to the estimate of $5,485,000, how much Public Law 480 commodities will be utilized by the various activities under this item?

Mr. MARTIN. In fiscal year 1969, sir?

Mr. PASSMAN. Yes, sir.

Mr. MARTIN. I do not think we have an estimate for 1969 on that. Could I furnish that for the record?

Mr. PASSMAN. Yes, you may.

(The information follows:)

Estimated value of fiscal year 1969 United States Food for Freedom commodity contributions in behalf of those groups of refugees included in United States migration and refugee assistance programs [1]

Refugees from European Communist countries and Cuba	$30,000
Refugees from Communist China	846,500
Refugees in Central Africa	252,000
Total	1,128,500

[1] This table reflects Commodity Credit Corporation costs including transportation.

Mr. PASSMAN. Could you give us an estimate for fiscal year 1968?

Mr. SOBOTKA. The figure for the groups of refugees affected by this particular appropriation—that is refugees in Europe, in Central Africa, and from Communist China—will run in the neighborhood of about $1,000,000. That is the estimated amount. We are not quite sure what the final figures will be.

Mr. PASSMAN. I think of that in terms of money. It takes money to purchase the commodities; that is, it requires an appropriation. That amount really should be added to the $5,485,000 to get the grand total.

But I think this is a program that may be helping our image in certain parts of the world. I have been in these noodle factories and it is quite impressive to see the people line up to receive their quota.

We are discussing Public Law 480 which is, of course, commodities. We have a small noodle factory program going on in Macao, in Hong Kong, and in Kowloon. I am not too sure we are doing as good a job as we could, to familiarize those people as to where those commodities come from. They are being distributed by the churches and even though you may have an imprint on the sack that the flour was contributed by the United States, the Chinese cannot read English. They are more interested in what is in the sack than in anything else and I just wonder if we should not have possibly a sign that the noodles manufactured in the plant are a contribution of the people of the United States. If we are actually going to help people, I see nothing wrong with letting them know we are helping them.

Mr. MARTIN. I will make a note to look into that. I agree, Mr. Chairman. I think it would be a good idea.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION (ICEM)

Mr. PASSMAN. Now the first activity under this estimate is the Intergovernmental Committee for European Migration, for which you are requesting $2,500,000 as the U.S. contribution. Is that correct, sir?

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. What part of this contribution is for the European refugees?

Mr. SOBOTKA. In one sense the entire amount—

Mr. PASSMAN. It is so labeled but is it actually all—

Mr. SOBOTKA. The refugees and migrants all come from Europe. It also benefits other parts of the world.

Mr. PASSMAN. Your expenditures are actually basically made on behalf of European refugees, even though they are relocated in South America or other countries of the world.

Mr. SOBOTKA. Yes, sir.

Mr. PASSMAN. Would it be proper to evaluate this situation this way: That the European countries who are members of this Committee are actually waxing fat in wealth and have just about reached the point where they could pick up the entire check themselves, and let us move on to other parts of the world where people may be more in need and where we need to indicate to the people our real purpose.

Mr. MARTIN. Mr. Chairman, I think the record indicates that we have pushed very hard in the direction of getting the other countries to assume a greater burden. I believe that to reduce this particular appropriation below its programed estimate would really not be in our interests.

I made some reference in my opening statement to the expertise which had been developed over a period of years in the actual movement of refugees and also of migrants. This is a very useful tool to have around. I think it would be appropriate for me to call attention to the ferment which is going on in Eastern Europe, to the enormous difficulties now occurring in Czechoslovakia and Poland—we simply do not know with precision how this will turn out.

There is a distinct possibility that the refugee load which has shown an increase this year, may well show a dramatic increase within the period requested for this appropriation.

Mr. PASSMAN. I am thinking of the wealth of the European nations who are members of this committee.

What is the aggregate of the fund, the total?

Mr. MARTIN. The total contribution for all of the nations estimated for the year 1969 for this appropriation is $13,120,000.

COUNTRIES CONTRIBUTING TO ICEM

Mr. PASSMAN. How many nations are contributing?

Mr. SOBOTKA. There are 31 members, but some who are not members also contribute.

Mr. PASSMAN. Would you place an up-to-date chart in the record at this point showing the number of nations and their contributions?

Mr. MARTIN. For the last year available.

(The information requested appears on page 138.)

PERCENTAGE CONTRIBUTION BY UNITED STATES

Mr. PASSMAN. What percentage are we contributing?

Mr. MARTIN. I think it is estimated our percentage for the calendar year 1969 will drop from 19.25 percent for fiscal year—I am sorry—1968, to 19.05 percent this year.

Mr. PASSMAN. A very small drop but it at least changes the figures, doesn't it?

Mr. MARTIN. Yes. That has been a drop from 43 percent in 1960, to under 20, for the year of this appropriation.

Mr. PASSMAN. With 31 nations and most of them very wealthy nations, I wonder why we should be contributing 19½ percent of the total appropriation.

Mr. MARTIN. I would think that the emphasis which has been shifted for example to assist the skilled labor migration to Latin America is very much in our interests in furthering the basic aims of this country, in the acceleration of the economic development of Latin America. This, I think, is an added dividend, where we get contributions from the European nations for this program, also.

I would think, though, that its most important role is the preservation of this expertise on movement. I cannot forecast with any degree of exactitude what role ICEM can play in the Mideast, but I think it is useful to remember that only recently serious questions have been raised about the ability of ICEM, as an intergovernmental organization, to do certain things in the Mideast which really no national government can do.

I am very much impressed by the fact that, as I understand it, ICEM was not created by the initiative of the executive branch as much as it was by the legislative branch. I think that it is—and I watched its operations very closely when I was chief of the U.S. mission in Geneva—it is one of the more efficient international organizations, and I think that our direct contribution and participation with it has resulted in considerable benefit to U.S. foreign policy interests.

Mr. SHRIVER. Perhaps more of these foreign aid programs ought to be initiated by the legislative branch.

Mr. PASSMAN. I certainly endorse that statement. I am not criticizing the program because we have already agreed that it is a good program. But I am thinking in terms of the percentage. You have 31 member nations and yet we are contributing 19.5 percent of the total. But if you look at some of the wealthier nations listed on page 181 of last year's printed record, these nations could pick up all of this check. We could contribute a million dollars and still get credit for being a member.

OTHER NATIONS' EVALUATION OF THE ROLE OF THE UNITED STATES

I might make this observation: We were in a country in the Far East just a few weeks ago. I think it was the first time since I have served the committee that we actually met with foreign nationals to discuss the AID program. The particular project we discussed was a regional vegetable research center for the Far East which is to be located in Taipai. We gained the impression from the Washington level that the project had moved to a point to where all we had to do was make our allocation and the project would move off. But they set up this meeting and we went in session in a very wonderful atmosphere—they are friendly people. We started looking at the total cost of the project, out in a part of the world where they know more about raising vegetables than I think we do anyplace in the United States. It is not unusual for them to get two rice crops and one vegetable crop every year off the same piece of land. So they are really past masters at raising vegetables. Off the record.

(Discussion off the record.)

Mr. PASSMAN. There was a Chinese director of the proposed program. He had been to the Philippines and they indicated they may put up 1 percent and they are the main beneficiaries of this program. I think the six contributing nations would be the Philippines, South Vietnam, Thailand, Korea, the United States, and Japan.

Well, could you reach a firm agreement with these people? He said, no, they wanted big brother to put his share up. We asked, who is "big brother"? Well, that is the United States.

"Then you want us to put up 50 percent of the foreign exchange costs of $2,500,000, is that right?"

"Yes."

I said the total cost of the project is $5,400,000 in local currencies and U.S. dollars. Let's just see if we can't let Uncle Sam put up only 40 percent, and not 50 percent, and get the others to put up 10 percent each to make the grand total of 100 percent."

He said, "Well, we will try."

I said, "What do you think of the proposal? Are you willing to let us withhold any allocation until you have talked to the other six to see if each will put up their 10 percent? We think it is a good program." I brought that proposal back to Washington and they thought it was a good program.

Now, off the record.

(Discussion off the record.)

Mr. MARTIN. With all due respect, I might indicate the influence of the chairman of this subcommittee in those negotiations was far greater.

I might also make one observation on something that has impressed me for a long time. Mr. Shriver commented a moment ago that maybe more programs ought to intiate here.

The chairman's comments about the European nations being wealthy reminded me of this. I will never forget the basic insistence of the Congress in keeping a firm emphasis on the direction of the Marshall plan for the economic integration of Europe. This is clearly stated over and over in the preamble of the authorizing legislation, and the pressures that were put by the Congress in pushing that, when a great many of my colleagues were much more interested in the bilateral problems, was a direct contribution to the remarkable recovery that did take place.

I might also add that we have been pushing these other countries to take a larger load of ICEM costs and in the calendar year 1967, 10 of them did make increases in their appropriations over the previous year.

Australia now pays more than we do.

Mr. PASSMAN. I noticed that, Mr. Ambassador. But look at some of those countries in Europe who are just waxing fat in wealth and look how small their percentage contribution is.

MOVEMENT OF MIGRANTS AND REFUGEES

Mr. Ambassador, would you update the table on page 186 of last year's hearings which shows the movement of migrants and refugees by year, since 1963?

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

Mr. PASSMAN. And also furnish a table showing the contribution of each of the 31 member countries to both the operational and administrative budgets of ICEM?

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. And also include the nonmember nations, and the amount of their contribution.

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. Also include a table showing the number of migrants and refugees ICEM moved to Latin America.

Mr. MARTIN. Yes, sir.

(The information requested follows:)

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION MOVEMENT OF REFUGEES AND MIGRANTS 1963-68

	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	30,452	53,542
1967	20,414	35,343	55,757
1968 (estimated)	29,000	36,000	65,000
Total	165,569	209,955	375,524

CONTRIBUTIONS OF MEMBER AND NONMEMBER GOVERNMENTS TO THE ICEM ADMINISTRATIVE AND OPERATIONAL BUDGETS FOR 1967

Country	Administrative budget	Operational budget [1]	Total
Argentina	$51,534	$11,855	$63,389
Australia	199,228	3,371,772	3,571,000
Austria	22,845	20,900	43,745
Belgium	66,675	110,278	176,953
Bolivia	3,188	----------	3,188
Brazil	52,596	42,898	95,494
Canada [2]	----------	65,584	65,584
Chile	13,281	9,120	22,401
Colombia	13,281	14,980	28,261
Costa Rica	3,188	1,595	4,783
Denmark	23,111	----------	23,111
Ecuador	3,188	9,369	12,557
France [2]	----------	50,000	50,000
Germany	214,901	500,000	714,901
Greece	11,688	340,119	351,807
Israel	31,877	412,700	444,577
Italy	214,901	206,320	421,221
Luxembourg	3,188	3,000	6,188
Malta	3,188	526,275	529,463
Netherlands	106,255	733,558	839,813
New Zealand	25,766	70,776	96,542
Norway	18,063	14,000	32,063
Panama	3,188	550	3,738
Paraguay	3,188	----------	3,188
Peru	6,375	----------	6,375
South Africa	50,471	880,052	930,523
Spain	43,830	159,440	203,270
Sweden [2]	----------	48,100	48,100
Switzerland	50,471	46,512	96,983
United Kingdom	214,901	----------	214,901
United States	790,803	2,559,197	3,350,000
Uruguay	3,188	2,000	5,188
Venezuela	25,766	----------	25,766
Total	2,274,123	10,210,950	12,485,073

[1] Operational contributions include contributions to the Selective Migration Adjustment Fund, the Migrant Loan Fund and the Refugee Loan Fund. An additional nonmember government, Monaco, made a special contribution of $6,073 to the Special Refugee Trust Fund in 1967.

[2] Nonmember.

NUMBER OF MIGRANTS AND REFUGEES MOVED TO LATIN AMERICA IN 1967 BY INTER-GOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Country of immigration	National migrants	Refugees	Total
Argentina	379	25	404
Bolivia	38	1	39
Brazil	535	62	597
Chile	209	22	231
Colombia	258	13	271
Costa Rica	19	1	20
Ecuador	85	2	87
Panama	11	----	11
Paraguay	16	----	16
Peru	187	12	199
Uruguay	79	----	79
Venezuela	597	24	621
Other	88	----	88
Total	2,501	162	2,663

REFUGEE MOVEMENTS TO LATIN AMERICA

Mr. PASSMAN. It is my understanding ICEM is trying to develop more effective immigration procedures between ICEM and the various Latin American countries. Would you comment on that, Mr. Ambassador?

Mr. MARTIN. Yes, sir.

Recently a delegation from ICEM, the Director and the Deputy Director, and the Chairman of the Executive Council, visited Washington for the purpose of consultations with the Inter-American Bank and the Organization of American States. As a result of that there has been an exchange of letters between the Secretary General of the OAS and the Director of ICEM which I think will result in a far greater utilization of ICEM capabilities that we have had before.

I hope this will result in a much better understanding of the technical services that ICEM can offer, not only in the selective migration movement, but also in technical assistance which they are peculiarly qualified to give. They can materially assist some of the Latin governments in setting up—I mean internally—a better coordinated governmental mechanism for doing the necessary things in the immigration field within their own government. I am very happy about that.

Mr. PASSMAN. Thank you, Mr. Ambassador.

Is Japan one of the nonmember contributors? I observe that Japan is not a member of ICEM.

Mr. SOBOTKA. No, sir.

Mr. PASSMAN. Is there any reason why not?

Mr. MARTIN. If I may go off the record for just a moment, to be utterly candid about it——

(Discussion off the record.)

Mr. PASSMAN. With respect to the question about Japan not being a member, it is like the 99 other nations who are really not members. I believe only 31 out of the 130-odd countries of the world are members.

Mr. MARTIN. Yes, this is true.

United Nations High Commissioner for Refugees (UNHCR)

Mr. Passman. Mr. Ambassador, the estimate of the U.N. High Commissioner for Refugees for fiscal 1969 is $600,000, the same as last year, is that correct?

Mr. Martin. Yes, sir, it is.

CONTRIBUTIONS TO UNHCR

Mr. Passman. Will you furnish a table showing the contribution of each government to the High Commissioner's program for the fiscal years 1967 and 1968?

Mr. Martin. Yes, sir.

(The information follows:)

GOVERNMENT CONTRIBUTIONS AND PLEDGES TO THE UNHCR PROGRAM, 1967 AND 1968[1]

	1967	1968 [2]
Algeria	$6,000	
Australia	150,000	$150,000
Austria	30,000	24,000
Belgium	180,000	180,000
Botswana		500
Brazil	10,000	
Canada	324,074	324,074
Central African Republic	41	
China, Republic of	5,000	7,500
Colombia		1,000
Cyprus	280	
Dahomey	500	
Denmark	101,346	125,333
Finland	15,000	40,000
France	359,242	389,242
Gabon		1,020
Germany, Federal Republic of	300,000	325,000
Ghana	3,000	3,000
Greece	12,000	13,000
Holy See	33,500	2,500
Iceland	5,750	4,333
India	2,000	2,000
Iran	5,000	5,000
Iraq	5,000	
Ireland	5,000	7,500
Israel	5,000	7,500
Italy	3,000	3,000
Japan	20,000	
Kenya	1,000	
Lebanon	2,000	
Libya	2,000	3,000
Liechtenstein	3,472	
Luxembourg	3,000	3,000
Malagasy Republic	612	1,020
Malawi	420	360
Malaysia	1,000	1,000
Morocco	9,960	9,960
Netherlands	147,486	146,945
New Zealand	28,000	
Niger	500	
Nigeria	5,600	
Norway	139,665	175,737
Philippines	1,250	1,250
Portugal	4,000	
Sierra Leone	700	
Sweden	250,000	250,000
Switzerland	138,890	155,093
Tanzania	2,800	
Trinidad and Tobago	1,000	
Tunisia	2,500	2,500
Turkey	2,667	5,000
United Arab Republic	6,900	
United Kingdom	336,000	
United States of America	400,000	600,000

See footnotes at end of table.

GOVERNMENT CONTRIBUTIONS AND PLEDGES TO THE UNHCR PROGRAM, 1967 AND 1968 [1]—Continued

	1967	1968 [2]
Venezuela	$4,000	$4,000
Yugoslavia	7,500	10,000
Zambia	2,000	
Total	3,085,655	2,984,367

[1] The UNHCR program is financed on a calendar year rather than on a fiscal year bais.
[2] As of Mar. 29, 1968.

POLITICAL FACTORS RELATING TO REFUGEE ASSISTANCE IN AFRICA

Mr. PASSMAN. And, also, furnish for the record information on the political factors where there is limited participation by the United States in refugee programs in Africa.

Mr. MARTIN. Yes, sir.

(The information follows:)

POLITICAL FACTORS RELATING TO REFUGEE ASSISTANCE IN AFRICA

The United States does not conduct and has not attempted to establish direct U.S. Government refugee assistance programs within African countries (such as the U.S. refugee program in Europe and the Middle East), because such direct assistance could damage or endanger our friendly relations with a number of African nations. The governments of the many countries directly involved in refugee problems in Africa—those from which refugees flee as well as those which grant refugees asylum—are governments with which the United States maintains friendly relations. Therefore, and in light of the considerations discussed below, our refugee assistance in Africa is provided largely within the framework of United Nations programs, particularly through the program of the United Nations High Commissioner for Refugees (UNHCR).

Refugee problems in Africa are a byproduct of the increasing political ferment on that continent. As in other parts of the world, in Africa the flight of refugees is generally related to deep-seated political problems and tensions within or between states. Thus, refugee problems frequently become a controversial matter between the countries from which refugees flee and those which grant them asylum and assistance. It often happens, for one reason or another, that a country from which refugees have fled is prone to interpret the provision of assistance to such refugees as an unfriendly act or at least as one which might exacerbate political problems faced by the country of origin. Consequently, many of the refugee asylum countries, in establishing or conducting refugee assistance programs, are careful to avoid any measures or arrangements which could bring deterioration in their relations with countries with which they are on friendly terms. On the other hand, these same asylum countries may or do pursue quite different policies concerning assistance to refugees from countries with which the asylum countries do not maintain friendly relations.

In these political circumstances the United States has not attempted and in most instances would probably be unable in any event to establish within African asylum countries direct U.S. Government assistance programs (such as the U.S. refugee program) in behalf of refugees from friendly African countries.

The concerned African countries themselves—some of which are both countries of origin and countries of asylum for refugees—have tended to discourage direct assistance programs by non-African governments. The nations which are members of the Organization for African Unity (OAU), particularly, have also taken strong and concerted action toward encouraging greater United Nations effort in this field. Consistent with this approach, the United Nations has in recent years adopted several resolutions which explicitly recognize the increasingly important role of the UNHCR in African refugee problems, and which call upon governments for larger contributions to support that effort. In this connection, the World Food Program and various United Nations specialized agencies have provided appropriate assistance to refugees in Africa, in close coordination with the UNHCR.

DISTRIBUTION OF REFUGEES HANDLED BY UNHCR, 1965–68

Mr. PASSMAN. Mr. Ambassador, will you furnish for the record a table showing the number of refugees by country handled by the High Commissioner in fiscal years 1965, 1966, 1967, and the 1968 estimate.

Mr. MARTIN. We will be happy to do that, sir.

(The information follows:)

NUMBER OF REFUGEES ASSISTED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES 1965 THROUGH 1968

Country or area	1965	1966	1967	1968 estimate
Argentina	927	359	527	527
Austria	1,709	1,340	1,746	1,746
Belgium	449			
Brazil	107	200	163	163
Burundi	59,847	47,476	23,734	23,734
Central African Republic	21,000	30,000	29,992	29,992
Chile	144	179	58	58
Colombia	30	17	81	81
Congo, Democratic Republic of	22,312	18,259	231	231
Far East		129	50	50
France	388	478	314	314
Germany	4,441	4,164	3,669	3,669
Greece	1,808	1,440	982	982
Italy	761	953	1,311	1,311
Macao	256	210	127	127
Morocco	60	160	135	135
Nepal	1,500	2,850	2,039	2,039
Senegal	51,300	41,083	57,600	57,600
Spain	9,456	7,878	11,004	11,004
Sudan			28,600	28,600
Tanzania	23,023	28,989	29,898	29,898
Turkey		49	71	71
Uganda	55,076	48,692	35,479	35,479
U.A.R.		184	420	420
United States	87	95	802	802
Yugoslavia	148	349	307	307
Zambia		5,000	5,894	5,894
Other [1]	1,950	2,840	4,593	4,593
Total	256,779	243,373	239,827	239,827

[1] Comprising Afghanistan, Algeria, Australia, Belgium, Bolivia, Curacao, Botswana, Ecuador, Ethiopia, Congo (B), Ghana, India, Indonesia, Iran, Israel, Lebanon, Jamaica, Mexico, Netherlands, Paraguay, Peru, Portugal, Switzerland, Tunisia, Turkey, United Arab Republic, Uruguay, and Venezuela.

ASSESSED BUDGET FOR UNHCR

Mr. PASSMAN. What is the administrative budget of this activity, and how is it financed by the U.N.?

Mr. MARTIN. Of the United Nations High Commissioner?

Mr. PASSMAN. Yes.

Mr. DAWSON. I haven't with me the exact administrative budget figure. It is financed as an assessed contribution through the United Nations budget. It is over $3 million, as an assessed contribution, to which every member of the U.N. makes a contribution.

Mr. PASSMAN. What is our average assessed obligation for this item?

Mr. DAWSON. It is somewhere around 32 percent of the total administrative budget of the High Commissioner. We can supply the exact figure.

(The information follows:)

For the calendar years 1966–68, the U.S. assessed contribution to the administrative budget of the program of the U.N. High Commission for Refugees has averaged $947,074.

Mr. PASSMAN. Then, of course, the $600,000 is in addition to the amount that we contribute through the mandatory assessment of the U.N.

Mr. DAWSON. The $600,000 is a contribution to the assistance program, or to the program of the United Nations High Commissioner as distinct from the purely administrative budget of the High Commissioner.

Mr. PASSMAN. Really, then, we make two contributions as it would apply to fiscal 1969. We make a contribution from this $5,485,000 estimate, and then we also make a contribution to the U.N. through the regular assessment process.

Mr. DAWSON. Yes, sir. May I give you a few words of background to clarify this?

Mr. PASSMAN. Yes.

Mr. DAWSON. The Office of the High Commissioner was established pursuant to a General Assembly resolution in 1951, and at that time, and still, its basic and most important function is the legal and political protection of refugees.

This, basically, was to preclude the forcible repatriation of refugees and of equal importance to secure the status in many respects within the asylum countries for refugees which would enable them with a minimum of assistance to cease being refugees and to have status so they can hold a job and have the other rights necessary to keep them from being in refugee camps the way they are in certain other areas that do not come under this program.

Now, starting in 1955, the General Assembly also authorized the High Commissioner to start a material assistance program, because it had become evident by that time that this supplementary assistance was needed if these problems were going to be resolved.

Now from the very start, long before he was in a direct assistance program, funded under his own aegis, the High Commissioner had to have offices all over the world to carry out this important protective function. He had to have them in the countries of asylum, he had to have them in countries to which refugees were being sent by various organizations. This took staff, travel, it took a headquarters in Geneva, it took a pretty good slug just for the administration of the program.

Later, starting in 1955 and coming on down to the present assistance program, he has received voluntary contributions, not assessed, from various interested governments to help fund this program which in the last 4 or 5 years has run between about $3½ million up to nearly $5 million per year, worldwide. Now $600,000 goes to this worldwide figure which in fiscal 1968 I believe totaled about $4.8 million.

Mr. PASSMAN. To put it all together, we have an assessment, and then we contribute under this appropriation, $600,000. We are furnishing U.S. funds from two or three different sources?

Mr. DAWSON. Two sources. We contribute to the assessed administrative budget as does every other member of the U.N.

VOLUNTARY AND ASSESSED CONTRIBUTIONS TO UNHCR

Mr. PASSMAN. Would you include a table, a complete table showing the contribution—both the voluntary, and the assessment of each country.

Mr. DAWSON. Yes, sir.
(The information follows:)

FOR 1967: FUNDING OF UNHCR ADMINISTRATIVE BUDGET UNDER ASSESSED CONTRIBUTIONS TO U.N. REGULAR BUDGET; AND VOLUNTARY CONTRIBUTIONS TO UNHCR PROGRAM BUDGET

Country	Percentage scale of assessments, U.N. regular budget [1] (percent)	Application of percentage scale to UNHCR administrative budget	Voluntary contributions to UNHCR program [2]	Total
Afghanistan	0.05	$1,480	----------	$1,480
Albania	.04	1,184	----------	1,184
Algeria	.10	2,960	----------	2,960
Argentina	.92	27,227	----------	27,227
Australia	1.58	46,760	$150,000	196,760
Austria	.53	15,685	24,000	39,685
Barbados	.04	1,184	----------	1,184
Belgium	1.15	34,034	180,000	214,034
Bolivia	.04	1,184	----------	1,184
Botswana	.04	1,184	500	1,684
Brazil	.95	28,115	----------	28,115
Bulgaria	17	5,031	----------	5,031
Burma	.06	1,776	----------	1,776
Burundi	.04	1,184	----------	1,184
Byelorussian S.S.R.	.52	15,389	----------	15,389
Cambodia	.04	1,184	----------	1,184
Cameroon	.04	1,184	----------	1,184
Canada	3.17	93,816	324,074	417,890
Central African Republic	.04	1,184	----------	1,184
Ceylon	.08	2,368	----------	2,368
Chad	.04	1,184	----------	1,184
Chile	.27	7,991	----------	7,991
China, Republic of	4.25	125,779	7,500	133,279
Colombia	.23	6,807	1,000	7,807
Congo, Brazzaville	.04	1,184	----------	1,184
Congo, Kinshasa	.05	1,480	----------	1,480
Costa Rica	.04	1,184	----------	1,184
Cuba	.20	5,919	----------	5,919
Cyprus	.04	1,184	----------	1,184
Czechoslovakia	1.11	32,850	----------	32,850
Dahomey	.04	1,184	----------	1,184
Denmark	.62	18,349	125,333	143,682
Dominican Republic	.04	1,184	----------	1,184
Ecuador	.05	1,480	----------	1,480
El Salvador	.04	1,184	----------	1,184
Ethiopia	.04	1,184	----------	1,184
Finland	.43	12,726	40,000	52,726
France	6.09	180,234	389,242	569,476
Gabon	.04	1,184	1,020	2,204
Gambia, The	.04	1,184	----------	1,184
Germany, Federal Republic	----------	----------	325,000	325,000
Ghana	.08	2,368	3,000	5,368
Greece	.25	7,399	13,000	20,399
Guatemala	.04	1,184	----------	1,184
Guinea	.04	1,184	----------	1,184
Guyana	.04	1,184	----------	1,184
Haiti	.04	1,184	----------	1,184
Holy See	----------	----------	2,500	2,500
Honduras	.04	1,184	----------	1,184
Hungary	.56	16,573	----------	16,573
Iceland	.04	1,184	4,333	5,517
India	1.85	54,751	2,000	56,751
Indonesia	.39	11,542	----------	11,542
Iran	.20	5,919	5,000	10,919
Iraq	.08	2,368	----------	2,368
Ireland	.16	4,735	7,500	12,235
Israel	.17	5,031	7,500	12,531
Italy	2.54	75,171	3,000	78,171
Ivory Coast	.04	1,184	----------	1,184
Jamaica	.05	1,480	----------	1,480
Japan	2.77	81,978	----------	81,978
Jordan	.04	1,184	----------	1,184
Kenya	.04	1,184	----------	1,184
Kuwait	.06	1,776	----------	1,776
Laos	.04	1,184	----------	1,184
Lebanon	.05	1,480	----------	1,480
Lesotho	.04	1,184	----------	1,184
Liberia	.04	1,184	----------	1,184
Libya	.04	1,184	3,000	4,184
Luxembourg	.05	1,480	3,000	4,480
Malagasy Republic	.04	1,184	1,020	2,204
Malawi	.04	1,184	360	1,544

See footnotes at end of table.

Country	Percentage scale of assessments, U.N. regular budget [1] (percent)	Application of percentage scale to UNHCR administrative budget	Voluntary contributions to UNHCR program [2]	Total
Malaysia	0.12	$3,551	$1,000	$4,551
Maldive Islands	.04	1,184		1,184
Mali	.04	1,184		1,184
Malta	.04	1,184		1,184
Mauritania	.04	1,184		1,184
Mexico	.81	23,972		23,972
Mongolia	.04	1,184		1,184
Morocco	.11	3,255	9,960	13,215
Nepal	.04	1,184		1,184
Netherlands	1.11	32,850	146,945	179,795
New Zealand	.38	11,246		11,246
Nicaragua	.04	1,184		1,184
Niger	.04	1,184		1,184
Nigeria	.17	5,031		5,031
Norway	.44	13,022	175,737	188,759
Pakistan	.37	10,950		10,950
Panama	.04	1,184		1,184
Paraguay	.04	1,184		1,184
Peru	.09	2,664		2,664
Philippines	.35	10,358		10,358
Poland	1.45	42,913		42,913
Portugal	.15	4,439	1,250	5,689
Romania	.35	10,358		10,358
Rwanada	.04	1,184		1,184
Saudi Arabia	.07	2,072		2,072
Senegal	.04	1,184		1,184
Sierra Leone	.04	1,184		1,184
Singapore	.04	1,184		1,184
Somali Republic	.04	1,184		1,184
South Africa	.52	15,389		15,389
Spain	.73	21,604		21,604
Sudan	.06	1,776		1,776
Sweden	1.26	37,290	250,000	287,290
Switzerland			155,093	155,093
Syria	.05	1,480		1,480
Tanzania	.04	1,184		1,184
Thailand	.14	4,143		4,143
Togo	.04	1,184		1,184
Trinidad and Tobago	.04	1,184		1,184
Tunisia	.05	1,480	2,500	3,980
Turkey	.35	10,358	5,000	15,358
Uganda	.04	1,184		1,184
Ukranian S.S.R	1.97	58,302		58,302
U.S.S.R	14.92	441,557		441,557
United Arab Republic	.23	6,807		6,807
United Kingdom	7.21	213,380		213,380
United States	31.91	944,376	600,000	1,544,376
Upper Volta	.04	1,184		1,184
Uruguay	.10	2,960		2,960
Venezuela	.50	14,798	4,000	18,798
Yemen	.04	1,184		1,184
Yugoslavia	.36	10,654	10,000	20,654
Zambia	.04	1,184		1,184
Total	[1] 100.37	2,970,462	[2] 2,984,367	5,954,829

[1] Percentage total is greater than 100 percent due to assessments levied against new members after the scale of assessments was approved.
[2] As of Mar. 29, 1968.

BROADENING OF THE U.N. CHARTER

Mr. PASSMAN. Is this activity in the original U.N. Charter?

Mr. DAWSON. It is not an amendment, it is what you would call a perfectly justified later day development. The original charter did set forth the legal and political protection function but also authorized him to participate in and to promote programs to resolve refugee problems and it stated that the High Commissioner could not conduct an appeal for funds without the expressed permission of the General Assembly.

This was given to him in 1955.

Mr. PASSMAN. That could be interpreted as an amendment or a broadening of the original charter, could it not?

Mr. MARTIN. If I may suggest, Mr. Chairman, to me it seems it should be accurately described as an implementing action.

Mr. PASSMAN. In other words, the broadness of the charter permitted all these other things to be added later.

U.N. TECHNICAL AID PROGRAM

You have the expanded U.N. technical aid program. I believe that, too, came along after the original charter, did it not?

Mr. MARTIN. I think it did, but I think there was a special action of the Assembly. I think the activities of the United Nations High Commissioner, those activities—the setting up of the Office of the High Commissioner is an implementing action to establish an agency to carry out the clear provisions of the charter.

Mr. PASSMAN. I am getting away from this particular appropriation, but we have a great many Americans who actually would like to take all foreign aid and channel it through the U.N. so that it would lose its identity. We had witnesses years ago who said that by all means, we want the people to understand our purposes and our generosity. Later they changed the guidelines and said, "Well, if we would give it to them unidentified, it would make it so much easier for them to accept."

Do you know of any instance where any foreign nation ever turned down our aid?

Mr. DAWSON. Yes, sir. I think the Ambassador is far more qualified to speak on this than I, but I believe the Eastern European bloc rejected our Marshall plan aid; did they not?

Mr. MARTIN. I think Czechoslovakia came to the original meeting in Paris and decided to participate, and then there were orders from somewhere else to stay away.

Mr. PASSMAN. That was during the formation of the original Marshall plan. You don't know of any difficulty we have had in giving away this $150 billion since the end of World War II; do you?

Mr. DAWSON. I am not qualified to speak on the overall total program.

Mr. PASSMAN. Under the original Marshall plan, the 16 intended or 17 recipients of this great program had the right to take this money and buy their commodities wherever they wanted to, wherever they could get the best price; didn't they? Is that your understanding?

Mr. DAWSON. Yes, sir.

Mr. PASSMAN. Russia went up on the economic totem pole faster than the Marshall plan recipients, because the recipients were so free with their trade with Russia and its satellites that I believe we had to pass the Battle Act in 1950 or 1951 placing certain restrictions on the type of aid that could go to Communist countries.

Under this system it is somewhat like the expanded technical aid program. Communist countries can indirectly benefit by this program; can they not?

Mr. MARTIN. The United Nations High Commissioners' program?

Mr. PASSMAN. Yes.

Mr. MARTIN. I suppose in some instances one could say that the movement out of the Communist countries would be of some benefit

to them, though I myself think that the loss of rare skills is more of a loss to them than would be any reduction of the population.

Mr. PASSMAN. There is no tangible or direct benefit to the Communist countries?

Mr. MARTIN. Not that I am aware of.

Mr. PASSMAN. Under the U.N. technical aid program where we contribute 40 percent, there are many programs going whereby Cuba even benefits from that appropriation. You stir it up into what we call in Louisiana mulligan. You put the turnips, the chicken, and everything else in the same pot and you don't know what you are eating. When you put our contribution in the expanded technical aid program of the U.N., then you make an allocation for a project in Cuba, you can't say, "This money came from the United States."

You can't say it did, nor can you say it didn't. But it comes out of the same pot to which we contribute 40 percent. It has made it a little difficult for me to understand why you have those in the Congress who would like to see all foreign aid channeled through the U.N. In fact, legislation was proposed several years ago that a percentage of the total development loan appropriation would be handled through the World Bank and its affiliates, an international organization where our contribution loses its identity. I say if you are going to give away your wealth, at least you better let the recipients know where it is coming from.

Mr. MARTIN. Could I make one observation off the record, Mr. Chairman

Mr. PASSMAN. Surely.

(Discussion off the record.)

Mr. PASSMAN. Mr. Ambassador, there are certain parts of this total program I feel strongly about. I am for them. I think they are actually doing some good.

On the other hand, when I look at the record and see that we are contributing 19.5 percent to a program that is really a European refugee and escapee program, it just appears to me our wealthy European friends could pick up a higher percentage of the grand total. Of course, it is only $2.5 million, this item we are talking about. It is small compared to a lot of the other appropriations, but yet we can nickel and dime ourselves out of business, too.

REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

Now, Mr. Ambassador, the next program is the refugees from European Communist countries for which you are requesting $650,000. That is the same amount requested in fiscal 1968.

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. Would you update the table appearing on page 193 of the last year's hearings relating to the country of origin of these refugees from Communist countries?

Mr. MARTIN. We will be very glad to do that, Mr. Chairman.

Mr. PASSMAN. And if you would insert in the record an appropriate statement as to the advantages to the United States of continuing this particular program and the reasons why it cannot be absorbed by ICEM or the U.N. High Commissioner for Refugees.

Mr. MARTIN. I will be glad to do that.

(The information follows:)

ADDITIONS TO U.S. REFUGEE PROGRAM CASELOAD BY COUNTRY OF ORIGIN FOR PAST 5 YEARS

Country	1963	1964	1965	1966	1967
Albania	135	83	79	177	965
Bulgaria	230	277	404	351	548
Czechoslovakia	131	756	1,062	1,256	1,504
Hungary	334	931	1,149	1,431	1,537
Poland	233	309	458	597	621
Rumania	1,443	1,776	2,232	835	448
U.S.S.R.	160	47	29	93	60
Yugoslavia	306	22	8	----------	2
Other	7	----------	2	----------	76
Total	2,979	4,201	5,423	4,740	5,761

ADVANTAGES OF CONTINUATION OF THE U.S. REFUGEE PROGRAM

The U.S. refugee program (USRP) provides assistance to refugees from Communist countries in Europe, primarily those who seek asylum in Western Europe and the Middle East. It plays a leading role in assuring the effective handling of the increasing flow of these refugees, and the movement of most of them through the countries of asylum to ultimate destinations either in Europe or overseas. It also promotes the local integration of the minority who cannot or do not resettle in third countries. This entire program is effected by the combined efforts of the countries of asylum, the U.S. refugee program, the United Nations High Commissioner for Refugees (UNHCR), the Intergovernmental Committee for European Migration (ICEM), and the private voluntary agencies.

It is to the advantage of the United States to continue its direct assistance in behalf of these refugees. This country has taken leadership since the end of World War II in helping the refugees from communism to find new lives in the free world. We have consistently sought to show to the peoples of Eastern Europe that the United States maintains a friendly concern for them, despite our opposition to the Communist governments under which they live. In recent years, we have sought to liberalize our relations with those Communist governments and to build bridges between the governments and the peoples of the United States and of Eastern Europe. Nevertheless, we do not approve the suppressive measures employed in the Communist States and direct U.S. assistance through USRP to refugees from Eastern Europe shows our political disapproval of Communist methods as well as our humanitarian concern for those who are willing to abandon their homes and possessions and to risk even their lives to seek freedom elsewhere. This is in the American tradition. The United States already has large segments of its population who are relatives, friends, and compatriots of the refugees, and who came here before to seek a freer life.

The governments of asylum countries bordering on Eastern Europe have been most liberal in granting haven to these refugees. They do so at great expense to themselves despite the fact that the presence of the refugees creates political and economic problems for them. For example, apart from their contributions to the UNHCR program budget their matching contributions for UNHCR local integration projects in Europe have roughly equaled the overall total of government contributions to the UNHCR program. Moreover, in granting asylum to eastern Europeans, and providing money and services for their support, the governments of asylum countries must consider the historic natural antagonisms which have existed between the peoples of that part of the world. So long as there is a steady movement onward of a majority of the refugees, the governments of the asylum countries have been willing to accept more, but unless the refugees can be quickly resettled, the reception camps will begin to fill up, creating political difficulties for such governments.

Direct U.S. assistance assures priority effort in settling the refugees, helps prevent delays in onward movement, encourages the other Western nations to maintain liberal asylum policies, stimulates their financial participation in the refugee programs, and assists them to offer haven to those still escaping. Although many of these countries have grown more prosperous and, from an economic standpoint, possibly could afford to do more for refugees, the fact is that political considerations limit what they can contribute for this purpose. Furthermore, without U.S. leadership and participation, there would be a tendency for these

countries to tighten their asylum policies and to turn people back at the border.

The U.S. refugee program works closely with the UNHCR and ICEM in dealing with refugees in Europe. The UNHCR has as one of his principal functions the legal and political protection of refugees and works with the countries of asylum to insure that refugees are given their proper status. USRP supplements the assistance given by the countries of asylum in the initial reception, care and maintenance, counseling for immigration, and processing the refugees for resettlement. Finally, ICEM assists the refugees by using its facilities and transportation network for the movement of refugees from countries of asylum to countries of resettlement at reasonable prices. These three programs work together as a team, coordinating their efforts, and each performing an important segment in the reestablishment of the refugees. Through the cooperative efforts of the countries of asylum, the UNHCR, USRP, ICEM, and the private voluntary agencies, an efficient pattern of operations has been established which helps to maintain a steady flow of refugees to their ultimate destinations. Were this pattern to be disrupted by the discontinuance of USRP, the present flow of refugees would be seriously disrupted.

It would not be in U.S. interests to try to shift the functions of USRP to either the UNHCR or to ICEM. Neither of these organizations is now adequately equipped to provide the type of services furnished by USRP and they would have to gear themselves to assume these functions. ICEM's main facility is in the field of transportation and the High Commissioner's is in political and legal protection and in large-scale relief programs outside the European environment. Political opposition from Communist members of the United Nations might inhibit the High Commissioner from providing substantial assistance to refugees from Communist countries.

Most important, if the United States were to discontinue USRP, the political benefits which it now enjoys as a result of its direct assistance to refugees from Eastern Europe would be lost. These costs now borne by USRP would have to be assumed by the organization taking over and there would be little if any saving to the United States. Even if we contributed an equivalent amount of money to ICEM or the UNHCR, this money would be commingled with the funds of other countries and the U.S. role would not be apparent. The refugees would not know that the assistance came from the United States. It is therefore very much in our own national interest to see that the USRP with its relatively small monetary cost is continued as evidence of our participation, concern and leadership with regard to refugees in Europe.

Refugees From Communist China

Mr. Passman. Mr. Ambassador, I note that you are requesting $200,000 for the program of assisting refugees from Communist China. This is the same amount you allocated for 1968 but is it $200,000 less than what you requested in 1968?

Mr. Martin. It is $200,000, yes, sir.

Mr. Passman. You allocated $200,000 and you requested $400,000?

Mr. Martin. And I think that is about the proper level for that program and we would like very much to get it back to that level.

Mr. Passman. Has there been any significant increase in the number of refugees in the Hong Kong and Macao areas from Red China since the inception of the Red Guard activities?

Mr. Martin. There has been a continuing increase. The latest figures that we have available, Mr. Chairman, I think are running through November and December of 1967 and January and February of 1968. They show 1,116 for November, 1,235 for December, 1,650 for January, and 1,461 for February.

Mr. Sobotka. And, Mr. Chairman, those are only the refugees who seek legal status from the Hong Kong Government. Many refugees get in and don't surface.

Mr. Passman. Mr. Ambassador, I want to say again for the record that it is my considered judgment that this is one of the most effective

programs we have to counteract Red China's anti-American propaganda. I must confess that I am at a loss to understand why this program had to take a 50-percent reduction. We have discussed this earlier. I just certainly hope if you find the time you will give the committee a little note as to why some of the other programs were fully funded and this one program that every member of this committee, without exception, who has been out there with me, endorses; why it was this program that was cut. You can put your finger on the good and count in the thousands the people who know about the good we are doing. In some of the other programs you can't even trace any benefits that resulted from our contribution.

I am, to say the least, disappointed, and I hope restitution can be made.

Mr. MARTIN. I hope so too, Mr. Chairman.

Mr. PASSMAN. If you can get those who are responsible for making this reduction to make a trip out to Hong Kong, I believe I would even contribute a little bit toward the expense.

AMOUNT OF U.S. AID TO HONG KONG AND MACAO

Would you update the table that appeared on page 195 of last year's hearings that shows the amount of U.S. aid that has gone into Hong Kong and Macao since fiscal 1954? Make it all inclusive.

Mr. MARTIN. We will be glad to do that.

(The information follows:)

U.S. GOVERNMENT ASSISTANCE TO CHINESE REFUGEES IN HONG KONG AND MACAO

Fiscal year	Far East refugee programs	Value, Public Law 480 commodities [1]	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	3,253,320
1964	1,747,056	1,616,900	3,363,956
1965	633,890	3,691,200	4,325,090
1966	597,489	2,080,800	2,678,289
1967	235,000	1,357,400	1,592,400
1968	200,000	732,500	932,500
1969	[2] 200,000	846,500	1,046,500
Totals	14,427,784	[1] 50,527,000	62,954,784

[1] Based on authorizations, and reflecting Commodity Credit Corporation costs including ocean freight.
[2] Estimate.

UTILIZATION OF PUBLIC LAW 480 COMMODITIES

Mr. PASSMAN. Mr. Ambassador, how much Public Law 480 commodities do you anticipate using in 1969 for this program?

Mr. MARTIN. For the Far Eastern program?

Mr. PASSMAN. Yes.

Mr. SOBOTKA. $846,500 is the estimate for 1969.

Mr. PASSMAN. In the Far East?

Mr. SOBOTKA. In Hong Kong, sir.

Mr. PASSMAN. When you say in Hong Kong, you mean Hong Kong and Macao and any other places in that area where you may be providing food?

Mr. SOBOTKA. Yes. This strictly relates to the voluntary agency programs which cover the Hong Kong-Macao area.

CUBAN REFUGEE PROGRAMS

Mr. PASSMAN. Mr. Ambassador, you are requesting $844,000 for the Cuban refugee program, and that is an increase of $175,000 above your allocation for 1968, and that allocation is $50,000 more than you justified last year; is that correct?

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. This is pretty much fixed. As they move out, the per capita cost is pretty well established and as long as you have this program there is very little you can do about it?

Mr. MARTIN. There is nothing, sir.

REIMBURSEMENT TO SWISS

Mr. PASSMAN. Would you insert a table in the record showing what amount of the estimate is for reimbursement to the Swiss Embassy for their representation cost for us?

Mr. MARTIN. Yes, sir.

(The information follows:)

The estimate for Cuban refugees includes $200,000 for Swiss Embassy representation costs.

Mr. PASSMAN. The representation cost isn't what is described by some other committees as "'entertainment and beverages." This is really paperwork and negotiations?

Mr. MARTIN. Yes, sir.

Mr. SOBOTKA. The Swiss Government actually processes these people and performs a consular function for us, so to speak.

Mr. PASSMAN. Does the Swiss Government make a contribution to this program?

Mr. MARTIN. Not to this program directly. They do make a contribution through the general refugee area.

REFUGEE PROCESSING POINTS

Mr. PASSMAN. Some of these people are processed through Spain; are they not?

Mr. MARTIN. Yes, sir.

Mr. PASSMAN. Are some of them processed also through Sweden?

Mr. MARTIN. I am not familiar with that.

Mr. PASSMAN. Place in the record at this point the names of the different countries where some of these Cuban refugees are processed.

(The information follows:)

REFUGEE PROCESSING

Those Cubans who come to the United States on the airlift are processed by U.S. Immigration and Naturalization Service and Public Health officials before boarding their aircraft in Cuba. They are paroled into the United States under section 212(d)(5) of the Immigration and Nationality Act.

Other Cubans who cannot avail themselves of the airlift may apply for a visa to the United States if they can reach any country where there is a U.S. diplomatic or consular officer. The largest numbers of visas for Cubans have been issued in Spain, Mexico, Jamaica, and Canada, but a few visas have also been issued in various countries of Latin America, Europe, the Mideast, and even Asia. To date, no Cubans have applied in Sweden for an immigrant visa to the United States.

Mr. PASSMAN. So as to keep the record straight and not to confuse the issue, those that are processed through these foreign countries, their relatives in this country, if I understand it correctly, pay for their transportation, so it does not incur any additional expense to the United States.

Mr. MARTIN. That is our understanding.

Mr. PASSMAN. If they can get a visa from Cuba to Spain and possibly from Spain to here it saves a lot of time; whereas if they waited in Cuba, it may be months or years before they are reached.

Mr. MARTIN. Or never, yes, sir.

Mr. SOBOTKA. And, Mr. Chairman, the Swiss Government does not process any of these people who go through Spain or other countries.

Mr. PASSMAN. How about those who come through Switzerland?

Mr. SOBOTKA. I don't know of any or many who might go to Switzerland.

Mr. PASSMAN. There is a possibility?

Mr. SOBOTKA. Yes. The Swiss represent us in processing cases that come directly to the United States on the airways.

Mr. PASSMAN. But none who go to second countries and then come here?

Mr. SOBOTKA. No, sir.

Mr. PASSMAN. You do have those who go to other countries and come here, but it is only where relatives or friends in this country with money can get them out more quickly than if they waited for the Cuba-Miami airlift.

Mr. SOBOTKA. And if they go to Spain there is an American consul to take care of the visa and they go directly to the American consul to process the visa.

EXCHANGE RATE FOR CUBAN PESOS

Mr. PASSMAN. Mr. Ambassador, would you comment briefly on your statement that you must now pay $1 for 1 peso for expenses as opposed to the more favorable rate in the past of 3 pesos to the dollar?

Mr. MARTIN. I am not familiar with that particular computation of the exchange rate. I think that is what you are referring to.

Mr. PASSMAN. Yes.

Mr. MARTIN. I will be glad to furnish something for the record on that.

Mr. PASSMAN. All right, sir.

(The information follows:)

DOLLAR COSTS OF CUBAN PESO EXPENSES

In handling U.S. interests in Cuba, the Swiss Embassy in Havana incurs peso obligations for the representation services provided and for subsistence payments to stranded Americans. The provision of consular services on behalf of the United States by the Swiss Embassy earns fees in the form of Cuban pesos, which are held to the credit of the United States. In financing peso expenditures, the Swiss Embassy first utilizes the proceeds of fees from consular services. Since January 1964, agency appropriations have been charged $1 for expenditure

of each 3 pesos acquired by means other than purchase. This rate was based on the Canadian commercial bank rate for peso currency notes.

Pesos acquired without purchase have been increasingly inadequate to meet expenditures made by the Swiss Embassy on behalf of the United States. Additional pesos for current expenditure requirements have had to be purchased by the Swiss Embassy with Swiss francs as a portion of their total purchases for the overall requirements of the Embassy, at the official Cuban exchange rate equivalent to $1 per peso. Subsequently, the Swiss Government bills the U.S. Government for reimbursement, and these bills are paid with dollars in Bern. Increased dollar charges to agency appropriations result when pesos must be procured at the Cuban official rate of 1 peso per dollar because of the depletion of the supply available at the more favorable rate of 3 pesos to the dollar.

Administrative Expenses

Mr. Passman. Now, Mr. Ambassador, you are requesting $641,000 for administrative expenses, an increase of $6,000 above the 1968 allocation. This is due entirely to salary increase costs; is that correct, sir?

Mr. Martin. Entirely, sir.

Contribution to the International Committee of the Red Cross

Mr. Passman. Now, the last item: A $50,000 contribution to the International Committee of the Red Cross. Is that correct, sir?

Mr. Martin. Yes, sir.

OTHER COUNTRY CONTRIBUTIONS TO THE RED CROSS

Mr. Passman. Would you furnish for the record a table showing the contribution, percentagewise and dollarwise, of the 50 other governments and the 56 national Red Cross societies?

Mr. Martin. I will be happy to do that, Mr. Chairman.

(The information follows:)

CONTRIBUTIONS TO THE ICRC IN 1967 FROM GOVERNMENTS AND NATIONAL RED CROSS SOCIETIES[1]

Country	Government contributions	Percent of Government contributions	Red Cross Society contributions	Percent of Red Cross Society contributions
Afghanistan	$927	0.16		
Albania			$162	0.13
Algeria	1,161	.20		
Australia	16,851	2.93	6,370	5.20
Austria	4,647	.81	3,474	2.83
Belgium			2,895	2.36
Brazil	3,002	.52		
Bulgaria	695	.12	1,042	.85
Burma	1,482	.26	521	.42
Cameroons	1,015	.18	410	.33
Canada	18,646	3.24	9,271	7.56
Ceylon	700	.12		
Chile			996	.81
Colombia	2,668	.46	822	.67
Congo			463	.38
Costa Rica			111	.09
Czechoslovakia			695	.57
Cyprus	279	.05		
Denmark	7,249	1.26		
Dominican Republic			523	.43
Ecuador			498	.41
El Salvador			84	.07
Ethiopia			637	.52
Finland	3,108	.54	695	.57
France	19,610	3.41	6,949	5.67
Germany, Democratic Republic	1,158	.20	1,390	1.13
Germany, Federal Republic of	37,555	6.52	6,949	5.67

See footnotes at end of table.

CONTRIBUTIONS TO THE ICRC IN 1967 FROM GOVERNMENTS AND NATIONAL RED CROSS SOCIETIES [1]—Con.

Country	Government contributions	Percent of Government contributions	Red Cross Society contributions	Percent of Red Cross Society contributions
Gambia	$139	0.03		
Ghana			$283	0.23
Greece	4,169	.72	1,853	1.51
Guatemala			497	.41
Hungary			695	.57
Iceland	463	.08		
India			395	.32
Indonesia	3,474	.60	579	.47
Iran	4,633	.80		
Iraq			811	.66
Ireland	811	.14	811	.66
Italy	20,078	3.49	[2]	
Ivory Coast			463	.38
Jamaica	811	.14		
Japan	10,006	1.74		
Jordan	841	.15		
Korea, Democratic Republic of (North)			463	.38
Korea, Republic of (South)	2,502	.44	1,158	.94
Kuwait	6,949	1.21		
Lebanon	1,624	.28	589	.48
Liberia			602	.49
Liechtenstein	1,737	.30	695	.57
Luxembourg			1,042	.85
Madagascar	500	.09		
Malaysia	1,274	.22	463	.38
Mexico	4,002	.70		
Monaco			695	.57
Morocco	695	.12		
Nepal			463	.38
Netherlands	3,474	.60	5,791	4.72
New Zealand	6,770	1.18	1,711	1.40
Nicaragua	50	.01	116	.09
Nigeria	1,386	.24	463	.38
Norway	3,706	.64	[2]	
Pakistan	313	.05	579	.47
Peru			822	.67
Philippines	3,489	.61	1,853	1.51
Poland	3,474	.60	1,390	1.13
Portugal	3,474	.60		
Rumania			1,390	1.13
San Marino	2,074	.36	463	.38
Saudi Arabia	3,011	.52		
Senegal	488	.08		
Sierra Leone	1,398	.24		
South Africa	11,183	1.94	3,474	2.83
Spain	1,853	.32	1,853	1.51
Sweden	19,448	3.38	2,316	1.89
Switzerland	231,625	40.22		
Syria			463	.38
Tanzania	467	.08		
Thailand	4,169	.72	1,042	.85
Togo	407	.07	463	.38
Tunisia	463	.08	463	.38
Turkey			2,548	2.08
United Arab Republic	9,249	1.61		
United Kingdom	27,934	4.85	8,397	6.85
United States	50,031	8.69	25,016	20.40
USSR			3,775	3.08
Yugoslavia	463	.08	695	.57
Totals	575,860	100.00	122,597	100.00

[1] Rounded dollar equivalents of ICRC Swiss franc listing.
[2] Contribution included in Government contribution.

Mr. PASSMAN. If I recall correctly, some 3 or 4 years ago under Abba Schwartz we had some type of Tibetan refugee program where there was some controversy with GAO about these obligations. That problem was resolved?

Mr. SOBOTKA. It was very satisfactorily resolved, Mr. Chairman. Your committee restored the funds we needed and they have been used.

Mr. PASSMAN. We displeased certain individuals at certain levels by our action, but it did resolve itself to the benefit of the United States dollarwise; did it not?

Mr. SOBOTKA. Yes, sir.

EFFORT OF THE ICRC IN BEHALF OF AMERICAN POW'S

Mr. PASSMAN. What success has the ICRC had in promoting humane protection and welfare services for American POW's and civilians detained by North Vietnam and the Communist Pathet Lao in Laos?

Mr. MARTIN. I would not be able to say they have had a very great success. I could say they have worked very hard and very diligently at this and all of us, particularly those families who have members in that category, I think owe them a great debt of gratitude for what they have constantly attempted to do.

I think it is possible to record our conclusion that if it had not been for the activities of the International Committee of the Red Cross in really keeping this question pressed in Hanoi and also in making it quite public that they had done so, that the treatment which is unsatisfactory would have been far worse.

Mr. PASSMAN. Thank you, Mr. Ambassador.

Any questions on this program?

Mr. SHRIVER. I want to say a few words of appreciation for your hospitality, Mr. Ambassador, and for your assistance to members of this committee when we were in Thailand. I was greatly impressed by your knowledge of the problems of the Far East, and in particular those of Thailand.

Mr. MARTIN. Thank you, sir.

CUBAN REFUGEES

Mr. SHRIVER. In your statement, you mention that you are continuing to transport about 44,000 Cuban refugees to the United States by regular airlift by arrangement with the Cuban Government. That has been going on now for a number of years. I would think that one of these days we would hit the limit. What is the feeling as to how long it will be before we will have all those people out of Cuba?

Mr. MARTIN. That program, Mr. Chairman, I think is largely handled by the Department of Health, Education, and Welfare, which I understand will appear before you later in the week.

Mr. SHRIVER. You mentioned it in your statement, and that is why I was asking you. I will ask later how long they think it will last.

Mr. MARTIN. I don't know.

Mr. SHRIVER. I also concur in your statement on page 10 where you talked about the contributions of Elmer Falk and Clement Sobotka and the help that they have been, particularly to this committee.

Mr. MARTIN. I think it is an excellent staff, sir.

VIETNAM REFUGEES

Mr. SHRIVER. You may have mentioned this off the record in some comment that was raised by Mr. Long when he was in the room, about the Vietnam refugees who are building up in large numbers. What is

the State Department doing in connection with this problem? Is this program we are now talking about going to be greatly expanded because of the Vietnam refugees in the foreseeable future?

Mr. MARTIN. I don't think so, Mr. Chairman. The peak number of refugees, I believe, before the Tet offensive, was about 794,000, of which 297,000 were located in temporary camps and about 497,000 not in those camps.

After the Tet offensive, these figures jumped to about 600,000 who were displaced during that period. At this present moment, the number of evacuees still in the camps is about 400,000. The South Vietnamese Government has moved with considerable alacrity, I think, in setting up a self-help kind of program, giving certain grants to the refugees for reconstruction, which allows them to do this themselves. This has resulted in a considerable drop in the number classified as refugees. I believe that it has reached its peak and will show a rapid decline over the next few weeks.

Many came in addition to those whose homes were destroyed. They came for reasons of fear, to the cities. We think they are now going back.

Mr. SHRIVER. And rebuilding their homes?

Mr. MARTIN. Those who had homes destroyed. Others whose homes were not destroyed but who, in fear of their own personal safety, left these areas to come into the cities, are now also going back. So you have a constant lowering of these figures coming in to us weekly.

Mr. SHRIVER. You don't think the migration and refugee assistance program, which is now this rather small figure we are considering, will be greatly increased by virtue of the Vietnam operations?

Mr. MARTIN. I don't think so, sir, because this appropriation does——

Mr. SHRIVER. I know it doesn't.

Mr. MARTIN. Just covering the problem——

Mr. SHRIVER. How is it covered?

Mr. MARTIN. My understanding is that it is covered in the normal AID appropriations for Vietnam and the Far East.

Mr. SHRIVER. Supporting assistance to the Government of Vietnam.

Mr. MARTIN. I believe so, sir.

I would just add that we have been successful in persuading Mr. John Thomas, who, I think you know, is director of the Cuban refugee program to go to Saigon. He will be leaving, I think, shortly after his appearance before your committee. I regard him as one of the most experienced people in the U.S. Government in this general field. I went to great effort to persuade him to go out and assume direct responsibility with a clear authority to use the knowledge and expertise he has gained over the years in a more rapid solution of this program. We are very happy that he is doing it.

USE OF PUBLIC LAW 480 COMMODITIES IN PROGRAM

Mr. SHRIVER. You mentioned Public Law 480 a moment ago when you mentioned Hong Kong. Are any other Public Law 480 commodities furnished in this program to other parts of the world?

Mr. SOBOTKA. There is estimated a total for 1968 to all refugee situations throughout the world about over $45 million worth of surplus

commodities. This would include the Palestine Arabs, the refugees in Latin America, in Europe——

Mr. SHRIVER. Would you put a table into the record on the subject?

Mr. SOBOTKA. Yes, sir.

(The information follows:)

VALUE OF FISCAL YEAR 1968 FOOD FOR FREEDOM COMMODITY PROGRAM FOR REFUGEES THROUGHOUT THE WORLD[1]

Region	Categories of refugees	Fiscal year 1968
Africa	Various sub-Sahara groups	$282,200
Asia:		
Hong Kong and Macau	Chinese refugees	732,500
India and Nepal	Tibetan refugees	373,200
India	Hindus from Pakistan	66,000
Indonesia	Refugee nationals	603,000
Laos	Laotian refugees	41,721,000
Vietnam	South Vietnamese refugees	26,400
Europe	Refugees (chiefly in Europe) from European Communist countries	18,000
Latin America	Refugees from European Communist countries and Cuba	[2] 2,056,800
Near East	Palestinian Arab refugees[2]	45,879,100
Total		

[1] This table is based on authorizations as of Mar. 1, 1968 and reflects Commodity Credit Corporation costs including transportation.

[2] Voluntary agency programs. This table does not include $8,900,000 in U.S. commodities provided as part of the U.S. 1968 contribution to UNRWA.

Mr. SHRIVER. Does this include the United Nations High Commissioner program?

Mr. SOBOTKA. There is no direct contribution, but Public Law 480 commodities are used in support of some of his programs.

Mr. SHRIVER. If again Congress should pass a similar expenditure-reducing measure as we did last year, what parts of your program would absorb the cut?

Mr. MARTIN. I think we would have to examine that, sir, with a great deal of prayer, really. I don't quite know any other way to put it. As I said, this is really a bare bones request that has come forward. I would be afraid in that connection that I would have to ask for authority to come back to you for a supplemental at some time during the year.

Mr. SHRIVER. Well, it is not a remote possibility about which I am speaking.

Mr. MARTIN. I understand that.

ICEM CONTRIBUTION

Mr. SHRIVER. On page 5 of the justifications for the Intergovernmental Committee for European Migration, you say that the reduction in our contributions is giving ICEM financial problems which it is hoped can be made up by other member governments. You mentioned, I think, in your testimony that perhaps other governments might be included, as Australia, but what other member governments are expected to increase their own contributions?

Mr. MARTIN. Ten, I believe, have increased them.

Mr. SHRIVER. About how much?

Mr. SOBOTKA. A total of about $700,000 that we expect for this past year.

Mr. SHRIVER. Would you put the 10 in the record?
Mr. MARTIN. Yes, sir.
(The information follows:)

COUNTRIES INCREASING THEIR CONTRIBUTIONS TO ICEM IN 1967

Country	1966	1967	Increase
Argentina	$55,114	$63,389	$8,275
Australia	3,096,379	3,571,000	474,621
Belgium	149,958	176,953	26,995
Brazil	72,716	95,494	22,778
Colombia	23,331	28,261	4,930
Malta	522,058	529,463	7,405
Norway	18,063	32,063	14,000
Peru		6,375	6,375
South Africa	918,795	930,523	11,728
Spain	195,435	203,270	7,835
Sweden	42,360	48,100	5,740
Uruguay	3,188	5,188	2,000
Totals	5,097,397	5,690,079	592,682

SITUATION IN EASTERN EUROPEAN COUNTRIES

Mr. SHRIVER. What will be the effect on your programs which deal with Eastern European countries of the recently announced decision in Rumania to allow remaining Jews to emigrate to Israel?

Mr. MARTIN. We are uncertain as to the exact effect of this. Our mission has made inquiries and I think we have not yet had a full report. If it was all as it was reported to be, I think it will be a considerable increase in the movements that we have shown before.

Mr. SHRIVER. There have been earlier stories that Rumania has been receiving payment for allowing certain Jewish people to emigrate in past years. Do you have any facts on that?

Mr. MARTIN. I don't.

Mr. SOBOTKA. There have been a number of press reports to this effect, but the Department has no clear factual information.

Mr. SHRIVER. And you have no policy toward such a program?

Mr. MARTIN. Our policy would be, I think, to condemn it quite clearly. I think we have had nothing that we could adduce as clear proof of it.

Mr. SHRIVER. Just newspaper accounts?

Mr. MARTIN. Yes, sir.

CONTRIBUTION BY CROWN COLONY OF HONG KONG

Mr. SHRIVER. Earlier you mentioned the increase by the Crown Colony of Hong Kong in regard to refugees from Communist China. How much has the colony increased its assistance to those coming in from Red China? What are they putting up now and how are they doing it? Is it in housing?

Mr. SOBOTKA. The total budget of Hong Kong contains about 22 percent of the cost as relating in some way to refugees and this amounts to a total of $68 million.

Mr. SHRIVER. 22 percent of their whole budget?

Mr. SOBOTKA. Of the whole cost of government.

Mr. PASSMAN. The total cost of the government is $68 million, or that is just relief?

Mr. SOBOTKA. That is the 22 percent that is devoted overall to refugee functions. This is divided between the major public services, such as education, medical and health service, public works, housing, social welfare and miscellaneous items.

Mr. SHRIVER. How well are they keeping up on the housing for those refugees? How long do the refugees have to wait until they get in those public housing units?

Mr. SOBOTKA. I don't know the specific waiting period, but actually the Hong Kong Government is making excellent progress and is continuing large blocks of houses and there are fewer and fewer squatters and people living in substandard housing.

Mr. SHRIVER. Two years, ago, when I was there with the chairman, there were a lot of them living in these little tin shacks or hovels.

Mr. SOBOTKA. Oh, yes, there are still a lot.

Mr. SHRIVER. There were thousands of them and there was a waiting list of over a year to get into one of the units of public housing.

Mr. MARTIN. I think we can get you that exact information for the record.

Mr. SHRIVER. It will be interesting to others who might be reading it.

(The information requested follows:)

REFUGEE HOUSING

The magnitude of the squatter problem in Hong Kong has been such that it has been impossible for the Hong Kong Government to move those living in shacks and hovels to public housing (known locally as resettlement estates) on a systematic first-come, first-served basis. Rather the Government provides for a given group of refugees when the land on which they are living is needed for another purpose, although there is a small minority of refugees who are moved into resettlement estates for compassionate reasons. Once the Government decides that a squatter area must be cleared and has screened the refugees inhabiting the site, a time period of from 6 weeks to over a year may elapse before they are moved to public housing. However, those who move into an area after it has been designated for clearance (that is "illegal squatters") are moved to resite areas where they can build their own huts, rather than into resettlement estates.

Newly arrived refugees without homes are now permitted to build their huts only in resite areas. Refugees living in resites may wait a few months or an indefinite period before moving to a resettlement estate, since resites are cleared only when housing is available and the land is needed for other purposes.

About 1 million persons have already been accommodated in resettlement estates since this program was begun in 1954. There are plans to resettle a million more in the next 5 years, but no one can be certain that this additional effort will solve the problem. An estimated 465,000 persons were living in huts and shacks as squatters or in resites at the end of 1967.

Mr. PASSMAN. These people are non-British subjects. They are coming from a Communist country and they are the people we would like to impress with our sincerity and that the British would like to impress. We are contributing $200,000 and the British are contributing $68 million for the purely humanitarian aspects of the program.

Mr. MARTIN. That is right.

CUBAN AIRLIFT PROGRAM

Mr. SHRIVER. On page 10 of the justifications you have a $175,000 increase for the Cuban airlift program. You say this increase is due

to the great demand for aircraft, due to the Vietnam war. Now, on or off the record, would you explain that situation for us?

Mr. MARTIN. I am not familiar with it, sir. I could only speculate. I would like Mr. Sobotka to answer.

Mr. SOBOTKA. In the present situation the State Department goes to the Military Air Command, which has contracts for private charter with the airlines. The MAC has had difficulty in chartering planes for this purpose because most of the charter companies are preoccupied with other Government business, largely related to or arising out of the Vietnam situation, which means that you can't get the same competitive price as though there were plenty of airlines bidding for the business.

POSSIBLE REORGANIZATION OF REFUGEE ACTIVITIES

Mr. SHRIVER. The United States participates in seven different migrant and refugee programs which are administered by three different agencies. This subcommittee has in the past expressed a desire to see these functions consolidated. Is there any attempt being made to reorganize these activities?

Mr. MARTIN. To the extent, sir, that the Secretary has asked me, just a little over 2 months ago, to concern myself with both the Mideast and the Vietnam programs. We have begun to do that. There is quite a bit of difficulty trying to pull all the basic information together. What I have been doing is to try to exercise a watching brief for the Secretary's interests in these other programs. The administrative structure in some cases in AID, in some cases HEW and the various bureaus of the Department. The latter gives me no difficulty because, as Special Assistant to the Secretary, I can act for him in those cases.

In other cases, it is a coordinating authority to move into certain aspects of the programs.

TIBETAN REFUGEE PROGRAM

Mr. SHRIVER. You are not requesting further funding for the Tibetan refugee program in fiscal 1969?

Mr. MARTIN. No, sir. That has moved along and I would hope it can be absorbed by the private agencies and by the Indian Government.

Mr. SHRIVER. Do you still furnish Public Law 480 commodities?

Mr. SOBOTKA. Yes, sir. The Tibetan refugees still benefit from the general food programs in India.

Mr. SHRIVER. Is that included in the list?

Mr. SOBOTKA. We have it in the breakdown; yes.

Mr. SHRIVER. Is the International Committee of the Red Cross increasing or does it have a program for these people, the refugees from Tibet, in the absence of one of our own?

Mr. SOBOTKA. The International Committee of the Red Cross operated in behalf of Tibetan refugees only in Nepal because no other organization was sufficiently neutral for the Nepalese Government to wish them to handle this type of program.

At the time the Tibetan refugee situation in Nepal required the foods, the ICRC acted as a distributing agent using United States foods mostly, although supplying some foods purchased with their own funds.

In general, the food programs have proven to be no longer really necessary in Nepal, and our AID mission has advocated their discontinuance. ICRC is still attempting to strengthen the Nepalese Red Cross in its activities in Nepal.

REFUGEE SITUATION IN AFRICA

Mr. SHRIVER. Mr. Ambassador, would you give us a general overview of the refugee situation in Africa, especially Nigeria, and in the Somali Republic?

Mr. MARTIN. I believe Mr. Dawson has concentrated on that.

Mr. SHRIVER. And the South African countries?

Mr. DAWSON. I would be very happy to speak to that.

In general I think the current refugee problems in Africa, using the term "current" to cover the last 4 or 5 years, should be divided into two broad categories. One is refugees from the so-called colonial regimes, southern African regimes, the Portuguese and South African territories, coming into sub-Sahara and African countries, the OAU countries. The others consist of those refugees who originate in one OAU country and get asylum in another OAU country.

The total of refugees in Africa today in those categories is approximately 800,000. I would not like to hold definitely to those figures, but we have the exact figures updated to a fairly recent date, which we can supply.

(The information follows:)

According to statistics and estimates compiled by the U.N. High Commissioner for Refugees, as of October 1967 there were approximately 780,000 African refugees in sub-Sahara asylum countries.

Mr. DAWSON. Now a word or two about the larger problems. There is a very large problem of Angolan refugees who came over into the Congo. At the present time the number of such refugees who are not really assimilated or settled fully within the Congo would be about 300,000. There is also a problem of 160,000 refugees from Ruanda who have gone into Uganda, Tanzania, Burundi, and the Congo. These are the Tutsi refugees who fled after the Bahutus got control of Ruanda following its independence several years ago.

These Tutsi refugees are rather difficult to work with in many respects, particularly their leaders, because they have consistently sought every opportunity to go back in and to try to get control of the State. But this has not happened.

I might add, though, that the successful resettlement effort of the High Commissioner and of the African asylum countries concerned for a large number of these Tutsi refugees has directly reduced the threat to the peace. They have moved them away from the borders and settled them in areas where they would not be so close to their native homeland and, above all, they have settled them under conditions in which they are relatively satisfied, productive, self-supporting, or on the way to self-support, and it has been a very good thing.

You also have had a large number of refugees from southern Sudan coming into the Central African Republic, the Congo, Uganda, and certain other countries. Those refugees, as the former groups that I mentioned, are being assisted by the U.N. High Commissioner for Refugees at the request of the government of the asylum countries. The total number of Sudanese refugees is in the neighborhood of 160,000 to 170,000.

A more recent refugee development which just occurred last year is that of the refugees from Ethiopia, from Eritrea within Ethiopia, into the Sudan. These refugees number about 25,000 and the Sudanese Government requested and is receiving assistance from the U.N. High Commissioner for Refugees.

Now, you mentioned refugees particularly from South Africa. There has not been any large exodus of refugees from South Africa. However, since 1960–61 there has been a small and steadily increasing, although slowly increasing, flow of such refugees

They have come up into Zambia, Tanzania, some are in Basutoland, and they are frequently moved on to other countries from those asylum countries. Numbers have been able to secure scholarships in foreign countries to pursue their education because numbers of them are secondary school and college level students.

The total number in asylum countries—that is, in these primary asylum countries for South African refugees—at any one time, taking into account the movement through these countries, is estimated as not exceeding 1,500.

I believe I have covered the major areas of refugees in Africa.

I would like to say a further word about the High Commissioner.

Mr. SHRIVER. How about Nigeria?

Mr. DAWSON. You did mention that. I beg your pardon.

In the terms we usually use in speaking of refugees, we have not felt that there is presently a refugee problem as such within Nigeria. You have a civil war going on there. You certainly have a great deal of distress. You have a great many people who are temporarily it is hoped, or in any event, uprooted from their homes but it is in the context of a war which is changing and developing and there is not at the present time any organized refugee program that I know of within Nigeria. However, in relief of the distress of these people, the International Committee of the Red Cross has been seeking to promote the efforts of itself and of the other Red Cross organizations, specifically the Nigerian Red Cross and the League of Red Cross Societies to try to do something, but it is very difficult to do anything until things clear up a little in Nigeria.

Mr. SHRIVER. Thank you very much.

PUBLIC LAW 480 CONTRIBUTIONS

Mrs. REID. Mr. Ambassador, you referred to the substantial amounts of Public Law 480 that are donated to refugee programs. If the chairman did not ask for this particular tabulation, would you submit for the record a tabulation of the dollar amount involved in these commodies and the countries involved?

Mr. Martin, Yes, ma'am, I will be happy to do that.

(The information follows:)

COUNTRIES RECEIVING FOOD FOR REFUGEES IN FISCAL YEAR 1968 UNDER THE FOOD-FOR-FREEDOM PROGRAM [1]

Country	Categories of refugees	Fiscal year 1968
Brazil	White Russians	$18,000
Congo (K)	Refugees from Angola, Sudan and Rwanda	69,600
Greece	Refugees from European Communist countries	2,400
Hong Kong	Refugees from Communist China	681,500
India	Tibetan refugees	373,200
Indonesia	Displaced refugee nationals	66,000
Jordan [2]	Palestine Arab refugees	1,518,000
Laos	Laotian refugees	603,000
Lebanon [2]	Palestine Arab refugees	70,800
Macau	Refugees from Communist China	51,000
Rwanda	Refugees from Portuguese Guinea	8,400
Senegal	do	79,200
Syria [2]	Palestine Arab refugees	72,000
Tanzania	Refugees from Congro (K), Malawi, Mozambique	123,000
Turkey	Refugees from European Communist countries	24,000
U.A.R. (Egypt) [2]	Palestine Arab refugees	80,400
U.A.R. (Gaza) [2]	do	315,600
Vietnam	South Vietnamese refugees	41,721,000
Zambia	Refugees from Angola, Mozambique	2,000
Total		45,879,100

[1] This table is based on authorizations as of Mar. 1, 1968, and reflects Commodity Credit Corporation cost including transportation.
[2] Voluntary agency programs. This table does not include $8.9 million in U.S. commodities provided as part of the U.S. 1968 contribution to UNRWA.

REFUGEES AIDED BY THE PUBLIC LAW 480 PROGRAM

Mrs. REID. How many refugees were helped by our food-for-peace program last year?

To save time you may submit that for the record and tell us whether or not this is an increase or decrease in aid.

Mr. MARTIN. Yes, Mrs. Reid.

(The information follows:)

TOTAL NUMBER OF REFUGEES HELPED BY FOOD-FOR-PEACE PROGRAM IN 1967

During 1967, more than 2,400,000 refugees in areas throughout the world received feeding assistance under the food-for-peace program. The value of the commodities involved, including transportation costs, was $21,649,200—a decrease of $1,243,500 from the comparable figure for 1966.

The above figures do not include $8,900,000 in commodities which were contributed in each of the 2 years to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) as part of the annual U.S. contribution to that agency, and which directly benefited 875,000 of the approximately 1,350,000 UNRWA-registered refugees.

IDENTIFICATION OF PUBLIC LAW 480 CONTRIBUTIONS

Mrs. REID. The chairman made a point of the fact that he felt that steps should be taken so that the refugees are aware of the source of the commodities, that these commodities do come from the United States. Has nothing been done in this regard heretofore?

Mr. MARTIN. I think that we have, whenever circumstances permitted, attempted to identify the sources of this food. I think sometimes for example, when it is contributed to UNRWA programs in the Mideast, that identification becomes a little more difficult because it is merged with the contributions of other countries.

Mr. DAWSON. I would just like to add that, as you are aware, the law itself requires that the packages be marked.

Mrs. REID. But this I think perhaps is not enough.

Mr. DAWSON. I am aware of this, but I think a great deal of effort has been made and I would like to get back to the programs of the UN High Commissioner in relation to our question.

We have been working rather hard to increase our image through Public Law 480 in terms of what we are doing and we have asked the High Commissioner to, and he has followed through on making public statements about our Public Law 480 contributions. These statements have been made also in the countries in which the food is distributed and they have included references to it as coming from the American people and the U.S. Government in the printed reports which are submitted by him in his annual reports to the General Assembly. I believe it is in there, I am not sure, but it is certainly in a great many of their releases. We hope to make still more headway in this connection.

Mrs. REID. I think this should be done.

LIST OF ASYLUM COUNTRIES

Which countries are now listed as asylum countries?

Mr. DAWSON. In Africa?

Mrs. REID. No; I was talking about whether there have been any changes in additions or withdrawals in asylum countries for refugees.

Mr. DAWSON. Are you speaking worldwide?

Mrs. REID. Yes.

Can you submit something for the record?

Mr. MARTIN. Yes.

Mrs. REID. If you cannot answer this now, please submit your information for the record.

Mr. DAWSON. I think we could do both. I think I could answer it now and also we have a statement we could present for the record.

I should not have said I believe I will answer that. I should have said I will take a stab at it.

I cannot think offhand of any country which was an asylum country for refugees last year which is not still an asylum country except one, Ruanda. There was a small number of refugees from Burundi who went into Ruanda and the Ruanda Government asked the High Commissioner to establish programs. While they were busy on that the situation changed in Burundi and the refugees felt they could go back and they did go back.

Mr. MARTIN. I am not certain you could even exclude Ruanda if you included the mercenaries. I think we better do that for the record.

(The information follows:)

The group of countries which have granted or maintained asylum in behalf of significant numbers of refugees has not changed as between 1966 and 1967. This is so despite the emergence of certain new refugee problems, and the resolution of others through voluntary repatriation, local integration or resettlement in third countries.

REFUGEE PROBLEMS IN POSTHOSTILITIES PERIOD

Mrs. REID. As far as Southeast Asia is concerned, what refugee problems do you foresee in the posthostilities period? Are you making any plans in this regard?

Mr. MARTIN. I think that the countries themselves, in a posthostilities period will move very quickly and dramatically to take care of

that. I would hope that the economic development programs which we have seen accelerated so remarkably in Thailand will become a sort of a pattern for the rest of the area. There are vast areas yet to be brought under cultivation and I recall that on one military highway which was being built as a part of a SEATO logistics system we would see in flying over the bullock carts weaving in and out between the bulldozers. By the time the Prime Minister and I went down to dedicate it over 100,000 acres of new riceland had been brought into production without any governmental activity.

I think given a chance at some peace and quiet these people will resettle themselves quickly.

ACTIVITIES OF INTERNATIONAL RED CROSS IN VIETNAM

Mrs. REID. Has the International Red Cross been any more successful in the past year than heretofore in its efforts in behalf of American prisoners of war in North Vietnam?

Mr. MARTIN. I am afraid I could not say they have. They have kept the effort going in all sorts of ways. As I observed before, I think the pressure which they have brought to bear quietly through channels in Hanoi, and the fact that they have been keeping a watching brief on the situation has greatly ameliorated the conditions in which our people might otherwise have been kept.

Governor Harriman is watching this closely and his reports are laudatory of the International Committee in this regard.

ICEM REFUGEES TO THE UNITED STATES

Mrs. REID. On page 5 you refer to assistance given by ICEM in relocating many refugees in Latin America and in providing trained manpower for these countries.

How many from the European sector with special skills have come to the United States under the committee's auspices?

Mr. SOBOTKA. I think we would have to supply that for the record but there have been many.

Mrs. REID. I would be interested in seeing those figures.

(The information follows:)

MOVEMENTS TO UNITED STATES EFFECTED BY THE INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION, FEB. 1, 1952, TO DEC. 31, 1967[1]

	Total	Nationals	Refugees
A. Professional occupations. University teachers, other teachers and instructors, engineers and other professional occupations.	5,998	489	5,509
B. Subprofessional occupations. Technical engineers, draughtsmen and technicians, other subprofessional occupations.	5,424	641	4,783
C. Highly skilled and skilled workers. Farmers, fishermen, textile, leather product workers, metal, electrical workers, woodworkers.	34,547	3,079	31,468
D. Semiskilled and unskilled workers	47,761	5,101	42,660
E. Students	4,957	403	4,554
F. Dependents	134,810	21,430	113,380
G. Persons of working age for whom professions not reported	12,291	1,106	11,185
Total	245,788	32,249	213,539

[1] The above table is based on ICEM statistics.

MORE DETAILED BREAKDOWN OF MOVEMENTS TO U.S.A. EFFECTED BY THE INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION, CALENDAR YEARS 1966-67[1]

	Total		Nationals		Refugees	
	1967	1966	1967	1966	1967	1966
A. Professional occupations	417	321	7	5	410	316
University teachers	9	2			9	2
Other teachers and instructors	78	53	2		76	53
Engineers and other professional occupations	330	266	5	5	325	261
B. Subprofessional occupations	454	311	5	2	449	309
Technical engineers	4	5			4	5
Draughtsmen and technicians	123	97	1	1	122	96
Other subprofessional occupations	327	209	4	1	323	208
C. Highly skilled and skilled workers	1,143	912	28	9	1,115	903
Farmers, fishermen	150	161	3	2	147	159
Textile, leather product workers	154	189	3	3	151	186
Metal, electrical workers	744	484	16	2	728	482
Woodworkers	95	78	6	2	89	76
D. Semiskilled and unskilled workers	1,903	1,178	48	29	1,855	1,149
E. Students	233	220	3	6	230	214
F. Dependents	5,143	3,927	233	209	4,910	3,718
G. Persons of working age for whom professions not reported	437	367	6	7	431	360
Total	9,730	7,236	330	267	9,400	6,969

[1] The above table is based on ICEM statistics.

REFUGEES FROM COMMUNIST CHINA

Mrs. REID. You were discussing earlier the refugees from Communist China increasing substantially into Hong Kong and Macao. How much longer would you say additional refugees can be accommodated in these locations, and what alternatives are there?

Mr. MARTIN. I really do not know, to give an honest answer. Hong Kong has absorbed over 4 million, I believe.

Mr. SOBOTKA. Their population is considered to be about 4 million or so now, and there were 800,000 just after the close of the war. There has been a natural population increase, but most of these people are really refugees.

The area, of course, is limited The geographic area is limited.

Mr. MARTIN. Macao, even more so.

Mrs. REID. How do you know whether these people are Communist infiltrators or not? Is there any way?

Mr. SOBOTKA. I think of one way to give a general assessment of that. During the period of the riots in this past year in Hong Kong, the Communists were counting on a large proportion of the population assisting them and actually the vast bulk of the population did not respond to the efforts of the Communists. The police and the government and the people themselves all worked together to get the situation restored to normal. Had there been any substantial number, I think the Communists would have been much more successful.

CUBAN REFUGEES

Mrs. REID. On page 10 you say that expenses are difficult to control because our understanding with the Castro government requires the maintenance of an inflow of refugees if the program is to continue.

Could you elaborate on this?

Mr. MARTIN. I'm afraid I cannot, directly, Mrs. Reid. This is a part of the program which is not administered directly by my office, but primarily by the Department of Health, Education, and Welfare. I think they will appear before you a little later in the week, but I must confess I am not familiar with the exact arrangements that would call for that.

PERMANENCY OF U.S. REFUGEE PROGRAMS

Mrs. REID. I have just one more question: Do you feel that refugee assistance has now become a permanent program for the United States?

Mr. MARTIN. Well, a permanent program, no; but in the sense that our own humanitarian tradition—I suppose one could say there has never been a time when we have not really responded to either our own citizens or to disasters elsewhere in the world. Perhaps, yes. I would think in the sense that this is so much an ingrained part of our own tradition, I would expect that we would continue to be as citizens and as a government, interested in some aspects of this continuing program.

Whether or not it would take the form that it now takes would, I think, depend on how the world evolves.

As I pointed out in my opening statement, I am not at all certain of whether or not there will be a situation in some of the European countries where you have these student uprisings, whether or not there will be a repressive reaction which will cause those people who are seeking to liberalize the regime internally to give up, at least for a while, and become refugees. It is an uncertain prognosis to make.

Mrs. REID. Thank you.

Mr. PASSMAN. Mr. Ambassador, would it be fair to say that under the programs administered by you, including, of course, the food program, especially in the Far East, takes on the form of almost a person-to-person aspect, and the individual usually knows immediately that he is getting some aid from the United States.

Mr. MARTIN. Yes, sir; I think that is a fair conclusion.

Mr. PASSMAN. Thank you, Mr. Ambassador.

FISCAL YEAR 1968 RESERVE—PUBLIC LAW 90–218

Now, Mr. Ambassador, earlier you indicated that $211,000 had been placed in reserve as a result of Public Law 90–218. Possibly you—at least we hope so—and with this committee's approval and best wishes, can prevail upon our distinguished Secretary of State, Mr. Rusk, to prevail upon the President to release a portion of that $211,000 for the Far East refugee program, where you now know that this committee possesses extremely sincere and deep convictions.

Mr. MARTIN. We will certainly try, Mr. Chairman.

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

Indeed, we wish you a very pleasant tenure and we will cooperate with you in every way we can.

WEDNESDAY, MARCH 27, 1968.

EXPORT-IMPORT BANK OF THE UNITED STATES

WITNESSES

HAROLD F. LINDER, PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS
WALTER C. SAUER, FIRST VICE PRESIDENT AND VICE CHAIRMAN
TOM LILLEY, DIRECTOR
SIMMONS B. SAVAGE, JR., TREASURER-CONTROLLER

LIMITATION ON PROGRAM ACTIVITY

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Equipment and services loans:			
Authorizations	2,369,484	1,976,000	2,065,000
Participations and cancellations	−208,870		
Net authorizations	2,160,614	1,976,000	2,065,000
All other, excluding administrative expenses:			
Authorizations	359,299	312,519	537,050
Participations, cancellations, and expirations		−71,000	−50,000
Net authorizations	359,299	241,519	487,050
Total authorizations other than for administrative expenses	2,519,913	2,217,519	2,552,050
Financing: Uncommitted balance lapsing	188,328	454,481	
Limitation	2,708,241	2,672,000	2,552,050

LIMITATION ON ADMINISTRATIVE EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Administration:			
Loan program	2,636	3,005	3,585
Guarantee and insurance program	1,342	1,300	1,347
Garage management	17	18	18
Total obligations	3,995	4,323	4,950
Financing:			
Obligations not subject to limitation	−17	−18	−18
Unobligated balance lapsing	284		
Limitation	4,262	4,190	4,932
Proposed supplemental for civilian pay act increases		115	

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	Personnel compensation:			
11.1	Permanent positions	3,068	3,285	3,755
11.3	Positions other than permanent	5	19	20
11.5	Other personnel compensation: Overtime and holiday pay	21	24	24
11.8	Special personal service payments:			
	Excess of annual leave earned over leave taken	41	45	45
	Total personnel compensation	3,135	3,374	3,845

	1967 actual	1968 estimate	1969 estimate
12.0 Personnel benefits	223	261	283
21.0 Travel and transportation of persons	61	70	80
22.0 Transportation of things	3	3	4
23.0 Rent, communications, and utilities	423	462	522
24.0 Printing and reproduction	26	30	34
25.1 Other services	38	43	48
25.2 Services of other agencies	53	40	91
26.0 Supplies and materials	33	40	43
93.0 Accrued administrative expenses included in schedule for fund as a whole (see separate schedule)	−3,995	−4,323	−4,950
Total accrued administrative expenses—costs			

PERSONNEL SUMMARY

Total number of permanent positions	328	328	343
Full time equivalent of other positions		2	2
Average number of all employees	298	309	336
Average GS grade	8.8	8.8	8.9
Average GS salary	$10,160	$10,833	$10,939
Average salary of ungraded positions	$6,029	$6,379	$6,577

Export-Import Bank of the United States

Export-Import Bank of Washington Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Loan program:			
Operating costs, funded:			
Interest on borrowings	6,550	5,668	4,001
Interest on advances under letters of credit	807	900	900
Administrative expenses subject to limitation	2,636	3,005	3,585
Interest on participation certificates	84,439	128,416	181,579
Adjustment of prior year administrative expense	−7		
Other expenses	54	93	93
Total operating costs, funded	94,479	138,082	190,158
Change in selected resources [1]	2,896	579	450
Total obligations (operating program)	97,375	138,661	190,608
Capital outlay, funded:			
Equipment and services loans	999,318	1,034,405	1,316,625
Exporter loans	13,562	40,000	
Commodity loans	84,302	140,000	79,000
Discount loans	69,061		100,000
Emergency foreign trade loans	178	230,595	19,375
Total capital outlay, funded	1,166,421	1,445,000	1,515,000
Change in selected resources [1]	619,741	288,703	574,503
Adjustments in selected resources (loan obligations)	451,515	194,791	212,997
Total obligations (capital outlay)	2,237,677	1,928,494	2,302,500
Total obligations (loan program)	2,335,052	2,067,155	2,493,108
Other: Purchase of equipment—capital outlay	158	35	170
Guarantee and insurance program:			
Operating costs, funded:			
Administrative expenses subject to limitation	1,342	1,300	1,347
Nonadministrative expenses	22	25	25
Total operating costs, funded	1,364	1,325	1,372

See footnote at end of table, p. 170.

		1967 actual	1968 estimate	1969 estimate
	Change in selected resources:			
	Guarantees	−112,792	142,342	324,964
	Short-term insurance			−25,000
	Medium-term insurance	2,924	−7,853	1,237
	Subtotal	−109,868	134,489	301,201
	Reduction for fractional reserve basis	99,251	126,872	225,901
	Total change in selected resources	−10,617	7,617	75,300
	Total obligations (guarantee and insurance program)	−9,253	8,942	76,672
10	Total obligations	2,325,957	2,076,132	2,569,950
	Financing:			
	Receipts and reimbursements:			
11	From Federal funds	−17	−18	−18
	From: Non-Federal sources:			
14	Loan program:			
	Loans repaid	−474,020	−678,737	−804,722
	Sale of loans with recourse	−152,775	−50,000	−50,000
	Interest revenue from loans	−199,596	−244,091	−294,380
	Interest revenue from U.S. Treasury securities	−3,146	−356	−574
	Guarantee and insurance program: Fees and premiums, net	−1,717	−700	−3,100
17	Recovery of prior year obligations, loan program	−451,503	−194,791	−212,997
21.47	Unobligated balance available, start of year: Authorization to spend public debt receipts	−4,063,377	−3,748,804	−3,656,465
24.47	Unobligated balance available, end of year: Authorization to spend public debt receipts	3,748,804	3,656,465	3,010,305
27	Capital transfer to general fund	50,000	50,000	50,000
68	New obligational authority (authorization to spend agency debt receipts)	778,610	865,100	608,000
	Relation of obligations to expenditures:			
10	Total obligations	2,325,957	2,076,132	2,569,950
70	Receipts and other offsets (items 11–17)	−1,282,774	−1,168,693	−1,365,791
71	Obligations affecting expenditures	1,043,183	907,439	1,204,159
	Obligated balance, start of year:			
72.47	Authorization to spend public debt receipts	1,758,823	2,251,196	2,343,535
72.98	Fund balance	1,112	115,924	358,465
	Obligated balance, end of year:			
74.47	Authorization to spend public debt receipts	−2,251,196	−2,343,535	−2,989,695
74.98	Fund balance	−115,924	−358,465	−365,837
90	Expenditures	435,998	572,559	550,627
	Expenditures are distributed as follows:			
02	Out of prior authorizations	435,998	572,559	550,627
	Cash transactions:			
93	Gross expenditures	1,706,779	1,760,439	1,912,819
94	Applicable receipts	−1,270,781	−1,187,880	−1,362,192

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

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services	31	75	75
25.2	Services of other agencies	28	25	25
31.0	Equipment	158	35	170
33.0	Investments and loans	2,237,677	1,928,494	2,302,500
42.0	Insurance claims and indemnities		7,617	75,300
43.0	Interest and dividends	91,796	134,984	186,480
93.0	Administrative expenses (see separate schedule)	3,995	4,323	4,950
	Adjustment of prior year expense	−7		
	Total costs, funded	2,333,678	2,075,553	2,569,500
94.0	Change in selected resources	−7,721	579	450
99.0	Total obligations	2,325,957	2,076,132	2,569,950

Mr. PASSMAN. The committee will come to order.

This afternoon's session is to consider the Export-Import Bank justification for administrative expenses out of the profits of the Bank, and, more importantly, to discuss the limitation on program activity. We shall insert the justification pages 1, 2, 6, and 11 in the record at this point.

(The information follows:)

EXPORT-IMPORT BANK OF WASHINGTON

Estimated activity, 1969

[In thousands of dollars]

Equipment and services authorizations	$2,065,000
Commodity authorizations	75,000
Discount authorizations	100,000
Emergency authorizations	100,000
Subtotal	2,340,000
Less: Participations in authorizations issued during year	50,000
Net loan authorizations	2,290,000
Guarantees and insurance, new and renewed policies	1,322,312
Subtotal of authorizations	3,612,312
Change in unused balance of FCIA authorizations	−25,000
Total authorizations	3,587,312
Less: Repayments and cancellations on guarantees and insurance	996,111
Total	2,591,201
Less: Reduction from use of fractional reserve	225,901
Total	2,365,300
Interest and nonadministrative expense	186,580
Equipment and all other	170
Total other than for administrative expense	2,552,050
Administrative expense	4,950
Total	2,557,000

COMPARATIVE STATEMENT OF NEW PROGRAM ACTIVITY

[In millions of dollars]

	Fiscal year 1967 actual	Fiscal year 1968 estimate	Fiscal year 1969 estimate
1. Loan authorizations (see p. 3, item a)	2,660.6	2,111.0	2,340.0
Cancellations and participations in authorizations issued during current fiscal year	−208.9	−71.0	−50.0
Loan authorizations, net	2,451.7	2,040.0	2,290.0
2. Guarantees and insurance:			
Authorizations, new and renewed policies:			
Issued at 100 percent	8.7		
Issued subject to fractional reserve basis	848.9	1,186.5	1,322.3
Total guarantees and insurance authorized (see p. 3, item b)	857.6	1,186.5	1,322.3
Change in unused balance allocated to FCIA (see p. 3, item c)	−26.4	−7.7	−25.0
Repayments, cancellations, and expirations:			
Subject to fractional reserve (see p. 3, item d)	−941.5	−1,009.2	−996.1
Issued at 100 percent	−2.8		
Subtotal, 100 percent	−113.1	169.6	301.2
Reduction from use of fractional reserves	−89.3	−127.2	−225.9
Net charge to activity for guarantees and insurance	−23.8	42.4	75.3
3. Interest and nonadministrative expense	91.8	135.0	186.6
4. Equipment and all other	4.2	4.4	5.1
5. Total charge to program activity	2,523.9	2,221.8	2,557.0

POSITION WITH RESPECT TO LENDING, GUARANTEE, AND INSURANCE AUTHORITY

[In millions of dollars]

	June 30, 1967, actual	June 30, 1968, estimate	June 30, 1969, estimate
Statutory authority	9,000.0	9,000.0	9,000.0
Proposed new authority		4,500.0	4,500.0
Total	9,000.0	13,500.0	13,500.0
Charges against authority:			
Loan program:			
Loans	4,151.4	4,867.7	5,527.9
Loans sold with recourse [1]	37.9	35.6	35.2
Loan obligations	1,972.3	2,263.3	2,838.3
Loan reservations	859.7	1,000.0	1,000.0
Subtotal	7,021.3	8,166.6	9,401.4
Export guarantees and insurance program: [2]			
Short term: Commitment to Foreign Credit Insurance Association	181.3	181.3	175.0
Medium term:			
Foreign Credit Insurance Association	33.5	31.5	31.9
Export-Import Bank of Washington	149.4	159.0	240.2
On-shore insurance	2.5	2.5	2.5
Subtotal	366.7	374.3	449.6
Total charges against authority	7,388.0	8,540.9	9,851.0
Unused authority	1,612.0	4,959.1	3,649.0

[1] Charged fractionally at 25 percent beginning in 1967.
[2] In general charged fractionally at 25 percent.

SALARIES AND EXPENSE LIMITATION STATEMENT RELATING TO 1968 AND 1969 ADMINISTRATIVE EXPENSE BUDGETS

[In thousands of dollars]

		1968 estimate	Increase or decrease (−)	1969 estimate
11	Personnel compensation	3,374	471	3,845
12	Personnel benefits	261	22	283
21	Travel and transportation of persons	70	10	80
22	Transportation of things	3	1	4
23	Rent, communications, and utilities	462	60	522
24	Printing and reproduction	30	4	34
25	Other services	43	5	48
	Services of other agencies	40	51	91
26	Supplies and materials	40	3	43
	Total	[1] 4,323	627	4,950

[1] Includes proposed supplemental of $115,000 to cover cost of pay increase.

ADMINSTRATIVE EXPENSE: EXPLANATION

The foregoing tabulation shows various increases in the Bank's administrative expenses. Personnel compensation represents the major increase. Fifteen additional positions are provided in fiscal 1969 and average employment is estimated to increase from 309 to 336. Other related increases also have taken into account increased activity in fiscal 1969 under the Bank's existing program.

Mr. PASSMAN. We have as witnesses the Honorable Harold F. Linder, President and Chairman of the Board of Directors; Hon. Walter C. Sauer, First Vice President and Vice Chairman; Hon. Tom Lilley, Director; and Hon. Simmons B. Savage, Jr., Treasurer-Controller.

It was my privilege to attend a meeting at the White House a few days ago when the President signed into law a bill changing the name from the Export-Import Bank of Washington to Export-Import Bank of the United States. In that bill they increased the borrowing

authority of the Bank or, rather, the lending authority. That goes with the borrowing authority, does it not?

Mr. LINDER. No; it doesn't.

Mr. PASSMAN. The President paid a very beautiful compliment to Mr. Linder and his very able assistants for the way in which they have operated the Bank. I have always contended that this was one of the finest agencies of our Government. However, I have been fearful in recent years that if we are not very cautious they are going to prostitute this agency like a lot of the others have been prostituted to where it won't be the Export-Import Bank that we have known in the past.

So far I think the President and his Board has kept it under reasonably good control, but you also have legislation pending now that, in my candid opinion, would just about make the Export-Import Bank another foreign aid agency. I am sure you are familiar with the legislation and you may disagree with my evaluation, but it is my right to feel that way.

Mr. President, we will be very pleased to hear from you at this time, sir.

Mr. LINDER. Thank you, Mr. Chairman.

GENERAL STATEMENT

Mr. Chairman, over the past 7 years I have always enjoyed appearing before your committee to discuss with you the program of the Export-Import Bank of Washington. I must tell you that I have done so for the the last time—because we are now the Export-Import Bank of the United States.

The Congress decided on that new name. Our original suggestion to the Banking and Currency Committee was that we merely drop "of Washington," but they preferred to add "of the United States" and, of course, we had no objection.

I may say I was delighted to see you, Mr. Chairman, as well as Mr. Cohelan, Mr. Long, Mr. McFall, Mr. Conte, and Mr. Riegle at the ceremony at the White House when the bill was signed.

Today I would like to review briefly the provisions of that legislation, as well as the Bank's activity during the fiscal year just past. That is, our current year operations and our estimates for fiscal year 1969.

The legislation just enacted, Public Law 90-267, further amends Eximbank's statutory charter, the Export-Import Bank Act of 1945, as amended. From the Bank's standpoint, the most significant aspects of the new law are that it extends the life of the Bank for 5 years—until June 30, 1973—and increases our lending authority by $4.5 billion, to a total of $13.5 billion. It also increases from $2 to $3.5 billion the amount of outstanding guarantees and insurance the Bank may charge against the $13.5 billion authority at 25 percent of the related contractual liability. Incidentally, a minor change in the law authorizes the Bank to bring payments to members of its advisory committee into line with payments to other consultants. This is de minimis.

The amendments which were added to the bill as originally introduced relate to the program activity of the Bank. One expresses the

policy of the Congress that the Bank should, in authorizing loans, take into account possible adverse effects upon the domestic economy. Another precludes Eximbank participation in financing exports to or for use in Communist countries, unless the President determines that such financing is in the national interest and so reports to Congress. As you know, a similar, though not precisely identical, restriction has been carried for the past 5 years in the Eximbank title of the annual Foreign Assistance and Related Agencies Appropriation Acts.

I might interpolate by commenting that this amendment to our act is stricter than the one contained in the foreign assistance legislation and, therefore, a continuation of the latter would seem to be superfluous.

A third amendment prohibits the Bank from participating in financing exports to or for use in any nation which is engaged in armed conflict with U.S. forces, or which furnishes, through direct governmental action, goods, supplies, military assistance, or advisers to a nation engaged in armed conflict with U.S. forces.

Finally, the Bank is prohibited from participating in credit sales of defense articles and services to any economically less developed country unless the President determines that such a transaction would be in the national interest and so reports to Congress; in no event may the total amount of outstanding Eximbank support of such sales exceed 7½ percent of the Bank's total lending authority, which, under the present $13.5 billion authority, comes to just about $1 billion.

FISCAL YEAR 1967

Turning now to the operations of the Bank, our program activity in fiscal 1967 represented by far the largest amount of business the Bank has ever done in 1 year. As our annual report to the Congress indicates, Eximbank's gross authorizations of $3,607 million for loans, guarantees, and insurance were very significantly higher than those for fiscal 1966. Included in this amount were long-term loans of some $2,370 million, commodity credits of $76 million, exporter credits of $32 million, special or emergency foreign trade credits of $175 million, discount loans of $72 million, guarantees for exports of $193 million, and export credit insurance, with the Foreign Credit Insurance Association, of $690 million.

The loan figures include $973 million to finance the purchase of defense articles and services by friendly foreign governments. Of this amount $620 million, or about 64 percent, represented loans made directly to the United Kingdom, Australia, and New Zealand, and the balance, $353 million, or 36 percent, constituted obligations acquired by Eximbank from the Department of Defense and guaranteed by that Department. These latter obligations arose from sales negotiated by the Defense Department with countries to which the Bank was not prepared to lend directly for military purchases without a Defense Department guarantee of repayment.

I might note parenthetically at this point that, as you know, these Eximbank loans, guaranteed by the Department of Defense, were the subject of considerable debate in the Congress over the past year. This resulted in the arms sales limitation in the Eximbank legislation

which I have just described, as well as amendments to the Foreign Assistance Act. In combination, these new provisions permit Eximbank, when the President determines it is in the national interest, to extend credit for military sales to less-developed countries under a Defense Department guarantee; this may be done, however, only through the balance of this fiscal year, at which time the Defense Department's guarantee authority terminates. What the situation will be subsequently will depend upon the action Congress takes on a foreign military sales bill recently proposed by the administration and introduced in both Houses.

Returning to our fiscal 1967 figures, included is just over $26 million in assistance to U.S. exports to Communist countries—principally in the form of guarantees and principally on relatively short term. These transactions were undertaken pursuant to determinations made by the President that Eximbank support of trade in peaceful goods to the particular countries was in the national interest. The amount of such business constituted less than 1 percent of our total activity in fiscal 1967.

The Bank's loan disbursements during fiscal 1967 were $1,166 million. Loan repayments were $474 million and interest and fees earned totaled something over $205 million. Net earnings of Eximbank were more than $108 million after deducting from our gross income interest payments and other financial expense of some $92 million, and operating expenses, claims paid, and so forth, of less than $6 million. Last year we again declared a $50 million dividend to the Treasury—5 percent on its holding of the Bank's stock; and the $59 million balance of our net earnings was added to our retained income reserve for contingencies and defaults.

You recall, Mr. Chairman, that under the original appropriation act of 1967, and the supplemental passed in October 1966, Eximbank's fiscal year 1967 new program activity was limited to $2,708 million, of which not to exceed $2,275 million was available for equipment and services loans. Although I indicated that the Bank's gross authorizations for last year totaled over $3.6 billion, the net figure for statutory purposes was $2,520 million for total authorizations. Equipment and services loans, net of participations and cancellations, totaled $2,161 million.

BALANCE OF PAYMENTS

Mr. Chairman, particularly this year when our country's balance-of-payments position is of such concern to all of us, I should note that in fiscal 1967 we estimate that exports assisted by Eximbank's programs contributed approximately $1.5 billion to the positive side of the U.S. international accounts. Within that total, the inflow of principal, interest, and commitment fees on long-term loans and other direct credits to foreigners made by the Bank, plus sales abroad of participations in loans, less payments to foreign holders of such participations, contributed $783 million. To this should be added the cash and installment payments received by suppliers or their banks under sales guaranteed or insured by the Bank, which were estimated to contribute an additional $770 million. These, as I am sure you realize, are cash receipts and not mere accounting entries.

FISCAL YEAR 1968

Moving from fiscal 1967 to fiscal 1968, on the recommendation of this committee the Congress enacted a limitation on our program activity for the current fiscal year of $2,672 million, of which not to exceed $2,295 million may be in the form of equipment and services loans. You will recall, Mr. Chairman, that the fiscal 1968 budget originally proposed an overall limitation of $2,850 billion, a figure which assumed early enactment of the legislation to increase our lending authority over the $9 billion ceiling. When it became evident that the additional lending authority would not become available until after enactment of the appropriations legislation, we suggested to the committee in December of last year that a limitation of $2,672 million would be sufficient to meet fiscal 1968 needs as then calculated and at the same time would keep the Bank within the lending ceiling, which then remained at $9 billion.

The revised 1968 estimates as set forth in the budget before you indicate net charges against our 1968 program limitation of $2,217,519,000. However, there have been a number of unanticipated increases as well as reductions since that figure was calculated. Even this late in the year I do not find it possible to give you a precise figure, although I feel certain that we shall stay well within the congressional limitations.

FISCAL YEAR 1969 BUDGET REQUEST

Now as to the Bank's program for fiscal year 1969. The budget estimate for total gross commitments is $3,662 million. Loan authorizations are estimated at $2,340 million, comprised of equipment and services loans of $2,065 million, commodity loan authorizations of $75 million, net discount authorizations of $100 million, and special or emergency foreign trade authorizations of $100 million. The estimate for insurance and guarantee authorization is $1,322 million. These figures result in net new program activity of just over $2,552 million, and this is the amount proposed for the statutory limitation on program activity. Within that amount the equipment and services loans ceiling would be the $2,065 million figure I gave you a moment ago.

Net income for the year, after payment of all expenses, is estimated in the budget at $106,492,000. From this income, we would expect again to pay a dividend to the U.S. Treasury on our capital stock. The Bank is requesting Congress to authorize an administrative expense limitation of $4,932,000 for next year, which is 1.6 percent of the Bank's anticipated gross income of just about $300 million.

NEW EXPORT EXPANSION LEGISLATION

As you know, in January of this year the President outlined numerous steps which could be taken to reduce our balance-of-payments deficit. His program included several proposals designed to expand U.S. exports, two of which relate to Eximbank. On March 20, the President submitted to Congress proposed legislation to allocate $500 million of Eximbank's total $13.5 billion lending authority to assist in financing export transactions not covered under the Bank's present program. This legislation will, of course, be subject to examination

and discussion before the Banking and Currency committees—I hope in the near future.

You will note that the fiscal 1969 budget proposes for separate transmittal a $200 million increase in the Bank's annual limitation on program activity for 1969 to provide for the operation of this export expansion program. This would bring our total limitation to some $2,725 billion. The equipment and services loan limitation would be raised by $100 million to $2,165 billion since we estimate that the balance will be handled under our guarantee and insurance programs in amounts which will utilize an additional $100 million of our lending authority.

Also, in accord with the President's objective, we expect to announce in the very near future certain changes in the existing Eximbank discount program which are designed to provide greater incentives to commercial banks in their endeavors to stimulate and assist the expansion of U.S. export trade. Our budget estimates for discount authorizations reflect the expected increased use of this facility.

Mr. Chairman, that concludes my statement. I shall be pleased to answer any questions you or your colleagues may wish to put to me or my associates. Thank you very much, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. President. Of course, I recognize that as chairman of this committee, I face some of our great bankers who have knowledge of national and international finance. I am of the opinion, though, that I shall ask some questions, fearing what the answers will be. You don't have any apologies to offer for the way you have operated the Bank. I think it has veen a very profitable investment for our country in two different ways. One, by financing our exports which provides a profit for the processor, or manufacturer. He in turn, of course, paid income tax on the profit, by which the general public benefited. Two, the Bank's operations itself earned substantial interest and you paid that to the Treasury and that likewise benefited the people as a whole.

The bureaucrats speak so often about "The President wants this" and "The President wants that." I expect he wants a lot of things he is not going to get. It is estimated that it would take 702 individuals 12 hours a day to do all the things that are announced in the name of the President. So I surmise, after 22 years in Congress that some of the bureaucrats cook up a lot of these schemes, assisted by some of the people in the Congress who fail to do their homework and fail to realize the mess in which we have gotten our financial affairs. I think we are on the brink of financial disaster and even though you may not agree, there are a lot of international bankers who do agree.

I am afraid I am going to have a lot of questions to ask about this proposed legislation. They are going to turn you into another foreign aid agency if you don't watch them. I think the next time the President compliments you it will be even more complimentary if you fight this legislation.

If I can recall one lesson I learned in economics; the professor associated seven items, each one related to the other: deficit financing, balance of payments, gold, public debt, inflation, world trade, and competition. They just about all come under the same fiscal roof, do they not, and, for good or bad, they are related.

FOREIGN AID SINCE WORLD WAR II

Mr. LINDER. Certainly they are interrelated, Mr. Chairman.

Mr. PASSMAN. If I read the record correctly, since the end of World War II, our economic and military aid, including the good and the bad, and the interest that we have paid on what we have borrowed to give away, less repayments, has been $155,297 million. That is a lot of money, isn't it?

Mr. LINDER. I think even without my confirmation that would be true.

Mr. PASSMAN. And of the total of $155,297 million, net payout, there is only $3,173 million of that that represents receivables of the Export-Import Bank. That would certainly indicate a very marvelous repayment record for the Bank.

Mr. LINDER. I think our repayment record since the beginning of operations—I can't say since the beginning of the war—would indicate that over 60 percent of the loans we have ever made have been repaid and, of course, a much larger percentage of loans were guaranteed or insured.

Mr. PASSMAN. The long-term loans is $3,173 million as shown in the record.

I believe that the Export-Import Bank is an ex-officio member of AID? Aren't you on the Development Loan Committee?

Mr. LINDER. Yes.

Mr. PASSMAN. That is under AID, is it not?

RELATIONSHIP WITH AID

Mr. LINDER. The only relation we have with AID is the following: The AID statute requires me to be a member of the so-called Development Loan Committee. That Committee has a staff and we have a man on that staff. All loan applications which are received by AID that come within a mile of the kind of thing that we might do are offered to us; and our Board decides whether or not they are appropriate for the Bank. I would say that we decide that the vast majority are not appropriate for Eximbank, but occasionally we do decide that one should be done on other than AID terms.

Mr. PASSMAN. You are not an official member of the Board, as such?

Mr. LINDER. I am an ex-officio member of the Development Loan Committee, but the loan requests are referred initially to the Board of the Export-Import Bank for acceptance or refusal. If the Bank turns down the application, it is then referred back and discussed in the staff of the Loan Committee, but the Committee does not make the final determination on an AID loan.

CREDIT OPERATION OF THE BANK

Mr. PASSMAN. The Export-Import Bank operates, do they not, like a commercial bank? I am speaking in terms of credit now. When you receive an application you consider this application for a loan and you take into account the ability of the individual or company to earn money to repay the loan, do you not?

Mr. LINDER. We certainly do.

Mr. PASSMAN. You would not make a loan where your judgment told you it would not be repaid just for the purpose of selling commodities, would you?

Mr. LINDER. We would be breaking the law if we did.

Mr. PASSMAN. I believe that is the way most successful businesses and successful banks operate. If there is any question about repayment then, of course, you give the Bank the benefit of the doubt and you would reject that application.

Mr. LINDER. I would assume so. Certainly.

Mr. PASSMAN. You are President of the Bank. You ought to know.

Mr. LINDER. I say categorically we would not make a loan which we did not believe had reasonable assurance of repayment.

Mr. PASSMAN. What do you mean by "reasonable assurance?"

Mr. LINDER. I mean just that. In the first place, Mr. Chairman, I am quoting the Eximbank statute and, secondly, I would say that obviously there are imponderables in many loans that you make and, therefore, you cannot have absolute assurance of repayment. We have made mistakes and we have had losses. I would say that we might consider making a loan which, let's say, for example, the Chase National Bank wouldn't make, because we believe there is reasonable assurance of repayment. If we always held to the absolutely rigid standards of a private commercial bank—then it seems to me there would be very little reason for the Export-Import Bank's existence.

Mr. PASSMAN. I thought terms had a lot to do with it. I thought rates of interest had a lot to do with it.

Mr. LINDER. Rates of interest do not have a great deal to do with it, Mr. Chairman, because we always try—in some instances with greater success than in others—to earn a differential between the interest we pay and the interest we receive.

LOAN WRITEOFFS

Mr. PASSMAN. What percentage of the total loans thus far made by the Bank have you charged off, dollarwise and percentagewise, of your total loans?

Mr. LINDER. We have actually charged off a negligible percentage, Mr. Chairman, but as our annual report points out in its notes to the balance sheet, there are other loans that are in default or delinquent which we have not charged off for reasons that I would like to explain off the record.

Mr. PASSMAN. If you include the doubtful ones and the ones you actually charge off, the percentage of the total would be very small, would it not?

Mr. LINDER. Very small, indeed.

Mr. PASSMAN. I believe you stated a moment ago that you wouldn't make a loan if you entertained any great doubt about the borrower's ability to pay it back.

Mr. LINDER. That is correct, sir. If we didn't believe there was reasonable assurance of getting it back, we wouldn't lend it.

Mr. PASSMAN. You may not think there is any reason for this line of questioning, but as long as we are the first branch of Government and we are the elected Representatives of the people, until the people can do better, then you have to tolerate us, you understand.

Mr. LINDER. I do, with pleasure, Mr. Chairman. I am delighted to have your questions.

TOTAL FOREIGN AID FOR FISCAL YEAR 1969

Mr. PASSMAN. As you know, the policy has been recently to fragmentize the so-called foreign aid program—to scatter it in as many places in the budget as they can find, so that the most astute Member of Congress can't put it all together. I don't ask you to agree or smile or nod or shake your head, but if you will just look at the budget and spend as much time digging in it as I have, then you will know the total amount for foreign assistance of all categories for fiscal 1969 is in excess of $10 billion. That may surprise you. I would be willing to stop at $9,280 million until I pull back in that part of military assistance—at one time it was mutual security and now it is over in the Defense Department budget. That is just like trying to find a drop of Mississippi River water in the middle of the Atlantic Ocean.

They have been scattering it in a lot of these doubtful agencies, for example, the International Development Association, I think the request this year is $240 million. That is the agency which makes a so-called loan for 50 years, no interest, 10-year grace period, and with the right to negotiate it out of existence if the Bank should decide it is proper to do so.

In addition, we have brought into being the Inter-American Bank, the Asian Bank, Public Law 480, and various other types of aid programs. You have to pull them all together. Having had a little experience in banking—mainly borrowing money where I had to subsequently extend the note—and that is one of the best experiences you can have—I think I know something about good credit.

PROPOSED LEGISLATION FOR EXPORT EXPANSION PROGRAM

Now, there is legislation pending—and I quote section I:

> It is the policy of the Congress that the Export-Import Bank of the United States should facilitate through loans, guarantees and insurance, including coinsurance and reinsurance, those export transactions which, in the judgment of the Board of Directors of the Bank, do not meet the test of reasonable assurance of repayment as provided in section 2(b) of the Export-Import Bank Act of 1945 as amended, but which in the judgment of the Board of Directors of the Bank should nevertheless be financed, guaranteed, in order to improve the balance of payments and foster the long-term commercial interests of the United States.

GUIDELINES FOR PROPOSED LEGISLATION

Without directing criticism as such towards any individual, that is exactly what has got this country into such a financial mess now. It is doing things that the facts of life would tell you are wrong. We are will to make weak loans so as to get it out on paper and improve our position. Under such legislation, what would be the guidelines?

ESTABLISHMENT OF ADVISORY COMMITTEE

Mr. LINDER. Mr. Chairman, I believe the President indicated in his message he was going to appoint an advisory committee to the Board of the Bank. He has not appointed such a committee yet, but there

have been some discussions on this point and I think that the committee will probably be comprised of representatives certainly from the Departments of Commerce and Treasury. Whether anybody else will be included on that committee, I do not know at the present time. Let me say, first, it is clearly understood that no loans will be made under this new provision unless the advisory committee recommends them. This does not necessarily mean, however, that our Board will approve every one the advisory committee recommends.

COMMERCIAL TERMS

Secondly, I think they will not be made on other than commercial terms; that is to say, if now we make a loan for 3 years for the sale of say tractors, with repayment in semiannual installments, such a loan under the new program would still be for only 3 years. And if the rate of interest on our regular loans is 6 percent or 5½ percent or 7 percent—whatever our going rate is—a loan under the new program would also be at that same rate. As a matter of fact, it is our intention to authorize mostly guarantees or insurance rather than direct loans, so that the commercial banks would be making the loans——

Mr. PASSMAN. And when they default, you pick up the check?

Mr. LINDER. That is correct.

Mr. PASSMAN. Why don't you just make the interest 50 percent and the terms 6 months? It is all the same thing. If you are going to make a doubtful loan, why don't you make sure it is a bad loan? I am not talking about you, I am talking about this legislation. Let's just say the interest rate is going to be 50 percent and it is repayable in 90 days. If we are going to try to fool Mr. and Mrs. America—not you, but whoever is proposing this legislation—let's just pull the wool way down over their eyes. What difference does it make how long the maturity date is or the rate of interest if you are going to make the loan and there is a possibility you will not be repaid? If you are not repaid then you have to go down to the Treasury and ask them to reimburse you for this loss.

Mr. President, you have a good operation. To my way of thinking, this is another way that the bureaucrats who insist on giving away our wealth hide another great big chunk of foreign aid. I am going to do my very best to develop this thesis and I think for the second or third time, I am going to speak out and against a piece of proposed legislation.

I see a lot of legislation coming out of the legislative committees, which, in my opinion, is designed to hide another facet of the foreign aid program. They have done a very good job hiding it. You have a good operation—the Eximbank—but if they prostitute your agency and pass that legislation it is just another piece of foreign aid that won't show up until maybe my successor as chairman of this committee will, at some future time, point out the loss.

I am not going to pursue this point any further, but I am going to ask a lot of questions subsequently.

I believe this legislation—if it should be enacted—states:

In the event of any losses, as determined by the Board of Directors of the Bank, incurred on loans, guarantees, and insurance extended under this Act, such losses shall be borne by the Bank up to an aggregate amount not exceeding $100,000,000.

What you would do under this legislation, if you got into this grey area of loans, you would have to absorb $100 million of losses out of our own profits, would you not?

Mr. LINDER. That is correct.

PROPOSED REIMBURSEMENT FROM TREASURY FOR LOSSES

Mr. PASSMAN. You could then go to the Treasury and ask them to reimburse you for any additional losses; is that correct, sir?

Mr. LINDER. That is correct, provided that an appropriation were——

ANTICIPATION OF LOSSES IN PROPOSED LEGISLATION

Mr. PASSMAN. Provided there is an appropriation, that is understood. But they must anticipate these losses or they would not write such legislation which indicates, on the surface, that you will absorb the first $100 million of losses, and then you will go to the Treasury and let them reimburse you for additional losses. So all I can say is that the drafter of this legislation defeated his own purpose by anticipating losses, and he proposes to split such losses between the Eximbank and the Treasury.

I just wonder how far afield we will go until we finally get ourselves into such a mess that no nation will have any respect for our ability to manage our monetary system.

I surely am going to do my homework on this proposed legislation, though.

Mr. LINDER. Mr. Chairman, may I make a very brief comment?

Mr. PASSMAN. Surely.

Mr. LINDER. When this legislation was introduced in the Senate—and I do not mean to suggest——

Mr. PASSMAN. What?

Mr. LINDER. I say, when this legislation was introduced in the Senate, it was sponsored, of course, by the chairman of the Banking and Currency Committee, as it was in the House by the chairman of the House Banking and Currency Committee. Senator Bennett, the ranking minority member of the Senate committee, made a rather lengthy speech on this subject, which I commend to your attention and the attention of the members of your committee. The first time I saw Senator Bennett's remarks was when I read them in the Congressional Record of last Friday, March 22.

Mr. PASSMAN. He made a speech?

Mr. LINDER. Yes, and one which I think is well worth reading.

Mr. PASSMAN. Thank you for your suggestion. I will read the speech. It still follows, however, that I hate to see them prostitute a good agency of Government. And when they anticipate that under this type of legislation there will be losses and they want you to take the first $100 million of losses out of your profits, and then permit you to go to the Treasury and draw out the taxpayer funds for other losses, what they should do, if they are going to have to resort to this type of legislation, is to just put it up to the House and let them vote the foreign aid appropriation bill up or down, and not try to hide it and destroy a good agency.

You have been financing the sale of military equipment—I do not think that is but 3 or 4 years old, is it? Now they come along and ask you to take on questionable credits.

Mr. LINDER. Those have been limited. They were either guaranteed or were credits that I was perfectly happy to make.

Mr. PASSMAN. From little acorns a big tree grows. Everything starts small.

Mr. LINDER. I cannot disagree with your general proposition, Mr. Chairman.

Mr. PASSMAN. I happen to be a member of this show. I am in the act and when I see foreign nations turning up their nose at us, or thumbing their nose at us, by giving us an ultimatum to get our fiscal house in order, and having dollars discounted abroad by up to 15 percent in payment of bills, I do not like it a bit. We brought it on ourselves trying to be everything to everybody, everywhere, on borrowed money.

Mr. LINDER. I think it only appropriate for me to make a statement——

Mr. PASSMAN. I thought my statement was appropriate. If you want to make one that is more appropriate, I will be glad to listen.

PURPOSE OF PROPOSED LEGISLATION

Mr. LINDER. I am sure yours is appropriate. All one can do is express his own point of view. My point of view is, and I am sure the Directors of the Bank join me, that this is not in any sense intended to be a substitution for, or amplification of, foreign aid——

Mr. PASSMAN. It is an amendment or an addition to, then?

Mr. LINDER. No, I said not an amplification either, if you will permit me. I want this understood. Everyone within the administration with whom I have discussed this bill has been clear about the fact that this program is for support of commercial exports, not in any sense for program loans. The special fund will be used in support of U.S. exports to markets which might otherwise be captured by other countries' manufacturers and equipment makers because we could not conscientiously under our charter support the U.S. export through our regular programs. The emphasis will be to help obtain and retain markets for U.S. goods which also show promise of expansion in the future.

Let me try to be a little more specific, if I may.

Let us choose one country as an hypothetical example.

Let's assume that say, Turkey wants to buy certain kinds of equipment, and that the Japanese, the French, the Germans, and the British in order to compete in that country are prepared to take certain risks there that Eximbank is not. The result is that American products do not go into that area and American markets are lost.

With respect to Turkey, you may have your opinion and I may have mine, and either of them may be correct or incorrect, but for the purpose of this discussion let's assume that Turkey is not creditworthy to the level of the Eximbank's requirements at this time, but that it would be too bad to have nothing but German or Japanese tractors, or whatever, in that country and have it completely committed to goods of foreign manufacture. Therefore, we believe that there ought

to be a facility available so that American goods and services will not lose permanently a market such as Turkey may eventually afford.

Just as soon as Turkey or any other such country got strong enough economically to stand on its own feet, we would, of course, take it out of a high-risk category and would be glad to lend money there under our regular programs.

I can demonstrate quite clearly by saying when I came into this Bank, I said, "The most I will have in Iran is $30 million." I have over $150 million in Iran now and I would be prepared to go to $200 million, but I would not be prepared to go much further than that because it seems to me it would be a disproportionate exposure. On the other hand, I am not prepared today to do very much, if anything, in certain other countries under the Bank's regular program, and this illustrates the basic reason for and intent of this additional legislation.

Mr. PASSMAN. When did you hear about this legislation?

Mr. LINDER. A bill similar to it was introduced by Senator Magnuson some 3 or 4 years ago——

Mr. PASSMAN. Was it your idea originally?

Mr. LINDER. It was not, sir.

Mr. PASSMAN. You run the Bank. Why didn't you propose this legislation if it is as good as you just explained?

Mr. LINDER. I did not think there was a need for it at the time, and therefore I opposed Senator Magnuson's bill.

Mr. PASSMAN. I hope you continue to oppose it. We are in worse financial shape now that we have ever been and you know that, Mr. Linder, and I think you might get a promotion if you would just put your foot down on and oppose this bill. Regardless of what you say, in my opinion, it is just another way to hide a piece of the foreign aid program. This committee is familiar with the efforts to eliminate the foreign aid program. They are really tearing up the woods trying to find places to put various pieces but still get the money to throw around. I hope that each member of this committee, and I am sure they will—we are talking about legislation that you may not have read as yet, and that is to let the Eximbank finance certain doubtful credits, and subsequently, if there are any losses, to charge them off out of the profit of the Bank and then if there are additional losses the Bank then goes to the Treasury and the Treasury reimburses their losses.

OUTSTANDING U.S. SHORT-TERM BANKING LIABILITIES

I ask you this question, using it possibly in the same terms our public officials have used it, that there is $33 billion worth of U.S. dollars floating around the word—that means of course, short-term claims. Have you ever had reason to check out just where this tremendous amount of short-term claims are, what nations, and whether or not you are making loans to the nations holding these dollars?

Mr. LINDER. We have a fairly broad idea but we rely on the Treasury to a great extent. Those countries are the ones where I can be most assured of getting my money back.

Mr. PASSMAN. Why would you make a loan to a country if the foreign nationals and foreign central bank of that country have, hypothetically, $2 billion worth of short-term dollar claims, which mean they could demand gold?

Mr. LINDER. We would not make a loan there.

Mr. PASSMAN. That is my question.

Mr. LINDER. When I say make a loan, I am using it in the broad sense. I am talking about a guarantee for commercial credit.

Mr. PASSMAN. Isn't commercial credit a loan? You are approving a line of credit by which they finance commodities.

Mr. LINDER. That is correct, or machinery or equipment.

Mr. PASSMAN. I do not care whether you call it credit or a loan. Don't you make a loan?

Mr. LINDER. Yes, sir; we do make loans.

DIFFERENCE BETWEEN LOAN AND CREDIT

Mr. PASSMAN. What is the difference between a loan and a credit?

Mr. LINDER. You are one of the few members of Congress who understands that there isn't much difference but I wanted to be quite clear. You are quite right, they amount to almost the same thing. In the case of a loan, we put up the funds; in the case of a guarantee, somebody else puts up the funds.

Mr. PASSMAN. Credit is where you actually approve a proposal and it becomes a loan after it is disbursed. Is that the way you say it?

Mr. LINDER. That is correct, when we authorize it.

Mr. PASSMAN. I do not care how much credit you authorize, as long as you do not make the disbursements.

Mr. LINDER. We would not make the disbursement but if the City Bank makes it and we have to guarantee it——

Mr. PASSMAN. Then when the borrower defaults you pick up the check.

Mr. LINDER. That is right.

Mr. PASSMAN. You are going to be picking up a lot of it if this proposed legislation goes into effect.

Mr. LINDER. Fortunately it does not happen very often.

Mr. PASSMAN. Not as you have operated in the past. I am thinking about the future, Mr. Linder.

I have been on this committee for many years and I have watched the jurisdiction of this committee being absorbed by recommendations from the Executive. When the President says that he is asking for $2.9 billion for foreign aid, it is on the front page of every paper that carries the story—and most of them do.

Then when I give the correct total, whatever the figure, I get in about 5 percent of the papers and it is on page 18, possibly inserted between two advertisements.

LOANS TO COUNTRIES WITH CREDIT CLAIMS AGAINST UNITED STATES

Mr. LINDER. If I may address myself to the question you asked as to why we make a loan to a country that may have a lot of short-term claims against the United States, I would say two things. First, that is probably the soundest credit I can extend, and when I can extend a good credit, I want to do so in order to offset some of my more risky credits. We have some risky ones even though we find there is reasonable assurance of repayment. There are variations.

Second, if I do not make that kind of credit available to the buyer of an airplane, let us say, or to the buyer of a tractor, for example, he

immediately says, "Well, everybody else who is selling airplanes or tractors gets terms. Why shouldn't I get terms?" It may be 3 years for the tractor and 7 years for the airplane. We get a downpayment, we get a participation by the exporter, and we issue our guarantee.

Now, you are perfectly right that it ought to be possible for the Germans—and I have no prejudices—or the French—and I have no prejudices there—to pay cash. But the buyer would be an individual Frenchman or corporation—for we do not lend to those governments—and the individual or corporation wants to buy on credit. If I may say so, I think it is perfectly reasonable for that individual buyer of the tractor, or the plane, to say, "If I can get credit from the British and if I can get credit from some other country, why shouldn't I get credit from the United States?"

Therefore, in order to keep our export business going—not the Eximbank's business, but the country's business—we have to be competitive and we are competitive. We try to offer the same facilities, not better, not worse, than those offered by other countries in order to sell goods.

Mr. PASSMAN. I am not critical. I am asking a hypothetical question. What you would be saying if you applied that theory to this proposed bill is, "We are not making any money, but look at the business we are doing."

Mr. LINDER. Well, sir, with respect to this bill, if that is to what your question was addressed, the answer is categorically no. We would not make a credit available under the $500 million special account to any country which had large short-term claims on the United States.

Mr. PASSMAN. I was asking a question not related to that bill, but you have answered a question I wanted answered and I have not received such a direct answer since Doug Dillion made the statement many years ago. Inadvertently you answered it and I am very grateful that you did.

Mr. Dillon said that all nations, even the primitive nations, large and small, earned certain convertible currencies from their exports. Subsequently, I asked the question: If you credit to these countries dollars by which they can requisition and pay for their imports, that releases to them the convertible currencies they earn from their exports to do with whatever they please, to buy our gold, to buy securities, or to speculate.

You have answered my question and I will get as much mileage as I can out of it. I have known it all the time, but it was never admitted before that they may have dollars in excess, in short term claims, but so as to sell these tractors, we will still make them a loan. And I hope that under this 6-month ultimatum—that would be about the timespan we are working under—that possibly they will spend some of those dollars rather than to buy on credit. I would like to see some of those dollars come home, wouldn't you?

Mr. LINDER. I would certainly like to see all of it paid for in cash.

Mr. PASSMAN. You must accept this type of examination in the spirit in which it is meant.

Mr. LINDER. I do.

Mr. PASSMAN. Gentlemen, you read the papers, no doubt, just as I do and maybe closer than I do, but we have some troubles and they are to a very large extent financial. If I read the signs correctly, they

are very serious. I hate to see a continuation of this loose policy of making available any type of credit as long as we can make an export and show the books on the plus rather than on the minus side. I especially dislike legislation that is designed to write off losses from two sources. The first $100 million in losses comes out of the Bank's profits, and the second $100 million in losses will be financed by the U.S. Treasury.

We hope we have discussed this proposed legislation enough to cause people to think seriously about it.

RESERVE FOR LOANS

Mr. LINDER. May I explain one other thing, Mr. Chairman: We have accumulated, in addition to the dividends that we paid, out of earnings about $1,100 million as of this time in reserves against possible losses.

Mr. PASSMAN. What are your receivables, Mr. Linder?

Mr. LINDER. We had commitments of about $8½ billion and our receivables were $4,151 million at June 30, 1967.

Mr. PASSMAN. You have a good operation and it has always been a pleasure to work with you, but the actual losses will be established if and when you ever liquidate.

Mr. LINDER. That is correct, sir.

Mr. PASSMAN. That we understand. But you understand it, I understand it, and in business you never know actually where you stand until liquidation.

Mr. LINDER. If we should actually have losses of that kind if this legislation is enacted by the Congress, the $100 million to which you referred would presumptively be taken out of the $1,100 million that we have——

Mr. PASSMAN. It doesn't keep it from being an actual loss, does it?

Mr. LINDER. No; it does not.

Mr. PASSMAN. So the fact that you are going to take it out of something you have already earned does not modify a thing in the world except it makes it read better. In other words, if you suffered the loss, you can absorb it.

Mr. LINDER. I was just saying, sir, that I did not want you to have the impression it was to come out of future profits.

Mr. PASSMAN. You have to make your entry directly against your reserves. Subsequently you will have to rebuild those reserves out of future profit, will you not?

Mr. LINDER. I would hope so.

LOAN DELINQUENCIES AND DEFAULTS

Mr. PASSMAN. Last year on page 25 of the printed hearings you submitted a table of delinquent loans and protracted defaults as of February 28, 1967. Would you furnish a similar table for the record through February 29 of this year?

Mr. LINDER. Yes, sir.

(The information follows:)

DELINQUENT LOANS AND PROTRACTED DEFAULTS AS OF FEB. 29, 1968

[Dollar amounts in thousands]

Country	Number of loans	Outstanding balance of loans	Past due		
			Principal	Interest	Total
Delinquent loans:					
Argentina	5	$5,531.3	$5,431.1	$761.4	$6,192.5
Chile	3	3,802.2	5.0	49.5	54.5
Colombia	2	2,627.2	36.6	2.7	39.3
Dominican Republic	2	3,778.2	441.5	86.9	528.4
Ecuador	2	5,350.3	406.2	106.4	512.6
Haiti	2	29,088.0	205.0		205.0
Israel	1	1,435.6	89.7	82.5	172.2
Mexico	1	1,470.2	143.7	41.2	184.9
Nigeria	2	4,522.2	329.2	134.1	463.3
Peru	1	629.5	55.5	12.4	67.9
Philippines	1	3,793.6	193.9	97.9	291.8
Uruguay	1	24.8	24.8	4.4	29.2
Republic of Indonesia	1	559.5	559.5	75.3	634.8
Total	24	62,612.6	7,921.7	1,454.7	9,376.4
Protracted defaults:					
China (mainland)	4	26,386.0	18,005.0	15,009.2	33,014.2
Cuba	5	36,266.6	16,809.4	15,475.7	32,285.1
United Arab Republic	2	23,357.2	6,937.5	2,017.7	8,955.2
Total	11	86,009.8	41,751.9	32,502.6	74,254.5
Grand total	35	148,622.4	49,673.6	33,957.3	83,630.9

RECENT COLLECTIONS OF DELINQUENT LOANS

Mr. PASSMAN. Now, as to the 19 loans that were delinquent as of February 28, 1967, have you made any collections against those during the past 12 months?

Mr. LINDER. I believe we have. I cannot tell you the precise amount but I think we have.

Mr. PASSMAN. I want that answer because they are going to ask me that question when I get on the floor of the House.

Mr. LINDER. Our annual report as of June 30, which of course was after February 29, stated that collections had been made on the 16 delinquent loans in the amount of $1.5 million through September 1967.

AGGREGATE OF DELINQUENT LOANS

Mr. PASSMAN. Against a total amount of what?

Mr. LINDER. We are talking about 16 miscellaneous delinquent loans.

Mr. PASSMAN. You gave the amount you collected. You did not give the aggregate of the loans.

Mr. LINDER. I will tell you, sir.

The aggregate amount of delinquencies on the 16 loans was $7,200,000.

Mr. PASSMAN. What was the total amount of the loans?

Mr. LINDER. The total amount of those loans was $21,700,000; $7.2 million was delinquent and we collected, as I say, $1.5 million against that. I am sure we have collected more since then, but I cannot give you an exact figure.

(The information follows:)

COLLECTIONS OF DELINQUENT LOANS

There were 16 delinquent loans totaling $7.2 million reported to Congress in the Bank's report for the fiscal year 1967 (p. 17) listed as "Miscellaneous." From June 30, 1967, through February 29, 1968, the Bank has collected $1.7 million ($1.3 million in principal and $0.4 million in interest) of these delinquencies.

Mr. PASSMAN. At least that will indicate for the record that even though you have delinquent loans, some of the creditors are still paying on them.

Mr. LINDER. We try to get them to.

Mr. PASSMAN. I hope you do, sir.

Mr. LINDER. We certainly do.

Mr. PASSMAN. It is part of your business, is it not?

Mr. LINDER. It is indeed.

INCREASE IN DELINQUENT LOANS

Mr. PASSMAN. On February 28, as I mentioned a moment ago, you had 19 delinquent loans. I believe on June 30, that number had increased to 32 delinquent loans, had it not?

Mr. LINDER. In the miscellaneous category there were 16. There were 32 in all, including the following: Four loans to the old Republic of China, that is to what is now Communist China; five to Cuba; five to Indonesia; and two to the United Arab Republic. Those loans were unchanged, but the miscellaneous category was 16 as of June 30.

Mr. PASSMAN. Did I make a statement of fact that the total number of delinquent loans stood at 19 on February 28, and 4 months later, on June 30, it stood at 32?

Mr. LINDER. I have no reason to believe that it's not correct, sir.

Mr. PASSMAN. The total number is 32.

Mr. LINDER. It was on June 30. I will submit a statement on that.

Mr. PASSMAN. I used that date, I believe, Mr. President.

Mr. LINDER. Yes.

(The information follows:)

LOANS WITH DELINQUENT INSTALLMENTS OF 30 DAYS OR OVER AT JUNE 30, 1967
[Summarized in millions of dollars]

Country	Number of loans	Oldest past due installment	Total outstanding principal	Delinquent installments		
				Principal	Accrued interest	Total
Republic of China	4	1949	$26.4	$17.5	$14.5	$32.0
Cuba	5	1958	36.3	15.6	14.5	30.1
Republic of Indonesia	5	1966	80.7	17.2	5.7	22.9
United Arab Republic	2	1966	23.4	1.8	.9	2.7
Total	16		166.8	52.1	35.6	87.7
Miscellaneous:						
Argentina	5	1964	5.5	5.0	.5	5.5
Colombia	2	1963	3.0	.2	.1	.3
Costa Rica	3	1967	10.4	.7	.3	1.0
Mexico	1	1967	(1)	(1)	(1)	(1)
Venezuela	1	1967	1.0	.1	(1)	.1
India	1	1967	.6	(1)	(1)	(1)
Philippines	1	1967	.4	.2	(1)	.2
Uruguay	2	1965	.8	(1)	(1)	(1)
Total	16		21.7	6.2	.9	7.1
Grand total	32		188.5	58.3	36.5	94.8

[1] Less than $26,000.

Mr. PASSMAN. I do not know about your operation, but I know when I was in business we found it very helpful and profitable to refinance delinquent accounts. I believe you use the terminology, "rollover," don't you?

Mr. LINDER. We call it "refunding." I do not know why one word is better than the other.

Mr. PASSMAN. When you say refunding, you are not giving them any more money so it is all right if you want to use it that way, but it would be the same thing, would it not, to say "refinancing" or "rollover"?

Mr. LINDER. Exactly.

Mr. PASSMAN. When you do that you add the delinquent interest and then they pay interest on principal and interest, do they not?

Mr. LINDER. I believe they do.

Mr. PASSMAN. Where can we have it verified? I have always defended it on that basis. You say you believe they do. Do they or do they not?

Mr. SAUER. We capitalize the interest and it then becomes part of the principal.

Mr. PASSMAN. You are positive?

Mr. SAUER. Yes, sir.

Mr. PASSMAN. That is what I wanted to know. How many loans did you roll over since your last appearance before the committee?

Mr. LINDER. I will have to submit that, sir. I do not know precisely between those two dates.

Mr. PASSMAN. Very well, if you will, indicate the number and the amount.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. And the country. I will not ask for any unreasonable information.

Mr. SHRIVER. What dates do you have there? Between what periods?

Mr. LINDER. The figures in the annual report are cumulative figures. If I had the preceding annual report I could tell you precisely what the change was. We would just have to compare 1967 with 1966.

For example, the Republic of Indonesia was refunded sometime during the fiscal year 1968. The United Arab Republic has not been done yet because we have broken relations. We carry it as a delinquent loan because they are not paying either interest or principal on it. One day I hope we will be able to compose our differences with the United Arab Republic and either get paid the principal which they now owe and the interest—it is a relatively small amount—or we will have to go through some sort of refunding or rollover, or whatever you wish to call it.

Mr. SHRIVER. You put it in the record.

Mr. LINDER. Cuba and China are constant.

Mr. SHRIVER. That is understood.

(The information follows:)

RESCHEDULED CREDITS—INDONESIA

(February 28, 1967, to February 29, 1968)

Action by Eximbank's Board of Directors on August 17, 1967, agreed to reschedule credits granted and insured by it which were overdue as of July 1, 1966, as well as such debt falling due from that date until December 31, 1967. The rescheduling totaled $31,805,430 ($24,092,572 of principal and $7,712,858 of interest) and calls for repayment in semiannual installments to be made over a period of 8 years beginning June 30, 1971, and terminating in 1978. The rescheduling included five loans.

OUTSTANDING LOANS OF MIDDLE EAST COUNTRIES

Mr. SHRIVER. How many countries who have broken off diplomatic relations with the United States have loans with the Eximbank?

Mr. SAUER. Of the seven countries which broke relations during the Middle East war last June, we have amounts outstanding in only three, the United Arab Republic, Syria, and Iraq. The only other country which has broken relations in which we have an exposure is Cuba.

Mr. LINDER. There are loans, guarantees, and some insurance, but generally in small amounts.

Mr. PASSMAN. For the purpose of understanding the operation of the Eximbank it is one and the same thing. You have the direct accounts on which you collect and others which you sell to other banks.

Mr. LINDER. That is correct.

Mr. PASSMAN. It is the same thing.

Mr. LINDER. That is correct.

Mr. PASSMAN. If they default with the Bank, you have to pick it up, unless you sold it without recourse.

Mr. LINDER. That is correct.

Mr. PASSMAN. Are any countries where we have no diplomatic relations repaying their loans?

Mr. LINDER. I believe so.

Mr. PASSMAN. I believe the United Arab Republic is able to.

Mr. LINDER. They are not paying us.

Mr. PASSMAN. I say they are able to. According to reports, there is a pretty thriving economy out there as we think of that part of the world, do they not?

Mr. LINDER. I do not think Egypt has a thriving economy.

Mr. PASSMAN. I am not talking solely about Egypt. I am talking about the area. You named some countries other than Egypt.

Mr. LINDER. In respect to Jordan, which did not break relations but is involved in the Middle East conflict, I believe the only loan we have there is involved in territory now under control of the Israelis, and we are in the process of working out an agreement whereby we will be paid by the Israelis.

We made a loan in connection with the building of a hotel in the old city of Jerusalem. That hotel was damaged during the war. It has been rehabilitated. After money necessary for its rehabilitation has been paid off, which we think will be very shortly, the Israelis will turn over all the income from that hotel toward the amortization of our debt and we believe the amount will be sufficient for our purpose.

As far as Syria is concerned, it is primarily guaranteed there, and they are meeting small payments.

Iraq, as far as I know, is continuing to meet its obligations.

Mr. PASSMAN. Some of them are paying, even though they do not have diplomatic relations with our country.

Mr. LINDER. That is correct. But Egypt is not.

Mr. PASSMAN. Can I interpret it that you will not make any loans to countries like Egypt as long as we have no diplomatic relations with them?

Mr. LINDER. Clearly, we will not make a loan to Egypt.

FISCAL YEAR 1967 COLLECTIONS ON PRIOR YEAR LOANS

Mr. PASSMAN. That is my question. You have made a positive answer and I am grateful.

Mr. President, if we may use calendar year 1967, what was the total collections on prior loans for the calendar year 1967?

Mr. LINDER. Calendar year 1967, I am sure, was somewhat higher than the $400-odd million I indicated, plus interest. I do not know whether I have that. Do you have that, Mr. Savage?

Mr. SAVAGE. Not for the calendar year; no.

Mr. PASSMAN. For what period can you give it?

Mr. LINDER. I gave it in my statement for the fiscal year which, if I remember correctly, was $474 million of principal and almost $200 million of interest and fees.

Mr. PASSMAN. Of course, these hearings are based on your justification——

Mr. LINDER. $474 million was principal for the last fiscal year. Interest and fees were $184 million. The budgeted collections of principal for fiscal year 1968 will be nearer $800 million.

BALANCE-OF-PAYMENTS POSITION

Mr. PASSMAN. Are your receipts slightly in excess of the new credits extended.

Mr. LINDER. The new credits would be in excess of the receipts, sir.

Mr. PASSMAN. I do not want to be placed in the position now of criticizing the Eximbank because I have had a lot of nice things to say about it in the past and I think I will say some nice things about in the future, and I also think it would operate whether I did or did not. Let that be understood.

But so far as the effect on balance of payments is concerned, the effect is not immediate. It comes at some subsequent date, is that right, sir?

Mr. LINDER. That is right, sir,

Mr. PASSMAN. With respect to new credits and loans?

Mr. LINDER. That is correct. The figures I quoted of $1.5 billion are cash receipts, current effects on the balance of payments.

Mr. PASSMAN. If it would apply to exports, or commodities shipped abroad——

Mr. LINDER. These are only repayments.

If you will permit me, Mr. Chairman, I said in fiscal year 1967 there was actually received in payments of interest and principal on our direct loans and on loans which we guaranteed, $1,500 million. We did more business than that. We authorized both loans and guarantees

to a greater extent than that. The $1,500 million is the amount which has come into the United States on previously granted credits or guarantees.

Mr. PASSMAN. I understand. Interest or loans payments directly to you, to the exporters, or to the banks where you previously sold the notes.

Mr. LINDER. That is correct.

EXTENSION OF CREDIT BY COMMERCIAL BANKS

Mr. PASSMAN. Do you have any way of knowing whether these banks or institutions who bought Eximbank loans, evaluated this account and started doing business on a regular basis with the exporter or country rather than through the Eximbank?

Mr. LINDER. In many cases banks, like ourselves, will necessarily limit the amount they are prepared to do. So we will frequently have a case where a bank believes that it has extended as much credit as it wants to in a particular country, to a particular customer, and at that point they will say, "Here is a good bit of business, but we are just full up. Will you guarantee that?"

They do it indirectly without intercession on our part.

Mr. PASSMAN. You could have cases where—using this hypothetically—you sold Chase National a $100 million note of a foreign creditor. They subsequently paid that note, but the relationship between the Bank and the creditor was such that they decided to extend the line of credit based upon their experience with them. That could happen could it not?

Mr. LINDER. Yes, but the chances are the Chase had the relations before they had them with us.

Mr. PASSMAN. They notify you that this $100 million loan to the Randy Thomas Co. in Turkey has been repaid and you show that as a receipt against your balance of payments, but you haven't any way of knowing whether they turned around and renewed the loan without your guarantee or without your endorsement?

Mr. LINDER. I think that is very unlikely, sir. It could conceivably happen. I would not deny it, but our loans have very specific repayment dates. They are every 6 months, with rare exceptions. It is not likely that a large credit would all be coming due at a certain specific date.

U.S. BALANCE OF PAYMENTS DEFICIT

Mr. PASSMAN. The reason I raised this question is that every year for the past 18 years we have had a balance-of-payments deficit except in 1957 when we had a $500 million surplus. But the aggregate has been a $36 billion deficit and this committee handles some $4 or $5 billion of foreign aid in different spigots and it is interesting to note that of all the witnesses appearing before our committee, none of them has made any contribution toward this balance-of-payments deficit. They are all innocent. That makes us wonder how in the world we ever got $33 billion of short-term dollar claims floating around the world plus a $12 billion sale of our gold. That makes $45 billion. How in the world that many dollars got out and none of the agencies know any-

thing about it, nor made any contribution to it. Now, we are prodding in a little different way. Do you follow me?

Mr. LINDER. I follow you, but if you want me to comment on it, I will be glad to.

Mr. PASSMAN. We always like comments.

Mr. LINDER. The balance of payments is the net of all payments and all receipts, and the total amounts are far greater than the Government amounts. The totals include tourists, they include all the trade that is financed privately——

Mr. PASSMAN. We have yet to find an agency that contributed to the deficit. You contributed to the credit rather than the debit. We are going to approach it on that basis. Maybe they just have it figured out so these dollars are not outstanding. It is the most rosy thing you ever had anything to do with when you sit here and sit through these hearings for 3 months. Even Mr. MCNAMARA contributed to our favorable side of the ledger in bringing gold home. It is a lot of fun. It may be they have just miscounted the chips and they do not have those dollars.

LONG-TERM CAPITAL LOANS

Would you furnish a table of the long-term capital loans authorized during calendar year 1967 similar to the table on page 33 of last year's hearings.

Mr. LINDER. Yes, sir.

(The information follows:)

LONG-TERM CAPITAL LOANS AUTHORIZED DURING CALENDAR YEAR 1967

Area and country	Loan No.	Interest rate	Terms		Amount authorized
			Number of semiannual payments	Beginning date of payments	
Africa:					
Angola	2468	6	18	Oct. 31, 1970	$7,900,000
Ghana	1960	5¾	(1)	(1)	4,152,929
Ivory Coast	2485	6	30	June 30, 1974	36,500,000
Zambia	2432	6	10	Oct. 31, 1967	2,526,048
Total Africa					51,078,977
Asia:					
China (Taiwan)	2425	6	14	Apr. 1, 1968	4,270,000
Do	2446	6	12	June 30, 1969	2,589,481
India	2412	6	20	June 30, 1970	2,000,000
Iran	2426	6	18	Nov. 1, 1970	60,000,000
Do	2447	6	14	Sept. 15, 1968	8,800,000
Do	2453	6	10	Feb. 1, 1969	3,800,000
Do	2454	6	14	Aug. 31, 1968	10,004,500
Israel	2463	6	30	Jan. 15, 1970	7,500,000
Japan	2411	6	32	6-30-71	33,308,000
Do	2423	6	12	6-30-69	3,000,000
Do	2445	6	(2)	7-10-71	44,616,765
Do	2475	6	7	11-15-71	3,422,000
Do	2476	6	7	(3)	31,465,000
Do	2483	6	12	1-10-70	16,200,000
Do	2470	6	20	9-15-69	4,275,000
Korea	2413	6	10	9-30-68	50,000,000
Kuwait	2428	6	14	5- 4-67	42,077,933
Malaysia	2429	6	14	3-31-68	7,520,800
Pakistan	2424	6	16	4- 1-69	4,500,000
Thailand	2457	6	20	6-30-70	2,100,000
Do	2458	6	20	do	1,050,000
Do	2404	6	17	(4)	8,319,600
Turkey					350,819,079
Total Asia					

See footnotes at end of table, p. 196.

LONG-TERM CAPITAL LOANS AUTHORIZED DURING CALENDAR YEAR 1967—Continued

Area and country	Loan No.	Interest rate	Terms: Number of semiannual payments	Terms: Beginning date of payments	Amount authorized
Europe:					
Belgium	2313	6	14	Oct. 15, 1967	$ 2,221,061
France	2402	6	14	Nov. 30, 1968	7,208,000
Do	2324	5½	14	Mar. 31, 1968	$ 2,000
Germany	2401	6	10	July 1, 1969	9,000,000
Do	2477	6	7	(6)	30,000,000
Italy	2398	6	14	May 15, 1971	38,888,900
Do	2478	6	12	Nov. 1, 1969	2,500,000
Portugal	2005	5¾	(1)	(1)	1,822,052
Spain	2399	5½/6	14	(7)	64,208,000
Do	2405	6	16	Dec. 31, 1967	6,933,447
Do	2434	6	24	Dec. 15, 1970	60,000,000
Do	2448	6	30	July 1, 1970	44,200,000
Sweden	2414	6	14	June 30, 1968	8,610,000
Do	2444	6	10	July 15, 1971	9,000,000
Sweden, Denmark, and Norway	2480	6	(8)	(8)	19,395,000
Do	2481	6	(8)	(8)	13,005,000
United Kingdom	2443	4¾	14	Dec. 31, 1968	$ 325,000,000
Do	2474	6	14	Nov. 15, 1969	3,135,200
Total Europe					645,128,660
Latin America:					
Antigua	2422	6	16	3-15-69	$6,000,000
Argentina	2420	6	12	do	1,450,000
Bahamas	2407	6	14	9-30-69	10,000,000
Do	2455	6	16	3-31-69	1,387,000
Do	2372	6	24	7-15-69	$ 5,400,000
Brazil	2419	6	12	3- 1-69	1,560,000
Do	2449	6	10	6-30-70	20,600,000
Do	2438	6	20	6- 1-68	8,300,000
Chile	2383	6	30	12-31-71	35,355,600
Do	2381	6	20	1-31-71	25,000,000
Do	2416	6	14	11-30-68	23,089,500
Do	2418	6	20	3-31-70	12,000,000
Do	2382	6	30	12-31-71	110,016,000
Do	2187	5½	(1)	(1)	117,454
Do	2435	6	10	(10)	7,700,000
Do	2436	6	10	(10)	30,000,000
Do	2437	6	12	3-31-71	21,000,000
Do	2471	6	16	3- 1-70	5,362,500
Do	2486	6	16	1-31-70	9,800,000
Do	2410	6	14	4- 1-68	25,500,000
Colombia	2479	6	30	9-30-70	7,000,000
Dominican Republic	2484	6	26	6-30-72	6,000,000
Ecuador	2451	6	16	12-31-69	4,200,000
Guatemala	2439	6	10	(11)	3,000,000
Jamaica	2406	6	17	1-31-69	3,500,000
Mexico	2409	6	20	8-31-67	4,000,000
Do	2417	6	10	6-30-68	2,800,000
Do	2427	6	16	12-15-69	5,100,000
Do	2430	6	14	do	19,000,000
Do	2452	6	30	4-30-69	3,805,900
Do	2462	6	20	3-15-71	26,000,000
Do	2464	6	16	9-30-69	6,700,000
Do	2482	6	20	6-15-69	4,300,000
Panama	2465	6	10	1-31-69	481,000
Trinidad and Tobago	2473	6	30	1-15-70	6,600,000
Venezuela	2433	6	16	1-15-69	5,000,000
Do	2450	6	14	5-1-69	18,800,000
Do	2459	6	12	1-15-69	1,300,000
Do	2466	6	10	(11)	5,000,000
Do	2251	6	24	1-15-70	$ 8,000,000
Total Latin America					500,224,354
Oceania:					
Australia	2421	6	14	12-31-68	72,816,000
Do	2440	5½	10	(12)	35,000,000
Do	2441	4¾	14	12-31-68	110,000,000
Do	2442	5½	10	do	14,714,000
Do	2461	6	12	2- 1-69	500,000
New Zealand	2460	6	12	4- 1-73	13,300,000
Total Oceania					246,330,000

See footnotes at end of table, p. 196.

LONG-TERM CAPITAL LOANS AUTHORIZED DURING CALENDAR YEAR 1967—Continued

Area and country	Loan No.	Interest rate	Terms		Amount authorized
			Number of semiannual payments	Beginning date of payments	
Miscellaneous:					
	67-XM-G	5½	15	12-31-67	$7,033,618
	67-XM-H	5½	13	4- 1-68	8,375,563
	67-XM-I	5½	14	do	4,593,750
	67-XM-J	5½	14	9- 1-68	4,000,000
	67-XM-K	5½	14	12-31-69	45,000,000
	67-XM-L	5½	14	1- 1-69	8,790,000
	67-XM-M	5½	14	4- 1-69	2,375,000
	67-XM-N	5½	[13] 7	6-30-69	8,400,000
	67-XM-O	5½	[13] 7	do	2,400,000
	67-XM-P	5½	[13] 7	do	900,000
	67-XM-Q	5½	[13] 7	do	18,000,000
	67-XM-R	5½	[13] 7	do	1,000,000
	67-XM-S	5½	[13] 7	8- 1-68	2,250,000
	67-XM-T	5½	[13] 7	11-16-68	5,940,000
	67-XM-U	5½	[13] 7	2-15-69	5,292,000
Total miscellaneous					[14] 124,349,931
Total					1,917,931,001

[1] Interest capitalized.
[2] Loan has been made in 2 parts, the 1st part of $6,534,900 for fuel is to be repaid in 10 semiannual installments and the 2d part of $38,081,865 for equipment shall be repayable in 32 semiannual installments.
[3] Beginning May 15, 1972, with respect to amounts disbursed through date of delivery of the 4th aircraft; Nov. 1, 1972 on amounts disbursed through date of delivery of the 6th aircraft; Jan. 31, 1973, on amounts disbursed through date of delivery of the 9th aircraft and Sept. 30, 1973, for any amounts disbursed thereafter.
[4] 2 separate schedules, the 1st to cover up to $1,100,000 commencing on Nov. 15, 1967; and the 2d to cover all disbursements in excess of the 1st schedule, commencing on Nov. 15, 1968.
[5] Increase to a loan authorized in a prior fiscal year.
[6] Beginning Dec. 15, 1971, with respect to amounts disbursed through date of delivery of the 6th aircraft or Jan. 31, 1968 (whichever occurs 1st); Mar. 15, 1972, on amounts disbursed through date of delivery of the 15th aircraft or June 30, 1968 (whichever occurs 1st); Nov. 15, 1972, on amounts disbursed through date of delivery of the 18th aircraft or Jan. 31, 1969 (whichever occurs 1st); and Jan. 15, 1973, for any amount disbursed thereafter.
[7] Beginning Sept. 30, 1967, with respect to amounts disbursed prior to June 30, 1967; and Mar. 31, 1968, for any amounts disbursed thereafter.
[8] 3 schedules of 14 quarterly installments beginning Dec. 15, 1974, with respect to amounts disbursed through Feb. 28, 1971; June 15, 1975, for all amounts disbursed from Mar. 1, 1971, through Aug. 31, 1971; and Dec. 15, 1975, for any amounts disbursed thereafter.
[9] An additional amount of $175,000,000, authorized under this credit, was classified as an "emergency foreign trade loan."
[10] Beginning Mar. 31, 1970, with respect to amounts disbursed prior to Jan. 31, 1968; and Mar. 31, 1971, for any amounts disbursed thereafter.
[11] 2 years from date of note.
[12] Beginning June 30, 1968, with respect to amounts disbursed during 6-month period ending Dec. 31, 1967; and Dec 31, 1968, for amount disbursed during 6-month period ending June 30, 1968.
[13] Number of annual payments.
[14] Special guaranteed loans.

LATIN AMERICA EXPORTS

Mr. PASSMAN. What is the aggregate of the Bank's business in Latin America for any given period? Let's say calendar year 1967, or fiscal year 1967?

Mr. LINDER. I can put that in the record, although I think I can get it in a few minutes.

Mr. PASSMAN. All right, sir.

Mr. LINDER. For fiscal 1967, we did $517 million of credits for Latin America. We had short-term insurance of $229 million. We had guarantees of $103 million, and medium-term insurance of $59 million, making a total of $908 million, of guarantees, insurance, and loans.

Mr. PASSMAN. I understand. All of it is the aggregate. It represents that total in exports.

Mr. LINDER. Yes, sir. The information is on page 56 of our annual report.

Mr. PASSMAN. We are not being critical of it, we are just trying to put it together. When we mix it up in about three different categories, I want to know if I am correct in saying that that figure is the total amount of exports.

Mr. LINDER. It is the total amount of exports.

LOANS RECEIVABLES

Mr. PASSMAN. When you look at the net amount of foreign aid and assistance, less all repayments, plus the interest, since the end of World War II, it is $155,297 million.

The Eximbank long-term portion of that is $3,173 million. Now, is that amount owing directly to the Eximbank? These are the AID figures I am using, they are not mine. Is that the amount of receivables to the Bank as of June 30, 1967?

Mr. LINDER. As of June 1967, loans receivable of the Eximbank were $4,151 million.

Mr. PASSMAN. At what date?

Mr. LINDER. June 1967.

Mr. PASSMAN. Long-term loans?

Mr. LINDER. They are loans. Some may be very short. Some of them may be long.

Mr. PASSMAN. But that is the aggregate?

Mr. LINDER. That is the aggregate of loans receivable, $4,151 million.

Mr. PASSMAN. The AID figure is $3,173 million.

Mr. LINDER. For what?

Mr. PASSMAN. The same thing, Eximbank loans, long term.

Mr. LINDER. That is the classification of long term.

Mr. PASSMAN. Where do I find the rest of it?

Mr. LINDER. I do not know, sir. That is an AID table.

GUARANTEED AND INSURED LOANS

Mr. PASSMAN. I am going to use your figure of $4,151 million. That does not include the loans with which there is a guarantee on, that may be payable to Chase National, or the Shriver National Bank, does it?

Mr. LINDER. It does not.

Mr. PASSMAN. What would that amount to?

Mr. LINDER. We are talking about the whole world now, not about Latin America.

Mr. PASSMAN. The whole world.

Mr. LINDER. Guarantees outstanding and unshipped goods covered by guarantee at that date were $494 million. FCIA insurance as of the same date was $706 million.

Mr. PASSMAN. Now to get the aggregate you are responsible for, you would have to add that to this figure, would you not?

Mr. LINDER. Yes.

Mr. PASSMAN. Which means if we want to exaggerate a little—which we don't want to do—I just want the record to show—we could also think of that as foreign assistance. Not that it is not going to be paid back, because a man with plenty of money usually does not want credit. So this does not reflect the total. You would have to add to that

the amount of loans you made originally for exports which you consequently discounted to the Bank or sold to the Bank, is that correct?

Mr. LINDER. That is correct, except that I have never known a rich man who did not want credit.

Mr. PASSMAN. I guess there is some advantage. You ought to know. I have never had that experience.

Mr. LINDER. It is an amazing thing, but Luthanza would rather buy planes on credit. They will buy fewer planes if they have to pay cash.

PROVISO PROHIBITING EXTENSION OF CREDIT TO COMMUNIST COUNTRIES

Mr. PASSMAN. I notice that the budget proposes to delete the language that we have carried in our bill for several years which prohibits extension of credit to Communist countries.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Is this proviso in our bill no longer necessary due to Public Law 90–267, which recently passed the Congress?

Mr. LINDER. I cannot testify as to the section because I do not have the bill before me——but I suggested in my statement to you that the provision in the foreign assistance appropriation bill was no longer necessary because the one which is included in our bill is more strict. Therefore, I do not think it is necessary to continue the restriction here.

COUNTRIES AFFECTED BY EACH PRESIDENTIAL DETERMINATION

Mr. PASSMAN. Would you furnish for the record a table showing the date, the country covered and the type of commodities covered by each Presidential determination that is now in effect?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Could you also include pending applications?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Thank you.

(The information follows:)

PRESIDENTIAL DETERMINATIONS PURSUANT TO TITLE III OF THE FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATION ACTS OF 1964 THROUGH 1968 COVERING EXIMBANK SUPPORT OF EXPORTS TO COMMUNIST COUNTRIES

Date	Countries	Export items and conditions
Feb. 4, 1964	Yugoslavia	All U.S. products and services.
Do	Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, and U.S.S.R.	U.S. agricultural products.
June 15, 1964	Rumania	All U.S. products and services sold on short and medium-term credit.
Oct. 7, 1966	Bulgaria, Czechoslovakia, Hungary and Poland.	All U.S. products and services sold on short- and medium-term credit.

PENDING APPLICATIONS AS OF MARCH 27, 1968, FOR EXIMBANK SUPPORT OF EXPORTS TO COMMUNIST COUNTRIES

Yugoslavia

(A) EXIMBANK MEDIUM-TERM GUARANTEES TO COMMERCIAL BANKS

1. Bank: Chase Manhattan Bank, New York, N.Y.
Exporter: Harnischfeger Corp., Milwaukee, Wis.
Foreign purchaser: Rudarsko Topionicarski Basen Bor.

Products to be exported: Two heavy-duty mining shovels.
Contract price: $920,000.
Eximbank liability: $771,700.

2. Bank: First Wisconsin National Bank of Milwaukee.
Exporter: Bucyrus-Erie Co., Milwaukee, Wis.
Foreign purchaser: Rudarsko Topionicarski Basen Bor.
Products to be exported: Two rotary blast hole drills.
Contract price: $540,000.
Eximbank liability: $453,000.

3. Bank: National City Bank of Cleveland, Cleveland, Ohio.
Exporter: National Acme Co., Cleveland, Ohio.
Foreign purchaser: Metalka Export Import.
Products to be exported: Four shell core blowers with full standard equipment for foundry.
Contract price: $70,000.
Eximbank liability: $55,400.

(B) FOREIGN CREDIT INSURANCE ASSOCIATION MEDIUM-TERM INSURANCE

1. Exporter: Acrometal Products, Inc., Minneapolis, Minn.
Purchaser: Invest-Import/Industrija Kablova.
Guarantor: National Bank of Yugoslavia.
Products: Three H-7 wire enameling systems.
Eximbank limit of liability: $159,200.

Mr. LINDER. I do not think there are many pending applications at this time.

Mr. PASSMAN. I would not want to delay the hearings because other members have questions to ask, but you are going to place this data in the record by date and by country; but do you know the total, at this time?

Mr. LINDER. The total amount we have ever extended?

Mr. PASSMAN. I asked for a table showing the date, the country or countries covered and the type commodities covered by each Presidential determination that is now in effect. What is the aggregate?

LIMITATIONS ON PRESIDENTIAL DETERMINATIONS

Mr. SAUER. It is open. There is no limitation.

Mr. PASSMAN. What have you disbursed under these Presidential determinations?

Mr. SAUER. That we can furnish.

Mr. PASSMAN. Have you just determined that we can sell everything we produce or do you ask for a limitation?

Mr. SAUER. No limitation.

Mr. LINDER. We notify you as soon as we actually do extend a credit.

Mr. PASSMAN. After the fact and not before?

Mr. LINDER. That is correct.

Mr. PASSMAN. It is always nice to hear from you; not that it amounts to a thing in the world, but it makes good reading.

Mr. LINDER. The aggregate of that business is very, very small.

Mr. SHRIVER. There is a notification to this committee, to the Chairman or to the Congress?

Mr. PASSMAN. It goes to the Speaker, does it not?

Mr. SAUER. It goes to the Speaker.

Mr. LINDER. The determination goes to the Speaker.

Mr. SHRIVER. What form does it take?

Mr. SAUER. We send this committee a copy.

Mr. PASSMAN. I know the Speaker gets it and it comes here but since it is after the fact and not before, I can find more important work to do than to read about something that has already happened.

Now if the President issues a determination, then the sky's the limit, depending upon the decision of the Board, is that correct?

Mr. LINDER. Yes, sir, if you wish to put it that way.

Mr. PASSMAN. I will put it some other way. Whatever the Board wants to approve, that is the amount of the determination. It is a blanket determination?

Mr. LINDER. The President determines that it is in the national interest for us to sell certain types of goods to "X" country, and then the Board decides whether or not it is prepared to extend credit to that country and how much.

Mr. PASSMAN. Does this determination define the commodities to be financed?

Mr. LINDER. The determinations have varied in that respect. Several were limited to agricultural products, while others have been for U.S. products and services generally. In his transmittal letter to Congress sending forward his determination of October 7, 1966, the President noted that the determination "Covers all peaceful goods and services," and this exclusion of military equipment is certainly implied in all the President's determinations. Of course the export control list of the U.S. Department of Commerce may preclude exports of strategic goods which are not strictly military. As a practical matter, that would also control the type of commodities.

If we had any knowledge that a particular export was not appropriate, we would not, of course, approve it.

CREDIT LIMITATIONS ON PRESIDENTIAL LIMITATIONS

Mr. PASSMAN. There is no dollar limitation on it. If the commodity as such is approved, then the Eximbank fixes the limitation on the amount of the loan.

Mr. LINDER. That is correct. Transactions of this type amounted to less than 1 percent of our total fiscal 1967 activity.

Mr. PASSMAN. What was the total business?

That is like saying we are only giving away a certain percentage of our GNP.

Mr. LINDER. I stated that we authorized $26 million and we know that $10 million was actually done. You see we frequently authorize and then the American exporter does not get the business.

Mr. PASSMAN. I understand. If the President issues a Presidential Determination, is it for a given period? Does it cover one fiscal year or is it just open ended?

Mr. LINDER. It is open.

Mr. PASSMAN. Once he makes his determination, it is good as long as he is in office, unless it is rescinded?

Mr. LINDER. That is true, sir.

Mr. PASSMAN. Our good friend here, your very able associate, said there was no limitation on the determination but you have sold a total of $26 million to these Communist countries and have disbursed in the neighborhood of $10 million and there is $16 million open.

Mr. LINDER. No, only $12 million is open and the $4 million was canceled because the orders weren't received.

Mr. PASSMAN. That is what I say, but the determination is——

Mr. LINDER. The authorization could be for $100 million, as you pointed out.

Mr. PASSMAN. It could go back to $26 million then?

Mr. LINDER. It could go to $50 or $100 million.

Mr. PASSMAN. Or it could be canceled.

Mr. LINDER. That is right. Once we know the deal isn't consummated, then we cancel it.

Mr. PASSMAN. Without any further Presidential determination, you can negotiate loans for other commodities; can you not?

Mr. LINDER. With that particular country; yes.

DURATION OF PRESIDENTIAL DETERMINATION

Mr. PASSMAN. Once the Presidential determination is made, that is almost the equivalent of a statute; isn't it?

Mr. LINDER. It is within the statute. The statute requires that the President determine——

Mr. PASSMAN. I wonder if the President would like to have us write legislation that these determinations are good only for the fiscal year in which we operate. You could make loans for as many years as necessary, but these determinations are just wide open.

We have it in the record, at least, and we can let the people decide for themselves what they want.

The President is only elected for 4 years and we are elected for two. There should be some limitation. I think they should not go beyond his tenure of office.

Mr. LINDER. He has given us a determination for agricultural products only for Russia. He has never given us a determination for Albania. He has for Yugoslavia, of course, and for Hungary, Bulgaria, Czechoslovakia, Poland, and Rumania.

Mr. PASSMAN. My point is, it may not be desirable. I don't know, but conditions change every day in these countries. We have faith in you, but if the President issues a determination, that is almost the equivalent of a statute unless he rescinds it. He may get busy or you may get busy, you may be out of the country or you may have some new assistants who perhaps could approve loans for the sale of commodities and you may find later it was not the best thing to do. But inasmuch as it must be handled by a determination, it would appear to me it would be desirable, and would protect the Export-Import Bank and our Government, at least, to say "This determination shall expire on a certain date."

NATIONAL ADVISORY COUNCIL

Mr. LINDER. The sizable transactions are all reviewed by the NAC, the National Advisory Council.

Mr. PASSMAN. Who are they?

Mr. LINDER. That is the National Advisory Council on International Monetary Affairs. They are representatives of State, Commerce, Treasury, the Federal Reserve Board, and Eximbank. So if the kind of incident which you postulated a moment ago should actually occur, it is reasonable to assume that before the State representative on that Council says, "It is all right for Czechoslovakia"—and they watch

that closely—they would be raising a question saying, "I want to check that with our Department before we agree to it."

So there is a further review beyond the Board of Directors of the Bank.

Mr. PASSMAN. I appreciate that, Mr. President, but it follows, nevertheless, we are treading on very thin ice.

You know how Mr. and Mrs. America feel about this. I wouldn't have been surprised if you had said, "No, on these determinations there is a time limitation that is good for a certain period." So far as I am concerned, I cannot see why a time determination would not be good because you have changing conditions, changing governments, some of them for the worse.

TRADE WITH COMMUNIST NATIONS

Would you furnish a table showing the amount of trade between the United States and the various Communist nations, Mr. President?

Mr. LINDER. We will get that from the Department of Commerce for you.

(The information follows:)

TABLE B.—U.S. EXPORTS TO AND IMPORTS FROM EASTERN EUROPE AND COMMUNIST AREAS IN ASIA, 1960-66 AND JANUARY-SEPTEMBER 1967

[In thousands of dollars]

Country	1960	1961	1962	1963	1964	1965	1966	January-September 1967
	Exports, including reexports							
Total	194,467	133,568	125,369	166,817	339,926	140,010	198,006	153,500
Eastern European areas	194,467	133,561	125,365	166,814	339,923	140,009	198,005	153,499
Albania	3		2	(1)	19	8	166	43
Bulgaria	73	47	33	136	5,020	3,613	3,631	2,816
Czechoslovakia	4,740	7,388	7,173	9,791	11,338	27,685	37,336	16,619
East Germany	4,042	2,775	1,698	6,403	20,211	12,413	24,864	22,435
Estonia								
Hungary	1,650	1,410	837	17,371	13,753	9,327	10,053	4,958
Latvia	824	2,911	4,887	2,364	1,807			
Lithuania			1	323				
Poland	143,111	74,856	94,577	108,936	138,066	35,417	52,988	48,795
Rumania	1,260	1,424	802	1,249	5,156	6,385	27,242	12,440
U.S.S.R.	38,764	42,750	15,355	20,241	144,553	45,161	41,725	45,393
Communist areas in Asia		[2]7	[2]4	[2]3	[2]3	[2]1	[2]1	[2]1
China, including Manchuria		[2]7	[2]4	[2]3	[2]3	[2]1	[2]1	[2]1
Outer Mongolia					(1)			
North Korea								
	General imports							
Total	83,848	84,634	82,442	85,142	102,305	141,590	182,179	140,868
Eastern European areas	80,934	81,062	78,918	81,489	98,516	137,496	178,668	138,793
Albania	65	74	123	117	102	113	109	168
Bulgaria	781	1,248	1,136	1,195	1,177	1,666	2,529	2,326
Czechoslovakia	12,214	9,286	9,989	10,369	12,706	16,741	27,695	20,345
East Germany	3,153	2,522	3,096	3,158	6,686	6,537	8,194	4,519
Estonia		2	(1)	6	96	13	113	43
Hungary	1,809	2,024	1,813	1,581	1,693	2,092	2,985	2,860
Latvia	2	(1)	1	810	418	12	18	5
Lithuania	13	(1)	(1)	15	4	33	8	14
Poland	38,807	41,316	45,836	43,119	54,202	65,861	82,948	71,350
Rumania	1,461	1,362	626	789	1,272	1,836	4,655	4,633
U.S.S.R.	22,629	23,228	16,298	20,330	20,160	42,592	49,414	32,530
Communist areas in Asia	2,914	3,752	3,524	3,653	3,789	4,094	3,511	2,075
China, including Manchuria	253	447	241	264	477	463	102	181
Outer Mongolia	2,658	3,125	3,283	3,389	3,312	3,631	3,409	1,894
North Korea	3							

See footnotes on p. 203.

Mr. PASSMAN. Is it not true that our country is doing business to some extent with all nations on the face of the earth, with the exception of six or seven? That we have had certain trade under all of the Presidents since the end of World War II, with Communist countries, generally on a cash basis, buying and selling nonstrategic. The exceptions that I can recall right now are Albania, Estonia, North Korea, Red China, and North Vietnam. With all the other nations we have been buying and selling all the time, haven't we?

Mr. LINDER. To the best of my knowledge and belief, that is correct. I don't know which ones are on your list.

Mr. PASSMAN. Every year since World War II we have been selling to Russia and we have been buying from Russia. Is that your understanding?

Mr. LINDER. I believe we have. I think it is a very modest amount.

Mr. PASSMAN. We are dealing with everybody on the face of the earth with the exception of the six or seven countries. We should let the record show that so that the people, and the wonderful people I represent, will know it. They think we are not dealing with certain countries when we are dealing with them every day.

Mr. LINDER. Of course those are private dealings.

Mr. PASSMAN. Everything we do is private. The Government just skims off the cream and spends it. The Government has never manufactured anything to ship out for sale, has it?

When I say "We," I am talking about American commerce. You are in commerce. You are making loans for only one purpose and that is to finance manufactured goods or raw materials.

Mr. LINDER. That is correct, sir.

INCREASE IN ADMINISTRATIVE EXPENSE REQUESTED

Mr. PASSMAN. Mr. President, the 1969 estimate on administrative expenses is $4,932,000, which is an increase of $742,000 above the fiscal year 1968 limitation, with this caveat that, so as to be able to meet

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See references on p. 202.

[1] Less than $500.

[2] Figures shown include printed matter under general license and shipments to diplomatic missions of friendly foreign countries.

Note: Exports are shown by area of destination. Imports are credited to the area in which the merchandise was originally produced, not necessarily the area from which purchases and shipments were made. General imports represent merchandise entered immediately upon arrival into merchandising or consumption channels plus commodities entered into bounded customs warehouses for storage.

U.S. exports to North Korea were embargoed July 1950, and those to Communist China, Manchuria, and Outer Mongolia were embargoed the following December. On Mar. 1, 1951, general export licenses to Eastern European areas were revoked and the requirement of prior approval by license was extended to cover all exports to this area. On July 26, 1954 exports to North Vietnam were embargoed. Since mid-1954 the policy with respect to exports of nonstrategic goods to Eastern European areas has been liberalized to some extent. In particular, a less restrictive policy with respect to Poland has been pursued since August 1957, and with respect to Rumania since July 1964. On Apr. 26, 1956, a general license was established authorizing the export without a validated license of certain commodities to Albania, Bulgaria, Czechoslovakia, East Germany, Estonia, Hungary, Latvia, Lithuania, Outer Mongolia, Poland, Rumania, and the U.S.S.R., except the Maritime Province. Pursuant to the Trade Agreements Extension Act of 1951, benefits of trade agreement tariff concessions were withdrawn from the U.S.S.R. and other Eastern European areas and an embargo was imposed on the import of certain furs from China and the U.S.S.R.

Controls over imports of Chinese and North Korean merchandise are exercised by the Treasury Department under Foreign Assets Control Regulations issued Dec. 17, 1950. On May 5, 1964, license control of imports from North Vietnam was added to these regulations. Under these regulations the import of Chinese goods is prohibited without license by the Treasury Department, and it is contrary to the present policy of that agency to license such imports. Some items of Chinese origin, however, continue to appear in the statistical records of U.S. imports. For example, duty-free merchandise permitted entry for customs inspection but subsequently rejected when determined to be of Chinese origin, may be counted in the statistics. The figures may also include imports licensed to avoid undue hardship to firms and individuals who acquired the Chinese merchandise in good faith and imports, from third countries, of Chinese products in which all Chinese interests had ceased by Dec. 17, 1950. In U.S. import statistics, goods of Chinese origin are credited to China regardless of the last country from which they were shipped.

Source: "Export Control", 82d quarterly report, 4th quarter 1967, U.S. Department of Commerce.

the cost of the Pay Act, you are going to have to request a supplemental of $115,000?

Mr. LINDER. That is correct, sir.

Mr. PASSMAN. So, in reality, the increase will be $627,000 if we compare the actual increase over fiscal year 1968 and if we take into account the supplemental which you must have to meet the pay cost increase?

Mr. LINDER. Yes.

ADDITIONAL POSITIONS REQUESTED

Mr. PASSMAN. I note that you propose to create 15 new positions. Will you furnish for the record a table showing the job title and the salary of each of these?

Mr. LINDER. Yes, sir.

(The information follows:)

Schedule of 15 additional positions included in fiscal year 1969

Position title	*Annual salary*	*Position title*	*Annual salary*
Economist	$13,507	Accountant	$9,657
Do	13,957	Loan assistants	8,592
Do	13,957	Do	8,592
Loan specialist	11,461	Accounting clerk	8,592
Do	11,843	Secretary-stenography	6,547
Accountant	11,843	Clerk typist	4,466
Loan specialist	9,657	Do	4,466
Do	9,657		

INCREASE IN RENT

Mr. PASSMAN. I observe that of the fiscal year 1969 request, the increase over fiscal year 1967 in rent alone would be $99,000. Is that correct?

Mr. LINDER. Well, sir, I am not sure that that will be necessary. We have had negotiations with the General Services Administration and we had to consider the possibility of a move by the Bank. Although there will be a move, it will now be within the same building, I believe, so we may have a margin there of an amount which we may not require. I think there was a little cushion in there for that purpose.

Mr. PASSMAN. In your estimate of $4,932,000, there is a possibility thta you will not need that much?

Mr. LINDER. On the one side we won't have the moving expense we anticipated. On the other side, we are taking more space and therefore there may be a change from that point of view, so I really can't say sir. I am not sure that our expense will be that much.

Mr. PASSMAN. Then you may not need the entire increase because there may be some favorable adjustments in the present estimates as to the additional rent cost?

Mr. LINDER. Well, sir, as I say, on the one hand we will not have as much moving expense as we anticipated. On the other hand, we will need more space. We are terribly, terribly cramped at the present time. We have just worked this out with the General Services Administration so I don't know whether it will be slightly up or down.

Mr. PASSMAN. In the $99,000 increase, as you indicated in your justification, above fiscal year 1967, that may or may not be required?

Mr. LINDER. Yes.

SERVICES PROVIDED BY OTHER AGENCIES

Mr. PASSMAN. Mr. President, will you furnish for the record a table showing the breakdown of "Services furnished by other governmental agencies" of $91,000, and for "Services furnished by non-Government agencies" at a cost of $36,000?

Mr. LINDER. Yes, sir.

(The information follows:)

SCHEDULE OF OTHER SERVICES INCLUDED IN THE ESTIMATE FOR ADMINISTRATIVE EXPENSES FOR FISCAL YEAR 1969—OBJECT CLASS 25, "OTHER SERVICES"

	Amount	Agency
Government:		
Repairs and alterations to building	$25,000	General Services Administration.
Storage of motor vehicles (2)	216	Do.
Civil services investigations, 25 cases at $415	10,375	Civil Service Commission.
Library	360	Housing and Urban Development.
Health unit	4,725	Health, Education, and Welfare.
Space planning	50,000	General Services Administration.
Total, Government	90,676	
Nongovernmental:		
Repairs and service of equipment	15,000	
Tuition and other training expenses	2,500	
Fees and other charges	5,000	
Credit reports	5,500	
Other [1]	8,000	
Total, nongovernmental	36,000	

[1] Includes computer service, art work, repairs and service of equipment not included in the above.

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

Mr. Shriver?

TRADE WITH COMMUNIST COUNTRIES

Mr. SHRIVER. Mr. Chairman, you have covered many of my questions so I will be rather brief. I want to ask further questions concerning the transactions with Communist countries because there is considerable interest in this in the House.

On page 4 of your statement you mention the amount for Communist countries.

Bulgaria, $627,900; Czechoslovakia, $200,000; Hungary, $16,696,000; Yugoslavia, $9,081,400.

Would you briefly describe the circumstances of each of these transactions, including the identification of the buyers and the sellers, the articles purchased and the justification of the President's determination that the Bank should support this determination? You may do it for the record.

(The information follows:)

CREDIT EXTENDED TO EASTERN EUROPEAN COUNTRIES DURING FISCAL YEAR 1967, AND THE STATUS OF SUCH CREDITS AT FEB. 29, 1968

Country	Credit number	Obligor	Exporter	Purpose	Date authorized	Authorized	Canceled	Shipped
Medium-term guarantees:								
Bulgaria	G-10-124	Machino Import (guaranteed by Bulgarian Foreign Trade Bank).	Gleason Works	Bevel gear lapping machine	Mar. 10, 1967	$252,700.00		
	G-2-640	do	Caterpillar Overseas, S.A.	Drillmasters, drill, and portable air compressor.	Apr. 17, 1967	375,200.00	$375,200.00	
Hungary	G-2415	Government of Hungary through various Hungarian foreign trade companies (guaranteed by the Hungarian Foreign Trade Bank and the National Bank of Hungary).	Various	Cotton, soybeans, and soybean meal.	Feb. 27, 1967	16,696,000.00		$4,403,077.24
Yugoslavia	G-2-627	Automakedonija, Import-Export Skopje (guaranteed by National Bank of Yugoslavia).	The Eimco Corp	Excavators and spare parts	Feb. 1, 1967	58,300.00	62.08	58,237.92
	G-11-12	Jugoelektro, Import-Export (guaranteed by National Bank of Yugoslavia or other).	Kulicke & Soffa Industries, Inc.	Transistor production and electronic equipment.	do	94,400.00	94,400.00	
	G-40-192	Poljoopskrba Import-Export (guaranteed by National Bank of Yugoslavia).	Deere & Co	Agricultural machinery, equipment, and spare parts.	Feb. 2, 1967	1,690,600.00	1,515,800.00	125,163.23
	G-9-147	INA—Industrija Nafte (guaranteed by National Bank of Yugoslavia).	Cardwell Manufacturing Co., Inc.	Oilwell servicing machines	Mar. 14, 1967	144,900.00	144,900.00	
	G-50-80	Autocentar (guaranteed by National Bank of Yugoslavia or the Federal Secretariat for Finance).	The Cessna Aircraft Co	Airplane	Mar. 24, 1967	81,800.00		
	G-9-153	Agrotehnika, Ljubljana Titova (guaranteed by National Bank of Yugoslavia).	Allis-Chalmers Manufacturing Co.	Front end loaders, crawler tractors, motorgraders, rock wagons.	June 8, 1967	893,300.00	893,300.00	
	G-2-572	Gramat, For Konstructor-Split (guaranteed by Yugoslav Bank for Foreign Trade).	The Eimco Corp	Rockershovels with spare parts	July 11, 1966	39,800.00	92.26	39,707.74
	G-1-441	Rudnap (guaranteed by Yugoslav Bank for Foreign Trade and National Bank of Yugoslavia).	Caterpillar Overseas, S.A.	Traxcavators	July 26, 1966	84,700.00	74,700.00	
	G-2-580	Rudnap Import-Export (guaranteed by National Bank of Yugoslavia).	Pacific Car & Foundry Co	Dump trucks and spare parts	Aug. 4, 1966	1,347,600.00	67.80	1,347,532.20
	G-50-64	Poljoopskrba Import & Export (guaranteed by Yugoslav Agricultural Bank and National Bank of Yugoslavia).	Deere & Co	Tractors combines and beet harvesters.	Aug. 8, 1966	328,400.00	.56	328,399.44
	G-2-595	Rudnap Export-Import (guaranteed by Yugoslav Bank for Foreign Trade et al.).	Caterpillar Overseas S.A.	Motorgraders	Aug. 31, 1966	79,900.00	79,900.00	

	G-47-109	Rudnap, Export-Import (guaranteed by Yugoslav Investment Bank and National Bank of Yugoslavia).	Bucyrus-Erie Co	Rotary blast hole drill with accessories.	Oct.	31, 1966	201,500.00	60.20	201,439.80
	G-50-68	do	LeTourneau-Westinghouse Co.	Trucks, spare parts, and tournatractors.	Nov.	4, 1966	1,349,400.00	30.83	1,349,369.17
	G-12-74	do	Marion Power Shovel Co., Inc.	Commercial shovels with spare parts.	do		875,500.00	29.13	875,470.87
	G-40-189	Jugoelektro-Beograd (guaranteed by National Bank of Yugoslavia).	Sperry Rand Corp	Univac central processor, peripherals, supplies, spare parts, and instruments.	Nov.	30, 1966	255,200.00	28.65	255,171.35
	G-40-190	Gramat, Zagreb, Palmoticeva a/c Jugoinvest (guaranteed by National Bank of Yugoslavia).	Allis-Chalmers Manufacturing Co.	Crawler tractors with rippers, and graders.	Dec.	1, 1966	305,300.00	97.38	305,202.62
Total medium term guarantees							25,154,500.00	3,188,668.89	9,288,771.58
FCIA medium term insurance:									
Yugoslavia	MT-2971	Poljoopskrba, Import-Export (guaranteed by National Bank of Yugoslavia).	Aeroglide Corp	1 grain drier and 1 bucket elevator.	Aug.	23, 1966	68,500.00		68,500.00
	MT-2996	Rudnap, Export-Import (guaranteed by National Bank of Yugoslavia).	Marion Power Shovel Co., Inc.	1 shovel with 9 cubic yard bucket	Aug.	30, 1966	370,600.00		370,600.00
	MT-3200	Rudnap, Export-Import (guaranteed by National Bank of Yugoslavia and Yugoslavia Bank of Foreign Trade).	Caterpillar Overseas, S.A.	4 caterpillar traxcavators	Nov.	10, 1966	84,700.00		84,700.00
	MT-3236	do	do	2 motor graders	Nov.	22, 1966	79,900.00		79,900.00
	MT-3525	Poljoopskrba, Import-Export	Aeroglide Corp	5 grain driers	Apr.	6, 1967	291,200.00	291,200.00	
	MT-3644	Agrotehnika	Aeroglide Corp	1 grain drier	June	6, 1967	56,500.00	56,500.00	
	MT-3675	Masino-Impex	Whitin International Ltd	5 drawing frames, two superlap machines 16 combers.	June	16, 1967	272,700.00	272,700.00	
Total medium term insurance							1,224,100.00	620,400.00	603,700.00
FCIA short-term insurance—Shipments:									
Yugoslavia	SP-13	Not available	Timken Roller Bearing Co.	Tapered roller bearings, alloy steel tubes and bars, and detachable rock bits.			56,686.00		56,686.00
Czechoslovakia							233.00		233.00
Total short term insurance							56,919.00		56,919.00
Grand total							26,435,519.00	3,809,068.89	9,949,390.58

CREDIT EXTENDED TO EASTERN EUROPEAN COUNTRIES DURING FISCAL YEAR 1967, AND THE STATUS OF SUCH CREDITS AT FEB. 29, 1968—Continued

Country	Credit number	Obligor	Exporter	Purpose	Date authorized	Repaid	Outstanding	To be shipped	Fees collected
Medium-term guarantees:									
Bulgaria	G-10-124	Machino import (guaranteed by Bulgarian Foreign Trade Bank).	Gleason Works	Bevel gear lapping machine	Mar. 10, 1967			$252,700.00	
	G-2-640	do	Caterpillar Overseas, S.A.	Drillmasters, drill, and portable air compressor.	Apr. 17, 1967				
Hungary	G-2415	Government of Hungary through various Hungarian foreign trade companies (guaranteed by the Hungarian Foreign Trade Bank and the National Bank of Hungary).	Various	Cotton, soybeans, and soybean meal.	Feb. 27, 1967		$4,403,077.24	12,292,922.76	$29,433.47
Yugoslavia	G-2-627	Automakedonija, Import-Export Skopje (Guaranteed by National Bank of Yugoslavia).	The Eimco Corp	Excavators and spare parts	Feb. 1, 1967	$20,466.72	37,771.20		764.21
	G-11-12	Jugoelektro, Import-Export (guaranteed by National Bank of Yugoslavia or other).	Kulicke and Soffa Industries, Inc.	Transistor production and electronic equipment.	do				
	G-40-192	Poljoopskrba Import-Export (guaranteed by National Bank of Yugoslavia).	Deere & Co	Agricultural machinery, equipment, and spare parts.	Feb. 2, 1967		125,163.23	49,636.77	2,703.81
	G-9-147	INA—Industrija Nafte (guaranteed by National Bank of Yugoslavia).	Cardwell Manufacturing Co., Inc.	Oilwell servicing machines	Mar. 14, 1967				
	G-50-80	Autocentar (guaranteed by National Bank of Yugoslavia or the Federal Secretariat for Finance).	The Cessna Aircraft Co.	Airplane	Mar. 24, 1967			81,800.00	
	G-9-153	Agrotehnika, Ljubljana Titova (guaranteed by National Bank of Yugoslavia).	Allis-Chalmers Manufacturing Co.	Front end loaders, crawler tractors, motorgraders, rock wagons.	June 8, 1967				
	G-2-572	Gramat, For Konstructor-Split (guaranteed by Yugoslav Bank for Foreign Trade).	The Eimco Corp	Rockershovels with spare parts.	Jul. 11, 1966	20,662.40	19,045.34		520.00
	G-1-441	Rudnap (guaranteed by Yugoslav Bank for Foreign Trade and National Bank of Yugoslavia).	Caterpillar Overseas S.A.	Traxcavators	July 26, 1966				
	G-2-580	Rudnap Import-Export (guaranteed by National Bank of Yugoslavia).	Pacific Car & Foundry Co.	Dump trucks and spare parts	Aug. 4, 1966	150,368,40.	1,197,163.80		29,109.78
	G-50-64	Poljoopskrba Import & Export (guaranteed by Yugoslav Agricultural Bank and National Bank of Yugoslavia).	Deere & Co	Tractors combines and beef harvesters.	Aug. 8, 1966	72,445.22	255,954.22		7,094.18

	G-2-595	Rudnap Export-Import (guaranteed by Yugoslav Bank for Foreign Trade et al.).	Caterpillar Overseas	Motorgraders	Aug.	31, 1966				1
	G-47-109	Rudnap, Export-Import (guaranteed by Yugoslav Investment Bank and National Bank of Yugoslavia).	Bucyrus-Erie Co	Rotary blast hole drill with accessories.	Oct.	31, 1966	27,509.40	173,930.40		3,579.18
	G-50-68	do	LeTourneau-Westinghouse Co.	Trucks, spare parts, and tournatractors.	Nov.	4, 1966	150,573.39	1,198,795.78		29,149.46
	G-12-74	do	Marion Power Shovel Co., Inc.	Commercial shovels with spare parts.		do	189,000.13	686,470.74		18,912.18
	G-40-189	Jugoelektro-Beograd (guaranteed by National Bank of Yugoslavia).	Sperry Rand Corp.	Univac central processor, peripherals, supplies, spare parts, and instruments.	Nov.	30, 1966	56,291.02	198,880.33		5,512.28
	G-40-190	Gramat, Zagreb, Palmoticeva a/c Jugoinvest (guaranteed by National Bank of Yugoslavia).	Allis-Chalmers Manufacturing Co.	Crawler tractors with rippers, and graders.	Dec.	1, 1966	67,327.95	237,874.67		6,593.08
Total medium term guarantees							754,644.63	8,534,126.95	12,677,059.53	133,371.63
FCIA medium term Insurance:										
Yugoslavia	MT-2971	Poljoopskrba, Import-Export (guaranteed by National Bank of Yugoslavia).	Aeroglide Corp.	1 grain drier and 1 bucket elevator.	Aug.	23, 1966	6,850.00	61,650.00		2,467.59
	MT-2996	Rudnap, Export-Import (guaranteed by National Bank of Yugoslavia).	Marion Power Shovel Co., Inc.	1 shovel with 9 cubic yard bucket.	Aug.	30, 1966	74,120.00	296,480.00		13,359.84
	MT-3200	Rudnap, Export-Import (guaranteed by National Bank of Yugoslavia and Yugoslavia Bank of Foreign Trade).	Caterpillar Overseas, S.A.	4 caterpillar traxcavators	Nov.	10, 1966	28,233.32	56,466.68		2,060.52
	MT-3236	do	do	2 motor graders	Nov.	22, 1966	26,633.32	53,266.68		1,944.02
	MT-3525	Poljoopskrba, Import-Export	Aeroglide Corp.	5 grain driers	Apr.	6, 1967				
	MT-3644	Agrotehnika	Aeroglide Corp.	1 grain drier	June	6, 1967				
	MT-3675	Masino-Impex	Whitin International, Ltd.	5 drawing frames, two super-lap machines, and 16 combers.		6/16/67				
Total medium term insurance							135,836.64	467,863.36		19,831.97
FCIA short term insurance—Shipments:										
Yugoslavia	SP-13	Not available	Timken Roller Bearing Co.	Tapered roller bearings, alloy steel tubes and bars, and detachable rock bits.			51,686.00	5,000.00		
Czechoslovakia							233.00			
Total short term insurance							51,919.00	5,000.00		
Grand total							942,400.27	9,006,990.31	12,677,059.53	153,203.60

CURRENT STATUS OF BANK TRANSACTIONS

Mr. SHRIVER. Referring to your annual report for fiscal year 1967, would you tell us if the current status of these transactions is satisfactory to the Bank in each case?

On page 92, France—you can do this for the record, if you will.

Page 146, with Poland, and 150, with Rumania; 170, the United Arab Republic, and 176, Yugoslavia.

Mr. LINDER. I can say right now that the only one that is not satisfactory is the United Arab Republic. All the others are meeting their obligations under our agreements.

Mr. SHRIVER. What is the amount with France, the total?

Mr. LINDER. In France we have a total of $31 million, of which $20 million represents active loans, $3,297,000 are guarantees; 800-odd-thousand dollars is medium-term insurance and $7,295,000 is short-term insurance. The reconstruction loans are gone. They have been paid off completely.

Mr. SHRIVER. Originally how much?

Mr. SAUER. $1.2 billion, sir.

Mr. SHRIVER. I think that is of interest to the readers of this report.

Mr. LINDER. At present we have some airplane credits to France still outstanding, I believe—two fairly recent ones to UTA, which is a private airline that operates between France and Africa. The short-term insurance is all 180 days or less. They are credit limits granted by FCIA with our approval.

Mr. SHRIVER. One is failing, you say?

Mr. LINDER. The only one of those countries that is failing to pay is the United Arab Republic.

Mr. SHRIVER. I thought you mentioned some airline.

Mr. LINDER. No, none is failing in France. They are all current.

IMPACT OF DEFENSE GUARANTEE FOR MILITARY SALES

Mr. SHRIVER. Since the Defense Department's authority to guarantee credit or military sales to less developed countries terminates at the end of this fiscal year, what would be the effect on the figures you are presenting here today if the Congress refused to grant new authority for these sales under separate legislation which has been proposed?

Mr. LINDER. The budget was calculated on the assumption that the Defense Department would continue to be authorized to issue its guarantee to Eximbank and that we would authorize $190 million of credits under their guarantee during 1969. As the law stands today the guarantee authority terminates on June 30, 1968, and unless this is changed we would expect not to do those credits. The administration bill proposes to continue the guarantee authority but with a proviso that guarantees may not be issued to Eximbank. It would also preclude Eximbank from extending any credits for military sales to economically less developed countries after June 30th of this year. Of course we cannot now tell how this legislation will emerge from Congress.

But even if the $190 million should not be required for military credits we hope it will be available to us for other credits if needed. For example, we have estimated $100 million for emergency or special foreign trade credits, but this figure could well be much higher in view

of the unsettled international monetary situation. Earlier this month we authorized a $500 million credit of this type to help stabilize the Canadian dollar and maintain the flow of U.S. exports across our northern border. We are also liberalizing our discount loan program to encourage more exports, and the $100 million estimate of net authorizations in that category may well prove inadequate. In any event as you know the Bank's annual authorizations have often been well below the ceiling which the Congress has set. We expect this will continue to be the case in the future whenever the level of actual applications for export support which meet our criteria are not as large as our estimates.

ASSESSMENT OF PROPOSED ACTIVITIES

Mr. SHRIVER. On page 7 of your statement you describe the Bank's proposed activities for 1969. Would you provide for the record a short explanation of the procedures used in showing the program activity and the equipment and services loans to be within the statutory limitations while your total gross commitment is above the ceilings?

Mr. LINDER. Yes I can do it now.

Mr. SHRIVER. All right, do it now.

Mr. LINDER. The gross commitments and the net program activity differ primarily in this respect: in determining net program activity, the gross guarantees and insurance as authorized are reduced by repayments and cancellations occurring during the year, and the resultant net figure is further reduced to 25 percent of such figure in accordance with our basic legislation. I will furnish a table which illustrates how the limitation on program activity is computed for fiscal year 1969.

(The information referred to follows:)

SCHEDULE OF NEW PROGRAM ACTIVITY FOR FISCAL YEAR 1969

[In millions of dollars]

	Loans	Guarantees and insurance	Total
Gross authorizations	$2,340.0	$1,322.3	$3,662.3
Cancellations and participations in authorizations issued during current fiscal year	−50.0		−50.0
Total	2,290.0	1,322.3	3,612.3
Change in unused balance allocated to FCIA		−25.0	−25.0
Repayments, cancellations, and expirations—subject to fractional reserve		−996.1	−996.1
Subtotal at 100 percent	2,290.0	301.2	2,591.2
Reduction of guarantees and insurance to 25 percent of gross		−225.9	−225.9
Net charge for loans, guarantees, and insurance	2,290.0	75.3	2,365.3
Interest and nonadministrative expense			186.6
Equipment and all other			.2
Total limit on program activity			2,552.1

EFFECT OF DISCOUNT LOAN PROGRAM ON COMMERCIAL BANK FINANCING

Mr. SHRIVER. On pages 8 and 9 will you give us some idea of the changes you expect to announce in the discount program and the effects on commercial banks' export assistance programs referred to in that statement?

Mr. LINDER. I can give you some idea. An administration position has not been fully developed, but in effect what will happen is that we will discount loans made by banks, which have been made either entirely on their own responsibility or in combination with us, in which case the bank takes a share of the commercial risk under the normal bank program and we guarantee them on the balance of the risk. These are loans to commercial banks the amounts and terms of which are determined by the export obligations they hold. Suppose a commercial bank comes to us and says, "We have $50 million of export paper with final maturities of 12 months or more and we'd like to borrow x on it." The x is determined in two ways. To the extent that the paper was generated by exports made after March 1, 1966, the bank will be able to borrow up to 50 percent of the paper, with recourse on it.

To the extent the portfolio after calendar 1967 increases as against the level in that year, as an additional incentive we will lend up to 100 percent of the increase, again with recourse on the commercial bank. That, in essence, is what the program is.

Mr. SHRIVER. It wasn't too clear.

Mr. LINDER. It's a complex subject. The reason I didn't go into it in detail is that there are further nuances that will take three closely typewritten pages to explain adequately in our instructions to banks.

Mr. SHRIVER. And they are not finalized?

Mr. LINDER. They are not finalized, but we have agreed to offer such a program. The theory behind it is that we want to get more banks interested in export financing. As you know, when there is a large domestic demand, just as it is hard to get manufacturers who can sell all they can make in Texas or in Michigan or wherever it may be, to go abroad, which will help our balance of payments, so it is hard to get the commercial banks not to serve their domestic customers' needs first. We want to give an additional incentive for them to foster export sales and to urge their customers to sell abroad.

The way we give them that incentive is to say, "If you have a good loan and you don't want to make it because you are full up, then come to us and we will lend you the money against it, provided you guarantee it."

Mr. SHRIVER. On page 9 of the justifications——

Mr. LINDER. And I might say, if I may, that this is not an unusual kind of thing. The British do it.

INCREASE IN EXPENSE FOR SERVICES TO OTHER GOVERNMENTAL AGENCIES

Mr. SHRIVER. On the following page, page 9, you show that the administrative expenses for services to other governmental agencies will increase by more than 125 percent in fiscal year 1969. Why is that?

Mr. LINDER. I don't know what the precise figures are, but I think they are des minimis in any event. I did agree to explain to the chairman exactly what they are. It may be computer services, I just don't know. I do know that the total increase involved is a very, very, small amount.

Have you the figures?

Mr. LILLEY. Yes. I think the key item in the increase, Mr. Chairman, is the provision for moving, and for space and building planning. That appears under "Other services." Under more recent plans we will not move to another building.

Mr. LINDER. We will move within our present building.

Mr. SHRIVER. That is all I have. Thank you.

Mr. CONTE. Mr. Linder, it is good to have you back before the committee. I again want to reiterate what I have said in the past. At least I think you have done an outstanding job in running the bank. This is one of the best agencies we have in the Government and you have been successful in raising money for the Government. I wish you much success and offer you all the cooperation I can give you.

Mr. SHRIVER. Would you yield for a question?

Mr. CONTE. Surely.

EFFECT OF NAME CHANGE

Mr. SHRIVER. What is the effect of the change in name? The inference is that you are not leaving the Bank, it is just a change of name.

Mr. LINDER. I have no plans.

Mr. SHRIVER. You said you were appearing for the last time.

Mr. LINDER. Appearing for the Export-Import Bank "of Washington." There is a change only in the fact that it is not "of Washington" anymore.

This bank was once a D.C. corporation and that is why its name included "of Washington." Then the Export-Import Bank Act, under which we operate today, made it a U.S. Government corporation but the name was allowed to ride.

We suggested, as I indicated to the chairman, that you just drop the "of Washington," but the Banking and Currency Committees preferred "of the United States." And we agreed.

Mr. CONTE. I think the record also should show that Mr. Linder, for the first time, has brought a very distinguished constituent of mine with him, Mrs. Nancy Pigman of Pittsfield. She made a great contribution in Senator Saltonstall's office for many years.

Mr. LINDER. She has made a great contribution to us in the legislation which has just been enacted.

PERCENTAGE OF HIGH RISK COMMITMENTS

Mr. CONTE. What percentage of the bank's total commitments are in what you would consider high-risk markets?

Mr. LINDER. I will tell you, sir, very precisely. We categorize all markets in four categories: A, B, C and D. A, obviously, is the best. That is the reverse of the categorization developed by the Department of Commerce in connection with the investment program abroad.

We calculated that we have 37 percent of our commitments in A countries, 27 percent in B countries, 30 percent in C countries, and 5 percent of our commitments in D countries.

Now, those should be added and divided by 92 rather than 100 because, as you will see, it is not 100 percent. The reason for that is that we do not categorize loans that are guaranteed by the Department of Defense. They have the authority from the Congress to guar-

antee; they have the moneys with which to put up the 25 percent necessary. Those moneys will be deposited with the Treasury as a guarantee for us but we don't call them A, B, C or D. We just call them miscellaneous. So that each one of those figures I gave you would be increased slightly.

LOSS RATIO

Mr. CONTE. Is there any change in the bank's loss ratio which last year represented approximately one-half of 1 percent of the funds loaned?

Mr. LINDER. This is an illusory figure and I would like to be off the record on this.

Mr. CONTE. All right.

(Discussion off the record.)

Mr. CONTE. For the record you could say the loss ratio is about the same as last year.

Mr. LINDER. Yes. I haven't calculated the precise amount. Whether it is $2 million or $3 million really doesn't make very much difference in terms of our total operation.

Mr. CONTE. You may have answered this question when I was down on the floor voting, but I think this is a question that will be directed to the committee when we bring the bill to the floor of the House. If you have answered it, we will just forget it.

EFFECT OF BANKS ACTIVITIES ON THE BALANCE-OF-PAYMENTS SITUATION

Could you expand a little for the record on what has been the effect of the Bank's activities in the balance-of-payments situation?

Mr. LINDER. I would be glad to say what I said in my statement, which was that the collections of interest and principal by the United States, in cash, during the last fiscal year—that is, payments to us of interest and principal and payments to banks and exporters whose credits we have either insured or guaranteed—aggregated $1.5 billion.

We have made loans aggregating larger amounts and there were exports of larger amounts than that. My figures refer to repayments on things that we had previously either extended credit on——

Mr. CONTE. It would be plus or minus 1.5 billion?

Mr. PASSMAN. Does that mean plus over the exports or just——

Mr. LINDER. Just taking the cash that came to us.

Mr. CONTE. With the increasing need for U.S. exports in order to help solve what seems to be our eternal balance-of-payments problem, would you agree that the bank has an even more vital role to play in the future than it has played in the past?

Mr. LINDER. I would agree very heartily. We have two functions, obviously. One is to make sure that our American manufacturers do have the facilities available to them so they can sell abroad in competition with other industrialized countries. Today I think possibly a more important function—not that I think the first is unimportant—is that we do our utmost to shorten our terms, as we have done, to make our credits available on a more strict basis to assure that we will have money flowing in as rapidly as possible. Wherever we can, we try to increase the down payment, but we are in competition.

Some countries which have even more acute balance-of-payments problems than we sometimes extend more liberal terms so that our manufacturers can say, "Look, the British are offering 10 years on their aircraft."

DISCOUNT LOAN PROGRAM

Mr. CONTE. Would you comment on the Bank's discount loan program and to what extent it has come into play?

Mr. LINDER. It has come into play very slightly. I think we have loaned an aggregate of about $100 million.

I think most of it was repaid and then some banks have come back again and I think we have about 30-odd million dollars outstanding at the present time. It was not intended to be anything other than a safety valve for the commercial banks.

I don't know whether you were in the room when Mr. Shriver asked me about that. We have recourse on every bank that borrows from us, but it isn't a collateral loan and we are not taking the risk on the paper. We are, in effect, lending it to the Chase or the City or another bank. We expect its most important effect will be to get more banks, smaller banks, interested in going into this business and larger banks willing to have more of their resources available for exports because they will know where they can find the money if necessary.

The Chairman asked us to put that in the record.

INCREASE IN LENDING AUTHORITY

Mr. CONTE. You point out that under the new provisions passed with respect to the Export-Import Bank, the Bank's lending authority was increased by $4.5 billion and the amount outstanding guaranteed, and the insurance the bank may charge against the $13.5 billion at 25 percent of the related contractual liability was increased from $2 billion to $3.5 billion?

Mr. LINDER. That is correct.

Mr. CONTE. Will you set forth for the record what the effects of these charges will be in general and what the effects will be with respect to the next fiscal year?

Mr. LINDER. I can do that right now. We arrived at those figure as the amounts that we expect to need excluding military, through the next several years, hopefully five years. We did not know what the situation was going to be on the military because Congress had not taken a position on it at the time that we submitted our request for the increased lending authority. I believe we were able to demonstrate the need for the increased authority to the Banking and Currency Committees and therefore there was no objection to the amounts of additional authority which we requested. The increase in the lending authority was agreed to by both Banking and Currency Committees, and by the Senate and the House. That, in substance, is about all that can be said.

If you take into consideration our estimate of repayments—which in effect become a revolving fund for the Bank—and our estimated authorizations, you will find that we expect a net increase at a rate which will just about absorb that $4.5 billion over the next 5 years, or at the rate of roughly $900 million a year.

I think I should point out, however, that the situation has changed somewhat since that legislation was introduced almost a year ago. There is greater pressure all around to do more to assist exports. There will be a more liberalized discount program, for example, so that in total the increase to our lending authority may not last quite as long as we had originally predicted. However, the 1969 figures that you have before you show no substantial increase from 1968. We hope very much to be able to do our job and live within those figures. If you take those figures and do the arithmetic of subtracting our receipts and looking at our authorizations, you will find we will absorb just about that amount of additional lending authority; namely, $900 million on an average over the next 5 years.

PROVISO PROHIBITING EXPORTS TO COUNTRIES ASSISTING NORTH VIETNAM

Mr. CONTE. How about the provision that was tacked onto the bill prohibiting the Bank from participating in financing exports to countries directly assisting the Vietcong and North Vietnamese? What countries that you have been dealing with have been affected by this?

Mr. LINDER. To the best of our knowledge all the Communist countries with the exception of Yugoslavia are affected by it. This opinion is based on information which we requested and have received from U.S. embassies and consulates all over the world as to which host country governments were assisting North Vietnam. It appears that Yugoslavia does not fall in that category, but Poland, Czechoslovakia, Rumania, Bulgaria, Hungary and Russia clearly do. Therefore such little business as we have done with these Communist countries will be cut off by the so-called Fino amendent to which you have referred.

Mr. CONTE. That would include England too, I imagine.

Mr. LINDER. No, it would not because the Government, as such, certainly is not aiding North Vietnam and none of the governments of the Western countries are sending material, men, or anything else to the North Vietnamese. Mr. Fino's amendment very clearly is restricted to a nation, the "government of which" is directly assisting our adversaries.

Mr. CONTE. Those flagships coming out of Hong Kong with English flags on them have nothing to do with the English Government?

Mr. LINDER. The ships are not owned or operated by the Government.

There is a specific exception to what is included in governmental action in the Fino amendment which reads, "not including chartering, licensing, or sales by non-wholly-owned business enterprises."

LEGISLATION PROHIBITING SALES OF DEFENSE ITEMS TO LESS-DEVELOPED COUNTRIES

Mr. CONTE. You refer to the Bank's prohibition concerning sales of defense items to less-developed countries. In the past the Bank loans have been based on Pentagon guarantees coming from the use of the revolving credit sales fund.

Mr. LINDER. In the less-developed countries; that is correct.

Mr. CONTE. This has been limited now by legislation?

Mr. LINDER. Yes, sir.

Mr. CONTE. Is there any other way by which the Bank could get involved in these defense sales without a Pentagon guarantee and the limited revolving credit?

Mr. LINDER. Yes, there is. If the President were to determine under the so-called Muskie amendment contained in the Senate-passed bill or rather its equivalent in the House, the Reuss amendment, that a sale to a developing country did not adversely affect the purchasing country's economic development, did not contribute to the arms race, and would not be used to support an undesirable, shall I say, dictatorship—I am not trying to quote the bill precisely—and the Board of the Bank determined that we were prepared to lend money to the developing country, then we could do it. This would work the same way as our credits to the developed countries provided the President gave us a determination.

Mr. CONTE. The President can also waive it if he determines this is in the national interest.

Mr. LINDER. Yes, he can after taking into account the factors which I just enumerated.

Mr. CONTE. Under the revolving fund.

Mr. LINDER. We have no revolving fund. The Defense Department has a revolving fund, which was originally funded by an appropriation from Congress, which they can use to guarantee the financing of these sales either to commercial banks or to Eximbank, but that authority terminates as of June 30, unless it is renewed by Congress.

Mr. CONTE. There is no discretion with the President to waive it?

Mr. LINDER. As far as I know, that authority is terminated as of the end of this fiscal year.

The Defense Department has requested new legislation which would continue its guarantee authority, but it would not be permitted to guarantee the Export-Import Bank. If the President determined that a "developing country"—I won't name any specific country, but assume a country we would all regard as developing—ought to get some military equipment, and he felt that the transaction wasn't increasing the arms race, et cetera, he could notify the Congress that he had made this determination and had granted us permission to finance such a military sale. We would then have to make the usual credit-worthy determination, as we do in the case, for example, of New Zealand, which is not a developing country, or Canada, let us say.

Mr. CONTE. I have no further questions, Mr. Chairman.

TERMS OF LOANS

Mr. PASSMAN. We have the Export-Import Bank listed under long-term loans and regular terms, do we not? That is fairly new, isn't it, to separate the long-term and the short-term loans?

Mr. LINDER. No, sir; I believe you have always put two limitations on our annual operations; that is, for the last several years.

Mr. PASSMAN. That is fairly recently. I would say 4 or 5 years.

Mr. LINDER. Yes.

Mr. PASSMAN. And the military sales are fairly recent too, are they not?

Mr. LINDER. Yes.

Mr. PASSMAN. If you would update the chart on page 16 of the hearings, we would appreciate it.

(The information follows:)

GROSS AUTHORIZATIONS—LONG-TERM CAPITAL LOANS CLASSIFIED AS TO TERMS

[Dollars in thousands]

	Fiscal years—			
	1967		1968 (8 months)	
	Number	Amount	Number	Amount
Term from date of authorization to date of final maturity:				
Up to 5 years	1	$32,000	1	$154
Over 5 and up to 10 years	88	1,420,814	19	457,653
Over 10 and up to 15 years	26	534,642	19	203,018
Over 15 and up to 20 years	7	152,195	4	40,543
Over 20 years	4	229,833	1	41,481
Total	126	2,369,484	44	742,849

LONG-TERM LOANS

Mr. PASSMAN. As of your last report, there were only 78 of the so-called long-term loans. The aggregate was $1,433,700,000, is that correct? I am reading your table on page 16 of last year's hearings.

Mr. LINDER. I am sure it was, sir, though I can't testify from memory.

Mr. PASSMAN. We always say the answer is what is important and not the question. Will you verify it? Is that your table (indicating)?

Mr. LILLEY. Yes.

Mr. PASSMAN. You have two loans of over 20 years in the aggregate of $73 million. The $73 million represents two loans, and the balance runs from 5 years to 20 years.

Mr. LINDER. Yes, sir.

PROVISION PROHIBITING TRADE WITH NATIONS ASSISTING OUR EMEMIES

Mr. PASSMAN. Everything is relative, I guess. I believe that the United Kingdom recognizes Red China, do they not, and they do business with Red China fairly freely?

Mr. LINDER. I know they have diplomatic relations. I know they don't have ambassadors, but I do not know how freely they do business.

Mr. PASSMAN. I believe one reason they jumped in and recognized them was to protect their world trade. That was my understanding. They were pretty hasty, I believe—in the minds of some—but they did recognize Red China diplomatically; did they not?

Mr. LINDER. I think so.

Mr. PASSMAN. A statement has been made in the press time and time again that some of our allies, government to government, were not doing business directly with North Korea, but they may be doing business with governments who were dealing with North Korea and it was the same difference. I guess you have read that or heard that. It is a little bit hard to erase too; isn't it?

Mr. LINDER. I would think so.

Mr. PASSMAN. Governments themselves don't manufacture anything, do they?

Mr. LINDER. In some countries they do. We do in our ordnance plants.

Mr. PASSMAN. Is it extremely small to the total?

Mr. LINDER. Yes.

Mr. PASSMAN. The Fino amendment applies only to governments?

Mr. LINDER. It says we may not do any business in a country where the government is aiding a nation with which we are in armed conflict.

Mr. PASSMAN. How about businesses, manufacturers and importers in a country? On their own, this amendment wouldn't apply, would it?

Mr. LINDER. No, it does not.

Mr. PASSMAN. It is not all-inclusive?

Mr. LINDER. No, it is not.

Mr. PASSMAN. You may prohibit the Government from doing business with a government, but the companies, who actually do the manufacturing and the shipping, are not restricted. They can do business with North Korea, can they not?

Mr. LINDER. I think so.

Mr. PASSMAN. Thank you, Mr. President. You are very fair in answering these questions.

Mr. LINDER. May I just say one thing?

Mr. PASSMAN. Surely.

Mr. LINDER. Our greatest customer is Canada and, as you know, Canada has sold a great deal of agricultural products to Red China.

CIRCUMSTANCES PERMITTING WAIVER OF LIMITATION ON MILITARY SALES

Mr. CONTE. On page 4 of your statement you indicate that the President has discretion to waive the limitation on the revolving credit sales fund of the Pentagon where he determines it in the national interest.

Here you say "in combination these new provisions permit the Export-Import Bank, when the President determines it is in the national interest, to extend credits to military sales in less developed countries under a Defense Department guarantee."

Mr. LINDER. But only until June 30 of this year.

Mr. CONTE. That is the point I am trying to make. We adopted two amendments to our foreign aid appropriation bill which state that no underdeveloped country can receive as grant aid or buy from us any of these sophisticated weapons of war, or if they go to a third country and buy these sophisticated weapons of war, then we would cut their economic assistance accordingly and then we have the out—"unless the President finds that this is vital to the national security." It is much stronger.

Mr. LINDER. I agree, sir. All I was discussing was the provision in our legislation.

Mr. CONTE. I realize that, but do you take cognizance of our provisions in the appropriation bill?

Mr. LINDER. We certainly wouldn't break the law. All I am saying is that under present law, if the President has the authority to determine that an arms sale to a developing country should take place, so far as I know there is no further restriction on Eximbank except our own law which also requires the President to make a determination of

national interest, taking into account certain factors. Of course the authority of the Department of Defense to guarantee such a sale expires on June 30. In any event, should the guarantee authority be extended under the proposed new military credit sales legislation, it not only could not be used to guarantee Eximbank, but Eximbank is specifically precluded from financing any military credit sales to developing countries after June 30.

Mr. CONTE. I realize that, but between now and June 30 I just wonder if you are cognizant of our provisions in the foreign aid bill appropriation?

Mr. LINDER. Is your provision in the foreign aid bill what we generally regard as the Symington amendment?

Mr. CONTE. No, it is stronger.

CONTE-LONG AMENDMENT

Mr. PASSMAN. It is the Conte-Long amendment. It is much stronger.

Mr. SAUER. It is your amendment and Senator Symington's in the Senate. Does it apply to assistance under AID?

Mr. CONTE. Our amendment was in the foreign AID appropriation bill. We compromised in conference and came up with language whereby the United States itself couldn't sell any of these weapons of war.

It says: "None of the funds contained in this paragraph and none of the funds contained in the military assistance credit sales revolving fund shall be used to finance directly or indirectly the purchase or acquisition of sophisticated weapons systems and jet aircraft for military purposes, by or for any other underdeveloped country"—and then we exclude six or seven countries—"unless the President determines that acquisition of such weapons systems are vital to the national security of the United States."

Mr. LINDER. We wouldn't finance military jet aircraft or missiles systems, of course——

Mr. CONTE. You would jet aircraft, would you not?

Mr. LINDER. Not without a Presidential determination.

Mr. CONTE. You would not?

Mr. LINDER. We would not, not to a developing country, except those excluded by your amendment, without the determination.

Mr. PASSMAN. Do you finance any sophisticated equipment for India, such as airplanes?

Mr. LINDER. No.

Mr. CONTE. You never have?

Mr. LINDER. I don't believe so.

GUARANTEES FROM THE DEPARTMENT OF DEFENSE

Until 3 days ago I personally did not know the borrowing countries under the proposed fiscal year 1968 program for Eximbank financing with DOD's guarantee.

Before that—last year and the year before—I personally did not know which countries were involved in the DOD guaranteed loans and I did not wish to know. Mr. Chairman, may I request that further discussion on this point be off the record?

(Discussion off the record.)

Mr. CONTE. Could you leave that on the record that you have no intention——

Mr. LINDER. We have no intention of breaking the law.

Mr. CONTE. You have no intention of financing any jet planes or missile systems to any underdeveloped country in the world.

Mr. LINDER. No. We have no intention of doing it and I don't think the President would make the necessary determination, but if he did determine it was vitally in the national interest——

Mr. CONTE. National security.

Mr. LINDER. In the national security for the sale to be made, as your amendment requires, and also that the transaction is in the national interest for Eximbank financing purposes, if that is required by the Reuss Amendment to the Eximbank Act, and we got a guarantee of the Department of Defense, then I assume we would do it. But as I said, I think there is very little chance of anything of that kind happening.

Mr. PASSMAN. Mr. McFall?

Mr. MCFALL. I have no questions.

LOAN TO THE UNITED ALUMINUM COMPANY

Mrs. REID. Mr. Linder, it was reported in Barrons, October 9, 1967, that the Bank last September announced a $500,000 loan to the United Aluminum Co. of Australia to help finance an aluminum extrusion plant in Melbourne, and that despite the corporate title it was reported that the concern was not yet organized and was to be owned by three United States citizens, notably Texas millionaires.

Now, in view of the criticism I have read of this transaction, I would appreciate hearing your justification.

Mr. LINDER. In the first place, though we did authorize the loan, the transaction is dead, not because of us but for reasons with which I am not familiar.

We looked at that loan application very carefully. The fact that the borrowers were millionaires and came from Texas we thought was irrelevant. This was a good project loan. There was satisfactory equity money to be invested in the business. Every cent we would advance represented the export of U.S. equipment and services. We made a careful examination as to the competence of the management of the company. As I say, we were satisfied with the financial condition of the company and it appeared that the loan was clearly an appropriate one for us to make.

In fact, as I said earlier in the course of these hearings, the fact that this company, or any company, may or may not be rich is something really irrelevant as far as I am concerned, because there are people who have $100 million who want to borrow $100 million.

There was good reason for us to believe that had we not been prepared to authorize this loan, the transaction wouldn't have gone through. You understand, I am sure, that many business situations become attractive or are unattractive depending on whether the equity holder can borrow part of the money, obviously, at a rate of interest which is fair to the lender. If he earns a rate of return which is much higher than that, he gets a pyramid effect. That is why people mortgage buildings. People who are wealthy enough to pay off the mortgage,

keep the mortgage on a building, only for that reason. This was a transaction of that general nature. We saw nothing wrong in the transaction. While Barrons has its own standards, I don't subscribe to them, that is all.

RATIO OF DEBT TO EQUITY

Mrs. Reid. Isn't it true that Export-Import Bank normally tries to obtain a 50–50 debt ratio and the loan was approved with equity capital of only $100,000?

Mr. Linder. Neither statement is true. First, we do not have a rigid formula for the ratio of our debt to equity and other junior money. It depends entirely on what the situation is; if, for example, we were lending to the Kennecott Copper Co.—which is a very rich company, incidentally—for the establishment of a copper mine in Chile, and if the Kennecott Copper Co. were prepared to guarantee that loan, I know that the company is worth a billion dollars, or at any rate a vast amount of money, and is the largest company of its kind in this country. It has a huge investment in Chile. It wants to open a new mine. It is going to cost them maybe $20 million for local costs to pay Chilean construction expenses, and they are going to import $50 million worth of American machinery and equipment. That particular mine might be set up in a separate corporation in which Kennecott Copper would own all the stock and they might have only $10 million of equity, $30 million equivalent borrowed in Chilean money, and $50 million borrowed in dollars.

If I had the guarantee of the Kennecott Copper Co. and if I could facilitate $50 million of American exports to a company that I was sure knew how to mine copper and would pay us back with interest in 6 or 7 years, I would be delighted to approve the loan.

If, on the other hand, Kennecott came along and said, "Well now, we have got a claim. We think it is going to be a mine. We only want to put $1 million in and we want you to lend us $4 million on that, but we won't guarantee it." Obviously, under these circumstances, we would not make the loan because we wouldn't think that ratio of equity to debt was a reasonable one.

Mr. Passman. Under this proposed legistlation, would an application of that type qualify?

Mr. Linder. I wouldn't think so. I wouldn't recommend it.

Mrs. Reid. In this particular case also it was reported that Export-Import Bank agreed to a longer than normal grace period, a repayment period at an annual interest rate of 6 percent over a 7-year period. Is it true?

Mr. Linder. We sometimes make loans for 15 years. The Chairman pointed out we had a couple of loans at 20.

Mr. Passman. Two were over 20, I believe.

Mr. Linder. Our average lending period on loans of that kind is something like 11 years, so it certainly was not unusual. And I am positive, although I can't quote the precise facts on this case, that the equity was not $100,000 if our loan was to be $500,000. I would have lost my senses if I had made that kind of a loan, and I assure you I am still in possession of them.

Mrs. Reid. I am sure that is true.

If you don't mind, I would like to pursue this a little further.

Mr. LINDER. Please do.

Mrs. REID. It was stated in the article that although Eximbank is not supposed to compete with commercial banks in this particular case it was reported you required no written turndown by other banks. Is this normal procedure also?

Mr. LINDER. Our law requires that we shall not compete with but rather supplement private capital. I think we live up to that as closely as I know how. However, we do not require evidence of the kind that that article referred to. We think we are good enough bankers and judges of what can or cannot be done in the private market at any time to be able to judge whether or not this is a reasonable transaction that could or couldn't be done.

Now, I'd like to find the private bank that would have done it. I dare say if you look at the gray pages in our annual report there are two or three cases where we made mistakes, but I would wager that 98 percent in dollars, or 99 percent in dollars, were not cases that could have been done at that time by the private sector.

I believe that the best proof I can offer is that we have had almost no complaints on this point from the banks. I remember one letter from the Chase Bank. I can remember two other complaints in the course of over 7 years since I have been head of this bank where a banker said, "Well, we might have done that business." Our loans are reported not only in our annual report, but through routine newspaper announcements each time we make a loan. I suppose any bank could come in or any investment banker could come in then and say, "We would have done it."

Where we see a chance of their making a loan without recourse on us, we do that. We are trying to do all of our airplane financing, or at least most of it, at the present time on the basis of the commercial banks taking 50 percent without recourse on Eximbank.

Mrs. REID. Did I understand you to say nothing has happened on it?

Mr. LINDER. That is right.

Mrs. REID. Did you look into this?

Mr. LINDER. We looked into it very carefully.

Mrs. REID. And found that it was——

Mr. LINDER. We found it was perfectly fine. We looked into it very carefully and decided we would authorize it. The normal procedure is for the applicant to come in and lay his plans on the table and give us all the supporting data that our staff requires.

If all of it looks appropriate to us, we authorize the loan. When we authorize the loan, we say to the potential borrower, "We will agree to sign a contract saying that you will get this money, but it can be disbursed only against proof that all of our money is going against purchases of American goods and services." Here we do require proof. We want bills of lading or other evidence of the fact that the goods are being shipped to the place where they are supposed to go.

In some cases, our authorization may contain a provision stating that before our loan is disbursable there must be, let's say, $250,000 of the borrower's money put in first, and we have to see evidence of that. If it isn't put in, none of our money is disbursed. Sometimes it

takes 2, 3, 4 months before all of the conditions which we have laid out in our authorization can be satisfied. When and if they are satisfied, we are prepared to sign a contract.

Mr. SAUER. We didn't cancel the loan; they requested that we cancel because they decided they didn't want to go through with the enterprise, if that is your question. We didn't cancel it.

BANDAMA DAM PROJECT

Mrs. REID. There was another article in Barrons about which I would like to ask. This was February 19, 1968. It was stated that when Vice President Humphrey was traveling in Africa and in the Ivory Coast he announced a $36.5 million Export-Import Bank loan for a dam.

Mr. LINDER. That is correct.

Mrs. REID. It says the United States in this case is financing a project which the World Bank turned down. Would you care to comment on this?

Mr. LINDER. Yes, I will be glad to comment on it. The statement is correct except I am not sure that the World Bank turned it down, or would turn it down today if they did turn it down then.

Let me say this: There is a difference between the World Bank operations and ours in several ways but one of them is that we do not assume a paternalistic role as frequently as they endeavor to do. All I am saying is, if a good borrower comes to us and tells us what they want to do and we think it is a sound transaction, we do not attempt to make a determination that it is wiser for that country or that company to spend its money in doing something else. We look at the transaction. If it is a paper manufacturing company, let's say, we do not say, "You ought to go into the aluminum business."

The World Bank, on the other hand, makes a careful economic survey of a country and endeavors to act as a guardian, if you will, or an adviser to the country, and it will frequently turn down perfectly good business on the theory that the country is not spending its money for the thing which is most needed for that country.

The Bandama Dam project is in a country on the west coast of Africa which by any standards is a good country. It is the most stable country I know of in black Africa. It is headed by a man who was a Senator in France long before the country was independent. Its economic position is good. Its balance of payments is good. That country wanted a dam on the Bandama River. There is a market for the power that is going to be created from that dam. Very careful engineering studies were made. Before we agreed to participate we insisted that further engineering studies be made. They were made by American engineers.

We engaged a consultant from one of our best known universities to look at the economics of the project in order to make sure that we understood all of the pros and cons. We do not usually look at them quite that carefully. There was a cost-benefit analysis which may have been a little over our heads. We satisfied ourselves (a) that the dam could be built (b) that the borrower was responsible, and (c) that there was a market for the product that was going to be produced by that dam, and then we decided we would make the loan.

That loan is not yet operative and it won't be operative for sometime because there are further engineering studies to be made and there are other conditions to be met. For example, the Italians will probably get part of the construction contract. The terms granted to the Italians must not be more favorable than those to us.

The terms of the loan were shorter than normal for a project of that kind. If the World Bank had done it, they probably would have given 25 years at least to repay after the dam had been constructed. We limited ourselves to 15 years, which the Ivory Coast did not like. They wanted a special interest rate. They did not want to pay a commitment fee. We insisted on all of those things. I have no apologies to make for that loan.

The Vice President did announce it, of course, because by coincidence the Vice President was making a trip to Africa at about the time we were ready to announce the loan. We thought it would be very nice if when he saw the President of the Ivory Coast he could say that the Eximbank had determined to make this loan.

Mr. SHRIVER. Who is the borrower?

Mr. LINDER. The Government of the Ivory Coast.

Mr. SHRIVER. Do you make many loans to governments?

Mr. LINDER. I would say many fewer than we used to make, but we do make some to governments, and frequently we get government guarantees.

Mr. SHRIVER. I understand that, but what is the commodity we are financing?

Mr. LINDER. As you know, public utilities outside the United States are almost invariably owned by Governments. Railroads outside the United States are almost invariably owned by Governments.

Mr. SHRIVER. What is the commodity from this country that we are financing?

Mr. LINDER. We are financing generators to make the power. We are financing trucks, tractors, earth movers, and all of the equipment necessary for use in constructing that dam which can be bought in the United States. In addition, we are financing probably about $2 million to $3 million, I don't know the precise figure, of engineering services which will be provided by an American company.

Mr. SHRIVER. What is the rate of interest?

Mr. LINDER. The rate of interest is 6 percent and the commitment fee is a half of 1 percent.

Mrs. REID. I have no more questions, Mr. Linder, but I would just like to say that my reason for inquiring into these particular cases is that it is disturbing to me as a Member of Congress to read and hear criticism of Eximbank and its loan procedures, even though these may be very isolated cases, because I think this does reflect on your entire operation and I do hope that when such criticism comes to your attention, that these cases are reviewed and investigated.

Mr. LINDER. You can be assured that they are reviewed and investigated. They are investigated before we make the commitment.

Let me say I think it almost inconceivable that an operation of the magnitude of Eximbank would not find some criticism as well as some accolade. I would be amazed, for example, if Barrons did not say that we should not have loaned $500 million to the Government of Canada, when Canada is the largest customer of the United States

and when clearly they needed it in order to maintain the flow of goods from the United States to Canada. I think it is clearly a function of the Bank.

Mr. PASSMAN. Again referring to what I believe is another attempt to hide another spigot of foreign aid in one of the better agencies of the Federal Government—that is the best way in the world for a man with a bad reputation to get a good reputation is to start associating with good people, it automatically helps out.

The provisions of this proposed bill state:

It is the policy of the Congress that the Eximbank of the United States should facilitate through loans, guarantees, and insurance (including co-insurance and reinsurance) those export transactions which, in the judgment of the Board of Directors of the Bank, do not meet the test of reasonable assurance of repayment as provided in section 2(b)(1) of the Export-Import Bank Act of 1945, as amended, but which, in the judgment of the Board of Directors of the Bank should nevertheless be financed, guaranteed, or insured in order to improve the balance of payments and foster the long-term commercial interests of the United States.

Then moving down, picking up with the new sentence:

The aggregate amount of loans plus 25 percentum of the contractual liability of guarantees and insurance outstanding at any one time under this Act shall not exceed $500,000,000.

That is the total amount which you could have under your receivables at any one time, under this section, if this bill should be approved; is that correct, sir?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. In the event this should become a law and you have extended these "questionable loans," of $500 million, and you should decide that you have to charge off $250 million, you can immediately take $100 million out of the reserves Export-Import Bank, then go to the U.S. Treasury and through an appropriation you get the additional $150 million and that is $250 million we charge off and therefore your outstandings are dropped down to $250 million and you can immediately issue that much more credit in this "questionable loan" category, could you not?

Mr. LINDER. If I understand you correctly, I wouldn't think so, Mr. Chairman.

Mr. PASSMAN. Then you are saying this is a one-time deal, a one-time proposition, if you enter into it, and regardless of how much you may charge out of this account, when you finally charge off the entire $500 million, the deal is dead.

Mr. LINDER. I would not choose to be a lawyer on the subject but I have never thought further than the $500 million.

Mr. PASSMAN. Suppose you do determine there is $250 million of it uncollectible, as the language indicates there is a possibility there could be, and you say, "Well, now, we are going to charge off $100 million out of our profits, and we are asking the Treasury to reimburse us for $150 million with the Congress appropriating it," then your outstanding liabilities has been reduced to $250 million, has it not?

Mr. LINDER. I would just have to defer to our counsel on that.

Mr. PASSMAN. Let me ask any witness here, that if you charge off $250 million, you are down then to receivables of $250 million, are you not? I will just put it in that context.

Mr. LINDER. Well, surely, that is true.

Mr. PASSMAN. Are you going to stop there, or are you going to take your reserves, go back over and fill up the vacuum that you have created in your reserves for loss on bad accounts, and make more loans, or what are you going to do?

Mr. LINDER. I can only repeat what I have already answered, Mr. Chairman——

Mr. PASSMAN. I do not think you have answered my question, Mr. President. I am trying to find out, if you put on your books $500 million of these, what could very easily be the type of loan that is made by the AID agency, and they do not meet your standards—that is the purpose of the legislation, that they do not meet your——

Mr. LINDER. They are commercial loans.

Mr. PASSMAN. That is right. If this legislation is adopted and you make loans up to $500 million, and you write them off, where are you then, do you start all over again or is it just "school's out"?

Mr. LINDER. Well, again I would have to consult counsel to be certain, but my understanding is that if we should have some writeoffs due to losses, we would still be authorized to have $500 million outstanding at any one time. That would not be affected by the losses.

Mr. PASSMAN. When you write off the $250 million, where are you?

Mr. LINDER. I would think you are still at $500 million of authority.

Mr. PASSMAN. You are not out of business?

Mr. LINDER. I would think not. I would not choose to be the lawyer, but I think that we could do so.

Mr. PASSMAN. Thank you. I just think you ought to get out of the business, and the quicker, the better.

THURSDAY, MARCH 28, 1968.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

ASSISTANCE TO REFUGEES IN THE UNITED STATES

WITNESSES

MISS MARY E. SWITZER, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE

JOSEPH H. MEYERS, DEPUTY DIRECTOR, DEPUTY DIRECTOR FOR OPERATIONS, SOCIAL AND REHABILITATION SERVICE

JOHN F. THOMAS, DIRECTOR, CUBAN REFUGEE PROGRAM

ELMER W. SMITH, ACTING ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, SOCIAL AND REHABILITATION SERVICE

MRS. VIRGINIA B. MALLARD, ADMINISTRATIVE ASSISTANT, OFFICE OF ADMINISTRATION

JAMES E. HUGHES, BUDGET EXAMINER, OFFICE OF THE COMPTROLLER

CUBAN REFUGEE PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activity:			
	1. Program administration	1,962	2,046	2,063
	2. Welfare assistance and services	21,135	26,265	31,927
	3. Resettlement	5,813	5,550	5,650
	4. Education	14,292	17,671	18,227
	5. Health services	1,398	1,929	2,407
	6. Reimbursements to Dade County	994		
10	Total program costs funded—obligations	45,594	53,461	60,274
	Financing:			
25	Unobligated balance lapsing	6,439	39	
	New obligational authority	52,033	53,500	60,274
	New obligational authority:			
40	Appropriation	51,000	49,000	60,274
50	Reappropriation	1,033	4,500	
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	45,594	53,461	60,274
72	Obligated balance, start of year	8,252	8,867	10,628
74	Obligated balance, end of year	−8,867	−10,628	−12,102
77	Adjustments in expired accounts	−3,538		
90	Expenditures	41,441	51,700	58,800
	Expenditures are distributed as follows:			
01	Out of current authorizations	37,374	42,833	48,172
02	Out of prior authorizations	4,067	8,867	10,628

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	Personnel compensation:			
11.1	Permanent positions	731	761	775
11.3	Positions other than permanent	195	207	208
11.5	Other personnel compensation	16	16	16
	Total personnel compensation	943	984	999
12.0	Personnel benefits	50	53	53
21.0	Travel and transportation of persons	22	22	22
22.0	Transportation of things	2	2	2
23.0	Rent, communications, and utilities	359	362	364
24.0	Printing and reproduction	19	19	19
25.1	Other services	530	513	513
25.2	Services of other agencies	7,211	7,516	8,094
26.0	Supplies and materials	37	44	44
31.0	Equipment		10	10
33.0	Investments and loans	3,265	3,780	4,140
41.0	Grants, subsidies, and contributions	33,156	40,156	46,014
99.0	Total obligations	45,594	53,461	60,274

PERSONNEL SUMMMRY

Total number of permanent positions	130	126	126
Full-time equivalent of other positions	33	33	33
Average number of all employees	156	153	155
Average GS grade	9.4	9.5	9.5
Average GS salary	$10,394	$11,172	$11,284

Mr. PASSMAN. We shall take up this afternoon the request of $60,274,000 from the Department of Health, Education, and Welfare to provide assistance to refugees in the United States, or as we call it, the Cuban refugee program.

I understand that Miss Switzer is also a brigadier general in the Reserves on the staff of Gov. John McKeithen, of Louisiana.

You may proceed, Miss Switzer, with your statement.

General Statement

Miss Switzer. Mr. Chairman, it is a pleasure for me to appear before the committee as the Administrator of the new Social and Rehabilitation Service to present the appropriation requirements we have forecast for fiscal year 1969 and to report to you on the current status of the Cuban refugee program.

The 1968 budget plan anticipates the full use of the $53.5 million made available for fiscal year 1968, with the exception of a $39,000 reserve taken as a part of the overall cost reduction efforts authorized by Congress and implemented by the President. As in past years, as we have gained experience with current trends, we anticipate the need for some reprograming within the total available funds. Shifts have been noted among activities in the budget justification. The principal changes reflect decreases in program administration, welfare assistance and services, and resettlement activities and increases due to unanticipated workloads and rises in payment rates for educational and health services.

1969 BUDGET REQUEST

The 1969 budget request proposes a total appropriation of $60.3 million, an increase of $6.8 million over the funds available in fiscal year 1968. The major item of requested increase in the budget is $5.6 million for welfare assistance and services both in the Dade County, Fla., area and to resettled refugees who find themselves in need in other parts of the country. The one area of decrease is in care of unaccompanied children which is scheduled to decline by $195,000.

ASSUMPTIONS UNDERLYING THE 1969 BUDGET REQUEST

The 1969 budget plan is based on the assumption that the basic nature of the Cuban refugee program will continue unchanged for the next fiscal year. Approximately 44,000 persons are expected to arrive on the airlift. Of this number approximately 75 percent are expected to be resettled in addition to several thousand other resettlements out of the Miami community. This resettlement effort has received over the years invaluable support from the four voluntary agencies participating in this program. They are the Church World Services, Catholic Welfare Conference, United HIAS, and International Rescue Committee.

Present policies covering payments of assistance, provision of rehabilitative services, and reimbursement for health services are also assumed to continue in effect in 1969. The one exception in this area is in payments to the Dade County school system for elementary and secondary education of Cuban refugee children.

POLICIES RELATING TO EDUCATION SERVICES PROVIDED BY DADE COUNTY, FLORIDA

Prior to the new influx of refugees late in 1965, the budget approved by this committee provided for a Federal contribution for education at the rate of 60 percent of the estimated per pupil cost for children whose families were receiving financial assistance and 45 percent for children from other families. Because of the heavy impact associated

with rapid initiation of the new influx, other policies were developed to cover children entering the United States since October, 1965. These policies have provided 100 percent of the per pupil operating costs each year for each enrollee who has entered as a part of the new influx as well as a one-time $600 construction payment for the net increase in enrollment due to the influx. Reimbursement for children whose families arrived prior to the influx continued to be paid on the basis of the 60 and 45 percent rates mentioned above. In addition, the school system has been reimbursed for special training materials, a summer program, and for supplementary personnel to meet the special needs of Cuban children.

For some months staff of the Social and Rehabilitation Service have been having discussions with Dade County school officials to arrive at revised rates which would reflect the gradual economic and cultural assimilation of Cuban refugee families into the mainstream of Dade County life. Our efforts have been aimed at producing a revised formula which would be equitable but which would reduce rates of reimbursements for pupils after an initial period of adjustment. These discussions have not to date produced a specific set of revised rates. However, the 1969 budget plan now before you assumes that reduced rates will put into effect for the next fiscal year, and that these reductions will hold the total reimbursement for elementary and secondary schooling to a maximum of this year's payment level. This level is estimated in the budget at $12.3 million.

We believe that Dade County officials and staff of the school system have been doing an outstanding job in supporting a comprehensive and well-developed program for Cuban refugee pupils. This is a commendable effort they have made. At the same time, however, we believe that the time has come to reexamine the extent to which Federal support is warranted because of the special and unique circumstances of these students and their families.

WELFARE ASSISTANCE AND REHABILITATION SERVICES

Cuban refugees arrive in the United States destitute. They have undergone prolonged harrassment in Cuba from the moment they chose to leave. To assist these people adjust and build a new life in our country, the Cuban refugee program reimburses Dade County, Fla., and other States for welfare assistance required by refugees in this country. In addition, the program utilizes the expertise of Federal, State, and local agencies to provide social and rehabilitative services required by needy and eligible refugees. The combined resources of these agencies focus on assisting each refugee realize his maximum potential.

The financial assistance caseload in Miami, while well below the peak of 66,000 cases reached in October 1962, is continuing to grow and is expected to aid 30,000 persons by the end of fiscal year 1969. The average monthly number of recipients is estimated to rise in accordance with recent experience by about 5,000 cases a year. This increase, at current financial payment rates, will require an additional $2.4 million in 1969; bringing assistance in Miami to a total of $13.2 million.

This financial assistance caseload is under constant study and evaluation. It has long been the policy of the Cuban refugee program to identify refugee cases, which through rehabilitation, may be assisted to achieve a position of self-support in the United States. Efforts under this policy have been intensified to give guidance and counseling to individual refugee families. Interviews in depth, training, and resettlement counseling by staff of the Federal, State, and voluntary agencies, do not permit the refugees to mire themselves in self-pity or loss of hope. Rather we hold before them the eventual goal of economic independence, for only in that manner may they truly fulfill their quest for freedom.

Illustrative of this policy is the "Training for independence" project operated by the program in Miami. This "Training for independence" activity began in 1963 with an original group of 3,800 women who were heads of families with dependent children on the financial assistance case rolls. After indepth interviews with the individuals, patterns of social and economic problems began to emerge. Consultation with State welfare officials, local school authorities, and voluntary agencies associated with the program resulted in an unique plan to assist these women. The project provides day-care facilities, English and vocational instruction, corrective or preventive medical care as well as other needed and available social services. These supported measures permit participants to attend class unencumbered by family or personal problems.

"Training for independence" is a highly successful effort, and we propose to continue its operations. While the original group of women has been reduced to less than 100, other eligible women, as they are identified, are enrolled in the training. In this manner, not only are we helping people in need, but we also reduce Federal responsibility as they become self-supporting.

An increase of $2.2 million is also requested for financial assistance in other States for resettled refugees. At the end of fiscal year 1967, the large bulk of resettled refugees were self-supporting. However, about 6 percent found themselves in need and applied for assistance. As a consequence of the rapid resettlement effort now taking place, more refugees are transported out of the Miami area to join relatives without receiving the benefit of the counseling and service programs established there. During fiscal year 1969, it is estimated that an average number of 13,000 refugees a month or approximately 6.1 percent of the resettled caseload will require assistance.

Efforts are being developed to intensify social and rehabilitative services to this group as well as to those in Miami in order to increase their capacity for self-reliance and self-support. We are encouraging the other States to introduce projects similar to the "Training for independence" activity mentioned above which has been successfully carried out in Miami.

Other major increases in assistance are proposed for hospitalization and for State of Florida administration of financial assistance, hospitalization, and other welfare assistance activities. Hospitalization is provided in Dade County for acute and chronic illnesses and for maternity care. Reimbursement is made on a "reasonable cost" formula similar to that paid under the title XVIII medicare program. The increase of $913,000 reflects both increased caseloads and rising medical

costs. Costs of State administration are directly related to anticipated increases in the financial assistance caseloads and amount to an increase of $200,000 for 1969.

Other relatively small increases related to increased workloads are proposed for distribution of surplus commodities and transitional resettlement allowances.

EDUCATION

In addition to assisting Dade County to meet the costs of elementary and secondary schooling for the refugee children, mentioned above, the program provides funds for English and vocational training of adults in Miami. For 1969, we are requesting an increase of $196,000 for English and vocational training to provide for a larger number of refugees in Miami. Also proposed is an increase of $360,000 for loans to enable about 400 additional Cuban refugee students to attend colleges and universities.

OTHER INCREASES

For clinic, outpatient, and long-term hospitalization services, the 1969 budget requests increases of $478,000. The larger requirements are due to a combination of rising caseloads due to growing population to be served as well as a reflection of rising medical care costs.

As a consequence of intensive efforts of counseling and the provision of training and other rehabilitative services, it is estimated that resettlements will increase by approximately 1,000 in 1969 at an additional cost of $100,000.

Finally, an increase of $17,000 is asked to provide annualization of pay increases for Federal administration staff.

CONCLUSION

For many years I have been concerned with programs directed at rehabilitating needy and disabled persons. May I say in conclusion that the Cuban refugee program is operating one of the most effective, rehabilitation and social service programs I have ever seen.

Mr. Chairman, my colleagues and I will be happy to attempt to answer any questions the committee may have.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you very much, Miss Switzer. We will insert in the record at this point pages 6 through 10 from the justification.

(The information follows:)

SUMMARY OF CHANGES

1968 enacted appropriation	$53,500,000
Reserve	−39,000
1968 total estimated obligations	53,461,000
1969 estimated obligations	60,274,000
Total change	+6,813,000

	Base		Changes from base	
	Position	Amount	Position	Amount
Increases:				
A. Built-in: 1. Annualization of 1968 pay increase and 1 extra day's pay				$17,000
B. Program:				
1. Assistance to Cuban refugees in Miami		$18,108,000	.....	4,090,000
2. Assistance to needy resettled Cuban refugees		9,276,000	.....	2,245,000
3. Assistance to Dade County public schools for Cuban refugees		1,100,000	.....	196,000
4. Assistance to Cuban refugee college students		3,780,000	.....	360,000
5. Resettlement		5,550,000	.....	100,000
Total program increase				7,008,000
Decreases:				
A. Program: 1. Care of unaccompanied Cuban refugee children		740,000	.....	−195,000
Total net changes requested				+6,813,000

EXPLANATION OF CHANGE

The increase of $4,090,000 for assistance to Cuban refugees in Miami consists of $2,436,000 for financial assistance, $43,000 for transitional resettlement allowance, $20,000 for distribution of surplus commodities, $478,000 for health services, $913,000 for hospitalization and $200,000 for State administrative costs. The increases are necessary to provide for a larger number of refugees requiring assistance and services in Miami as a result of the new influx of refugees from Cuba which started during fiscal year 1966.

The 1969 budget request assumes that about 75 percent of the 44,000 refugees expected to arrive on the airlift in each of fiscal years 1968 and 1969 will be resettled out of the Miami area upon arrival or shortly thereafter. Many of the refugees remaining in Miami require assistance. At the end of the fiscal year 1967, 20,088 persons in Miami required financial assistance. By the end of fiscal year 1968, it is estimated that the number will increase to 25,188 persons and by the end of fiscal year 1969, it is estimated that 30,288 persons will require financial assistance.

The increase of $2,245,000 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 1967, a total of 153,390 persons had been resettled out of the Miami area. By the end of fiscal years 1968 and 1969, it is estimated that this number will increase to 191,000 and 230,000 respectively. An estimated monthly average of about 10,500 persons who have been resettled will require assistance in fiscal year 1968; for fiscal year 1969 the estimate is 13,000.

The increase of $196,000 for the Dade County public schools is for an increase in the vocational and English training for adults to equip them for employment.

The increase of $360,000 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 $100,000 for resettlement is needed for an estimated increase of about 1,000 refugees estimated to be resettled out of the Miami area.

The decrease of $195,000 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 274 at the end of fiscal year 1968 to 190 at the end of fiscal year 1969. While some children are dropped from care because they become of age, some others are taken into care because of deaths or broken homes.

ASSISTANCE TO REFUGEES IN THE UNITED STATES

Year	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] 44,865,000	44,865,000	42,600,000	42,600,000
1967	51,000,000	[4] 51,000,000	[4] 51,000,000	[4] 51,000,000
1968	[5] 49,000,000	49,000,000	[5] 49,000,000	[5] 49,000,000
1969	60,274,000			

[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, 1969 BUDGET REQUEST

	1967 actual	1968 estimate	1969 estimate	Increase or decrease
1. Program administration	$1,962,072	$2,046,000	$2,063,000	+$17,000
2. Welfare assistance and services:				
Financial assistance to needy refugees in the Miami area	8,498,829	10,764,000	13,200,000	+2,436,000
Transitional resettlement allowance	1,091,260	1,161,000	1,204,000	+43,000
Assistance to needy resettled refugees	7,472,000	9,276,000	11,521,000	+2,245,000
Unaccompanied children	1,012,353	740,000	545,000	−195,000
Distribution of surplus commodities	58,164	77,000	97,000	+20,000
Hospitalization	1,853,600	2,747,000	3,660,000	+913,000
State administration	1,148,980	1,500,000	1,700,000	+200,000
Total, welfare assistance and services	21,135,186	26,265,000	31,927,000	+5,662,000
3. Resettlement	5,813,000	5,550,000	5,650,000	+100,000
4. Education:				
Assistance to Dade County public schools	9,719,225	12,291,000	12,291,000	
Vocational training	1,010,361	1,100,000	1,296,000	+196,000
Assistance to college students	3,265,049	3,780,000	4,140,000	+360,000
Professional training	297,594	500,000	500,000	
Total, education	14,292,229	17,671,000	18,227,000	+556,000
5. Health services:				
Refugee health clinic	829,661	1,094,000	1,257,000	+163,000
Outpatient services	238,462	398,000	580,000	+182,000
Maternal and child health, and school health program	63,856	70,000	70,000	
Hospitalization for long-term illness	266,352	367,000	500,000	+133,000
Total, health services	1,398,331	1,929,000	2,407,000	+478,000
6. Reimbursement to Dade County	993,681			
Total obligations	45,594,499	53,461,000	60,274,000	+6,813,000

FISCAL YEAR 1969 BUDGET REQUEST COMPARED TO FISCAL YEAR 1968 APPROPRIATION

Mr. PASSMAN. Your estimate for fiscal year 1969 is $60,274,000 as compared to the 1968 appropriation of $49 million, or an increase of $11,274,000. Is that correct?

Miss SWITZER. Not according to my figures.

Mr. SMITH. The program level for fiscal year 19——

Mr. PASSMAN. The actual appropriation was $49 million; is that correct?

Mr. SMITH. Yes, sir; that is correct.

Mr. PASSMAN. And you are requesting this year $60,274,000, which is an increase of $11,274,000, but in addition to that you expect to utilize $4.5 million of fiscal 1967 unobligated funds; do you not?

Mr. SMITH. Yes, sir; so that the increase in the program level will be $6.8 million.

Mr. PASSMAN. Correct me if I am wrong, but if you didn't have the $4.5 million in unobligated funds from fiscal 1967, you may have been able to operate on the $49 million that the Congress appropriated, or would you have had to request a supplemental?

Mr. SMITH. As we see it, sir, we would have had to have requested a supplemental as long as the current policies are in effect allowing persons to enter the country.

FISCAL YEARS 1968 AND 1967 UNOBLIGATED BALANCES

Mr. PASSMAN. We do know, of course, that there is another 90 days of this fiscal year left. Do you foresee any unobligated funds applicable to fiscal year 1968 funds, or can you project such an estimate?

Mr. SMITH. The staff has tried to project the estimate as best they can, sir. It is always very difficult, as you know from our past history in this program to precisely estimate.

We would not see at the present time any large, unobligated balances this year at all.

Mr. PASSMAN. I believe you said the same thing, did you not a year ago when you asked for the $49 million?

Mr. THOMAS. There were different circumstances, sir. We had just started the influx of the refugees on the airlift and it was difficult to establish trends. We are now well into that experience.

Mr. PASSMAN. When you appeared before the committee to justify your 1968 funds, did you feel at that time that $49 million would be sufficient.

Mr. SMITH. No, sir.

Mr. THOMAS. No, sir.

Mr. PASSMAN. Did you mention the unobligated funds at that time?

Mr. THOMAS. Yes, sir.

APPROPRIATIONS SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. To date the Congress has appropriated approximately $314,400,000 for this program; has it not?

Mr. SMITH. I do not have exactly the same figures here, sir, but that is certainly in the same magnitude.

Mr. PASSMAN. Let's verify it, if we can.

Mr. THOMAS. $312,041 is our figure.

NUMBER OF REFUGEES ASSISTED BY PROGRAM

Mr. PASSMAN. What has been the total number of refugees receiving assistance from this program?

Mr. THOMAS. A registration figure of 277,000, sir.

REFUGEES ENTERING UNITED STATES FROM THIRD COUNTRIES

Mr. PASSMAN. It is my understanding there is a substantial number of Cuban refugees who enter this country from Spain; is that correct?

Mr. THOMAS. There is a large number coming in from third countries. They are not eligible for assistance from us, however.

Mr. PASSMAN. They would be eligible if they waited their turn?

Mr. THOMAS. If they came on the airlift; yes, sir.

Mr. PASSMAN. Those who enter the United States through Spain, of course, would be eligible to come over on the airlift, but to them it is a question of time, so in reality our Government saves money by these people reaching the United States via Spain; do they not?

Mr. THOMAS. The trip through Spain is a very expensive one and is borne by the relatives of the people.

Mr. PASSMAN. The expenses of the refugees who enter this country through Spain are borne by some wealthy relative or friends in this country or in some third country?

Mr. THOMAS. That is true, sir.

Mr. PASSMAN. We pay expense of those who wait for the airlift, do we not?

Mr. THOMAS. Yes, sir. It runs about $11 a person.

Mr. PASSMAN. We pay the expense; do we not?

Mr. THOMAS. Yes.

Mr. PASSMAN. Did I make a statement of fact: Those refuguees who reach this country via Spain, results in a savings to our Government?

Mr. THOMAS. In that respect; yes, sir.

Mr. PASSMAN. It costs nothing that way and it costs whatever you pay to bring them in by the airlift; is that right?

Mr. THOMAS. Yes.

Mr. PASSMAN. Do these refugees receive any assistance from the Cuban refugee program? The ones who enter this country through Spain?

Mr. THOMAS. No, sir. They are brought in on regular immigration visas with an affidavit of support.

Mr. PASSMAN. After they reach this country we do not expend any money in their behalf?

Mr. THOMAS. No, sir.

Mr. PASSMAN. But we do on those coming over on the airlift?

Mr. THOMAS. On the airlift they come over as parolees into Miami.

Mr. PASSMAN. That is a second saving effected by this procedure, is that right, sir?

Mr. THOMAS. Yes.

Mr. PASSMAN. As a matter of policy, those refugees who enter this country through Spain have to be screened before they are permitted to come into this country?

Mr. THOMAS. Yes, sir.

Miss SWITZER. They come in under the regular Spanish quota, do they?

Mr. THOMAS. No, they are under Cuban quota out of Spain. It is the country of birth.

Mr. PASSMAN. There are more of them in this category reaching the United States from Spain than from any other third country, but you do have some coming in, do you not, through Mexico?

Mr. THOMAS. Yes, sir.

Mr. PASSMAN. Will you place in the record at this point the number who have come into this country through Spain, and a like chart on Mexico?

Mr. THOMAS. We would have to get that from the State Department and the Immigration and Naturalization Service. We will get it for the record.

(The information follows:)

NUMBER OF U.S. VISAS ISSUED CUBAN NATIONALS, 1964-68

Year	Spain	Mexico
1964	3,088	2,759
1965	3,321	5,634
1966	3,879	4,330
1967	3,435	1,284
1968 [1]	3,622	823
Total	17,345	14,830

[1] As of March 30, 1968.

Source: Visa office, Department of State.

EXPENDITURES FOR PRIOR YEAR OBLIGATIONS

Mr. PASSMAN. How much of your anticipated fiscal year 1969 expenditures will liquidate fiscal year 1968 and prior year obligations?

Mr. SMITH. Mr. Chairman, I don't have that figure with me.

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

Mr. SMITH. Yes, sir.

(The information follows:)

Expenditures for fiscal year 1969 are estimated to be $58,800,000, of which $10,628,000 will be to liquidate fiscal year 1968 and prior year obligations.

ESTIMATED FISCAL YEAR 1969 UNLIQUIDATED OBLIGATIONS

Mr. PASSMAN. Also, how much of the fiscal year 1969 appropriation, if approved, will be unliquidated on June 30, 1969?

Mr. SMITH. I will supply that.

Mr. PASSMAN. You may insert that in the record.

(The information follows:)

It is estimated that of the $60,274,000 to be obligated in fiscal year 1969, $12,102,000 will be unliquidated on June 30, 1969.

OVERESTIMATE OF PRIOR YEAR REQUIREMENTS

Mr. PASSMAN. This next question is not purposely phrased in a critical context because I understand some of your problems, but what assurance can you furnish the committee this year that your estimates for fiscal year 1969 are any more solid than those made in fiscal year 1968 and prior years?

Miss SWITZER. I suppose insofar as you have to base your estimates on the number of people coming in on the airlift, all you can do is to make assumptions. What we have done is to assume a continuation of the present policy of having the two planeloads a day arrive, this will amount to about 44,000 people coming in, if everything goes as it is going now, and another 4,000 maybe, give or take a few, from third countries. All of our figures are based on servicing this workload. Most of the increase is related to what would be required to handle this number of refugees coming in on the airlift. Those who stay in Dade County and those who go out into the rest of the country. It is as good as that estimate is and no better.

Mr. PASSMAN. I believe last year your estimate for assistance to refugees in Miami was 26,500—that is the number of refugees—and it presently has been reduced to 25,188.

Mr. SMITH. Yes, sir; that is correct.

Mr. PASSMAN. For assistance to resettled refugees, when you justified the funds last year, you furnished an estimate of 194,008 individuals and that estimate is now down to 191,000, is that correct?

Mr. SMITH. Yes, sir; that is correct.

Mr. PASSMAN. For Cuban refugee children, your original estimate was 300. That estimate is now down to 274, is that correct?

Mr. SMITH. Yes, sir; that is also correct.

Mr. PASSMAN. Looking at these estimates of last year, it would appear you would have some unobligated funds at the end of fiscal year 1968, would it not?

Mr. SMITH. The 1968 column of the 1969 budget takes into account all of these decreases which you mentioned, together with increases in other areas.

For example, in the activity "Assistance to refugees in other States," that is now assumed to require more funds than was originally programed in the budget.

Mr. PASSMAN. It would appear to me as though we overfunded, based upon your estimates of last year, where you estimated you would have 26,500, the present estimate is 25,188—I believe that is down about 1,312 individuals. Then the number you are going to resettle is down by 3,008. The number of children are down by 26. So if you had correct estimates last year, and we funded you on that basis, then if you have these reductions, there should be a corresponding reduction in the costs, should there not?

Mr. SMITH. Mr. Chairman, there should be a corresponding reduction in costs, were it not for certain other offsetting increases.

Mr. PASSMAN. What are the offsetting increases you didn't know about last year?

Mr. SMITH. One example, sir, is the fact that we now estimate we will need $9.2 million for assistance to needy resettled refugees in States. Last year we had this estimate at $8.4 million. There we have an increase of some $800,000, for example.

In addition, last year we estimated elementary and secondary schooling in Dade County at approximately $11 million and we now estimate it to be $12.3 million. There are other offsetting increases and decreases. For example, there is a small increase in health services provided through the refugee health clinic and outpatient services,

based on the payment rates we are now paying in Dade County, and the workloads that are materializing in this area.

Mr. PASSMAN. What would have been your position if you hadn't had that flexibility and we had been operating on a hard-nosed basis, "Here is your appropriation. This is what you justified. This is what we give you. This is what you are going to have to live with." What would have been your position then?

Mr. THOMAS. We would have asked for a supplemental, sir.

Mr. PASSMAN. Suppose you didn't get it?

Mr. THOMAS. These are fixed costs. Then the community would no longer offer the services, I suppose, in schools and welfare.

Mr. PASSMAN. I expect there would be some way to curtail expenses if you were forced to, would there not?

Mr. SMITH. If this committee indicated, sir, that the activity-by-activity items were to be fixed items, obviously we would have to institute a whole series of policies which we do not now have.

As you understand, sir, we attempt to estimate to the best extent possible on what we think the characteristics of the refugees are going to be and what their needs are going to be. Because of the complexity of this refugee operation, we are not able to precisely hit every one of these caregories. There are 15 to 20 categories.

Mr. PASSMAN. I asked that question because you people are not unaware of our problems. We are in serious financial trouble and we shouldn't fall out with each other when we discuss these matters. We are confronted with a situation where the economy is not providing as much money as we are spending and that puts us on the deficit financing side; that creates inflation and your dollar buys less and for some reason or another the people I represent don't like that.

INCREASE IN NUMBER OF REFUGEES

Now, your estimate for fiscal year 1969 shows that the refugees in Miami will be 30,288, which is an increase of 5,100 over your present estimate for 1968, is that correct?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. And the assistance to resettle refugees in 1969 will be 230,000, which is 39,000 above your present estimate for fiscal '68. Is that correct?

Mr. SMITH. I can't seem to find that figure, Mr. Chairman.

Mr. PASSMAN. It is on page 7 of your justifications.

Mr. SMITH. Yes, sir, that is correct.

Mr. PASSMAN. The Cuban refugee children's aid, the number will drop from the present estimate of 274 to 190.

Mr. SMITH. Yes, sir, that is correct.

Mr. PASSMAN. I understand the reasons for this. You can't necessarily control the flow, but I believe history shows that your estimates in previous years, with very few exceptions, have been high. Is that correct?

Mr. SMITH. That is correct, sir.

Mr. PASSMAN. Inasmuch as in previous years your best estimates subsequently proved to be on the high side, if you were called upon to do a bit of squeezing, what would be then the tight estimate as to the number of refugees you would assist in Miami and the number of re-

settled refugees? Could you work that back to the same figures we have had in previous years so we can take out the excess that has been in this bill every year?

Mr. THOMAS. You are talking now about the 1969 budget plan?

Mr. PASSMAN. That is right.

UNOBLIGATED BALANCES

In one year you had unobligated funds of $14,082,863 and in another year you had unobligated funds of $7,600,000. In another year you had unobligated funds of $1,032,997. Another year you had unobligated funds of $4,500,000, or a total in unobligated funds of $27,215,860.

Mr. THOMAS. We like to look at those as savings, sir.

Mr. PASSMAN. It is not well to overstate your needs and wind up with money unspent and call that savings. That reflects on both the asker and the giver.

Mr. SMITH. If I may respond to that——

Mr. PASSMAN. Do it when I get back. You may proceed, Dr. Long, with your questioning and then we will take it up again when I get back.

REIMBURSEMENT TO DADE COUNTY EDUCATIONAL SYSTEM

Mr. LONG. I wonder if you would say a little bit about the situation with respect to Dade County now under this program?

Miss. SWITZER. Yes, indeed, Mr. Long, I would be glad to. I would like to quote from my prepared statement. Prior to the new influx of refugees in 1965, the budget approved by this committee provided for a Federal contribution at the rate of 60 percent of the estimated pupil cost for children whose families were receiving financial assistance in Dade County and 45 percent for children from other families. Because of the heavy impact associated with the rapid initiation of the new influx, other policies were developed to cover the children that are coming in now on the airlift. These policies have provided 100 percent of the pupil operating costs, as well as a one-time payment of $600 per pupil for capital expenses.

Now, reimbursement for the children whose families arrived prior to the influx continue to be paid on the basis of 60 and 45 percent, as I mentioned.

We have been working for some months and have had discussions with the Dade County officials to arrive at some revised rates which will reflect the gradual economic and cultural assimilation of the refugee families into the whole mainstream of Dade County life. We have been trying to work out a formula that would be equitable and gradual and would reduce the rates of reimbursement after an initial period.

The 1969 budget plan assumes that reduced rates will be put into effect——

Mr. LONG. With the idea as they become assimilated they would begin to pay the costs as ordinary taxpayers.

Miss SWITZER. Just like any other citizen. The 1969 budget assumes the reduced rates will be put into effect for the next fiscal year——

ELIGIBILITY FOR AID FROM HEW

Mr. LONG. Excuse me. Would they then become eligible for impacted aid from the HEW budget?

Mr. THOMAS. I think that would depend on whether their parents were associated in Federal employment or the military. It would be the same principle.

Mr. LONG. They would have to be Federal employees of some sort.

Miss SWITZER. Or military, yes; otherwise, they would just be citizens of Florida.

We think that we can get some of these reduced rates put into effect for the next fiscal year and that the reductions would hold the total reimbursement to a maximum of this year's payment level, which is $12.3 million. Off the record.

(Discussion off the record.)

Miss SWITZER. Then we will have to add about $5 million. So actually by coming to grips with this problem—we must come to grips with the problem sometime, and we have decided this was the year to do it—we really have made a saving. At least a failure to ask for the increase of $5 million constitutes a saving.

PHASING OUT OF REFUGEE PROGRAM

Mr. LONG. Have you said anything which would give some idea as to when this refugee program might be phased out, on the same principle as you were talking about with respect to the Dade County school system, when eventually these people become taxpayers and earners and become part of the community and therefore no longer refugees? What is the end of this program?

Miss SWITZER. I can speak to this because I have just taken this position very recently and have only just become acquainted with the program. To me it is phenomenal that there is such a small number of refugees on what you might call public welfare. About 30,000 at a maximum.

Mr. LONG. Out of how many?

Miss SWITZER. Out of 300,000 or 400,000.

Mr. LONG. The people are mainly the well-educated people?

Miss SWITZER. They were certainly above the average.

Mr. LONG. People with some professional and educational background who assimilate very readily.

Miss SWITZER. That is right. Many of them were. However, the people coming in now are a pretty good cross section. I visited the program about a month ago and stood at the foot of the steps of the plane when the people were arriving and I think you would agree they were a fairly good cross section of any average, but the middle class——

Mr. LONG. Of the Cuban population or the Florida population?

Miss SWITZER. The Cuban population.

Mr. LONG. You are getting a lot more of the poorly educated and those who are difficult to assimilate.

Miss SWITZER. I would think so.

Mr. LONG. Does this mean your program is going to increase in cost, then?

Miss SWITZER. Not necessarily. It is going to prevent it from being phased out as long as these people keep coming in.

I think before you came in, Mr. Long, we said this year, assuming no change in policy, we will get about 44,000 people on the airlift and another 4,000 in boats and other ways. Any day it could stop and then you would be gradually assimilating the ones you have and making other arrangements for them.

PERMANENT RESIDENT STATUS

Mr. LONG. Is it your belief, that these people are going to stay permanently in the United States? Or do most of them have aspirations to go back to Cuba?

Miss SWITZER. Most of them, I think, are going to stay.

Mr. THOMAS. In the early days, Mr. Chairman, I would say 85 percent wanted to go back but as they stayed on and as the years go by that percentage goes down.

A number of the older people who think in terms of passing their last years in their homeland probably would want to go back, but the younger ones are beginning to take root in businesses and so forth. Certainly the ones with children are losing their ties with Cuba.

Miss SWITZER. There have been some spectacular successes of these people.

Mr. LONG. They are not forming a Cuban or foreign language enclave in the State of Florida, are they?

Miss SWITZER. There is a Cuban section, but they are all taught English.

Mr. LONG. And they are gradually being assimilated into the American mainstream the same as any other ethnic group.

Miss SWITZER. Yes, and I would say perhaps a little more effectively.

Mr. SMITH. One of the interesting things along that line, Mr. Chairman, is the fact that in the Dade County school they are teaching Spanish as a second language because many of them are beginning to lose roots and ties with their culture.

Mr. LONG. The remarkable thing about America, really different from any other country in the history of the world, is that people do become readily assimilated in the mainstream of our language and cultural heritage and without any prodding and without any conscious effort on our part to have them do this. Whereas in other countries no matter what they do they cannot generate that kind of assimilation.

Miss SWITZER. This is how we started as a country, is it not? Even in the earliest days of the Republic there were groups from all over and they had to come together and attack the frontier together.

Mr. LONG. The thing about America is that people apparently regard it as a great honor to become an American and that does not seem to be true of minority groups in other countries.

Miss SWITZER. That is true.

Mr. LONG. I do not quite know how we did it, but it is a wonderful thing.

Miss SWITZER. We must keep it up.

I was very impressed with one man I saw when I was going through the dispensary down in Miami. He was a lawyer. Lawyers have been

among the most difficult people to place in their profession, and that is understandable. This man was an assistant in pharmacy and they had a full-fledged pharmacist in charge. This lawyer was having a very satisfactory employment experience helping to fill the cartons of prescriptions and counting out pills and so on. I asked him if he liked it and he said he just loved it. Maybe he never should have been a lawyer, I don't know, but it was an interesting adjustment and shows the willingness the people have to take anything that is available, to work at anything that seems to be the most suitable.

UNOBLIGATED BALANCES SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. When I left the room a little while ago to vote, I had just read into the record the amount of unobligated funds since the start of the program in 1963 and the total was $27,215,860. Did I read those figures in correctly?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. Now, do you want to comment?

Mr. SMITH. I would not want the committee to have the impression, sir, that we at any point deliberately are overestimating or are fattening up these estimates. I would say however as I did before that there is no question that with the number of variables in this program it is difficult to make a precise estimate. I think that the large unobligated balances we have had in the past, if I could speak to them just generally, I do not have the precise data for every fiscal year but, for example, in 1963 it was related, really, to the crisis in Cuba. The intake was shut off on us relatively rapidly. We did not have really good information as to whether it would start up again at a moment's notice or whether it would not and that gave rise to the largest unobligated balance that we have ever experienced of $14 million.

Obviously the plan had been developed on the basis of continuing the receipt of refugees and the intake was cut off.

Miss SWITZER. If our intake was cut off this year we would have the same experience.

Mr. SMITH. Right.

Now I jump from 1963 to the last 2 years. In 1966 and 1967, again, the unobligated balances arose because after the President made his announcement in October 1965, of welcoming the renewal of the airlift and the new influx into this country, we had planned that this influx would begin late in October. Because of the various negotiations with the Cuban Government, the regular airlift operation actually did not begin until the first of December and then it was well into December before it got on a regularized basis. As a result all of our workload figures were thrown off by the equivalent of almost 2 months' lag in the program. At the time we developed the budget we really did not know this was going to happen. These workloads, since you carry forward some of this financial assistance in other cases into the succeeding fiscal year, also accounted for the unobligated balance in the year 1967, as well.

Mr. PASSMAN. I do not believe I indicated that you purposely beefed up these estimates, so we better move along before I become suspicious that you did. You had a pretty good defense, but nevertheless you had these very large unobligated balances.

Mr. SMITH. For 1969, to our knowledge these are the best figures we can come up with at the present time.

Mr. PASSMAN. I thank you for attempting to explain it and I think you did a pretty good job.

HOSPITALIZATION RATES—REASONABLE COST FORMULA

Your hospitalization item under the "Welfare assistance and services activity," page 22, indicates that you anticipate paying a cost of $63 per day in fiscal year 1968, and you anticipate a reasonable cost of $67 per day in fiscal 1969.

Do you consider that a "reasonable" cost?

Mr. SMITH. We were not using that as a descriptive term but rather as a technical, or legal, term.

Mr. PASSMAN. Would you expect a layman to read that in any other way, other than a "reasonable" cost?

Miss SWITZER. That reasonable cost grew out of the fact that the social security amendments, the medicare and the medicaid amendments, the title XIX amendments requires that the hospitals be reimbursed at a reasonable cost.

Mr. PASSMAN. Do you have to put "reasonable" in here to make your request?

Mr. SMITH. No, sir. We should have to put it in quotation marks to indicate that it was a technical term.

Mr. PASSMAN. Why do you have to put it there at all? It is fixed, is it not?

Mr. SMITH. Sir, it is not a fixed cost. That is one of the reasons we put this term in, because it really represents a formula which is contained in titles 18 and 19 of the Social Security Act and which we have adopted by policy for payment under the Cuban refugee programs. It does not produce a precise amount in terms of a figure but rather a methodology on which you will pay.

It turns out that this will, to our best computations, amount to about $63 this fiscal year and about $67 next fiscal year.

Mr. PASSMAN. The justification states:

Hospitalization for acute and chronic illness and maternity care is provided to needy refugees through the Florida Department of Public Welfare. Hospitals providing service to refugees are paid reasonable costs similar to that paid under the title XVIII medical care program.

That is the way it reads, is it not?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. If $67 per day is a reasonable cost for hospital care, I say you ought to go down there for about 10 days without hospitalization insurance and then get the extra costs added onto it and see how reasonable you think it is. You cannot tell me there is anything reasonable about a cost of $67 a day for hospital care.

Do you folks have hospitalization?

Mr. THOMAS. Yes, sir.

Mr. PASSMAN. Up to the full amount?

Miss SWITZER. My policy is 20 percent of the total.

Mr. PASSMAN. If you should have to go into a hospital and you got a bill for $67 a day, plus everything else they could think to charge you for, for about 10 days, would you think it was very reasonable?

Miss SWITZER. No.

Mr. PASSMAN. Thank you, Doctor.

I have heard it said that reasonable cost is what the traffic will bear. You have heard that expression?

Miss SWITZER. Yes, I have.

Mr. PASSMAN. If you take my word, this so-called medicare, and medicaid, or medimess, as I call it, has run the cost of hospitalization so high that it is pricing a certain group of good Americans completely out of the medical market, is it not?

Miss SWITZER. Yes.

Mr. PASSMAN. And I hope the President will find time some day to ask that the whole mess be repealed.

INCREASE IN EDUCATION COSTS

Last year you requested $11,096,000 for assistance to Dade County public schools. I observe this year the justification indicate that you propose to allocate $12,291,000 for this purpose. Have you increased the number of children in the Dade County Schools, or have they assessed a higher per child cost?

Miss SWITZER. I think this particular figure is both an increase per child cost as well as in the number of children. This gives me a good opportunity to say that we have started negotiations with the Dade County school people, to revise the formula for the children that will be paid for and if we can carry through and hold to this estimate we have, here, with the understanding that we will have a revised formula, we will then be able to adhere to this budget plan. If we cannot put in the savings, it will cost about $5 million more, if we have to carry on the program this year into next year without change.

Mr. PASSMAN. If you do not succeed, then it is just a case where you have to pay all the traffic will bear.

Miss SWITZER. That is right, but we are trying very hard and if we can get the committee's support, I think we can work it out.

Mr. PASSMAN. How many children are involved per year?

AVERAGE COST PER STUDENT IN DADE COUNTY

Mr. SMITH. 24,000 are estimated this fiscal year.

Mr. PASSMAN. What would that cost per child?

Mr. SMITH. The cost per child varies under our policies, according to whether or not the children come in as a part of a new influx since October 1965, or whether the parents were already there. If they are part of the new influx, we are essentially paying the full operating cost per child, which is $581. If their families were here before the influx, we are only paying 60 percent of current expenses for children whose families are on financial assistance, or 45 percent of the per-pupil cost for children from other families.

Mr. PASSMAN. How does that compare to the cost for native children per year?

Miss SWITZER. The same.

Mr. PASSMAN. It is the formula of the cost per child to maintain them in these schools and of course that is the exact cost that you pay.

Miss SWITZER. That is right.

Mr. PASSMAN. If they come up with a fair formula in the first place, I am not too sure that it should not be that way.

Miss SWITZER. I think it should be for the children.

Mr. PASSMAN. They are not charging you a premium for these children, are they?

Miss SWITZER. No. We say as the children become assimilated as the people settle in Miami and take out citizenship, they are just like any other children in Florida.

Mr. PASSMAN. You would want to remove them——

Miss SWITZER. For those who are in we ought to pay what it costs.

NUMBER OF STUDENTS WHOSE FAMILIES ARE RECEIVING FINANCIAL ASSISTANCE

Mr. PASSMAN. When you remove them from the so-called welfare rolls, then they become wage-producing, taxpaying citizens and therefore they pay for the school system like any other citizen.

Mr. SMITH. We have very few on the assistance rolls, now. Of that 24,000 I spoke of, only 800 are children whose families are receiving financial assistance.

Mr. PASSMAN. What is the other?

Mr. SMITH. 24,000.

Mr. PASSMAN. That means they are getting a windfall on 23,200. You are paying $581 for 24,000 children but 23,200 of them are actually employed in the local economy earning wages and paying taxes.

Mr. SMITH. I am sorry, I did give that impression. That would not be 100 percent the case. Some of the children whose families come in as a part of new influx will also be on financial assistance. I think that the problem as we see it is, at the present time, we are paying on the basis of 100 percent of the per-pupil cost for every child who has entered the country since October 1965, and that thousands and thousands of families of those children have jobs and are participating fully in the Miami life.

Mr. PASSMAN. Of the 24,000 school children, I think we could think in terms of 6,050 families. Of the 6,000 families, how many would you say are heads of households and working and paying taxes?

Miss SWITZER. Well over 5,000.

Mr. PASSMAN. If you are going to provide support on the same basis that it costs to educate their children, it simply means 80 percent of them should be attending those schools without paying the $581, and only approximately 20 percent should be paying the $581. Is that a fair evaluation?

DADE COUNTY SCHOOL TAX SYSTEM

Mr. THOMAS. The school tax in Dade County is based on real estate and therefore there is a growing number of property owners now among the Cubans but not in the percentages you have given, sir.

Mr. PASSMAN. You educate the children of the people who do not own real estate. The average U.S. citizen who lives there may not own real estate yet they send their children to school and this man makes his contribution through the sales tax, the tobacco tax, the beverage tax, and all other types of taxes. The Cubans are also paying all of these taxes, are they not?

Mr. THOMAS. They are.

Mr. PASSMAN. In many States your ad valorem tax is a small part of it. They get it out of these special taxes.

By any fair evaluation of the 6,000 Cuban families, about 5,000 of them are working and sending their children to school and these working people are contributing to the tax system through all the special taxes with the single exception of the ad valorem tax, is that correct?

Mr. THOMAS. Yes.

Mr. PASSMAN. That means a tremendous windfall for the school system of Dade County, does it not?

Miss SWITZER. Yes.

Mr. PASSMAN. Am I evaluating it correctly?

Miss SWITZER. I think so.

I do not think I would use the word "tremendous."

Mr. PASSMAN. It depends on the valuation we put on the dollar, today. I am afraid $581 times about 18,000 wouldn't be tremendous in some people's minds. To me it is very tremendous, but putting it in that context, I would have a right to interpret $581 times 18,000 as being very substantial.

Miss SWITZER. Definitely.

Mr. PASSMAN. It would take many onions to make me shed any more tears about the Dade County school system if they operate on this basis.

Miss SWITZER. You and Mr. Shriver should go to Miami to observe the Cuban refugee program.

Mr. PASSMAN. If this committee insists, we will go to Miami and have a check.

Miss SWITZER. Mr. Chairman, I have never been before this committee before but if there is one principle I have observed over the years of my responsibility—and I think Mr. Shriver will bear me out on this because he has worked with me on the Labor-HEW Appropriations Committee, to the maximum extent of my capacity and intelligence, which has its limitations, you will get from us the facts as accurately as we can give them to you.

Mr. SHRIVER. I want to bear that out.

Mr. PASSMAN. I know that, Miss Switzer. It is a most difficult program to evaluate. The flow can go up and down. You are dealing with local people on school costs and as we would say in Louisiana, you have to dance to their music or you don't dance.

Miss SWITZER. There are all kinds of emotional pressures.

Mr. PASSMAN. And the almighty dollar is impressive at all levels.

Miss SWITZER. That is true.

PROFESSIONAL TRAINING

Mr. PASSMAN. Miss Switzer, for professional training under the education activity I notice you are requesting $500,000, is that correct?

Miss SWITZER. That is right.

Mr. PASSMAN. What are the obligations through February 28 for this purpose?

Mr. SMITH. Obligations have been $176,000, Mr. Chairman, through February 28.

Mr. PASSMAN. Through the first 8 months it has been how much?

Mr. SMITH. $175,000.

Mr. PASSMAN. If the rate of obligation continues at this level, you will have some unobligated funds out of this program; will you not?

Mr. SMITH. In this activity, we may have some unobligated funds; yes, sir.

Mr. PASSMAN. Thank you, Doctor.

PERSONNEL OF THE REFUGEE HEALTH CENTER

Page 31 indicates that you have a medical staff at the airport and at the dormitory. Would you furnish for the record a table of personnel for the Refugee Health Center and indicate those that are located at the airport and those that are located at the dormitory, two different tables, and the grand total.

Miss SWITZER. We will supply that.

Mr. PASSMAN. And indicate the type of personnel, whether it is doctor, nurse, and so on.

(The information follows:)

FISCAL YEAR 1968 STAFFING OF THE MEDICAL UNIT

	Center at downtown Miami	Reception center at airport	Dormitory at airport	Total
Physicians:				
Full time	12	1		13
Part time	12	4		16
Administrative assistant	1	1		2
Social workers	2			2
X-ray technicians	2	1		3
Pharmacists	4			4
Pharmacists assistant	5			5
Dentists:				
Full time	1			1
Part time	6			6
Dental assistant	4			4
Statistical clerks	2			2
Medical records clerk	1			1
Laboratory technician	5			5
Nurses	13	1	5	19
Community health worker	2			2
Typist, stenos, clerks	28	2		30
Total positions	100	10	5	115

OUTPATIENT HOSPITAL SERVICES

Mr. PASSMAN. As I understand it, you are anticipating spending $580,000 in fiscal 1969 for outpatient hospital services; would you comment on the hours of operation of the health clinic and also indicate what outpatient services are beyond the facilities and capabilities of the clinic and its staff?

Miss SWITZER. Do you want us to do that now?

Mr. PASSMAN. You can put it in the record.

Miss SWITZER. I do not know how long they stay open, but they are surely busy when they are open.

Mr. THOMAS. Our clinic operates throughout the daylight hours. I think we should do a little research on it and give it accurately and give the various services.

Mr. PASSMAN. And state whether or not this is a 7-day-a-week operation.

Mr. THOMAS. Yes, sir.

(The information follows:)

The medical clinic at the Cuban Refugee Emergency Center in Miami operates from 8 a.m. to 5 p.m., Monday through Friday. The same hours are observed by the medical unit staff at the airport reception center. The nurses' office in the dormitory at the airport, where incoming refugees are housed while awaiting resettlement transportation, is staffed on a 24-hour basis with one nurse on duty at all times.

The clinic at the Refugee Emergency Center handles about 88 percent of the physician outpatient requirements of the refugees receiving financial assistance in Miami.

Outpatient services which the clinic is not equipped to provide and for which the refugees are referred to local hospitals or clinics include:

(*a*) X-ray diagnostic studies other than chest X-rays and a few small bones.
(*b*) Aortagrams and more specialized studies of this nature.
(*c*) X-ray therapy.
(*d*) Cystoscopic diagnostic studies.
(*e*) Physiotheraphy treatment.
(*f*) Bone fractures.

HOSPITALIZATION FOR LONG-TERM ILLNESS

Mr. PASSMAN. Last year you requested $256,000 for hospitalization for long-term illness. This year the justifications indicate that you propose to allocate $367,000 for this purpose in fiscal year 1968, is that correct?

Mr. SMITH. Yes, sir.

Mr. PASSMAN. Where are you going to obtain the additional $111,000? I will put it this way: Do you have the right of transferability from one activity to another?

Mr. THOMAS. Yes, sir.

Mr. SMITH. Yes.

Mr. PASSMAN. You justify your program on an illustrative basis?

Mr. SMITH. Yes, sir. One of the items that is down for example is the item for program administration.

Mr. PASSMAN. What is the basis for this increased allocation for $111,000?

Mr. THOMAS. We are getting into an older caseload with more going into nursing homes. Also, we get a few TB and some mental cases.

Mr. PASSMAN. I want to thank you for the quick and helpful information that you have given to us. This year, like others, we are going to be completely fair about our recommendations. We will cooperate in the best way we can and try not to underfinance the program.

INVESTIGATION OF EDUCATION PROGRAM

There are two things I wish you would have a look at, and one is the school program.

Miss SWITZER. We are determined to do that.

Mr. PASSMAN. If 5,000 of the 6,000 families were an average of four per family, or if it is 24,000 schoolchildren and only 20 percent of them are strictly welfare cases, and all the others are working and contributing to the local tax system the same as the local people do

other than the ad valorem tax, it would appear to me there is a tremendous windfall to the Dade County school system. I do not believe you would disagree with that.

COSTLY HOSPITALIZATION RATES

In addition, hospital care $67 a day—I did not know there was any hospital in the United States charging $67 a day.

Miss SWITZER. Plenty are charging more than that.

Mr. PASSMAN. I believe I would put a cot out in a barn and get somebody to wait on me before I would pay $67 a day for hospital care.

Miss SWITZER. I recently had an emergency appendectomy at home and it was only $38.

Mr. THOMAS. This covers all costs. There is no other cost.

Mr. PASSMAN. What other cost would you have?

Mr. THOMAS. Your surgeon, your X-rays, your drugs.

Mr. PASSMAN. If a man comes up with a bad cold and you put him in the hospital and give him a few aspirins, it is still $67 a day?

Mr. THOMAS. We take him through the clinic. We have no one in the hospital unless it is an emergency case.

Mr. PASSMAN. It is still a day to that hospital and usually the treatment is by some intern, is it not?

Mr. THOMAS. I was just trying to point out, it is not just for the room.

Mr. PASSMAN. You give them a bathroom and you may have a nurse on the floor as in most hospitals.

Miss SWITZER. Maybe you do and maybe you don't.

Mr. PASSMAN. You are talking about the services that all hospitals give, are you not, Miss Switzer?

Miss SWITZER. Yes.

Mr. PASSMAN. You get to go to the bathroom and you apparently have lights to get up by. Are those the services you are talking about?

Mr. SMITH. There are medical and therapeutic procedures, Mr. Chairman. I was given a figure that I was told was from the American Hospital Association that at the end of calendar year 1967 the per day rate—per patient day rate for inpatient care was $58 compared with the $63 during the current fiscal year we are projecting here.

Mr. PASSMAN. I admit $65 a day to some people is not a lot of money, but I think these rates are prohibitive. I think the doctors and hospitals will drive us to complete socialized medicine yet.

Mr. SHRIVER. Action on the part of the Federal Government is to a great extent responsible for these huge increases. Since medicaid and medicare, these expenses have gone up in the hospitals, whereas formerly doctors used to give an awful lot of service free, now they do not. They receive the benefits of the medicare and medicaid program.

Another thing the Federal Government has done is increase the minimum wages for hospital employees. A lot of the responsibility for what you are talking about originated right here in this Capitol Building.

Mr. PASSMAN. I am not quarreling with that statement. I support it. Certainly our Federal Government brought this on, trying to do everything for everybody, everywhere, whether or not they needed it, on borrowed money and that runs the cost up. But the medical pro-

fession, the hospitals, and the insurance companies are taking full advantage of this situation. I think we all know that.

Surely the blame started right here in Washington, but it still does not make $67 a day a bargain as far as I am concerned. I just think sooner or later they are going to have to take a new look at medicare, medicaid and the "medimess" that we have gotten ourselves into.

AVERAGE LENGTH OF TIME REFUGEES RECEIVE PUBLIC ASSISTANCE

Mr. SHRIVER. On page 7 of the justifications you say in effect that about 11,000 of the incoming Cuban refugees will stay in the Miami area and the welfare rolls will increase by 5,100 people, or 46 percent of the number of new refugees.

I realize that the makeup of the welfare rolls is changing all the time as shown in your table on page 19, but this 46 percent figure is not encouraging.

Can you furnish for the record, in addition to the information on page 19, the average length of time public assistance is needed by these people? Perhaps you can let me know right now.

ELDERLY REFUGEES RECEIVING AID

Mr. THOMAS. It would be the incoming people who stay in the Miami area during the adjustment period. We have to give them welfare and their length of stay is a very limited one and there is quite a turnover. But with each group coming in we get some aged persons or some medical cases so there is always an addition to the older caseload. But the turnover is about 50 percent of the cases. The length of time that the people stay on the program, 23 percent stay a 5-month period, 1 to 5 months.

Let me take this over again and give it to you correctly.

The period of time refugees receive financial assistance in Miami: 12 months or more, 64 percent; this is precisely the percentage of the old age on the financial assistance caseload.

Mr. SHRIVER. They are going to stay there from here on out.

Mr. THOMAS. A long time. The old-age assistance activities in Florida are very strict. Twenty-three percent are 5 months, 3 months is 11 percent, and 2 percent are 1 month.

Mr. SHRIVER. What are you getting in now from Cuba?

Mr. THOMAS. The percentage of aged is about the same percent: 7 percent.

CONTINUANCE OF ARRIVALS

Mr. SHRIVER. On page 2 of your statement, Miss Switzer, you mention the number you are expecting to arrive on the airlift in the fiscal year as 44,000 persons. How much longer can we expect this to continue?

It seems to me there would be a dropping off point.

Miss SWITZER. I ask this question every time we talk about it. As long as the present agreement exists that the Cuban Government allows relatives of families already here to register their intent to come out and as long as we keep the airlift going, there appears to be several hundred thousand backlog in Cuba.

When I was in Miami, I saw the computer listing of all of the people whose families here had requested them for consideration from our point of view, and there would be a number of duplications in that list.

Mr. SHRIVER. What is the population of Cuba?

Mr. THOMAS. 6,500,000.

Mr. SHRIVER. When we get all those people out this program will subside, except for those who are on subsistence who are here.

Miss SWITZER. Perhaps three or four hundred thousand more would be the maximum, I would think, but that would take a long time to get those people out at the rate of less than 200 a day, 5 days a week.

Now, of course, there are, if you can believe the newspapers, strictures put on those who are evidencing their intention to come. This may slow it down, too.

The people who go to work in the cane fields may not be able to make it. It is completely unpredictable and it is without our control. It is between the State Department and the President's policy and the Cuban government as to how many people they let out. They could shut it down tomorrow. But if it goes on as it now is going, this is what our estimate is based on.

VOCATIONAL TRAINING

Mr. SHRIVER. You are requesting an increase of $2.4 million for public assistance in the Miami area, but only $196,000 in additional funds for vocational training. Your record in regard to training of these refugees is probably better than the history of the public assistance programs in the country generally.

Miss SWITZER. It is one of the best rehabilitation programs I have ever seen.

Mr. SHRIVER. Don't you think emphasis on the vocational training would eventually decrease the need for high public assistance costs. It is not a very large amount of additional funds.

Mr. THOMAS. When you have 64 percent of your people over 65 years of age, there is only a certain amount you can do in vocational training. If they are younger, we can give them vocational training and we insist—we don't play with this. They either take vocational training or English training or they don't receive financial assistance. This is a hard-nosed policy we have down there and it has been successful.

The Cubans are well motivated so they work right along with us.

Mr. SHRIVER. Your record in vocational training is very good.

AIRLIFT ARRIVALS FROM DECEMBER 1965 THROUGH FEBRUARY 1968

Page 11 of the justifications say 100,088 persons arrived in this country via the airlift from December 1, 1965 through February 29, 1968. In the table on the same page, you use the figure 93,845 persons who registered during this time. What is the difference in these two figures? ninty-three thousand and 100,000?

Mr. THOMAS. There would be a possibility of some coming the other way. The count on people who stay in the Miami area is not always figured in our registration figure. There is a difference of a few thousand.

Mr. SMITH. Mr. Shriver, not all persons register for service at the Cuban Refugee Center.

Mr. THOMAS. They need nothing from us and they are not registered for service.

DOCTORS TRAINING PROGRAM

Mr. SHRIVER. At page 14 of the justifications you mention the development of training projects for refugees who have professional backgrounds, to help them to contribute to the needs of American communities. Will you tell us more about this?

Miss SWITZER. Tell them about the man at the University of Iowa. It is a lovely story. It is only one, but it is illustrative.

Mr. THOMAS. To go down a few of our training programs we operate—the University of Miami Medical School operates a program for doctors, a refresher course. Despite Castro's statement that he would not permit professional people to come out, he does permit them. We get a few doctors, a few dentists and so on.

We have trained 2,000 doctors and they go out into the various communities and work in hospitals and clinics.

Mr. SHRIVER. Smaller communities in the country are having difficulty in getting doctors and dentists. Are any of these doctors going into smaller communities where the great need is or are they all going to the cities?

Mr. THOMAS. There is a number going into smaller communities, but there are just so many needs that it is just impossible to supply them. We get requests every day from small communities.

TEACHER-TRAINING PROGRAMS

Now, with regard to the teachers, we get a number of offers from throughout the country where there is a need for teachers of the Spanish language. These requests come many times from small towns. We have operated about 15 or 16 teacher-training programs at various universities around the country. If the state permits a provisional certificate to be given to a teacher, these teachers can qualify and eventually they get onto the regular rolls.

Miss Switzer was asking about the case of a lawyer who went to the University of Iowa to attend one of our training programs. His first job was in a high school in a town of about 10,000 population. He got a job in a university in Iowa the next year as an instructor in romance languages. The third year he went to Columbia University on a scholarship and improved his teaching abilities. He is now the Professor of romance languages at Hampton Institute, which is a Negro Institute in Hampton, Va., as well as being the romance language instructor to the teachers in Norfolk and Hampton. It is this kind of contribution that they make.

Miss SWITZER. I have always thought that was a nice story. I know it is an exception, but it is still great to know that kind of thing can happen; isn't it?

Mr. SHRIVER. I think there are lots of other examples. I know of a few in my own area. I don't know whether they went through your center in Miami or not, but they are making a contribution to the community. There are some right here in Washington, too.

Mr. THOMAS. Kansas State Teachers College has done programs for us, and a number of lawyers have received their degrees in library science. They get a nice salary.

Mr. SHRIVER. The lawyers are not practicing law; are they?

Mr. THOMAS. They would have to go back and take the whole course.

PAYMENTS OF EXCEPTIONAL MEDICAL EXPENSES FOR UNACCOMPANIED CHILDREN

Mr. SHRIVER. On page 21 you explain that your program for unaccompanied children covers medical and dental expenses, except in exceptional cases where the bills are extremely high. What happens in those cases? Who pays the bills?

Mr. THOMAS. We have contracts with the voluntary agencies who, in turn, subcontract to various communities where these children are either in foster care, or group care, usually, the institution or the foster family will take care of the general needs of the child. But when there is an exceptional need that would tax the relationship, then we have a special program.

Mr. SMITH. The point we were making, Mr. Shriver, was that the rate cited up above on that page of $5.30 and $7.30 a day and $6.70 outside of Miami do not cover these extraordinary expenses for medical and dental care but, rather, as Mr. Thomas said, there is a separate means of providing for those extraordinary cases.

REVISION OF FEDERAL ASSISTANCE RATES FOR DADE COUNTY SCHOOLS

Mr. SHRIVER. On page 3 of your statement—I think you perhaps answered this earlier—and page 27 of the justifications, you note the discussions which are in progress for the Dade County schools, to revise the rates of Federal assistance. I presume that you discussed that in answer to Mr. Passman's questions?

Miss SWITZER. Yes, we did.

Mr. SHRIVER. When do you expect to have a specific set of revised rates as a result of these discussions?

Miss SWITZER. We are struggling hard to get them before July 1. Our estimates are based on a plan going into effect on July 1. We are going to keep right at it.

Mr. MEYERS. I have been down to talk with them. We hope to be able to have it in effect for the next school year.

Miss SWITZER. If we didn't do that, it would cost $5 million more.

REPAYMENT OF COLLEGE LOANS

Mr. SHRIVER. I had to go to another committee earlier and was a little late.

Have you had any difficulties with the repayment phase of the loans for college expenses programs?

Mr. THOMAS. This has been a happy experience for us. The Cubans are seemingly—according to the records we have now—taking their repayment very seriously. We haven't been in business too long and the number of graduations aren't that great yet, but we have about a 5-percent debt deficiency.

Mr. SHRIVER. What do you do with the repayments?

Mr. THOMAS. The repayments come back to the U.S. Treasury.

Mr. SHRIVER. You have some increases in this program due to more qualified applicants. Would you say the payments would offset the difference there?

Mr. THOMAS. We are gradually moving to that point. We just haven't had enough experience yet.

INCREASE OF PATIENT-DAYS FOR LONG-TERM ILLNESSES

Mr. SHRIVER. In section B, pages 32 and 33 of the justifications, you point out a 37-percent annual increase in the number of patient-days in mental hospitals, and a 32-percent increase in patient-days in tuberculosis cases. Why are those increases so high?

Miss SWITZER. The condition of the airlift people, I think, accounts for that, mostly.

Mr. THOMAS. There is also a cost increase, too, in the institutions. In almost every institution, you get an increase in the course of the year.

Mr. SHRIVER. The number of patient-days.

Mr. THOMAS. Yes; I can speak to that. I am sorry, sir.

The trauma that is caused in the long delays of people coming out of Cuba has brought a little more of a problem to us in the area of psychiatric care. There have been more breakdowns of cases on the mental side.

On the TB side, since these people come out sight unseen, so to speak, from the health side, it is just amazing to us that we haven't had more in the area of TB. That has been a very reasonable figure. We have recently had some increase in it, but it is still, I think, a remarkable record. We try our best—and there is, I think, another factor in this program. We try our best to, by a thorough medical examination when the people arrive, to detect any phase at all in this line, so that the people won't go out into the communities and cause further infection.

REDUCTION IN PROGRAM ADMINISTRATION REQUEST

Mr. SHRIVER. These $39,000 of reserves, written in your statement, is taken as part of the overall cost reduction effort authorized by Congress and implemented by the President. Although it is a very small reduction, where did it come from? How did you effect that?

Mr. SMITH. Mr. Chairman, that came from the program administration activity of this budget and is in line with the provisions of the House Joint Resolution, the continuing resolution and the cost reduction program which proposed a cutback in employment, in salaries, and a cutback in other objects of expense. This $39,000 was taken out of the program administration item and the number of positions was decreased by four; from 130 to 126.

Mr. SHRIVER. It is not very large.

Mr. THOMAS. It is a small program.

WELFARE ASSISTANCE AND SERVICES

Mr. SHRIVER. On page 1 of your statement you say that the principal changes in the 1968 program includes decreases for welfare assistance and services and lower on the same page you say that the major item of the requested increase is for welfare assistance and services. In one place you are talking about decreases and in the other increases, and you are talking about the same thing.

Mr. SMITH. The first paragraph refers to the 1968 budget plan and it is related back to comparing the current status with the status as reported to the committee, or requested from the committee last year.

The next paragraph relates to the 1969 budget and indicates there are increases over the now proposed 1968 budget plan.

"TRAINING FOR INDEPENDENCE" PROGRAM

Mr. SHRIVER. The Training for Independence Program, of which you are justly proud, sounds similar to the approach to welfare recipients which Congress ordered last year and which the administration is hesitant to carry out. Would you say it is comparable to that program?

Mr. THOMAS. We like to think it is a model program, sir. We took 3,800 unaccompanied women with children and single women and through a program of English and vocational training, counselling, and motivation, reduced that number to less than 200.

Mr. SHRIVER. And it is working?

Mr. THOMAS. It is working.

Mr. SHRIVER. Thank you very much.

Mr. PASSMAN. Thank you, Mr. Shriver.

NUMBER OF RETURNEES TO CUBA

You have been director of this Cuban Refugee program for a good many years. Have you ever put together the total by year, and grand total of the returnees, the numbers we have brought over and they decided they wanted to go back? Have you had many of them?

Mr. THOMAS. To return to Cuba, the person has to apply through the Czech Embassy and get a visa through Canada or Mexico. I have heard of only one or two cases. There may have been more.

Mr. PASSMAN. There have been very few?

Mr. THOMAS. Yes.

Mr. PASSMAN. In other words, you would have no way of knowing, without making a special inquiry to the countries who handle these applications?

Mr. THOMAS. The grapevine in refugee work is very thorough and you hear very little of this.

Mr. PASSMAN. It would be a matter of guess whether it is one or two or twenty?

Mr. THOMAS. There has been some highjacking of planes, as you may have read in the paper. Those are the returns we know about.

Mr. PASSMAN. That prompted me to ask the question.

Mr. THOMAS. Very few of them.

Mr. PASSMAN. Talking about the grapevine, we hear by the grapevine that the President is sending you out to Vietnam on a special mission. Have we heard correctly?

Mr. THOMAS. Yes, sir.

Mr. PASSMAN. We wish you well. You have certainly performed a wonderful service in connection with the Cuban refugee program. You have been in Vietnam before, I understand.

Mr. THOMAS. Yes, sir, I was there in 1965.

Mr. PASSMAN. We wish you well. All we can say is, hurry back. You have some very fine assistants and we know they will carry on in an excellent manner.

ASSESSMENT OF CUBAN REFUGEE PROGRAM

Mr. CONTE. Could you give us a general statement on the status of the Cuban refugees in this country as of today, including the progress that has been made and the situation we face in the future?

Miss SWITZER. I will be happy to. Since early 1961 over 280,000 Cubans have registered with the Cuban refugee program in Miami and we have resettled over 180,000 at Government expense to some 3,000 communities, and in every State. I should mention at this time that not all Cuban refugees admitted to this country are registered. Registration has always been voluntary, and a Cuban must be eligible to register. Without doubt, the vast majority are employed and are contributing members of our society. Many have become citizens, while others have exercised their privileges under recent legislation which permits Cuban refugees to change their immigration status without having to leave the country. I do want the record to show that we recognize and value the fine cooperation we have received from Cuban refugees themselves. They are well motivated to self-support and work with us in helping us help them.

Progress has been made. In testimony over the past years the record will show that in December of 1962 there were more than 58,000 persons receiving financial assistance from the program in Miami, Fla. That was reduced to 15,800 by the beginning of the airlift in December of 1965. We make every effort we can to keep the financial assistance caseloads at a minimum. Our valuable experience gained in previous years, the cooperation of the voluntary agencies, the fine facilities the Dade County school system has provided for English and vocational training for adults, the American people, and the refugees themselves have helped to make this possible. As for the future, we of course must anticipate that the present orderly airlift will continue. This is not a matter over which we have control.

Our efforts will be directed to improving our services in rehabilitating the refugees after they arrive. We will seek to do this in the most efficient manner possible and in keeping with the great humanitarian traditions of the United States.

CHANGES IN FISCAL YEAR 1968 ESTIMATED PROGRAM ACTIVITIES

Mr. CONTE. At the outset of your statement you say that shifts have been made in your justifications for fiscal 1968, including decreases in program administration, welfare assistance and services and resettlement activities and increases due to the unanticipated workloads and rises in payment rates for educational and health services.

Would you expand on this statement, please?

Mr. THOMAS. In our congressional budget estimate last year, we requested $2,270,000 for Federal administration of the program. We now estimate that $2,046,000 will be required for this activity, a decrease of $224,000. The decrease is primarily related to a need for less overtime and temporary employees in Miami as the operations have become more stabilized than anticipated when the estimate was originally made.

For welfare assistance and services, we originally estimated that $26,575,000 would be required for fiscal year 1968. It is now estimated that $26,265,000 will be required for the year, a decrease of $310,000. While there are anticipated adjustments in all of the areas covered by this budget activity, the major adjustments are a decrease of $636,000 for financial assistance in Florida and an increase of $838,000 for assistance to refugees who have resettled to other States.

For fiscal year 1968, it was originally estimated that 39,000 refugees would be resettled at a cost of $5,655,000. It is now estimated that 38,000 will be resettled at a cost of about $5,550,000.

The 1968 budget requested $11,096,000 for assistance to Dade County schools for elementary and secondary education of the refugees. It is now estimated that $12,291,000 will be required. The increase is primarily due to increases in teacher salaries. Partially offsetting this increase is a decrease in the student loan program estimated at $620,000.

In the health services area, it was originally estimated that $1,801,000 would be required for the health clinic, for hospitalization of mental and TB patients, and for outpatient hospital services. It is now estimated that $1,929,000 will be required for 1968. The primary reason is an unanticipated increase in the number of days of hospitalization estimated for mental and TB patients which increased by 35 percent in fiscal year 1967 over 1966.

PORTION OF WELFARE ASSISTANCE AND SERVICES REQUEST ALLOCATED TO DADE COUNTY

Mr. CONTE. With respect to the $5.6 million requested increase for welfare assistance and services, can you tell us at this point how much of that amount will be allocated for the Dade County area?

Mr. SMITH. About $3 million.

LOCAL ATTITUDE TOWARD CUBAN REFUGEE PROGRAM

Mr. CONTE. What is the general attitude in Florida in the areas of Cuban refugee concentration? Have you found any indications of significant rejection of the situation by local citizens? If so, are efforts being made to overcome such a reaction?

Mr. THOMAS. On the contrary, sir. We have experienced in Miami a change of attitude in this regard. Even the area's leading newspapers have stated in editorial after editorial and numerous articles that Cubans are making a tremendous contribution to the area. There are a few complaints about Cubans from citizens in the area. They talk too loud too late at night, things like that, but these are more of a cultural adjustment problem rather than economic or political. In the early part of the program, there were many different complaints, but these

originated from a lack of understanding of the program, its objectives and procedures.

REVISION OF FEDERAL ASSISTANCE RATES FOR DADE COUNTY SCHOOLS

Mr. CONTE. You refer to your discussions with Dade County school officials and to the fact that a specific set of revised rates have not yet been produced. Could you give us some idea of what kind of reduced reimbursement rates you are aiming for?

Also, you state that the 1969 budget plan assumes reduced rates in effect. Approximately how much more would your budget requests be if your budget had not assured these reductions?

Mr. SMITH. When the new influx started in October 1965, it became apparent that the Federal Government's plan, at the time, for partially phasing out its contribution to the Dade County school system would have to be modified. In October 1965, there were 15,500 Cuban refugee children in the Dade County public schools, facilities in the county were overcrowded, and the school system was otherwise being strained to the maximum to provide the necessary programs and services for the various groups of children in the county.

We now have two basic payment policies, one for the children of Cuban refugees who entered the country prior to the new influx and one for the children of Cuban refugees who have arrived via the new influx.

For the children of families who entered the country prior to October 1965, we pay the school system at the rate of 60 percent of the per pupil cost for refugee children whose parents receive financial assistance through our program and 45 percent of the per pupil cost for children whose parents' are not receiving financial assistance in Miami. For the children of families who have entered the country since October 1965, the full current operating cost per pupil is paid. In addition, a one-time payment for construction purposes of $600 per refugee child for the net increase in school membership from October 1965 is paid.

While some preliminary discussions have been held with officials of the school system for changing our payment policies, nothing firm has been developed as yet. Our approach to a changed policy, we believe, should recognize that many of the Cuban refugee families who live in Miami are self-supporting and are paying the same taxes as the Americans who live there. At the same time, our policy must recognize that newly arriving refugee children are a special problem to the school system because they are in excess of expectations of a normal school system and do not know the language. It will take several years in school before they can be educated at the same cost as the American students. In addition, it must be recognized that the Dade County school system has taken on a tremendous task in the education of thousands of the refugee children and should be given time to phase into any drastic reduction of Federal support. What we currently have in mind is a gradual reduction, over a several year period, for the children of refugees who entered the country prior to October 1965. For the children of refugees who enter the country via the current influx, we would plan to pay 100 percent of the costs at the outset in recognition of the sudden impact, and then gradually reduce the percentage.

If the current policies are not changed, our requirements for 1969 would be increased by about $5 million.

PROGRESS OF WELFARE ASSISTANCE PROGRAM

Mr. CONTE. How successful have the Cuban refugees been in making the transition from welfare, which they need, arriving here without funds, to gainful employment?

Mr. THOMAS. I would like to point out how well motivated these people are. They waste very little time in becoming self-supporting if they are capable of work. We encourage these traits and ask the assistance of the voluntary resettlement agencies in providing them with every opportunity to find gainful employment. I think their transition from dependency on Federal assistance to standing on their own two feet has been nothing short of remarkable when we consider that most of them enter this country with little or no English language facility. About 280,000 have registered for services with our program and only 35,000 in the Nation presently require financial assistance from our program.

PROPER USE OF CUBAN PROFESSIONAL SKILLS

Mr. CONTE. Also, how successful have they been finding positions where their skills learned in Cuba can be put to similar uses in this country?

Mr. THOMAS. We don't have precise information in this area for all refugees from Cuba. But we do know, for example, that all physicians from Cuba due to our training program, can put their skills to use here. Teachers also manage to join their profession here, some on their own, others through short intensive projects offered by the program. Lawyers, as mentioned previously, find it difficult, if not impossible, to practice in this country since the system is so different. However, hundreds of lawyers have become teachers without difficulty and many have successfully become librarians. Skilled workers, if their skill is required in our economy, have no difficulty in finding similar employment after they become adept in English. In resettlement, perhaps the first job setup by the sponsor, or the resettlement agency or even the refugee's own relative in the area— will not be to his liking, or require his skill. But it does provide him with a toehold, and the majority soon seek employment in their skill or something closely allied to it. We also find, that like Americans, they tend to move about the country seeking better opportunities for themselves and families and they are quite successful in this.

AVERAGE TIME CUBAN REFUGEE RECEIVES FINANCIAL ASSISTANCE

Mr. CONTE. What is the average period of time for which the Cuban refugee coming over from Cuba requires financial assistance?

Mr. THOMAS. Cuban refugees of all ages are received by our country and no distinction is made against the physically handicapped. Thus, like any other population, the Cuban refugee population contains the aged, the infirm, and the disabled as well as many able-bodied persons

who can support themselves and their families not too long after arrival. Many of the aged and the disabled will require long periods of assistance. For those who can work, relatively short periods of assistance are required.

For the total Miami caseload receiving financial assistance today, the average number of months on assistance is 29. However, this average includes some aged and disabled refugees who have been receiving assistance since 1962, (6 years), some who have been receiving assistance 1 month; and some who have been receiving assistance for varying numbers of months. A characteristic study of the Miami caseload made shortly before the start of the new influx revealed that about 12,000 refugees were on the rolls in Miami at that time who, because of age or a broad range of medical, social, or occupational problems would remain in need of cash assistance for lengthy periods of time. We have not made any current study of the length of time newly arrived individuals remain on assistance. However, for the fiscal year 1967, 11,380 persons were added to the Miami rolls, and 5,780 persons were dropped from the rolls.

SUPPORT OF PROGRAM BY VOLUNTEER AGENCIES

Mr. CONTE. You referred to the invaluable support being provided by the voluntary agencies participating in the program: The Church World Services, Catholic Welfare Conference, United HIAS, and International Rescue Service. I would like to take this opportunity to agree with you and to commend these organizations for the contributions that they have made in dealing with this situation.

Mr. PASSMAN. Thank you, Mr. Conte.

Mrs. Reid, do you have any questions?

RESETTLEMENT OF CUBAN REFUGEES IN OTHER COUNTRIES

Mrs. REID. Thank you, Mr. Chairman. In reviewing the geographic distribution of Cuban refugees over the past few years, I note that surprisingly few of them have been resettled in other countries of the free world. You reported last year, for instance, that only 912 had been resettled in some 26 foreign countries. What are the reasons for this? Is anything being done to increase the interest of other nations in this program?

Mr. THOMAS. Generally speaking, this is a matter which the Department of State should comment on. However, the figures you quote are from our records and represent those refugees who have come to this country, registered with our program, and then gone to another country. Our program does not provide for the payment of transportation costs to other countries. Some circles estimate there are over 100,000 Cuban exiles living in countries other than the United States. As to increasing the interest of other nations in this program, I would prefer the Department of State comment on that aspect.

LENGTH OF ELIGIBILITY FOR ASSISTANCE

Mrs. REID. How long after resettlement do you maintain contact with a refugee family? How long after resettlement are they eligible for assistance?

Mr. THOMAS. Resettlement is the work of the voluntary agency. They take every precaution to advise the resettling refugee to maintain contact with his sponsor, agency, etc. This is also a constant message in our Spanish language public information effort. There has been ample evidence this message has reached refugees because literally thousands contacted their sponsors upon learning of the new operating airlift, seeking advice and above all help in planning for the eventual arrival of their relatives from Cuba.

There is at present no cutoff date on the eligibility of a resettled refugee to be eligible for financial assistance. Eligibility is based on need as demonstrated to local welfare officials and in keeping with the local welfare policies for Americans of the State in which the refugee has resettled. It is our general policy that refugees receive only that assistance available to a citizen in similar circumstances of need.

ASSISTANCE BY LOCALE

Mrs. REID. Do you find that refugees who remain in the Miami area need more assistance than those who resettle elsewhere in the United States? How about those who relocate in New York City? Are they able to find employment and not become public charges?

Mr. THOMAS. The financial assistance caseload in Miami is composed primarily of elderly refugees, the sick, those physically or socially handicapped, unaccompanied minor children and newly arriving refugees. We estimate that there are about 110,000 Cubans in Miami currently and about 22,000 of them require financial assistance. Of the 180,000 who have been resettled out of the Miami area under Government auspices since the program began in 1961, about 13,000 now require assistance. From all reports we have from the voluntary agencies, employment opportunities in the New York metropolitan area abound and employable refugees lose no time in seeking and obtaining employment.

INCREASE IN HOSPITALIZATION FOR LONG ILLNESSES

Mrs. REID. I note that you are requesting an increase in "hospitalization for long-term illness." How do you define "long-term" illness in this category? What illnesses are predominant?

Mr. MEYERS. Those cases requiring hospitalization in tuberculosis and mental hospitals in Florida are treated as long-term illness in the budget proposal. These cases usually require hospitalization for longer than the 90-day limitation applicable to hospitalization for most other types of illness or maternity care.

REFUGEES AFFLICTED WITH LONG-TERM ILLNESSES

Mrs. Reid. On page 14 you mention the long-term hospitalization costs of refugees with tuberculosis and mental disorders. How many are involved in each category? There are no medical examinations before they come in as in the regular immigration procedures?

Mr. Thomas. There are currently 12 persons undergoing treatment in tuberculosis hospitals and 79 persons receiving care in mental hospitals. This is a relatively small number in terms of the total Cuban refugee population in Florida. The number of patient days of care however, increased 35 percent in fiscal year 1967 over 1966 and this same percentage increase is estimated for 1968 and 1969.

As to your second question, an officer of the U.S. Public Health Service accompanies each plane to Cuba every morning. There have been cases of initial medical rejections being made prior to departure from Varadero Airport in Cuba. However, upon arrival in Miami, a more in-depth medical examination is made by our people at the airport. The medical and health criteria which pertain to parolees are applied.

RECHECKING OF ELIGIBILITY FOR WELFARE ASSISTANCE

Mrs. Reid. On page 13 of the justification you refer to "rechecks" on the eligibility status of recipients. How often is eligibility rechecked? When does a refugee family lose eligibility for welfare assistance?

Mr. Thomas. By rechecks we means the return visit to the refugee's home by the caseworker. Presently this is done about every 6 months. A refugee family will lose its eligibility under the program by not meeting its obligation to the program. That is to say, in the majority of cases, the able bodied head of the family refuses resettlement or a job opportunity. He is evidently sure he will be able to support his family in Miami. Many do and do it quite well.

CRIME RATE AMONG CUBAN REFUGEES

Mrs. Reid. All Americans are deeply concerned these days with the rising crime rate. What has been your experience in this area with the refugee program? Are refugees screened as to criminal records in any way before they enter the United States?

Mr. Thomas. In this regard we are frequently gratified to learn of public statements by local civil and police authorities in Florida when they state that Cuban refugee participation in crime is so insignificant as not to be statistically reportable. They are a law-abiding and responsible people.

The screening of Cubans prior to entry to this country is done by the Immigration and Naturalization Service of the Department of Justice. I believe the law requires this type of screening.

Mr. Passman. Thank you, Miss Switzer. Without objection, the subcommittee will adjourn until Monday at 1 o'clock.

MONDAY, APRIL 1, 1956.

ASIAN DEVELOPMENT BANK

WITNESSES

JOHN PETTY, DEPUTY ASSISTANT SECRETARY OF TREASURY FOR INTERNATIONAL AFFAIRS (AND ASSISTANT SECRETARY-DESIGNATE)
THELMA VETTEL, FAR EASTERN EXPERT, TREASURY DEPARTMENT
MILAN C. MISKOVSKY, ASSISTANT GENERAL COUNSEL, TREASURY DEPARTMENT
ERNEST C. BETTS, JR., DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND BUDGET OFFICER, TREASURY DEPARTMENT

INVESTMENT IN ASIAN DEVELOPMENT BANK

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 est.	1969 est.
	Program by activities:			
10	Investment in Asian Development Bank (object class 33.0)	20,000	20,000	20,000
	Financing:			
21	Unobligated balance available, start of year	−140,000	−120,000	−100,000
24	Unobligated balance available, end of year	120,000	100,000	100,000
40	New obligational authority (appropriation)			20,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	20,000	20,000	20,000
72	Obligated balance, start of year		10,000	20,000
74	Obligated balance, end of year	−10,000	−20,000	−30,000
90	Expenditures	10,000	10,000	10,000
	Expenditures are distributed as follows:			
02	Out of prior authorizations	10,000	10,000	10,000

Mr. PASSMAN. The committee will come to order.

The first item before the committee this afternoon will be the 1969, or third installment for the Asian Development Bank in the amount of $20 million.

Mr. Secretary, I believe you have a statement you would like to make in behalf of the $20 million for the Asian Development Bank. We would be pleased to hear from you at this time.

Mr. PETTY. Thank you, Mr. Chairman.

GENERAL STATEMENT

Mr. Chairman, it is a pleasure to appear before you this afternoon to discuss the administration's request for an appropriation of $20 million representing the third installment of the U.S. subscription to the paid in capital of the Asian Development Bank.

In March of 1966, the Congress enacted the Asian Development Bank Act—Public Law 89-369—which authorized the United States to join the Bank, and which authorized the appropriation of $200 million for our subscription to the capital stock of the Bank. Pursuant to this congressional authorization, the U.S. accepted membership in the

Bank, pledging to subscribe to our share of the capital stock of the Bank as provided in the agreement establishing the Bank. This subscription is divided into two parts—$100 million of paid-in capital to be paid to the Bank in five annual installments of $20 million each, and $100 million of callable capital.

In May of 1966 the Congress enacted Public Law 89–426 which appropriated $140 million, covering $40 million for the first two installments for our paid-in subscription, and $100 million for the entire U.S. subscription to the callable capital of the Bank. The callable capital of the Bank serves as a guarantee which enables the Bank to raise funds by borrowing in private capital markets. Our callable subscription would be paid to the Bank only in the unlikely event that the Bank would be unable to meet obligations on borrowings or guarantees made by the Bank chargeable to its ordinary capital resources.

Our paid-in subscription, on the other hand, is payable to the Bank in five equal annual installments. The first two installments were paid to the Bank in August 1966 and 1967. The remaining three installments are due in August 1968, 1969, and 1970. Today, we are requesting that this committee recommend that the Congress appropriate the $20 million necessary for the United States to make its third installment which is due in August 1968. As in the case of the previous two installments, half of the $20 million would be paid in cash and the other half in a non-interest-bearing letter of credit which will be drawn upon by the Bank as necessary to meet its disbursement schedules.

The authorized capital stock of the Bank is $1.1 billion, of which $970 million has been subscribed to date. As of December 31, 1967, the first two installments of members paid-in subscriptions totaled approximately $193.5 million, of which the U.S. share was $40 million, or just over 20 percent.

BACKGROUND

The ADB is an international financial institution designed to foster economic growth and regional cooperation in Asia and to contribute to the economic development of the developing member countries of the region. The Bank came into existence in August 1966 and officially began its operations on December 19, 1966. The membership of the Bank consists of 32 countries: 19 of which are located in Asia, and 13 of which are outside the Asian region.

The Bank's headquarters are located in Manila, Philippines. Like the IBRD and the Inter-American Development Bank, it is governed by a Board of Governors and a full-time Board of Directors. Each member is entitled to appoint one Governor and one Alternate Governor to represent it on the Board of Governors. The Board of Directors is composed of 10 members: seven elected by the regional member countries, and three by the nonregional members. The four largest contributors—United States, Japan, India, and Australia—are each represented by a Director and an Alternate Director. The voting power of each member country, on both Boards, is roughly commensurate with its subscription to the Bank's capital stock. Thus, the United States and Japan, which each subscribed 20 percent of the initial authorized capital of the Bank, each has slightly more than 17 percent of the voting power in the Bank.

PROGRESS OF THE BANK

The ADB is becoming a focal point in Asia for cooperative efforts in the field of regional economic development. The growing confidence reposed in the Bank by governments and international organizations alike is attributable in large part to the firm foundation which has been established thus far.

At the inaugural meeting of the Bank, the Board of Governors unanimously elected Mr. Takeshi Watanabe, of Japan, as president of the Bank. Mr. C. S. Krishna Moorthi, of India, was elected vice president by the board of directors at its first meeting in December 1966. By the end of 1967 the Bank had recruited a competent staff numbering 187, of which 55 were professional and the remainder non-professional personnel. While the primary consideration to the Bank has been to obtain personnel with high qualifications, the Bank has also paid due regard to the recruitment of personnel on as wide a geographic basis as possible. Thus, staff members have been recruited from 20 countries, 14 regional and six nonregional countries. It is expected that by the end of 1968 the total number of staff will reach approximately 270.

A large part of the Bank's work over the past year has been devoted to basic organization work and to the establishment of procedures to insure that its operations will be conducted on a sound banking basis. A nucleus of staff was set up, a start was made in the delineation of an operational strategy, and reconnaissance missions were made to 13 developing member countries to establish contact with those in charge of development activities, and to try and understand the development strategy, needs, progress, and prospects of each country visited. In addition, the Bank was able to begin its lending and technical assistance activities. Twelve specific loan applications were received by the Bank during 1967, and the Bank has already completed action on one loan of $5 million to the Industrial Finance Corporation of Thailand, which was approved by the Bank's Board of Directors on January 23, 1968. This loan, which carries an interest rate of 6⅞ percent over a 12-year term, will contribute to the industrial development of Thailand by enabling the borrower to make medium- and long-term loans to industrial enterprises in that country. Subloans made by the borrower for projects which involve a foreign currency cost in an amount equivalent to $150,000 must receive the approval of the Asian Development Bank. Where such projects involve foreign currency costs of less than the equivalent of $150,000, the Industrial Finance Corporation of Thailand is required to supply the Bank with information describing the project and the terms and conditions of the loan prior to the Bank's disbursement. Other loan proposals are undergoing a detailed appraisal, and it is expected that the Bank's lending activities will be expanded substantially during 1968.

The Government of Indonesia requested the Bank for technical assistance in devising measures to increase food production and food availability in connection with Indonesia's current stabilization efforts. A Bank mission undertook this work in October 1967 and provided a report to the Government of Indonesia in January of 1968 covering the current production and marketing situation with respect to agricultural crops, and recommending methods for alleviating existing bottlenecks and constraints. The Bank has also provided

technical assistance to the Agriculture and Fishery Development Corporation of Korea.

The Bank is also deeply involved in regional surveys in the fields of agriculture and transportation. One of Asia's most pressing needs is a greatly increased effort to modernize its agriculture. The process of agricultural development involves the reeducation of farmers in improved methods of cultivation; the establishment of extension services and credit mechanisms to help the farmer; the promotion of agriculture-oriented industry and infrastructure such as roads and irrigation. In recognition of the complexities of this sector, the Bank instituted a regional survey of agriculture to facilitate the future operational role of the Bank in the sphere of agriculture through an extensive study of the problems and opportunities which must be considered by the Bank in promoting agricultural development. A survey team was organized in July of 1967 and visited 15 regional developing countries and Japan over the latter half of 1967. The reports of the survey team, covering strategies and priorities for accelerated agricultural development in Asia, were submitted to the Board of Directors in March 1968.

Late in December 1967, the Bank was requested by the Government of Malaysia to undertake a regional transport-communication survey to study the needs of transportation development in Southeast Asia in an effort to determine the directions in which future transportation development should take place and to elicit recommendations on an investment program based on economic priorities of projects. This request emanated from a conference of eight Southeast Asian countries held in Kuala Lumpur in September 1967. In February 1968, the Bank's Board of Directors authorized the undertaking of the work necessary to establish the framework and terms of reference of this transportation survey.

I believe, therefore, that the Bank has moved expeditiously and effectively in recruiting a highly competent staff, in developing its policies and strategy, and in initiating—on a sound basis—the lending and technical assistance activities upon which the development of Asia will increasingly depend. Having lain this solid groundwork, it can be expected that the financing activities of the Bank will increase in tempo in the immediate future.

SOURCES OF BANK'S ORDINARY CAPITAL

In carrying out its ordinary operations the Bank will, in the future, have two main sources of funds; its paid-in capital, and funds raised by borrowings in private capital markets and backed by its callable capital.

The Bank has begun the necessary preparatory work to qualify its bonds for investment. While there are no plans to issue its securities in the near future, the process of qualification, particularly in the United States, is a time-consuming enterprise. I might point out that the Bank's Articles of Agreement require that it "give due regard to the general principles that its borrowings should to the greatest extent possible be diversified as to country of borrowing."

The chief source of the Bank's funds at this time is its paid-in capital. At present, its paid-in capital amounts to $193.5 million, of which

the United States has contributed $40 million. The appropriation we are seeking today will enable us to join with the other member countries in paying our third installment to the Bank's paid-in ordinary capital, which will be used by the Bank for financing on conventional "hard loan" terms.

BALANCE OF PAYMENTS

We foresee no net balance-of-payments costs to the United States resulting from our participation in the Asian Development Bank. Of the $40 million we have paid into the Bank over the last 2 years, $20 million was paid in cash and $20 million in non-interest-bearing letters of credit. The latter have no adverse effect on our balance of payments until they are drawn upon by the Bank to meet loan disbursements, and then only to the extent that the proceeds are not used by the borrower to purchase U.S. goods and services. The impact of our $20 million cash contribution on our balance of payments has been more than offset by the Bank's investment of these and a larger amount of assets in the United States, much of it at long term. Our third installment would also be paid half in cash and half in a non-interest-bearing letter of credit.

Over the long term, of course, our cash contribution and letters of credit will be used by the Bank for development lending, and we are hopeful that procurement in the United States attributable to this lending will largely match our payments.

CONCLUSION

Under the Bank's articles of agreement, members' third installments to the paid-in capital are due in August 1968. Section 7 of the Asian Development Bank Act. (Public Law 89–369) authorized the appropriation of amounts necessary to enable the United States to meet fully its subscription obligations. I urge the committee to recommend the appropriation of the $20 million necessary for the payment of our third installment.

I believe that the Bank has established itself as a highly responsible and forward looking financial institution, and that the addition resources which the members will place at its disposal next August will enable the Bank to continue its vital work, on which rest the hopes for progress, stability, and a better life for the people of Asia.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Without objection, the justifications will appear in the record at this point.

(The pages follow:)

TREASURY DEPARTMENT
ASIAN DEVELOPMENT BANK JUSTIFICATION

A. *Background*

The Asian Development Bank is a regional development financing institution established for the purpose of financing economic development projects and programs in and among the developing countries of Asia. The agreement establishing the Bank came into force on August 22, 1966, upon ratification by the United States and 14 other countries. The U.S. instrument of ratification was deposited at the United Nations on August 16, 1966.

The Board of Governors of the Bank held its inaugural meeting in Tokyo, November 24–26, 1966. At that meeting the Governors elected Mr. Takeshi

Watanabe of Japan as the Bank's first President; increased the Bank's authorized capital from $1 to $1.1 billion; and elected the Bank's first Board of Directors. On December 19, 1966, the Board of Directors held its first formal meeting at the Bank's headquarters in Manila and declared the Bank open for business.

The Bank has a membership of 32 countries, 19 of which are regional countries, and 13 of which, including the United States, are developed nonregional countries. Membership in the Asian Development Bank is open to members and associate members of the United Nations Economic Commission for Asia and the Far East (ECAFE) and to other regional countries and nonregional developed countries which are members of the United Nations or of any of its specialized agencies. Switzerland became the 32d member, as of December 31, 1967. Attached is a list of the members of the Asian Development Bank and their subscriptions as of December 31, 1967.

Each member country is represented on the Board of Governors by one Governor and one Alternate Governor. The Secretary of the Treasury, Henry H. Fowler, and AID Administrator William S. Gaud are the U.S. Governor and Alternate Governor, respectively. The Board of Directors of the Bank consists of 10 members, seven of whom are elected by the Governors representing regional countries, and three of whom are elected by the the Governors representing the nonregional member countries. The United States, Japan, Australia, and India are each represented by a Director and Alternate Director. Each of the other six Directors represents a group of member countries. At the inaugural meeting of the Board of Governors Mr. Bernard Zagorin, who had been nominated by the President and confirmed by the Senate, was elected U.S. Director by the vote of the U.S. Governor; the U.S. Alternate Director is Mr. Herman Barger. They are both stationed in Manila.

B. *Ordinary capital*

Of the Bank's $1.1 billion authorized capital $970 million has been subscribed by the present membership, $615 million by the regional members, including $200 million by Japan, and $355 million by the nonregional members, including $200 million by the United States.

Article 6 of the Bank's articles of agreement provides that one-half of each member's subscription is to be paid in five equal annual installments and one-half is to remain callable to provide backing for future borrowings by the Bank. Of the paid-in portion of capital subscriptions 50 percent is payable in convertible currency and 50 percent in the currency of the member; the "national currency" portion of paid-in subscriptions may be paid in the form of nonnegotiable, non-interest-bearing notes or obligations payable to the Bank upon demand (when required by the Bank's disbursement operations). The developing country members may restrict the use of the portion paid in their own currencies to payments for goods and services produced and intended for use in their own territory.

As of December 31, 1967, two installments on the paid-in subscriptions had been paid, totaling about $193.5 million in the form of cash or nonnegotiable, non-interest-bearing demand notes or obligations.

C. *The U.S. subscription to ordinary capital*

The Asian Development Bank Act (Public Law 89–369), of March 16, 1966, authorized U.S. membership in the Bank and the appropriation of the U.S. subscription of $200 million. Of this amount, $100 million is to be paid in five annual installments of $20 million each ($10 million in cash and $10 million in non-interest-bearing letter of credit), and $100 million is callable.

The first two installments of the paid-in portion and the entire callable portion of the subscription (a total of $140 million) were appropriated by Public Law 89–426, of May 13, 1966. The first two installments on the U.S. paid-in capital shares were paid in August 1966 and 1967. The remaining three installments are due in August 1968, 1969, and 1970. The $100 million of U.S. callable capital subscription was fully subscribed (no cash payment being required) concurrent with the payment of the first installment on paid-in capital.

The current appropriation request is for the third installment on paid-in capital of $20 million, which is due in August 1968.

D. *The Bank's operations to date*

To date the Bank has been principally engaged in the complicated task of setting itself up as a sound financing institution (the acquisition of competent personnel, the development of operating policies and procedures, etc.) and sur-

veying the problems of the developing countries in the region. By mid-1967 the Bank began its first series of reconnaissance missions to developing member countries to study the development strategy, needs, progress, and prospects of each country. Thus far such missions have visited Afghanistan, Ceylon, China, Indonesia, Korea, Laos, Malaysia, Nepal, the Philippines, Singapore, Vietnam and Western Samoa. The Bank has appointed its joint managing underwriters for possible future bond flotations (Kuhn, Loeb & Co. and the First Boston Corp.) and its outside auditors (Haskins & Sells).

On January 25, 1968, the Bank made its first loan, the equivalent of $5 million to the Industrial Finance Corp. of Thailand to finance foreign exchange components of IFCT loans to the private sector.

In mid-1967 the Bank initiated an Asian Agricultural Survey under the guidance of a consultative committee of 11 internationally known agricultural experts and economists and with the operational participation of a survey team of 18 experts in various fields of agriculture. The Asian Agricultural Survey, completed in March 1968, was designed to provide a framework for the Bank's future operations in the agricultural sector, and serve to inform the Bank, other potential donors and investors, and the Asian countries themselves of the needs, problems, opportunities, and priorities for agricultural development in Asia.

In addition the Bank has extended technical assistance to Indonesia in the field of food production and distribution and to the Agriculture and Fishery Development Corporation of Korea. The Bank is now preparing to undertake a major regional transport survey which would study the needs and directions of transport development in Southeast Asia and make recommendations on an investment program.

As shown in the attached statement, during its first 13 months in operation the Bank's income, principally from its investments, totalled about $4.6 million, while its expenses amounted to about $2.5 million, leaving a net income of about $2.1 million.

Subscriptions to the authorized capital stock of the Asian Development Bank as of Dec. 31, 1967

[In millions of U.S. dollars]

REGIONAL COUNTRIES

Country	*Amount of subscription*
Afghanistan	4.78
Australia	85.00
Cambodia	3.50
Ceylon	8.52
China, Republic of	16.
India	93.00
Indonesia	25.00
Japan	200.00
Korea, Republic of	30.00
Laos	.42
Malaysia	20.00
Nepal	2.16
New Zealand	22.56
Pakistan	32.00
Philippines	35.00
Republic of Vietnam	12.00
Singapore	5.00
Thailand	20.00
Western Samoa	.06
Total	615.00

NONREGIONAL COUNTRIES

Country	*Amount of subscription*
Austria	5
Belgium	5
Canada	25
Denmark	5
Finland	5
Germany, Federal Republic of	34
Italy	20
Netherlands	11
Norway	5
Sweden	5
Switzerland	5
United Kingdom	30
United States	200
Total	355
Total	970

ASIAN DEVELOPMENT BANK (ORDINARY OPERATIONS)

Statement of income and expenses from Nov. 24, 1966,[1] to Dec. 31, 1967, expressed in U.S. dollars

Income:	
Investment income	$4,547,533
Other	4,033
Total	4,551,566
Expenses:	
Administrative expenses:	
Board of Governors	17,417
Board of Directors:	
Salaries	364,337
Benefits	55,634
Travel	111,701
Total Board of Directors	531,672
Staff:	
Salaries	802,324
Benefits	185,313
Travel	394,856
Representation	20,213
Consultants	148,188
Total staff	1,550,894
Other administrative expenses:	
Supplies and equipment	173,577
Communications	34,230
Office occupancy	21,811
Publications and printing	34,066
Miscellaneous	46,288
Total other administrative expenses	309,972
Total administrative expenses	2,409,955
Services to member countries	43,140
Total expenses	2,453,095
Net income	2,098,471

[1] Date of inaugural meeting of the Board of Governors.

Mr. PASSMAN. Mr. Secretary, the second supplemental appropriation bill for fiscal year 1966 appropriated $140 million as the full U.S. subscription of $100 million callable capital and $40 million as the first two installments of paid-in capital. $20,000,000 in cash and $20,000,000 in noninterest-bearing letters of credit; is that correct, sir?

Mr. PETTY. Yes, sir.

PRESENT STATUS OF BANK

Mr. PASSMAN. Let me state it as I understand it: The $100 million in callable capital funds, of course, we have appropriated. There is a possibility this capital will never be called but it is just available in the event there should be a default or necessity for calling it.

Mr. PETTY. Yes, Mr. Chairman, that is correct. The purpose of the callable capital is to, in effect, give credit backing to borrowings that the Bank may in the future arrange and this is a contingent call.

Mr. PASSMAN. It is a contingent liability on our part. I think we all understand that when you appropriate money it has no bearing on the Treasury balance sheet until the funds have been expended. So, for all practical purposes, a guarantee by our Government would have accomplished the same thing, would it not?

Mr. PETTY. In terms of the budgetary impact, yes, sir. In terms, however, of the joint and several liabilities of other subscribing members of the Asian Development Bank, there is a marked difference. The other members of the Asian Development Bank also make callable capital subscriptions. The nature of the credit backing that will be required for future borrowings by the Asian Development Bank is only now being discussed with the investment banking community, the Bank being so young it hasn't developed sufficient history. The parallel is not at all complete with a straight guaranty, no, sir.

Mr. PASSMAN. Then you do expect at some subsequent date that the Asian Development Bank will call for this $100 million capital.

Mr. PETTY. The difference I was making, Mr. Chairman, between guarantee—the straight guarantee of the U.S. Government I thought would be in terms of the entire borrowings of the Asian Development Bank. That is not the purpose or the form in which the callable capital would operate.

Mr. PASSMAN. Would it have been the same thing had the U.S. Government issued a statement that the United States would guarantee any deficiencies in this operation up to $100 million? In other words, $100 million, or any part of it, in the event it became necessary?

Mr. PETTY. The callable capital, Mr. Chairman, would be on the pro-rata share of the subscriptions of the member countries and then, depending upon how they arrange it with the investment bankers, only to the extent the other contributing countries do not put up their share.

Mr. PASSMAN. For all practical purposes, had our Government guaranteed to the Asian Development Bank $100 million or issued a letter of credit to subsidize that Bank if and when they had financial difficulty—that is exactly what this is. We have made an appropriation where in reality we do not expect the Asian Development Bank to call for the capital, do we?

Mr. PETTY. That is correct, yes, sir.

Mr. PASSMAN. As long as we have the record straight, it matters very little whether it is an appropriation or whether it is a guarantee. As far as we are concerned, it is one and the same thing. If there is a default or if there is a deficiency in the operation, then we are obligated to make available $100 million. The money has been appropriated.

Mr. PETTY. My point was, other contributing countries also share in that obligation.

Mr. PASSMAN. Then, why did you make it $100 million? They would not share in the $100 million if the deficiency amounted to the commitments made by all countries. Where we may be called upon to put up $72 million of the $100 million, it would be 72 percent and other nations would be called upon to put up 72 percent?

Mr. PETTY. That is right.

Mr. PASSMAN. It is the same percentage. If we have one nation in for $10 million, and we are in for $100 million, and if it is necessary to put up this money, they will put up 72 percent of $10 million and we will put up 72 percent of $100 million.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. So the percentages would be the same. Only the total would be less.

Mr. PETTY. Yes, sir.

THIRD U.S. INSTALLMENT

Mr. PASSMAN. This is the final installment, is it?

Mr. PETTY. No, sir, this is the third installment.

Mr. PASSMAN. This is the third installment for paid-in capital subscription with the fourth and fifth installments due in fiscal years 1970 and 1971 respectively, is that correct?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Off the record. (Discussion off the record.)

CAPITAL PAID IN TO DATE

Mr. PASSMAN. The Bank opened for business December 19, 1966?

Mr. PETTY. Yes, sir, and the First Annual Meeting of the Bank's Board of Governors is taking place this week.

Mr. PASSMAN. May I ask you this question: How much money has actually been paid into the Bank by all subscribing members?

Mr. PETTY. I believe $193.5 million to date.

Mr. PASSMAN. What has been the total amount of loans made and disbursed since the inception?

Mr. PETTY. I don't believe there have been any disbursments under any loans, Mr. Chairman. The first loan was agreed to early this year and with the long lead time between setting up a staff, getting your operational procedures organized, making the loan, the disbursals have yet to follow.

Mr. PASSMAN. If there have been no disbursals, that being true, there has been no interest accruing to the credit of the Bank. Could you tell the committee the total amount of disbursements from the capital fund for operating expenses up to date?

BANK'S INVESTMENTS IN U.S. SECURITIES

Mr. PETTY. Yes, sir. There has been interest accruing to the Bank from their investments.

Mr. PASSMAN. Is the purpose of the Bank to make loans to developing countries or to make investments?

Mr. PETTY. The purpose is to make loans to developing countries. However, based upon the capital that has been paid in, it is the purpose of a banker to use that money well until the time it is disbursed.

Mr. PASSMAN. Suppose he makes bad investments and the money goes down the drain? Then when you have loans approved, you have nothing to fund them with. What would you do then?

What kind of investments does the Bank make?

Mr. PETTY. About $100 million of investments of which $55 million is in the United States, I believe, in agencies and U.S. Government Treasury bills and some long-term certificates of deposit in U.S. commercial banks.

Mr. PASSMAN. So we are contributing again, aren't we?

Mr. PETTY. You mean in terms of the interest?

Mr. PASSMAN. We have made a contribution to the Bank. Then they turn around and invest it in the United States and we pay them interest on what we gave them.

Mr. PETTY. On the certificates of deposit, the commercial banks pay interest from their profits.

Mr. PASSMAN. Did you not say U.S. Government Treasury bills?

Mr. PETTY. I believe I mentioned, sir, some certificates of deposit and some U.S. Government securities.

Mr. PASSMAN. How much in Government securities? This is a strange operation.

Mr. PETTY. The U.S. Government or Government-guaranteed obligations are $20 million, Mr.——

Mr. PASSMAN. I am interested in how much money the Bank reloaned to the United States out of what we advanced.

Mr. PETTY. $20 million.

Mr. PASSMAN. Isn't that a nice package? We make a contribution to the Asian Development Bank of $40 million. We are getting no interest on that; are we?

Mr. PETTY. No, sir.

Mr. PASSMAN. Then the Asian Development Bank takes $20 million of our subscription, turns around and lends it to Uncle Sam. Then Uncle Sam pays the Bank 6 percent interest on what we originally gave them. Is that the way it works out?

Mr. PETTY. Yes, sir; that is correct.

Mr. PASSMAN. I guess that explains the President's decision last night not to run for reelection.

We have been discussing the fact that there have been no disbursements since the Bank opened its doors for business December 19, 1966, but they have used their capital to make investments pending the time that they started business as such, and that they have purchased $20 million in U.S. Government securities.

Since we donated $40 million, could they not just as easily have made available this capital to us on a no-interest basis, since we gave it to them to start with?

Mr. PETTY. Mr. Chairman, of the $40 million—

Mr. PASSMAN. Let's stick with the $20 million until I understand it.

Mr. PETTY. Of the $40 million which U.S. has contributed for paid-in capital stock, $20 million was paid in in cash and $20 million was paid in non-interest-bearing letters of credit. There is also $100 million that is available in callable capital.

Mr. PASSMAN. Don't talk about the $100 million. Let's stick to the $20 million. We committed ourselves to $200 million; $100 million in callable capital and $100 million is paid-in capital, and we have paid in $40 million prior to this year, and out of the $40 million that we had paid in, the Bank turned around and bought $20 million of U.S.

securities and Uncle Sam is paying interest on $20 million of the $40 million we gave them to start with; is that right?

Mr. PETTY. Yes, that is right, and the other $20 million is in the form of non-interest-bearing letters of credit.

Mr. PASSMAN. Could they not just as easily have made the $20 million available without interest inasmuch as we gave it to them to start with?

Mr. PETTY. Under the Charter, we are obliged to pay it in by cash. As a matter of sound business practice, we believe the Bank should cover its own operating costs.

Mr. PASSMAN. I appreciate that, but are you going to answer my question, Mr. Secretary? Inasmuch as we gave them the $40 million and they had not disbursed funds on any loans, and since we were the donor, couldn't they have turned around and made us a loan without interest?

Mr. PETTY. They could have but not as prudent bankers, sir.

Mr. PASSMAN. If we gave it to them they could. We had to borrow this money.

Mr. PETTY. We subscribed to capital shares and they used the proceeds of this money to earn interest to cover their operating cost.

Mr. PASSMAN. All right, sir.

PENDING LOAN APPLICATIONS

Mr. PASSMAN. What is the amount of the loan applications pending?

Mr. PETTY. About $30 million pending now, sir.

AMOUNT OF PAID-IN CAPITAL

Mr. PASSMAN. What amount of capital has actually been paid into the fund?

Mr. PETTY. $193.5 million.

Mr. PASSMAN. What percentage have they put out as investments?

BANK'S INVESTMENTS

Mr. PETTY. Over $100 million has been put out in investments.

Mr. PASSMAN. Let's go to the $20 million in U.S. Government bonds. Where is the other invested?

Mr. PETTY. There is $54 million in Government or Government-guaranteed obligations, of which $20 million-odd is in the United States, $20 million in Japan, $8 million in Australia, $5 or 6 million in the United Kingdom.

In addition, there are investments in time deposits and certificates of deposit, totalling $47 million, of which $35 million are in U.S. dollars; $6 million in pounds sterling—

Mr. PASSMAN. Now, when Great Britain devalued the pound, did they take a substantial loss on their investments there?

Mr. PETTY. There is a maintenance of value provision in the Asian Development Bank's charter and the British Treasury is putting up the difference. So the Bank did not take a loss.

Mr. PASSMAN. What part of the total would be in the speculative market?

Mr. PETTY. None, sir.

Mr. PASSMAN. It is all in the guaranteed sector?

Mr. PETTY. By classifying something as non-speculative, I mean a certificate of deposit of a prime U.S. bank is not in my mind speculative.

Mr. PASSMAN. The bank is guaranteed. You may lower the interest rate, but, as far as the capital is concerned, it is guaranteed. I am talking about speculative funds, such as mutual funds, or the stock markets.

Mr. PETTY. Zero.

PENDING APPLICATIONS

Mr. PASSMAN. The purpose of this Bank is to provide capital for underdeveloped or developing countries, is that correct?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. But so far over $100 million of it is invested in other fields of endeavor on account of the lead time in approving applications?

Mr. PETTY. That is correct.

Mr. PASSMAN. You have $30 million in pending applications?

Mr. PETTY. $30 million, approximately.

Mr. PASSMAN. It looks as if the Bank has been over-capitalized then. It has been in business since December 19, 1966, with $193.5 million paid-in capital, and during that time and there has only been $30 million of loan applications received by the Bank.

Mr. PETTY. I would classify it, sir, as making haste slowly.

Mr. PASSMAN. I don't care how you classify it, Mr. Secretary. The Bank has $193.5 million in capital. There have been no disbursals but from December 1966 the total loan applications received amount to $30 million.

Mr. PETTY. And in addition to the total applications received, there are survey teams going throughout Southeast Asia for substantial additional——

Mr. PASSMAN. I know that. We have been to 100 nations and five territories of the world trying to get people to let us give them money. I hope that will be cut down this year.

Did I read the record correctly that the total value of applications from the inception of this Bank through December 31, 1967, has been $30 million?

Mr. PETTY. Yes.

Mr. PASSMAN. And there is $193.5 million available to meet the $30 million if and when the applications are approved.

Mr. PETTY. $193.5 million; yes, sir.

POSTPONEMENT OF FISCAL YEAR 1969 APPROPRIATION REQUEST

Mr. PASSMAN. Then why rush in for $20 million this year. Why couldn't this very easily be postponed until they really get in business and we get our own financial house in better shape? Why ask this Committee to appropriate an additional $20 million, since they have been in business since December 19, 1966, with $193 million cash on hand as of December 31, 1967, and only a total of $30 million in loan applications, and good business dictates that maybe you wouldn't approve all of those?

Mr. PETTY. Under the charter and under the U.S. authorizing legislation, it was agreed that the member countries would pay in their capital over a 5-year period.

Mr. PASSMAN. I know, but if they made a mistake and are requesting more capital than is needed—and the record would read that way—couldn't they amend the charter? Couldn't they postpone? Just say, "We have gotten in too quickly. We have asked for more money than we could prudently use. Therefore, we are going to possibly extend the date that we want this capital paid in."

Mr. PETTY. Well, Mr. Chairman, the application figure in a bank changes very rapidly when you are dealing with developing countries.

Mr. PASSMAN. I hope you do not have applications because it is our money we are having to borrow to give away but you have been in business since 1966 and of the $193 million of cash available, the total applications received total only $30 million.

STATUS OF APPLICATIONS

How far advanced are these applications of $30 million? Do you have a progress report you could furnish the committee?

Mr. PETTY. I would like to furnish one to the committee, Mr. Chairman.

Mr. PASSMAN. The date of the application, the purpose and progress at this time.

We are on your side of the table. We do not think you need this money. We hope we can make a case for you before this meeting is over that you do not actually need this money.

(The information has been made available to the Committee.)

ADMINISTRATIVE EXPENSES OF BANK

Mr. PASSMAN. What is the total overhead expense to date?

Mr. PETTY. Total administrative expense, Mr. Chairman, through calendar year 1967, for the year, was $2,410,000.

Mr. PASSMAN. What did they spend that much money for? All you had was just a dormant bank, receiving applications and processing them. What in the world did they spend two and a half million dollars for?

Mr. PETTY. Starting from nothing but a legal charter, they built up a staff that would be able to process loans, moved people to Manila, hired secretaries, got communications facilities established. The administrative expenses were about 60 percent of their operating income. The operating income came from interest on their deposits.

Mr. PASSMAN. You had an investment income of $4.5 million.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. $4,547,000 and it cost $2,453,000 to administer that fund, plus recruiting a staff.

Mr. PETTY. Plus building up a staff, plus communications equipment, plus renting office equipment, building up files, plus the travel for the surveys, yes sir.

Mr. PASSMAN. This is for the Asian area, is it not, the Asian Development Bank?

Mr. PETTY. Yes, sir.

TRAVEL EXPENSE PER EMPLOYEE

Mr. PASSMAN. I notice one little item, $394,856 for travel. The staff did a lot of traveling, did they not?

Mr. PETTY. Yes.

Mr. PASSMAN. Now if we add to that the board of directors travel of $111,000, they spent a half million dollars just for travel during this first year of operation, is that right?

Mr. PETTY. I am sure it is disproportionately high when you move people and their families, from their homes to Manila.

Mr. PASSMAN. Do you take people from Manila and move them to Taiwan and people in Taiwan, move them to Manila? You spent a half million dollars in travel.

Mr. PETTY. This represents hiring personnel around the world to staff——

Mr. PASSMAN. Around the world or mainly in the Asia countries.

Mr. PETTY. In the Asian countries mainly but there are other parts of the world that have the skills to operate this Bank.

Mr. PASSMAN. How many employees have they hired?

Mr. PETTY. 187 as of December 31, 1967, sir.

Mr. PASSMAN. Let's look at the half million dollars. What is that per employee for travel in one year?

Let's do a little mathematical exercise.

Mr. Secretary, we are not blaming you, but this is why we are in a mess in fiscal affairs in this country.

Mr. PETTY. It is approximately $2,500, I believe. When you consider the moving of families expense——

Mr. PASSMAN. That is all good, but let's find out how much it is per person. You have 187.

Mr. PETTY. Yes.

Mr. PASSMAN. Now let's do a little mathematical exercise. What is that per employee for travel?

Mr. PETTY. About $2,700.

Mr. PASSMAN. I believe it be appropriate for me to say for the record: "Some travel!" That would be the equivalent to a plane trip around the world for everyone of these people plus over a thousand dollars for expense money.

Mr. PETTY. A man and his wife and his family, to move from Tokyo down to Manila, for example, yes, sir.

Mr. PASSMAN. Do you get them all from Tokyo?

Mr. PETTY. That was an example.

Mr. PASSMAN. Could you place in the record, if you don't have it available, where they recruited this 187 personnel? I would think you had some local people employed.

Mr. PETTY. I will submit that, too, sir.

Mr. PASSMAN. Let's talk about it a little bit.

Do you have it here?

Mr. PETTY. We haven't that here.

(NOTE: see page 286.)

BOARD OF DIRECTORS

Mr. PASSMAN. I notice the Board of Directors salaries, $364,337 for 1 year. How many are on the Board?

Mr. PETTY. There are 10 Directors, sir.

Mr. PASSMAN. That would be $36,400 per Board member?

Mr. PETTY. Mr. Chairman, that includes the Alternate Directors as well as the Directors and perhaps some staff personnel assigned to the Board of Directors.

Mr. PASSMAN. Do you have any alternates to the alternates?

Mr. PETTY. No, sir.

Mr. PASSMAN. Just the Board members and the alternates. And what do they do if the Board members are functioning properly? What function do they perform?

Mr. PETTY. In the absence of the U.S. Director, for example, the Alternate Director is Acting Director and provides the U.S. representation on the Bank's Board.

Mr. PASSMAN. What are "benefits?" Is that representation?

Mr. PETTY. That is retirement, social security payments, and so on.

TAX-FREE SALARIES

Mr. PASSMAN. Inasmuch as this is an international organization, these people's salaries are tax free; is that correct?

Mr. BETTS. These people are residents in Manila and in most cases they are not subject to the U.S. taxes.

Mr. PASSMAN. At the same time, you have members of this organization from the U.S.A. Are their salaries tax free?

Mr. BETTS. The U.S. Director's salary is taxable.

Mr. PASSMAN. This is an international organization. You can go downtown to the Inter-American Bank and they have a secretary domiciled three blocks from where she works and she does not pay any taxes; is that right, Mr. Secretary?

Mr. BETTS. I am not sure.

Mr. PETTY. The U.S. Director's salary is taxable. U.S. nationals employed by the Bank are treated in the same manner for Federal tax purposes as nongovernmental employees residing abroad.

Mr. PASSMAN. Where does the Board member get his representation allowance?

We are looking at the Bank's expense statement. Under the Board of Directors you show "Salaries, benefits, and travel" for this short period, November 24, 1966, to December 31, 1967, of $531,672.

Now if we move down under "Staff," we see "Salaries, benefits, travel, representation, and consultants," of $1,550,894.

REPRESENTATION EXPENSES

"Representation," $20,213. Do you give the staff representation allowances and deny it to the Board of Directors?

Mr. PETTY. I would have to supply that for the record, Mr. Chairman.

Mr. PASSMAN. It would be a little odd, would it not? Of course, I do not have a suspicious mind, but could it conceivably be that they are hiding it in some other account?

Mr. PETTY. I would like to provide that for the record, Mr. Chairman. I do not know the answer to that question now.

(The information follows:)

Representation expenses for Directors of the Bank, if provided, are made available by the Members' Governments. They do not receive any funds from the Bank for that purpose.

SALARIES AND TRAVEL EXPENSE

Mr. PASSMAN. Now, let us, if we can, establish for the record the average salary for staff members. Salaries are somewhat lower in that part of the world, are they not?

Mr. PETTY. Yes, they are.

Mr. PASSMAN. Now, what number of the staff would be from that part of the country, Asia?

Mr. PETTY. I would like to provide that when I give full information on the staff, sir.

(See p. 286.)

Mr. PASSMAN. Am I reading the report correctly that this is an Asian bank that operates in that part of the world—and those countries are fairly close together—but the travel allowance is almost 50 percent of the total salary paid to the entire staff; is that correct? The total salary is $802,000 and the travel, $394,000?

Mr. PETTY. Yes, sir.

CONSULTANT FEES

Mr. PASSMAN. If you have 187 employees of the Bank, what kind of consultants, then, would you have that would gobble up another $148,000 of the Bank's profits——

Mr. PETTY. These are technical experts, Mr. Chairman, who can provide technical assistance on such things as surveys of communication and transportation in Southeast Asia.

Mr. PASSMAN. Confidentially, aren't they just a little loose in spending our money out there?

Mr. PETTY. I don't believe that is correct, Mr. Chairman.

Mr. PASSMAN. Here is why I make that observation. Members of this committee——

PORTION OF U.S. CONTRIBUTION

Mr. PETTY. The U.S. subscription is 20 percent, as you will recall.

Mr. PASSMAN. Chances are that the United States may be contributing just about all of the other. You have direct contributions and indirect contributions. You have under the International Development Association—another of these queer things that we hide money in to make the foreign aid program disappear—we find that many of the members of the IDA have put in $1 and get out $7.

In many of these nations, with the exception of Japan, we have large foreign aid programs going on, do we not?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. What difference does it make whether you make a direct contribution for them, or whether you give it to them and let them put up out of what we give them? We found this just the other

day in one of those countries out in that part of the world, where AID was ready to fund a project and they were anxious to move off with Uncle Sam contributing 50 percent of the capital account. We found they were very anxious to move off at $2.7 million and Uncle Sam would put up 50 percent of it.

The other countries would provide the local currency. Then in interrogating the Director of this organization we asked this question: How many nations are involved? They said, "Well, there are really seven; six would be the beneficiaries."

"What have they agreed to do?"

"Well, nothing. They want to wait until 'Big Brother' puts his up and then it will be easier to go back and talk to these people."

"Well," I said, "I believe the Philippines are the main beneficiary, aren't they?"

"Yes,"

"What have they agreed to put up?"

"They will come in for 1 percent."

I said, "May I ask you this question, sir: We have many of these 40-percent matching funds projects going on around the world. If my Government would agree to put up 40 percent and not 50 percent, would you try to sell it?"

"Yes. If you people agree to put up 40 percent, we will go to the other six nations who are the beneficiaries and see if they will put up an average of 10 percent each."

It tickled them pink.

I am not the smartest guy around, but it was easy to work that out in about 30 minutes and they were just delighted we would even propose such a thing. Yet AID was putting pressure on this committee to approve a 50-percent matching base formula.

Now they are going to move off on 40 percent.

I think possibly we get too busy sometime in determining how far these Asians can take us.

Mr. PETTY. In the Asian Development Bank it is 20-percent U.S. participation.

Mr. PASSMAN. We just agreed a moment ago, Mr. Secretary, that we have a very huge aid program going into most of the countries out there who are making the other contribution.

Mr. PETTY. Not in Australia, sir, nor in Japan.

Mr. PASSMAN. How much is Australia in for?

Mr. PETTY. $85 million.

Mr. PASSMAN. How about Japan?

Mr. PETTY. $200 million.

Mr. PASSMAN. That is the total amount that has been pledged?

Mr. PETTY. That has been pledged, yes, sir.

TECHNICAL ASSISTANCE GRANT BY AID

Mr. PASSMAN. Did the AID agency provide any technical assistance to the Asian Development Bank?

Mr. PETTY. Yes, sir; $250,000 in technical assistance.

Mr. PASSMAN. You see how complicated these things get? Here is another item lost in the shuffle, where they are spending their profits and we find now that AID also made them a grant of $250,000. Here is the "AID" release:

ASIAN DEVELOPMENT BANK RECEIVES AID GRANT

The Agency for International Development will provide $250,000 in U.S. technical assistance to the Asian Development Bank. The funds will enable the Bank to expand its capabilities for processing loan applications, make appraisals of proposed projects, train staff members and provide library materials.

The grant, first of its kind offered to the Bank, was pledged through an exchange of letters at the Bank's headquarters in Manila, Friday, June 23.

Now, what we would actually do would be to look at the $193 million in capital paid in. Item 2: You have $30 million worth of applications pending, none of them yet approved. So you take the capital, you invest it in the money markets and out of the profits that you make on investing what the nations had given, you have absorbed $2,098,471 out of $4,547,533 and then you prevailed upon AID to give you an outright grant of $250,000 to supplement that.

Have I read the record correctly?

Mr. PETTY. I would add, sir, Public Law 89–369, section 5(c), provides for technical assistance to the Asian Development Bank——

Mr. PASSMAN. I am completely familiar with that law, my dear friend. I am only asking you if I made a statement of fact, that in addition to spending $2,098,471 out of $4,547,533, that you have to add to that a grant of $250,000 that AID made available.

Mr. PETTY. That has not all been spent. That statement covers the fiscal period through December 31——

Mr. PASSMAN. It was paid in June 1967; was it not?

Mr. PETTY. AID approved the grant in June 1967, I believe.

Mr. PASSMAN. I am not blaming you, but this is about as loose an operation as I have ever run into, unless we look at the Inter-American Bank and some of these other funny organizations used to hide foreign aid.

CONSULTANT FEES

How many consultants are involved in this operation, Mr. Secretary?

Mr. PETTY. Could I provide that when I provide the information on the staff and employees?

Mr. PASSMAN. Do you have any idea what you are paying the consultants? Do you have any information with you on that?

Mr. PETTY. I do not have it with me; no, sir.

Mr. PASSMAN. Are any of the supporting witnesses familiar with the fees paid to consultants?

Mr. PETTY. I would like to provide that for the record. We do not have it here.

(The information follows:)

CONSULTANTS

During calendar year 1967 the Bank engaged 30 consultants at a total cost of $146,500 (including transportation and per diem) in connection with its regular operations. Twenty-two of these consultants participated with seven members of the Bank's staff in the recently completed Asian agricultural survey, which was financed entirely from the Bank's resources. This project was initiated in July 1967, covered 15 regional developing countries and Japan, and the report of the survey was completed in March 1968. The Bank also engaged eight consultants at a total cost of $21,100 (including travel and per diem) on its own behalf to assist in the appraisal of projects, and in drawing up procurement procedures, an insurance scheme, and retirement and accounting systems.

AGGREGATE PROFIT OF ASIAN BANK

Mr. PASSMAN. Mr. Secretary, the only reason we are asking for this information—and I believe you will support the committee's position—is that we have made available—our country, and the other countries, who are the beneficiaries of the Asian Development Bank, $193 million in cash. They have been in business since 1966. There has actually been no loans disbursed, and that the profits that the Bank has derived from its operation represents investments that you have made in the guaranteed sector, such as $20 million in the U.S. bonds. It takes very little work to process an application for $20 million worth of U.S. bonds, doesn't it, at 5 percent? Nevertheless, the aggregate profit is $4,551,000 and they spent $2,453,000 for overhead.

Now, if you are spending half of the profits on an investment of this type so you can process these applications, have you any way of projecting what the cost per dollar may be on subsequent activities of the Bank?

Mr. PETTY. By cost per dollar, Mr. Chairman, do you mean——

Mr. PASSMAN. As to whether it is going to be a profitable operation. If we wanted to get the true picture, we would have to add to this expense statement, "Income from AID, $250,000." This is not a loan. This is an outright grant and certainly would add to the income, would it not, because it is being disbursed as an expense.

Mr. PETTY. It is funds available to the Bank. It is not income.

Mr. PASSMAN. It is not to be repaid and it does not go into capital account. So it would be an expense item, would it not?

I want to be fair about this but if we are to get the total operating expense of the Asian Development Bank——

Mr. PETTY. As an accounting matter it may be tantamount to expense. They do not take it in as income and expenses.

Mr. PASSMAN. No. I do not think you would ever get around to mentioning these grants if we had not gotten around to it.

Mr. PETTY. In the Bank it is in a separate account and is reported separately from ordinary operations of the Bank.

Mr. PASSMAN. It is disbursed as an expense, is it not?

Mr. PETTY. Yes, it is an U.S. expense in the AID appropriation, but not from the Bank's ordinary capital account.

Mr. PASSMAN. Then if we are going to get the true picture—not for accounting purposes but for factual purposes, we would have to add this grant in, would we not, as income, because you are not going to capitalize it.

Mr. PETTY. Yes, sir, I believe it appears in appendix A of the annual report of the Bank.

Mr. PASSMAN. We do not have appendix A, do we?

Mr. PETTY. I would like to provide that for the record, Mr. Chairman.

(The information follows:)

Appendix A of the Bank's financial statements for the period from November 24, 1966, to December 31, 1967 (below) is a consolidated account of technical assistance contributions to the Bank during that period. About $9,000 of the amount disbursed from the U.S. contribution and the entire amount to be reimbursed by the United Kingdom was used to finance American and British consultants who participated in the Bank's technical assistance mission to

Indonesia. (An additional $43,140 was provided from the Bank's own resources—under "Services to member countries"—to finance this mission.) The balance of the drawings from the U.S. contribution was used for hiring consultants for the Bank and for purchase of library materials. The entire U.S. grant of technical assistance is "tied" to procurement in the United States.

APPENDIX A

ASIAN DEVELOPMENT BANK

(TECHNICAL ASSISTANCE CONTRIBUTIONS—CONSOLIDATED ACCOUNT) (NOTE 1)

COMBINED BALANCE SHEET AND STATEMENT OF TRANSACTIONS FROM NOV. 24, 1966,[1] TO DEC. 31, 1967

[Expressed in U.S. dollars]

	United States (Note 2)	United Kingdom (Note 3)	Total
ASSETS			
Contribution commitments:			
Commitments by contributors	250,000	8,672	258,672
Less funds drawn from contributors	76,828		76,828
Balances available to be drawn in accordance with the relevant arrangements	173,172	8,672	181,844
Cash in bank:			
Funds drawn from contributors	76,828		76,828
Less disbursements by bank	25,426		25,426
Balance in banks	51,402		51,402
Total	224,574	8,672	233,246
LIABILITIES AND UNEXPENDED BALANCES			
Accounts payable		8,672	8,672
Unexpended balances:			
Contribution commitments	250,000	8,672	258,672
Less expenditures by bank (including accounts payable)	25,426	8,672	34,098
Balance available for future expenditures by bank	224,574		224,574
Total	224,574	8,672	233,246

[1] Date of inaugural meeting of the Board of Governors.

Note: The accompanying notes (app. B) are an integral part of this statement

APPENDIX B

ASIAN DEVELOPMENT BANK
(TECHNICAL ASSISTANCE CONTRIBUTIONS—CONSOLIDATED ACCOUNT) (NOTE 1)

NOTES TO COMBINED BALANCE SHEET AND STATEMENT OF TRANSACTIONS FROM NOVEMBER 24, 1966* TO DECEMBER 31, 1967—EXRESSED IN U.S. DOLLARS

Note 1

The Board of Directors has established a consolidated account for the administration of resources available under article 19, paragraph 1(ii) to provide technical advice and assistance serving the purposes and coming within the functions of the Bank. Pending the adoption of rules and regulations governing the administration and use of special funds, the term "Technical Assistance Contributions" is used to designate such resources.

Note 2

The United States agreed to make available as a grant, for procurement in the United States, a technical assistance contribution of up to $250,000. The contribution is to be made by means of periodic transfer of funds to the Bank as needed, to be utilized for specified kinds of technical assistance obligations incurred by it through December 31, 1968, unless the parties agree to extend this date.

*Date of inaugural meeting of the Board of Governors.

Note 3

The United Kingdom declared its willingness to consider requests for contributions to finance technical assistance projects, and under arrangements made on the basis of this declaration authorized the Bank to claim reimbursement of $8,672 for the cost of a consultant's participation in the Bank's technical assistance mission to Indonesia.

BOARD OF DIRECTORS

Mr. PASSMAN. How many members are on the Board of Directors?

Mr. PETTY. Ten.

Mr. PASSMAN. And you have 10 alternates?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. What do the alternates do while the Board members are functioning? What do you do with the alternates?

Mr. PETTY. They provide backup and do special studies for the Board and the Board Directors. Frequently our own Executive Director has to come back for consultations to the United States——

Mr. PASSMAN. That is only occasionally. You have 10. You have the other nine stay over there; don't you?

Mr. PETTY. Yes, indeed. They represent the member countries.

Mr. PASSMAN. Does each one of these Board of Director members have alternate backup?

Mr. PETTY. I believe they do; yes, sir.

Mr. PASSMAN. What do the Directors get in salary?

Mr. PETTY. Directors are paid at the annual rate of $25,000.

Mr. PASSMAN. What do the alternates get?

Mr. PETTY. An annual rate of $20,000, Mr. Chairman.

SALARIES OF ASIAN BANK EMPLOYEES

Mr. PASSMAN. Since it would appear, Mr. Secretary, that in future years foreign aid will be scattered all through the budget in different types of banks and fancy organizations like IDA—and now they are trying to put a half billion dollars over in the Export-Import Bank where they are saying, approve any kind of a credit and when these losses come—and they are sure to come—then the first $100 million will be charged off out of the profits and the rest out of the Treasury.

Since that is a trend, and the committee is trying to get on top of this before it goes too far afield with what appears to be very excessive dissipation of, let's say, the expenditures of the profits that you have made, from a special account and not an operating account, could you insert in the record a list of the 187 employees by title? You could say "Ten board members at this salary, 10 alternative Board members at this salary."

Then if you have 13 specialists in the same field at a certain salary, could you fill us in on that? And also the number of secretaries?

(The information follows:)

ASIAN DEVELOPMENT BANK—STAFF POSITIONS BY TITLE, NATIONALITY, SALARY RANGE, AS OF MAR. 31, 1968

Title	Total positions by Department/Office	Nationality	Salary category				
			A	B	C	D	E
PROFESSIONAL STAFF							
Office of the President	3						
Personal Assistance to the President		Japanese			X		
Assistant to the President		American			X		
Secretary to the President		Japanese				X	
Office of the Secretary	2						
Secretary		Ceylonese	X				
Assistant Secretary		Australian		X			
Office of the General Counsel	6						
General Counsel		American	X				
Legal officer		Filipino			X		
Do		Australian			X		
Do		New Zealander			X		
Do		Korean			X		
Do		Pakistani			X		
Operations Department	18						
Director		Australian	X				
Deputy Director		Japanese		X			
Assistant Director (for western region)		Korean		X			
Loan officer		do			X		
Do		German			X		
Do		Thai			X		
Do		Chinese				X	
Assistant Director (for eastern region)		Indian		X			
Senior loan officer		Japanese			X		
Loan officer		Pakistani			X		
Do		Nepalese			X		
Do		Indian				X	
Chief financial analyst		American		X			
Project division (chief engineer)		Swedish		X			
Project engineer		Japanese			X		
Do		Finnish			X		
Do		Malaysian			X		
Project economist		Filipino			X		
Economic and Technical Assistance Department	16						
Director		Chinese	X				
Deputy Director		American		X			
Economic division:							
Statistician		Filipino			X		
Economist		Indian			X		
Do		Pakistani				X	
Do		Thai				X	
Do		Vietnamese				X	
Assistant Director (for technical assistance)		German		X			
Adviser (transportation)		Indian		X			
Technical assistance officer		Thai			X		
Do		Chinese			X		
Do		Japanese			X		
Do		do			X		
Do		Pakistani			X		
Do		Indonesian			X		
Technical Assistance Officer		Malaysian				X	
Administration Department:	12						
Director		Japanese	X				
Deputy Director		British		X			
Assistant Director (for general services)		Ceylonese		X			
Administrative officer		Korean			X		
Librarian		Burmese				X	
Administrative officer		Korean				X	
Records officer		Malaysian				X	
Personnel division:							
Personnel officer		Japanese			X		
Do		Australian			X		
Do		Filipino			X		
Administrative Planning and Budget Division:							
Planning officer		Japanese			X		
Do		Malaysian				X	

ASIAN DEVELOPMENT BANK—STAFF POSITIONS BY TITLE, NATIONALITY, SALARY RANGE, AS OF MAR. 31, 1968—Continued

Title	Total positions by Department/Office	Nationality	Salary category				
			A	B	C	D	E
Office of the Treasurer:	8						
Treasurer		Pakistani	X				
Deputy treasurer and financial adviser		Austrian		X			
Finance Division:							
Senior Treasury officer		Japanese			X		
Treasury officer		Indian				X	
Do		Chinese				X	
Accounting Division:							
Senior treasury officer		do			X		
Treasury officer		Filipino				X	
Do		Thai				X	
Office of the Internal Auditor	1						
Internal Auditor		Canadian		X			
Information Office	2						
Chief information officer		Indian		X			
Information officer		Filipino				X	
Professional, total	68		6	14	32	16	0
NONPROFESSIONAL STAFF							
	2	Indian					X
	1	Indonesian					X
	1	Pakistani					X
	138	Filipino					X
	1	Canadian					X
	1	German					X
	1	American					X
Total, Nonprofessional	145						145
Grand total	213		6	14	32	16	145

SERVICE TO MEMBER COUNTRIES

Mr. PASSMAN. As we drop the curtain on this statement, let's look again at a copy of their financial statement as of December 31, 1967, and get a little information on one other item, "Services to member countries."

Inasmuch as the itemized list would appear to cover just about everything you would think of, what does that $43,140 represent?

Mr. PETTY. I will have to look at the footnote in the annual report to see if that is covered separately.

Mr. PASSMAN. It is covered separately on your statement.

Mr. PETTY. I see that.

Mr. PASSMAN. You have had an opportunity to look at this statement, haven't you?

Mr. PETTY. I have. This is a new one for the annual meeting that is just meeting——

Mr. PASSMAN. This is dated December 31.

Mr. PETTY. Covering the fiscal period up to December 31; yes, sir. It is advisory missions and other technical missions.

I don't have a detailed statement on which advisory missions they are.

(The information follows:)

SERVICE TO MEMBER COUNTRIES

The Bank's activities under "Services to member countries" are those which are financed from the Bank's own resources on behalf of member countries (technical assistance). During calendar year 1967 the Bank's expenditures under this item totalled $43,140, which constituted the portion provided from the Bank's resources to finance technical assistance to Indonesia in the field of food production and distribution.

Mr. PASSMAN. We haven't time to examine closely on these things. It is too bad we do not. We have covered what would appear to be normal expense, then we ran into an AID grant of $250,000. Then we find "Services for member countries, $43,000," which comes under another form of technical aid. This money will have to be borrowed and there is no use stacking it in there when you haven't been able to process a single application and the money is available and you have to look for places to invest it, pending the time you start processing these applications.

REPRESENTATION ALLOWANCE

I am interested in finding out where the Board of Directors and their alternates and their assistants have their representation allowance hidden. I ask that constructively, because under "Staff," it is listed, and I would think that you would have more representation, or more need for it among the executive personnel than you would among the staff personnel.

Will you let us know where they have buried it? If it is buried in some of these other things, help us find it and bring it out in the open and I will try to defend it because it is part of the game, to have a representation allowance.

(See page 280.)

MISCELLANEOUS EXPENSES OF BANK

"Miscellaneous" is a very large item, here. I see miscellaneous of $46,288 which is actually more than the total cost of publications and printing. Could you give us a little bit more information on "miscellaneous?"

Mr. PETTY. The detailed audit which has been provided to the Bank, we do not have in Washington at this time. Our delegates are picking it up at the annual meeting this week.

Mr. PASSMAN. Try to help us if you can. This is the first time we have ever examined the expense schedule of this Bank.

NEED FOR ENTIRE 1969 APPROPRIATION

Now, inasmuch as this Bank has been in business since December 19, 1966, and the total amount of all loan applications—good, bad, or in between—amount to only $30 million and there has already been $193 million of capital paid in, what do you see for the future of this Bank?

Inasmuch as there is $193 million paid-in capital, and the aggregate of all loan applications pending, at this time, is only $30 million—we have committed ourselves and we are going to honor that commitment—but I believe there is actually no need for the $20 million installment at this time. Why couldn't the pay-in be delayed to a more favorable time?

Mr. PETTY. Let me remind you, sir, of the $20 million that is the subject of this hearing, today, $10 million is paid in cash, and $10 million is available in letters of credit, so we are talking about a cash pay-in of only $10 million.

Mr. PASSMAN. Let's take just the $10 million then. The Bank has taken the total amount of our cash pay-in and bought U.S. Government bonds on which we are paying a regular rate of interest. Wouldn't it follow that if we made available this $10 million this year on a gift basis, that inasmuch as you do not have applications pending for it, conceivably you could turn around and lend it back to the donor and let him pay you 5 percent?

Mr. PETTY. That is correct. Now we have in addition——

Mr. PASSMAN. I am asking these questions to help us all. We are in trouble with our finances in this country. I think so and most people agree. Just why couldn't some of these things be postponed, since there is absolutely no justification for it. The only thing we could do is give them $10 million and then have the Bank give it back to us and we will pay 5 percent interest on it.

Mr. PETTY. The United States gets, in addition dollar funds from the other contributing countries which provides a substantial balance of payments benefit to the United States because the Bank makes long-term investments in this country.

Mr. PASSMAN. Do you think Uncle Sam is benefiting if we will say, "Here you are, Mr. Director, here is a check for $10 million as a contribution. We know that you have no need for it at this time, so we are going to let you give it back and we will pay you 5 percent on it." That is the type transaction we are engaging in.

Mr. PETTY. This interest is being well spent and covering the operating expenses of the Bank that we believe is necessary.

PURPOSE OF ASIAN DEVELOPMENT BANK

Mr. PASSMAN. But it is not for the purpose intended, which is to make loans to the underdeveloped and developing countries.

I am only asking you to give some thought to postponing it until you need it.

Mr. PETTY. I am quite sure the money we are making available to the Asian Development Bank will be invested in more sound assets because of the careful time the Bank is taking in examining its loans.

Mr. PASSMAN. That is a good statement but it does not mean anything.

The purpose of the Bank is to make loans to underdeveloped and developing countries, is that correct?

Mr. PETTY. Absolutely.

Mr. PASSMAN. And inasmuch as you do not have applications and will not have in the foreseeable future for the amount of capital that has been paid in, and inasmuch as it is a gift on our part, why couldn't we postpone it until actually they can prove a need for it?

I am not arguing that you could not take a $10 million gift from my Government and turn right around and lend it back to the Government and make 5 percent interest. I think it is very good for the Bank, but it is not good for the American taxpayer.

Mr. PETTY. I think the Bank will have applications made to it in the foreseeable future, to use your words, sir——

Mr. PASSMAN. You have received an aggregate of $30 million in loan applications since the inception of the Bank and you have $193 million on hand to meet the $30 million if you approved every dime of them.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Have you had an opportunity to look over these applications and come up with any projections on what percentage of them will be funded?

ANNUAL MEETING OF BOARD OF GOVERNORS

Mr. PETTY. At the end of this week in Manila is the First Annual Meeting of the Asian Development Bank. This provides an opportunity for the Board of Directors and the management of the Bank to get their policy guidelines from the Governors, at which time procedures, policies, and recommendations will be made to the Governors and, with the endorsement of the Governors, they will move ahead and entertain applications now pending and have more loans to make in the future.

Mr. PASSMAN. As a usual thing, these things are thought out far in advance? The purpose of the Bank, the capital needed, and what countries need it?

Mr. PETTY. Not to the extent of——

Mr. PASSMAN. I have not finished my question.

You work out all the preliminaries, do you not, Mr. Secretary, prior to the formulation of a bank of this type? You work out all the preliminaries as to the amount of capital needed, what countries, what projects, and what it is going to be used for. You have to have that or you could never make your case before the legislative bodies for an authorization?

Mr. PETTY. The type of countries to which they lend, the type of project that would be eligible for loan applications, but not the particular project———

Mr. PASSMAN. I am not talking about——

Mr. PETTY (continuing). And not the particular allocation——

Mr. PASSMAN. I am not talking about the particular allocation, I am talking about the projects. You know that type projects that will be financed, prior to the time you ask the legislative bodies of these countries to authorize the legislation, do you not?

Mr. PETTY. We do not go too much into the details, Mr. Chairman, because——

AUTHORIZATION OF ASIAN DEVELOPMENT BANK

Mr. PASSMAN. Upon what basis did you ever get the authorization then from the authorizing committees?

Mr. PETTY. In terms of the development needs and the viable requirements for the economies of the area involved in Asia.

Mr. PASSMAN. Do they ask you how you arrive at the estimate of the needed capital?

Mr. PETTY. Oh, yes; they do indeed.

Now, I think we must recognize that at the time of the authorization hearings, the management of the Bank had not been selected. The broad policy guidelines for the management had been designed but it

was left to the management of the Bank, which is independent—and must have a certain amount of autonomy in this area—to set its own loan policies within the broad purview of the general guidelines of the Board of Governors.

Mr. PASSMAN. When you people appear before the authorizing committees, don't you say, "We believe there is a need for an Asian Development Bank. These are the countries that we need to aid and this is the type of development we think should be fathered, and according to our best estimates, this is the amount of money we need."

Don't you have to have a lot of preliminary work prior to submitting your authorization request?

Mr. PETTY. Yes, sir.

POSTPONEMENT OF APPROPRIATION

Mr. PASSMAN. I am not pleading with you to spend money, but you have been in business since December 19, 1966 and you have only been able to muster $30 million in loan applications and you do not know at this time whether a single one of them will be approved. You only have them before the Board. And there is $193 million in the Bank waiting to be used. And since you have no need for it for the purpose for which the Bank was created, you have to go back, then, to some of the donors and say, "Let us invest in your country, in your bonds until there is a need for it." Isn't it that simple?

Mr. PETTY. Yes, and——

Mr. PASSMAN. You answered "Yes," I believe. My question is, Don't you think we can reach an agreement, since this is known, that we can postpone this appropriation?

I heard the President last night and I am convinced he wants the Congress to get further into these requests and where they can be postponed without doing any harm, to do so.

We will take a brief recess.

(Short recess taken)

CASH PORTION OF U.S. SUBSCRIPTION FOR FISCAL YEAR 1969

Mr. PASSMAN. Mr. Secretary, as we indicated a moment ago, of the $20 million as the third installment to the Asian Development Bank, $10 million will be a cash grant and the other will be a $10 million letter of credit, is that correct?

Mr. PETTY. Yes.

Mr. PASSMAN. Inasmuch as we are going to have to borrow this $10 million that we are going to give them and we know in advance they are going to turn around and buy $10 million worth of U.S. Government bonds and earn 5 percent, because they do not need it to meet commitments in the developing countries, would a letter of credit for the entire $20 million be as good?

Mr. PETTY. It would be contrary to the terms of the charter, sir. We have already used the letter of credit privilege to the maximum extent permitted——

Mr. PASSMAN. Then the answer is no.

Mr. PETTY. Yes, sir.

GRANT FROM AID

Mr. PASSMAN. Now I believe you indicated—this is somewhat repetitious but I am a bit worried because this seeems to be the pattern—no indictment of you, sir; to give away money is quite popular in our country and it has gotten us into a bit of trouble.

Now this new Bank, I believe you said has $193 million in paid-in capital.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. And not having any application for a single loan that you could approve, you took about $100 million of the assets and invested them in different accounts where you could earn interest to apply against the overhead while this was developing; is that correct?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. You earned $4,551,566 profit. You spent $2,453,095 in administrative expenses, leaving a net income of $2,098,471 to be added to the $193 million capital account.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Can you under any circumstances justify AID making a grant of $250,000 to a lucrative, fat organization like this?

Mr. PETTY. I believe for a lending institution beginning its operation, being required to borrow money in the long term from the market to provide it and, in fact having Congress endorse that concept with its provision for callable capital, that it would be imprudent for them not to build up reserves against future——

Mr. PASSMAN. I did not ask you that question, sir. I asked you with $193 million cash capital on hand, that you could not disburse one dime for the purpose for which the capital is created, you went out and invested money then in various government bonds, in the guaranteed sector, and by that process you earned $4,551,000 but you only spent $2,453,000 in overhead, giving you a net profit over $2 million to add to the $193 million. Now with a statement of that type, why should AID be making a $250,000 grant to this Bank?

Mr. PETTY. I believe the Congress accepted this as an appropriate way to proceed and provided so in the original legislation——

Mr. PASSMAN. Where did Congress provide that we would provide this money under such conditions? If you were struggling and you had $193 million with $600 million in applications, and you had made $4 million and spent $7 million and you could not recruit technicians, then there would be some justification for it.

I do not believe you or anybody else downtown could justify AID making a grant contribution to such a lucrative account as this. Did you solicit or did AID voluntarily offer it?

Mr. PETTY. This grant was provided for use by the Bank for technical assistance and it was not——

Mr. PASSMAN. Couldn't you have employed them from out of your profits?

Mr. PETTY. When the Bank had substantial calls on its resources of people, and a limited amount of men and energy available, a technical assistance grant was provided through the funds of AID.

Mr. PASSMAN. But my point is, Mr. Secretary, this is serious business to this committee. I did describe your capital account and your profit picture correctly, did I not?

Mr. PETTY. It was recognized by Congress that——

Mr. PASSMAN. I did not ask you that question. I asked you, is it not true that I read into the record the correct figures that you had this $193.5 million capital account undisbursed, and after all of the fat overhead you still had $2 million left to add to it?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Then upon what basis could an outfit of this type go to AID and say, we are struggling, we are in trouble, we want a little grant so as to pay for the technicians.

Mr. PETTY. A new Bank that has barely finished its first fiscal year, earning a net of $2 million through prudently managed funds, shows——

Mr. PASSMAN. Prudently managed?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. That is your interpretation. I think it is one of the most extravagant expense sheets I have ever had the privilege of reading.

Wouldn't it be the same thing as going to let's say, country X and saying that you have $1 billion over here in gold that you cannot do anything with and you have no need for it. You are thriving and have an excellent balance-of-payments situation from last year, you have a surplus in the budget, but you would like to give them a grant just so you could be in on a deal? Isn't this what you are doing here?

Mr. PETTY. Oh no, sir.

Mr. PASSMAN. Then why should AID give you a grant when they claim they are underfunded, and you had $193 million that you could not lend, and a surplus of $2 million out of your profits? I am going to ask AID that question.

It wouldn't be the first time I have found them trying to give away their money.

LETTER OF CREDIT FOR ENTIRE FISCAL YEAR 1969 APPROPRIATION

Mr. Secretary, I am not satified with this statement. I just hope there are some provisions whereby this charter could be amended by the Board, and the Bank could accept a letter of credit rather than cash inasmuch as it a foregone conclusion that you do not need this $20 million for the ensuing fiscal year.

I am not familiar with all your rules, regulations, commitments and all that, but it is conceivable to me that you will not need this $10 million to disburse during fiscal 1969, is it not?

Mr. PETTY. The regional development banks have not taken on commitments without having the funds appropriated for them.

Mr. PASSMAN. You have $193 million, do you not?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. If you approved every project pending now you would still have $163 million for new commitments plus your profit, would you not?

Mr. PETTY. Earlier you commented, in addition to $30 million available, now, and that which is—the applications which would come in the foreseeable future—the purpose of it——

Mr. PASSMAN. I did not say foreseeable future. I said this: That you had $193 million paid in, plus $2 million profit out of the last

year's operation—not from the fund which is intended, but from other sources—which gives you total cash of $195 million, and 90 days ago the aggregate in dollars of all applications amounted to only $30 million. If you approved the entire $30 million of loan applications you would have $163 million to meet any subsequent applications, would you not?

Mr. PETTY. That is correct, but——

Mr. PASSMAN. Let me finish, now. Wouldn't it follow that the $10 million cash contribution you are asking for this year would not actually be disbursed in fiscal 1969?

Mr. PETTY. Oh no, it would not be disbursed this year but it would be committed, would be obligated.

INVESTMENT IN U.S. GOVERNMENT BONDS

Mr. PASSMAN. When do you get the $20 million back? The Bank turned around and bought Government bonds paying 5 percent. When will Uncle Sam repay that loan?

Mr. PETTY. This is a request for an appropriation for capital subscription, Mr. Chairman.

Mr. PASSMAN. I am talking about the bonds. You took it out of this capital account and bought bonds, did you not? When is that due?

Mr. PETTY. It varies with our investments. They have been long term——

Mr. PASSMAN. Is there any way you can tell me when Uncle Sam will pay this $20 million back to the Asian Development Bank on which he is paying 5 percent for money he originally gave the Bank?

Mr. PETTY. The average life of these government securities is about a year, I would imagine.

Mr. PASSMAN. When did the Bank buy the last bonds?

Mr. PETTY. This is a decision by the Treasurer of the Asian Development Bank——

Mr. PASSMAN. I know it is a decision, but when did the Bank buy them?

Mr. PETTY. The Asian Development Bank bought them over this last year. I do not know the exact date of purchases.

Mr. PASSMAN. Could you get that information for us?

Mr. PETTY. I could, indeed.

(The information follows:)

The following is a summary of investments held by the Asian Development Bank as of December 31, 1967.

ASIAN DEVELOPMENT BANK (ORDINARY OPERATIONS)—SUMMARY OF INVESTMENTS HELD, DEC. 31, 1967

[Expressed in U.S. dollars]

Country	Face amount	Amortized cost
Government or Government-guaranteed obligations:		
Japan	$20,362,500	$20,344,410
United States	20,278,000	20,126,634
Australia	8,535,520	8,445,183
United Kingdom	5,928,000	5,879,238
Austria	153,846	153,846
Total	55,257,866	54,949,311

Currency	Amount
Time deposits and certificates of deposit:	
U.S. dollar	$35,100,000
Pound sterling	6,240,000
Deutshe mark	3,393,000
Italian lira	1,984,750
Norwegian krone	500,000
Austrian schilling	344,321
Total	47,561,981

(Discussion off the record.)

CONVERTIBLE CURRENCY AVAILABLE

Mr. PASSMAN. How much convertible currency did the Bank have on hand in December 1967 that could be utilized for loans?

Mr. PETTY. Approximately $160 million.

FORM OF PAYMENT

Mr. PASSMAN. I note that each member may pay one-half of his paid-in capital subscription in his national currency and in the form of nonnegotiable, non-interest-bearing notes, is that correct?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Is that the same basis upon which we are going?

Mr. PETTY. Yes, sir. Of the $20 million that we are discussing——

Mr. PASSMAN. I am talking about the total.

Mr. PETTY. Of the total, $100 million we are talking about today, one-half is payable in the non-interest-bearing notes and letters of credit and half in cash.

Mr. PASSMAN. Is our contribution nonnegotiable?

Mr. PETTY. Fifty percent of it is.

Mr. PASSMAN. Fifty percent of it is negotiable?

Mr. PETTY. It is in currency.

Mr. PASSMAN. That would not apply to the other countries, would it?

Mr. PETTY. It applies to them too; yes, sir.

Mr. PASSMAN. How many members have chosen to make their contribution in this manner?

Put that in the record.

(Note: See page 310.)

USES OF NATIONAL CURRENCIES

Mr. PASSMAN. Have any of the members restricted the use of their national currency to payments for goods and services produced and intended for use in their own country?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Now does that apply to the United States?

Mr. PETTY. No, sir.

Mr. PASSMAN. I did not think so. Now will you place in the record the nations who have so instructed they be employed this way and also put some good reason in the record why we should not have the same privilege?

Mr. PETTY. Yes, sir.

(The information follows:)

ASIAN DEVELOPMENT BANK

USE OF CURRENCIES

Article 24 of the articles of agreement of the Asian Development Bank contains the provisions relating to the use of currencies paid in to the Bank. The following paragraphs of article 24 pertain to the restriction of the use of the "member-currency" portion (as distinguished from the gold or convertible currency portion) of the paid-in capital of the Bank:

1. Members may not maintain or impose any restrictions on the holding or use by the Bank or by any recipient from the Bank, for payments in any country, of the following:

> (i) gold or convertible currencies received by the Bank in payment of subscriptions to its capital stock, other than that paid to the Bank by members pursuant to paragraph 2(b) of Article 6 and restricted pursuant to paragraphs 2(i) and (ii) of this Article; * * *

2. Members may not maintain or impose any restriction on the holding or use by the Bank or by any recipient from the Bank, for payments in any country, of currency of a member received by the Bank which does not come within the provisions of the preceding paragraph, unless:

> (i) a developing member country, after consultation with and subject to periodic review by the Bank, restricts in whole or in part the use of such currency to payments for goods or services produced and intended for use in its territory; or
>
> (ii) any other member whose subscription has been determined in part A of annex A hereof and whose exports of industrial products do not represent a substantial proportion of its total exports, deposits with its instrument of ratification or acceptance a declaration that it desires the use of the portion of its subscription paid pursuant to paragraph 2(b) of article 6 to be restricted, in whole or in part, to payments for goods or services produced in its territory; provided that such restrictions be subject to periodic review by and consultation with the Bank and that any purchases of goods or services in the territory of that member subject to the usual consideration of competitive tendering, shall be first charged against the portion of its subscription paid pursuant to paragraph 2(b) of article 6; or
>
> (iii) such currency forms part of the special funds resources of the Bank available under paragraph 1 (ii) of article 19 and its use is subject to special rules and regulations.

The countries which may restrict the use of the "member-currency" portion of their paid-in subscription under subparagraph (i) of paragraph 2 above are: Afghanistan, Cambodia, Ceylon, Republic of China, India, Indonesia, Republic of Korea, Laos, Malaysia, Nepal, Pakistan, Philippines, Singapore, Thailand, Republic of Vietnam, and Western Samoa. To date none have exercised that right.

Pursuant to subparagraph (ii) of paragraph 2 above, upon depositing their instruments of ratification of the Bank's Articles of Agreement, Australia and

New Zealand declared their desire to restrict the use of the "member-currency" portion of their subscriptions to payments of goods and services produced in their territory.

The member countries which do not qualify for the exceptions set forth in sub-paragraphs (i) and (ii) of paragraph 2 of article 24 are: Austria, Belgium, Canada, Demark, Finland, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and the United States.

Pursuant to subparagraph (iii) of paragraph 2 of article 24, however, the use of all contributions to special funds of the Asian Development Bank may be restricted by the donors to payment for goods and services produced in their own territory.

Mr. PETTY. Let me make it very clear that the regional members who exercise the privilege that you just cited, making their funds available in their local currencies that are not normally convertible——

Mr. PASSMAN. Do you know of any currency on the face of the earth that is not convertible at some rate? All currencies are convertible. We have a representative from the Treasury sitting here. Tell me some currency that is not convertible and the treat will be on me.

Mr. PETTY. Very frequently the conversion of those funds are subject to foreign government exchange regulations.

Mr. PASSMAN. Do you know of any currency that is not convertible at some rate?

Mr. PETTY. I know many currencies the transactions of which are prohibited.

Mr. PASSMAN. You can tell me about a lot of restrictions but can you tell me any currency that is not convertible at some rate, on the face of the earth?

Mr. PETTY. In principle, no.

Mr. PASSMAN. You have answered my question. Douglas Dillon told me all currencies were convertible.

I did not want the record to show that there is any such currency.

Wouldn't it be good if we would work these things in our favor sometime and say, "All right, we are willing to put up $200 million or $100 million in grants but we want it understood that it will be for commodities produced in America.

Mr. PETTY. I think it is important to record, sir, that the developed countries have contributed 68 percent of this money.

Mr. PASSMAN. Let's talk about the other, then. I am only talking about our part. It is obvious from the question you just answered in the affirmative, it applies only to the amount equal to what they contributed. I am only suggesting that we have the same agreement on our contribution.

Somehow or other, every agency who comes before this committee says, "Yes, our balance-of-payments situation is very serious, but we had nothing to do with it, we contributed favorably." When we get through all of them said, "Oh, no, we contributed," and nobody takes the blame.

Yet we wind up every year sending out from $3 to $5 billion more than we bring home.

PENDING LOAN APPLICATIONS

Have you had an opportunity to have a look at the $30 million in loan applications to know which ones may be approved and which may be rejected?

Mr. PETTY. I have not. Under Secretary Barr is out in Manila this week, as the U.S. Government——

Mr. PASSMAN. Would it follow, Mr. Secretary, that the aggregate, all types of applications in the $30 million that will be made out of this $195 million total account, not all of them will be approved, will they?

Would the law of average say 50 percent would be approved and 50 percent of them declined?

Mr. PETTY. This fits the definition——

Mr. PASSMAN. I only accepted your direct answer that the total applications amounted to $30 million. Now do you have any guidelines from your past experience as a banker, as to what percentage would be approved and what percentage would be rejected?

Mr. PETTY. I would imagine it would be a very high percentage approved.

Mr. PASSMAN. What would "high" be?

Mr. PETTY. It could be 100 percent.

Mr. PASSMAN. I know it could be 100 percent, but I asked you if you had any guidelines.

Mr. PETTY. No, sir; we are talking——

Mr. PASSMAN. I think you answered that you do not know and I am very grateful.

Mr. PETTY. We are talking about a new bank.

Mr. PASSMAN. They are taking the place of other agencies who made loans for similar projects in the past.

Mr. PETTY. In a multilateral lending agency the board of directors in being with the bank stays in close connection with the lending officers, and they follow the lending policies of the bank and give their guidance before they make their formal vote——

Mr. PASSMAN. What about the regular old giveaway agencies like IDA and AID—what has been their score on approving similar applications? Fifty percent of the applications are approved?

Mr. PETTY. I do not know the percentage, Mr. Chairman.

Mr. PASSMAN. What I am trying to establish, Mr. Secretary, is even further proof that you do not need this $20 million. At least you do not need the $10 million of cash; not with $195 million on hand, when you have $30 million in applications that you have received over 14 months when there is a possibility that even half of them may be turned down.

TYPES OF APPLICATIONS

Would you state for the record at this point what type applications you have pending and from what countries?

(See p. 277 for comments.)

LOAN TO DEVELOPMENT BANK OF THAILAND

Mr. PETTY. Well, in my statement I discuss the first loan to a development bank in Thailand.

Mr. PASSMAN. You are going to take the money out of this bank and start another development bank?

Mr. PETTY. This is a procedure that is——

Mr. PASSMAN. That is just a question. Is that what you are going to do? I won't elaborate on it.

Mr. PETTY. Into a small loan—yes, sir; a local indigenous bank in Thailand.

Mr. PASSMAN. In other words, we give the money to establish the Bank, then they turn around and give it to another nation to establish another bank.

Mr. PETTY. One of the things they need is small private entrepreneurs.

Mr. PASSMAN. Have you been in Thailand lately?

Mr. PETTY. No, sir.

Mr. PASSMAN. They are waxing fat in prosperity. We give them so much aid they do not know what to do with it. I am talking about Thailand now.

Do you have any public works projects or are you in financial circles altogether with this money?

Mr. PETTY. This is directed toward—this particular loan is directed toward the small entrepreneur in Thailand.

Mr. PASSMAN. I am not talking about this.

Mr. PETTY. The Asian Development Bank in general?

Mr. PASSMAN. It is for governments, for companies and for municipalities?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. And what type projects would normally be financed out of this—all types of public works projects?

Mr. PETTY. Agricultural production, communications——

Mr. PASSMAN. You said beautification?

Mr. PETTY. Communication, excuse me. Irrigation, public works.

Mr. PASSMAN. Like AID, anywhere that they can spend the money.

Mr. PETTY. I would liken it to projects of the World Bank.

Mr. PASSMAN. AID covers the waterfront: Local projects, corporation projects, Government projects; is that right?

Mr. PETTY. Yes, sir.

GRANT FROM AID

Mr. PASSMAN. We ran into this little grant item of AID—bless their lovable hearts, I guess they found they had more money than they could possibly obligate and they had to give you people a quarter of a million dollars. Have you gotten any money from any other outside agencies like Carnegie, Rockefeller, or Ford grants?

Mr. PETTY. Not to my knowledge; no, sir.

Mr. PASSMAN. AID is the only outside agency that has made a grant, as far as you know?

Mr. PETTY. The Japanese have agreed to contribute $100 million to a special fund.

Mr. PASSMAN. You are talking about a special fund. I am talking about an outright grant.

Mr. PETTY. Yes, sir; there have been.

Mr. PASSMAN. Rockefeller, Carnegie, any of them?

Mr. PETTY. Miss Vettel might have the answer to that.

Miss VETTEL. Japan has given $100,000 for technical assistance grants.

Mr. PASSMAN. What strings do they attach to it—they stand to be one of the great beneficiaries of this program?

Miss VETTEL. The same strings as ours. Germany, the United Kingdom, and Canada have also offered technical assistance grants to the Bank.

Mr. PASSMAN. They are in on a regular basis like we are.

Miss VETTEL. They are contributing countries, too; yes, sir.

Mr. PASSMAN. I just cannot conceive of AID getting in on this. I do not want to knock the Directors because they may be fine folks, but it is ridiculous that AID would get in on something like this when you folks are just wallowing in wealth that you cannot find any place to use.

We will get on AID when they come down.

AVERAGE TRAVEL EXPENSE PER EMPLOYEE

You will insert in the record the financial statement that we discussed earlier, and, if you can, give us some reason why there would be a half a million spent for travel over in that part of the country? It is inconceivable that they could spend that much money. I hope that is possibly a typographical error, a misprint or something. When you have 187 employees and are on the average spending $2,700 per employee for the first year, it just looks to me as if they have to stay in the air all the time.

Mr. PETTY. They are moving families to Manila——

Mr. PASSMAN. Some are already in Manila.

Mr. PETTY. Certainly the local clerical help is.

Mr. PASSMAN. There are only 187 employees involved. When you come in talking about on an average of $2,700 for each and every one of these people for travel for 1 year, it would appear that if what you just said is true—and I know you intend for it to be—why didn't they set it up as some other type of expense?

(The information follows:)

Asian Development Bank—Travel expenses (Jan. 1–Dec. 31, 1967)[1]

Staff travel:	
Appointment travel[2]	$212,800
Business travel:	167,000
Asian agricultural survey[3]	44,500
Other business travel[4]	122,500
Repatriation	300
Total	380,100
Directors travel:	
Appointment travel[5]	68,900
Business travel	33,000
Repatriation	400
Total	102,300

[1] Fiscal year of the Asian Development Bank.

[2] Includes transportation of families and household effects to the Bank's headquarters in Manila for staff recruited from 14 regional and 6 nonregional countries, and preappointment interview travel where necessary.

[3] Covers travel of survey team to 16 regional countries for visits of 1 to 3 weeks each.

[4] Includes travel of 11 reconnaissance and general country survey missions and 1 apprisal mission (to Afghanistan, Ceylon, China, Indonesia, Korea, Laos, Malaysia, Nepal, Singapore, Thailand, Vietnam, and Western Samoa), visits by the Bank's President to 18 regional and 13 nonregional member countries, and liaison with other organizations (for example, UNDP, ECAFE, IBRD, IMF, IDB, FAO).

[5] Includes transportation of families and household effects to Manila for Directors and Alternate Directors.

As of March 31, 1968, the staff of the Asian Development Bank, excluding the President and Vice President, numbered 213. They were recruited from the following areas:

	Total	Professional	Nonprofessional
Asia and the Pacific	199	57	142
(Philippines)	(144)	(6)	(138)
Western Europe	7	6	1
United States	5	4	1
Canada	2	1	1
Total	213	68	145

Mr. CONTE. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

SALARIES OF THE BOARD OF DIRECTORS

Mr. CONTE. How about salaries to the Board of Directors? That seems tremendously high, $364,237.

Mr. PETTY. As we mentioned, there are 10 Directors and 10 Alternate Directors.

The U.S. Director's salary is about $25,000 and the Alternate Director is $20,000.

Mr. CONTE. They get volunteers for these Directors and pay their expenses.

Mr. PETTY. It has been the experience of the past that to maintain the quality that is desired for these organizations, professionals are needed in the business, men who have skill and experience and we have a great call on their talents. They do spend 100 percent of their time at it and it is their sole livelihood. We believe it is fair and appropriate, to pay the going wage.

Mr. CONTE. That is a tremendous salary for anyone outside of the United States. I do not see why we could not get $1 a year men to take a job like that and run this Bank. No directorship in the United States is a full-time job in any bank.

Mr. PETTY. This is a title used in the multilateral lending agencies.

Our own representative has moved there with his family and children.

Mr. PASSMAN. He is an executive director?

Mr. PETTY. He is the U.S. Executive Director.

NUMBER OF DIRECTORS

Mr. PASSMAN. Why do you need that many?

Mr. PETTY. The stockholders want their representation, sir.

Mr. PASSMAN. It still seems very high.

Mr. PETTY. Groups of small regional countries are represented by one Director.

Miss VETTEL. There are 32 countries that are members of the Bank.

Mr. CONTE. Where do the Directors come from?

Mr. PETTY. One Director represents Germany, Italy, Netherlands, Austria, and Belgium.

Mr. CONTE. He is one.

Mr. PETTY. Yes, sir. He and an alternate. He has an alternate.

A second Director represents the Philippines and Pakistan.

A third Director represents Korea, the Republic of China, and Vietnam.

A fourth Director represents Japan.

A fifth one, Australia.

A sixth Director represents Afghanistan, Cambodia, Ceylon, Laos and Nepal and Indonesia.

A seventh, New Zealand, Malaysia, Thailand, Singapore, Western Samoa.

An eighth, India.

Ninth, the United Kingdom, Canada, Denmark, Finland, Norway and Sweden; and

The tenth Director represents the United States.

Each one has an alternate Director.

DIRECTOR FROM INDIA

Mr. CONTE. You say one represents India. Does that mean he comes from India?

Mr. PETTY. In that case, yes, sir.

Mr. CONTE. And he is paid $25,000 a year?

Mr. PETTY. I believe that is his salary.

Mr. CONTE. This is a pretty high salary for anyone coming from India, isn't it?

Mr. PETTY. Transferred into rupees and local currency, it is certainly above the average wage in India.

Mr. CONTE. Away beyond.

I yield back the balance of my time.

Mr. PASSMAN. May I compliment you on that very frank statement?

Mr. PETTY. This is the same pattern for the Board of Directors that many of the other lending agencies have.

Mr. CONTE. You know it is kind of amusing. Here you are paying someone from India $25,000 to serve as a director of a bank where India has contributed $93 million and where the United States has contributed to India $93 million.

Mr. PASSMAN. Wouldn't the alternate come in for an additional $20,000?

Mr. CONTE. And India owes us over a billion and a half dollars.

U.S. PUBLIC DEBT

Mr. PASSMAN. Mr. Secretary, I hope you don't interpret this type of interrogation as a personal affront to you. It is not intended that way. I would be a much happier man if I had done a little less homework. As I read the record, it would appear since we set up our first bookkeeping system that we have collected in revenue from the American people $2,260,175 million. Every time we collected a dollar in revenue, we have put the Government in debt an additional 73 cents, so we have a true public debt and legal obligation, when we pick up all statutory obligations of $1,650 billion, or a per capita commitment of $8,250.

They say the President is required by law to project these estimates. I can't find in the law where the President is required to project a tax increase. He could adjust the tax increase out and establish the

budget deficit at $28,400 million. I don't find any law anywhere where it is mandatory for the President to take the $7.4 billion excess in the trust accounts, and reduce the deficit by that amount, so as to make the picture more rosy than it is. Then when he is over doing something else they go over and issue $7.4 billion worth of bonds and you push up the public debt by the same amount.

I have a representative of the Secretary of the Treasury sitting here and I just want him to challenge one of my statements.

Here is what is happening: It will shock some members of the committee.

First, I have predicted that foreign aid is on the way out. Our friends have been working overtime to find places to hide it and put it in high-falluting, sweet-sounding names like Asian Development Bank, Inter-American Bank, International Development Association, the African Development Bank, and if they can tie some kind of a bank name onto it, it is a lot easier to fool the American people. Other appropriations such as defense support or supporting assistance, sweet-smelling names that make the average individual think it is military.

TOTAL FOREIGN AID REQUEST FOR FISCAL YEAR 1969

I will bet this is going to shock you: The total request for foreign aid this year is over $11 billion when you include all spigots.

PROPOSED U.S. CONTRIBUTION TO THE ASIAN DEVELOPMENT BANK'S SPECIAL FUNDS

Did you know that actually in addition to what we have already committed ourselves to this Asian Bank, which has $195 million in cash they don't know what to do with because you don't have applications, that there has been a bill introduced, H.R. 13217, that our Government will put in the kitty an additional $200 million.

Mr. PETTY. Over 4 years; yes, sir.

Mr. PASSMAN. I don't care if it is over 40 years. They may put it in in 3 months, I don't know, but is it not true that we have made a picture here that is correct and you are now asking for another $200 million as a gift for a special fund?

Mr. PETTY. Yes, sir; to be matched——

Mr. PASSMAN. Now, let's add to that $200 million the $500 million they are proposing for the Export-Import Bank as a disguised loan program, but giving the machinery to charge it off when the borrowers fail to pay. That is up to $700 million and IDA is up to $240 million, isn't it?

Mr. PETTY. $160 million.

Mr. PASSMAN. The original request was $240 million.

Mr. PETTY. It is down from the $240 million.

Mr. PASSMAN. The original request was $240 million so you have three items here that are almost $1 billion that is really in foreign aid where they are going to apply one of these pretty labels and you will think they are actually good loans.

We are having to point these things out.

Now, finally, before I yield to Mr. Conte, do you need this $200 million for the special fund, in view of the fact that you have $193 million and you haven't disbursed 5 cents out of that money, and you have $2 million surplus from special investments, pending the time that you can approve the loans?

Do you need this $200 million?

Mr. PETTY. Yes; we do.

Mr. PASSMAN. What do you need it for?

Mr. PETTY. This is for use in such areas as long-term agricultural development in Southeast Asia. It is to be matched by Japan in particular. Canada has indicated its intention to contribute. It is on a matching basis. It is over a 4-year period. One purpose is to provide a sane, coordinated agricultural development program.

Mr. PASSMAN. How many of the other governments have passed their legislation to put up their money?

Mr. PETTY. On this?

Mr. PASSMAN. Yes.

Mr. PETTY. Japan has appropriated $20 million of its $100 million contribution, sir, and— I believe that is it, so far.

Mr. PASSMAN. Now my question is, with $193 million on hand since 1966—that is when they started—and you haven't disbursed one dime on a single loan for which the fund was intended, and the Executive is asking the Congress to approve a grant of $200 million for a special fund.

My question is, what are you going to use it for in fiscal year 1969 if you get it?

Mr. PETTY. I would be surprised if there were disbursements, more than modest disbursements under the other legislation which you referred to, Mr. Chairman. This is for such purposes as an integrated, long-range agricultural program in the area. It is difficult and it is improper for agencies to commit funds they don't have provided for and it is because of this that the Asian Development Bank is having its special fund set up for these long-range programs.

Mr. PASSMAN. How is this different from your regular functions? I am reading now from the legislation. Isn't this identical with what the other money is for?

Mr. PETTY. No, this is more long-term projects where the financial payout isn't nearly so clear but where the development base for the country is ever so vital.

Mr. PASSMAN. I thought you said earlier that you covered the waterfront. Does the Bank cover transportation and all other types of facilities, municipalities, governments, corporations similar to all the other types of programs? I asked you that and you answered in the affirmative.

FISCAL YEAR 1969 ESTIMATED OBLIGATIONS

My next question is, of the $193 million, where there is $30 million in applications pending—and in all probability they will not all be approved, but if you should disburse the $30 million, that leaves $163 million. Of that amount, how much do you expect to obligate in fiscal year 1969?

Mr. PETTY. I don't have an answer to your question, Mr. Chairman.

Mr. PASSMAN. Would you prefer us to recess hearings and wait until you familiarize yourself with this outfit and set up another meeting for you?

I will tell you right now, we are not going to give you any money on the basis where you have asked for $20 million additional this year, and you support the $200 million as another kitty, and you don't actually know what part of the $193 million may be obligated, you really wouldn't want the committee, on this type of testimony, to furnish money.

Mr. PETTY. The annual meeting is being held this week submitting plans and programs to the Board of Governors.

Mr. PASSMAN. Wouldn't it be better if we suspended these hearings and let you come up with some answers? We want to know what you are going to do with $193 million. Conceivably some of these people may have a bad night and approve this new request for $200 million. There is no justification for it. We are talking about money. I think you are a very fine man. You have a wonderful record, but you are in here testifying for money that you don't need and that you are not going to obligate. You don't even know what part of the $193 million you may need—and it is not your fault. We actually should have one of these spenders from Manila in here justifying this.

Mr. PETTY. I am here testifying, Mr. Chairman, that a lending agency of this type, to be in business, to entertain loan applications, must have its funds available to loan. That is exactly what we are talking about.

Now, the actual number of applications and the amount of money available, it is information about a few weeks old. The management is laying forth its plans to the Board of Governors this week. They have spent substantial time this last year getting additional projects in line. As far as formal application is concerned, they may not be that far along. It only may be 80 percent. To put $30 million against $193, the numbers aren't quite as abrupt as that.

Mr. PASSMAN. Mr. Secretary, you know we are going to have to borrow this money we are gong to give them?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. And we don't know of any way we can ever pay it back?

QUESTIONABLE NEED FOR ADDITIONAL GRANT

My question is simple and to the point: Out of $193 million and during the first year of this Bank's operations, when you take an adding machine and total up all the loan applications, good, bad, or indifferent, they only amounted to $30 million. If the Bank approves every one of those applications, that still leaves the Bank with $165 million. You may have more applications but we are thinking now in terms of fiscal year 1969. You may have to come in later, but we are trying to establish for the record that there is positively no need now for this additional $200 million grant this year. The other we can't do anything about. In all probability the committee will recommend the $20 million you are asking for—$10 million cash, $10 million in a letter of credit. But we hope that we can make a good enough record—we don't want to overstate our point on this, but we hope we can make a good

enough record to block this $200 million that you have no use for as far as I am concerned.

TOTAL AMOUNT OF APPLICATIONS

Now, I wish that you would, if it is permissible, and since they seem to be spending money pretty freely out of these profits, could you cable out there and ask them to bring up to date the total amount of the application so we will know whether or not there is any to be added to the $30 million?

Mr. PETTY. I could indeed, sir.

Mr. PASSMAN. Would you do that, sir?

Mr. PETTY. I will be glad to.

(Note: See p. 277.)

ADMINISTRATIVE EXPENSES OF BOARD OF DIRECTORS

Mr. CONTE. Getting back to the Board of Directors, there are benefits of $55,634. Have you stated at all what those benefits are?

Mr. PETTY. We are going to get those details. It is simply the normal retirement benefits, Social Security, and permium pay, if any.

Mr. CONTE. How much do they contribute toward the retirement benefit?

Mr. PETTY. The audit, the detailed audit is being submitted to the Board of Governors this week in Manila. We won't have that detail back until the Board of Governors has accepted it. Then I can itemize that for you.

Mr. CONTE. How about the travel of $111,000, which is about one-third of the salaries paid, which seems to be quite high?

Mr. PETTY. This is setting up a new bank and bringing in skilled people to a new area. They must bring their families with them. This is exactly what has happened. This is the year of commencement of operations for the Asian Development Bank.

Mr. CONTE. Do you think this will be a one-shot affair?

Mr. PETTY. I think it is disproportionately high this first year; yes, sir.

OPERATIONS OF THE BANK

Mr. CONTE. Getting away from the balance sheet for a moment, what effect has the war in Vietnam had on the Bank itself and the activities of the Bank?

Mr. PETTY. I am not sure I can trace any direct effect, Mr. Conte, on the operation of the Asian Development Bank because of Vietnam, because the contributions from other developed countries has been very large and very good, and the support the Bank has indicated it will receive from the private lending community has been very encouraging; certainly in the long run the difficulty in Southeast Asia will cause additional need for assistance, but at this time I find no direct effect.

Mr. CONTE. Have all the countries, regional and nonregional, contributed their subscriptions up to date?

Mr. PETTY. Yes, sir.

Mr. CONTE. In behalf of each of the $20 million installments made in non-interest-bearing letters of credit which will be drawn by the

Bank if necessary, to meet its disbursement schedule, have these notes of August 1966 and 1967 been drawn upon by the Bank?

Mr. PETTY. No, sir.

Mr. CONTE. Does the Bank coordinate its efforts with other agencies such as the AID agency and other agencies?

Mr. PETTY. Certainly, the Bank management makes a great point of knowing what the development programs are by the British, certainly by the U.S., certainly by those in Southeast Asia, and try to have an overall coordinated development program, finding out where the operation of the Bank best fits into the country's broad programs.

Mr. CONTE. You do remember the Mekong River project which we have been involved in for several years.

Mr. SHRIVER. The Mekong River Basin project.

Mr. PETTY. It does go into the South Vietnam Delta.

Mr. CONTE. We have been working on that project. Will the Bank get into such a project as that?

Mr. PETTY. In the Bank's direct operation, it is not presently envisaged. This is one of the projects considered appropriate for the Special Fund that the Chairman has been referring to.

Mr. CONTE. How much funds is the Bank thinking of developing in private capital markets?

Mr. PETTY. They are at the stage right now of trying to develop any money. It takes a couple of years to get qualified by investment bankers, by the respective laws of the States and in Europe, President Watanabe has discussed use of European and U.S. funds. It will be all he can possibly get. The investment bankers haven't yet decided the form of the obligation and the limitations that the Bank should have.

Mr. CONTE. You state there are no plans to issue bonds in the immediate future. Could you give us some idea of when you think the Bank might turn to this area as a source of funds?

Mr. PETTY. Certainly not in calendar year 1968 and possibly not in calendar year 1969. It would probably depend upon the progress they have made in qualifying among the various states to make their bonds eligible. In addition, it depends on the financing needs and what the disbursement schedule is.

I think the management wants to get everything in readiness so that the decision to go ahead is not held up by legal formalities not having been taken care of.

MULTILATERAL VS. BILATERAL AID

Mr. CONTE. Mr. Secretary, do you foresee this Bank eventually taking over the AID program in Southeast Asia?

Mr. PETTY. No, sir.

Mr. CONTE. Why not? It makes sense to have regional projects which the Bank can handle.

Mr. PETTY. I don't think the Inter-American Development Bank has or should take over the bilateral assistance program in Latin America, nor that the World Bank has or should take over the bilateral assistance program the United States has in various parts of the world.

Mr. CONTE. I just asked you why not.

Mr. PETTY. It is certainly an important adjunct to the program and I would envisage AID and Asian Development Bank working closely together.

Mr. CONTE. Doesn't it spare us from getting involved in these countries like we got involved in Vietnam? When you have a bilateral program, whether it is military assistance or economic assistance, the recipient country becomes dependent upon the United States. If it gets in trouble, then the next thing you know you will become involved in that country and it is very difficult to pull yourself out.

Mr. PETTY. I think there is a great deal to be said for the detachment of the multilateral lending agency and it is a role that can best be provided on a multilateral basis as a hard money lending agency in there with a major resource of funds. I do think there is important room for bilateral assistance because the needs of the area are so great.

Mr. CONTE. I think you are going to find Congress eventually saying "Fish or cut bait." You will have to get into a multilateral program or a bilateral program. You cannot have your cake and eat it too. This was the idea of contributing to some of these United Nations activities, so we could be detached and devoid from particular programs and there wouldn't be direct involvement by the United States. I think this was one of the big arguments when the Asian Development Bank came into existence and the Inter-American Bank and all the other banks that we have throughout the world.

I think eventually you are going to have to make a choice.

Mr. PETTY. We certainly have found that the Asian Development Bank has been very valuable in providing a broader range of contributors to meet the developmental needs of Asia. This is certainly a great plus for the Bank.

Mr. CONTE. It certainly is and I commend them, but I am also looking at the AID agency. When they are in a bilateral program, they are going to have to stay in business and we are going to have overlapping of projects. You are going to have irrigation projects and technical assistance projects sponsored by the Asian Development Bank and you are going to have the AID agency going in there with a similar project.

Mr. PETTY. I think this is why the coordination we discussed earlier is so important.

Mr. CONTE. I know it is important, but will you get that coordination?

Mr. PETTY. Every indication certainly is that this is true in the Asian Development Bank. The Assistant Administrator of AID is in Manila now to continue that close cooperation that we have been able to establish with the Bank.

Mr. CONTE. Where you have an agency set up for bilateral aid such as the AID agency, this is the way they are going to stay in existence, by promoting their projects as opposed to the projects proposed by the Asian Development Bank.

They don't want anybody to get them out of this field. They have been in it since its inception and you have a lot of people who have worked in the AID agency for 20 years now.

Mr. PETTY. I am not one to say human nature doesn't exist, but I think we are the masters of the problem in this area.

Mr. CONTE. I have no further questions.

IDA BUDGET

Mr. PASSMAN. I don't like to open up my examination again, but I am compelled to make two or three observations before we move on to Judge Shriver. I try never to be guilty of saying anything for the record that is not from the record. I referred to the President's budget request for the International Development Association as $240 million. I repeat, that is the budget request.

The supplemental request for IDA is $240 million in the supplemental, I believe.

Mr. BETTS. There has not been authorizing legislation introduced yet for IDA.

Mr. PASSMAN. Hasn't he requested it?

Mr. BETTS. The President has not requested any money for IDA, as yet for 1969.

Mr. PASSMAN. I refer to the President's budget proposed supplemental subscription to International Development Association, "Program by Activities. Investment in International Development Association (costs, obligations) $240,000,000."

Now, we have no other place to get this other than the President's budget. Have I read it correctly out of the budget?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. This was in the President's budget. That is the only way in the world we have of putting this stuff together. You do know that the matters we have before this committee are always without an authorization.

I want to say this for the record—and I am going to get a great deal of disappointment as well as pleasure out of establishing it later, that this is the largest foreign aid request in the history of the Foreign Aid program when you put the pieces all together. When you take all types of foreign aid and assistance requested, it is at least $10,792 million. I will have this available later for the record. It is lifted right out of the President's budget.

If there have been amendments to it downward, then I am delighted.

Mr. PETTY. There will be for IDA.

Mr. PASSMAN. Do you agree I have taken this out of the budget?

Mr. PETTY. Absolutely.

Mr. PASSMAN. That is all we have to go by. Last year we didn't even get an authorization bill. We had to take this bill out under a rule and it caused some dissatisfaction. We hope this year it won't be necessary to handle it that way. So we must proceed with the hearings.

Mr. Shriver.

INVESTMENTS OF THE BANK

Mr. SHRIVER. When you were testifying about the funds that had been invested, you mentioned some $54 million of investments; $20 million in United States bonds, guarantees or what-not, and $20 million in Japan and $8 million in Australia, and $5 or $6 million in the United Kingdom.

What rate of interest are you receiving from the United States on that money?

Mr. PETTY. The Treasurer of the Asian Development Bank makes his investment——

Mr. SHRIVER. When I say you, I am referring to the agency for which you are testifying today.

Mr. PETTY. I am testifying for the Administration and the Treasury. However, the assets of the Asian Development Bank are invested by the Treasurer of that Bank. They make their contracts directly with the Federal Reserve Bank or through their commercial banks. I can inquire. I don't have a listing of the market rates at the time of investment.

Mr. SHRIVER. Would you put that in the record and the same thing relative to Japanese investments, Australia, United Kingdom, and any others?

Mr. PETTY. Yes.

(See p. 294.)

COMPOSITION OF PAID IN SUBSCRIPTION

Mr. SHRIVER. Would you furnish for the record a table showing how the contributions for the ordinary capital of the Bank are meeting the requirement that half of the amount be in convertible currency and half in the currency of the member countries?

Mr. PETTY. We will be glad to supply that for the record.

(The information requested follows:)

COMPOSITION OF PAID-IN SUBSCRIPTIONS TO THE A.D.B.

[In thousands of U.S. dollars]

	Gold and/or convertible currency portion (50 percent of total)	National currency portion (50 percent of total)		Total
		Cash	Non-interest-bearing demand obligations	
REGIONAL MEMBERS				
Afghanistan	478	----	478	956
Australia [1]	8,500	----	8,500	17,000
Cambodia	175	175	----	350
Ceylon	852	----	852	1,704
China	1,600	----	1,600	3,200
India	9,300	----	9,300	18,600
Indonesia	2,500	1,000	1,500	5,000
Japan	20,000	----	20,000	40,000
Korea	3,000	----	3,000	6,000
Laos	42	42	----	84
Malaysia	2,000	----	2,000	4,000
Napal	216	----	216	432
New Zealand [1]	2,256	----	2,256	4,512
Pakistan	3,200	----	3,200	6,400
Philippines	3,500	----	3,500	7,000
Republic of Vietnam	1,200	1,200	----	2,400
Singapore	500	----	500	1,000
Thailand	2,000	----	2,000	4,000
Western Samoa	6	6	----	12
Total	61,325	2,423	58,902	122,650
NONREGIONAL MEMBERS				
Austria	500	500	----	1,000
Belgium	500	----	500	1,000
Canada	2,500	----	2,500	5,000
Denmark	500	----	500	1,000
Finland	500	----	500	1,000
Germany	3,400	3,400	----	6,800
Italy	2,000	2,000	----	4,000
Netherlands	1,100	----	1,100	2,200
Norway	500	500	----	1,000
Sweden	500	----	500	1,000
Switzerland	250	250	----	500
United Kingdom	3,000	----	3,000	6,000
United States	20,000	----	20,000	40,000
Total	35,250	6,650	28,600	70,500
Grand total	96,575	9,073	87,502	193,150

FRANCE'S INTEREST IN ASIA

Mr. SHRIVER. France isn't participating in this, is she?

Mr. PETTY. No, sir.

Mr. SHRIVER. Do you see any future participation, or foresee any participation on the part of France? France has a lot of trade out there.

Mr. PETTY. France has a lot of trade out there and she has been asked for a contribution and to make her capital available to the Bank.

Mr. SHRIVER. What are their objections?

Mr. PETTY. That is difficult to estimate. It would be essentially political. The contacts were had by the President of the Bank, Mr. Watanabe, with the French officials.

Mr. SHRIVER. You don't know the reason?

Mr. PETTY. No.

Mr. SHRIVER. In view of the fact they are a former colonial power in Asia and do a lot of trading in that area, it would appear they should be making a contribution.

AUTHORIZED CAPITAL OF BANK

On page 2 of your statement you say the Bank has authorized capital stock totalling $1.1 billion and that $970 million has been subscribed to date. Which countries have not subscribed their full quota?

Mr. PETTY. The authorized capital stock was increased, Mr. Shriver, from the date of original enactment. I think this may explain the difference. They increased it from one billion to $1.1 billion.

Originally Iran was thought to have been a subscriber and at the final minute they did not subscribe. There was provision for—last year they increased the authorized capital from $1 billion to $1.1 billion so as to make room for additional countries with authorized capital to subscribed, should other countries want to do so in the future.

Burma is not a member, but being in the area of Southeast Asia, would have been requested.

Mr. SHRIVER. Are those the only two?

Mr. PETTY. Outer Mongolia is not a member.

Miss VETTEL. There are two or three of the countries that are eligible.

Mr. PETTY. We will furnish it for the record.

(The information follows:)

MEMBERSHIP IN THE ASIAN DEVELOPMENT BANK

The Asian Development Bank has 32 members, 19 of which are regional countries, and 13 of which, including the United States, are developed nonregional countries. Membership is open to members and associate members of ECAFE and to other regional countries and nonregional developed countries which are members of the United Nations or any of its specialized agencies.

All regional members and associate members of ECAFE, except Burma, Brunei, Hong Kong, Iran, and Mongolia, are charter members of the Bank. (Communist China, North Korea, and North Vietnam are not eligible for membership.) All nonregional members of ECAFE, except France and the U.S.S.R., are charter members. In addition, nine nonregional developed countries were charter members. Switzerland became the 32nd member of the Bank on December 31, 1967; this is the first such organization of which Switzerland is a member.

ADMINISTRATION EXPENSES OF BANK

Mr. SHRIVER. What is the total cost of the initial organizational and administrative activities of the Bank?

Mr. PETTY. It is approximately $2.4 million over 13 months, Mr. Shriver.

Mr. SHRIVER. How does this figure compare with the Inter-American Development Bank?

Mr. PETTY. May I provide for the record that information?

Mr. SHRIVER. Very well.

(The information follows:)

As stated in its annual report, the administrative expenses of the Asian Development Bank during its first 13 months in operation totalled $2,409,955. The administrative expenses of the Inter-American Development Bank were $4,121,185 for its first full year of operation.

AGRICULTURAL SURVEY

Mr. SHRIVER. At page 6 of your statement you mention your report of the agriculture survey team. Would you summarize for us now the findings of this team?

Mr. PETTY. Would it be useful if I made the summary that the Board of Directors are submitting to the Governors? Perhaps we can supply a short summary?

Mr. SHRIVER. It might be helpful for us to have a copy of this report because we are going to be considering later the requests of the Agency for International Development for agricultural projects in this area.

Mr. PETTY. Certainly.

(Volume I of the report has been made available to the committee.)

TRANSPORT-COMMUNICATIONS SURVEY

Mr. SHRIVER. When do you expect to have the results of the regional transport communications survey?

Mr. PETTY. Through this calendar year and probably well into 1969.

Mr. SHRIVER. In connection with this survey I have just mentioned, ECAFE of the United Nations has been doing a survey of this nature, I believe. Is there any duplication?

Miss VETTEL. ECAFE hasn't done a transport survey. They have a committee that is interested in this and they have been interested in the Asian Highway and that sort of thing. This will be a survey requested by certain Southeast Asian countries to survey the needs and priorities for the building of transportation and communications systems including all these Southeast Asian countries—that would become a regional system—and what the investment possibilities are and the needs, priorities and so forth. A survey that would be not only for a loan from the Bank, but other things.

Mr. PETTY. This deals with feasibility.

Mr. SHRIVER. It will be a year or two.

Mr. PETTY. Oh, yes. This is a comprehensive area survey.

Mr. SHRIVER. It would be useful and helpful to that area, I would think.

PROCUREMENT IN UNITED STATES

In your statement on page 8, you say you are hopeful that procurement in the United States, as a result of the Bank's development lending in Asia, will largely match our contribution. Are there any provisions in the agreement that our contribution should be matched by the purchase of U.S. goods?

Mr. PETTY. No, this has the worldwide competitive bidding provisions of the World Bank, limited, however, to the contributing countries.

Mr. SHRIVER. It would be rather unlikely that we would receive it.

Mr. PETTY. Our proportion the ordinary capital of the Bank here is 20 percent. In the World Bank our worldwide competitive bidding success is about 23, up to 27 percent. I am not so sure it is unlikely.

Mr. SHRIVER. Japan's contribution is the same as ours?

Mr. PETTY. Yes, sir.

INCREASING CAPITAL OF THE BANK

Mr. SHRIVER. A majority, or three-quarters of the total voting power of the Bank, is required for questions such as increasing the capital. Since the United States has—is it 17 percent of the voting power?

Mr. PETTY. Yes, sir.

Mr. SHRIVER. Is it possible the total capital could be increased, thus increasing our proportionate share, without our consent?

Mr. PETTY. Certainly, on the basis of a vote of the Governors.

Mr. SHRIVER. It could be? It is possible?

Mr. PETTY. It would not involve any obligation of the Congress or the administration.

Mr. SHRIVER. It could be embarrassing politically, could it not?

Miss VETTEL. It would be increased because additional investors would come into the Bank.

Mr. SHRIVER. Not by increasing the percentage?

Miss VETTEL. Probably not.

Mr. SHRIVER. It could be though, couldn't it?

Miss VETTEL. Yes.

Mr. PETTY. I think the Congressman is correct on that point.

Mr. PASSMAN. What would be the need of increasing it if you could get suckers like poor old Uncle Sam to come in for an additional $200 million outright grant? That is what the administration asked for last year, isn't it? I mean if you could get governments like ours to give you $200 million outright grant—and that is what you are asking for in the bill—then you wouldn't need to increase it, would you?

Mr. PETTY. That is a contribution to a special fund, yes, sir. It does not affect the capital structure of the Bank.

Mr. PASSMAN. I know, but if you could get it that easily, it wouldn't be necessary to go through that routine of increasing capital stock, would it? The Bank would handle the $200 million if we were foolish enough to provide it, wouldn't it?

Mr. PETTY. Yes.

Mr. PASSMAN. Who is our Board member?

Mr. PETTY. Bernard Zagorin.

Mr. PASSMAN. He is a Treasury career man?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. He is not actually out of the banking community as such?

Mr. PETTY. No, sir.

VOTING STRENGTHS OF MEMBERS

Mrs. REID. You indicate on page 3 that the United States and Japan each controls 17 percent voting power in the Bank?

Mr. PETTY. Yes.

Mrs. REID. Can you supply the percentage for the other 30 members?

Mr. PETTY. I will be glad to.

(The information follows:)

ASIAN DEVELOPMENT BANK, MEMBER SUBSCRIPTIONS AND VOTING RIGHTS AS OF DEC. 31, 1967

Country	Subscriptions		Voting right	
	In millions of dollars	Percent of total	Number of votes	Percent of total
REGIONAL				
Afghanistan	4.78	0.49	1,235	1.02
Australia	85.00	8.76	9,257	7.64
Cambodia	3.50	.36	1,107	.91
Ceylon	8.52	.88	1,609	1.33
China, Republic of	16.00	1.65	2,357	1.94
India	93.00	9.59	10,057	8.30
Indonesia	25.00	2.57	3,257	2.69
Japan	200.00	20.62	20,757	17.12
Korea, Republic of	30.00	3.09	3,757	3.10
Laos	.42	.04	799	.66
Malaysia	20.00	2.04	2,757	2.27
Nepal	2.16	.22	973	.80
New Zealand	22.56	2.32	3,013	2.48
Pakistan	32.00	3.30	3,957	3.26
Philippines	35.00	3.61	4,257	3.51
Singapore	5.00	.52	1,257	1.04
Thailand	20.00	2.06	2,757	2.27
Vietnam, Republic of	12.00	1.24	1,957	1.61
Western Samoa	.06	.01	763	.63
Regional total	615.00	63.39	75,883	62.58
NONREGIONAL				
Austria	5.00	.52	1,257	1.04
Belgium	5.00	.52	1,257	1.04
Canada	25.00	2.57	3,257	2.69
Denmark	5.00	.52	1,257	1.04
Finland	5.00	.52	1,257	1.04
Germany, Federal Republic of	34.00	3.50	4,157	3.43
Italy	20.00	2.06	2,757	2.27
Netherlands	11.00	1.13	1,857	1.53
Norway	5.00	.52	1,257	1.04
Sweden	5.00	.52	1,257	1.04
Switzerland	5.00	.52	1,257	1.04
United Kingdom	30.00	3.09	3,757	3.10
United States	200.00	20.62	20,757	17.12
Nonregional total	355.00	36.61	45,341	37.42
All countries total	970.00	100.00	121,224	100.0

COUNTRIES IN DEFAULT

Mrs. REID. Are any member nations in default in their contributions to the Bank to date?

Mr. PETTY. Cambodia is in default in the terms of the question.

Miss VETTEL. They indicated in September they wanted to withdraw. Then there is a 6-month period before withdrawal. It seems,

however, that they did not take the necessary action to withdraw so, therefore, they are technically in default. They seem to have said they withdraw, yet they have not withdrawn. Technically, they are just in default.

Mr. PETTY. Cambodia notified the Bank of intention to withdraw. Under provision of article 21 withdrawal dates shall not be effective until 6 months after the date. Book value of such shares at the date the country ceases to be a member shall not be paid until 6 months after that date. Accordingly the purchase price of Cambodia's shares, they are not determinable at this time. There are diplomatic moves which leave us in doubt as to whether they really want to withdraw. I don't known what the technical description is.

TECHNICAL ASSISTANCE

Mrs. REID. The chairman discussed this when you went into technical assistance earlier. The information was perhaps supplied for the record if not, will you please state how much is allocated or spent for technical assistance? Have you supplied this for the record?

Mr. PETTY. The chairman referred to a particular contribution by the AID of up to $250,000 for technical assistance. The additional consultants indicated in the expense account of the Bank of $148,000 on the staff, that might be classified as technical assistance or outside consultants they are hiring to help them get launched.

Mrs. REID. Can you furnish exactly how much is allocated or spent for this activity? In your statement you say the Bank is extending substantial technical assistance in various ways. How much is allocated or spent?

Mr. PETTY. I will be glad to.

(See p. 283.)

REGIONAL AND MULTINATIONAL PROJECTS

Mrs. REID. Will more emphasis be given to regional or multinational projects by the Bank?

Mr. PETTY. Yes. Because of the geography of the area, the Philippines can't be multinational in the same extent that Pakistan and Kashmir would be. This is to develop the natural resources of the areas which frequently act as dividing lines in geographic and political boundaries.

Mrs. REID. Does the Bank maintain liaison with the United Nations development program?

Mr. PETTY. It does.

Mrs. REID. Do you coordinate or plan to coordinate?

Mr. PETTY. Yes. That is the example of the UN–ECAFE.

Mrs. REID. Mr. Shriver mentioned regional surveys in the field of agriculture and transportation which you mentioned on page 6. Can one assume that these will be special priority areas with the Bank?

Mr. PETTY. I would think so. It is one of the projects the management of the Bank has asked the staff to get to work on.

Mr. PASSMAN. As we drop the curtain on this very informative session, I believe we are all in accord that America should come first, don't you think so; getting our financial house in order?

Mr. PETTY. Absolutely.

Mr. PASSMAN. We do have the man here from the Treasury who knows more about it in all probability than all of us put together. Some improvement would be in order, would it not, Mr. Secretary?

Mr. BETTS. Certainly the Treasury is interested in fiscal responsibility.

BIOGRAPHIES OF BOARD OF DIRECTORS AND ALTERNATES

Mr. PASSMAN. Furnish for the record the name of each Board member, the alternate Board members, and if the alternates have alternates, put their names in too, and a résumé or a biography of each. Since we are matching the largest contributor it would be good to know who these people send over there. Is that readily available?

Mr. PETTY. Yes.

(The information follows:)

The following are brief biographies of the President and Vice President of the Asian Development Bank:

TAKESHI WATANABE, PRESIDENT, ASIAN DEVELOPMENT BANK

Date of birth: February 15, 1906.

Nationality: Japanese.

Educational background: Law degree, Law School, Tokyo Imperial University.

Professional experience: Executive Director for Japan, International Monetary Fund and International Bank for Reconstruction and Development, 1957–61; Minister Plenipotentiary and Extraordinary, Japanese Embassy, Washington, D.C., U.S.A., 1952–57; Ministry of Finance since 1928 until 1952, including Financial Commissioner, Chief of the Minister's Secretariat.

C. S. KRISHNA MOORTAHI, VICE PRESIDENT, ASIAN DEVELOPMENT BANK

Born September 11, 1921. Educated at Madras University from which he graduated in 1940, standing first in the university in the B.A. examination.

1947.—Joined Indian Administrative Service.

1947–52.—Served as joint magistrate and magistrate in districts in Madras Presidency—now Madras State.

May 1953 end 1953.—Joint secretary, Madras government, and later Secretary, Department of Revenue.

June 1954.—Appointed Deputy Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, dealing with capital budget, Federal aid to State governments, local development works, etc.

June 1955–April 1957.—Private secretary to Finance Minister.

April 1957 to December 1958.—Deputy Secretary, Department of Economic Affairs, dealing with external finance coordination, World Bank, International Monetary Fund, U.S. Development Loan Fund and Eximbank.

1958–June 1963.—Served in the Embassy of India, Washington, as Counsellor-cum-Alternate Executive Director for India on World Bank and IFC. Later Minister (Economic) and Executive Director for India on World Bank, IFC and IDA.

July 1963–to date.—Joint Secretary, Department of Economic Affairs in the Ministry of Finance, dealing with external aid, Aid-India Consortium, World Bank, IMF, etc. Represented India at Colombo Plan Conference, Annual of IBRD/IDA and IMF, Commonwealth Finance Ministers Conference, United Nations Committee on Industrial Development. Has been associated with ECAFE work relating to Asian Development Bank since June 1965.

The following is a list of the Directors and Alternate Directors of the Asian Development Bank and the countries which they represent, and brief biographies of the Directors and Alternate Directors:

BOARD OF DIRECTORS AND VOTING GROUPS

[As of Dec. 31, 1967]

Director	Alternate	Countries represented
Helmut Abramowski	Denis Forthomme	Federal Republic of Germany.
		Italy.
		Netherlands.
		Austria.
		Belgium.
Cornelio Balmaceda	Zahiruddin Ahmed	Philippines.
		Pakistan.
Byung Kyu Chun	Buu Hoan	Republic of Korea.
		Republic of China.
		Republic of Vietnam.
Masaru Fukuda	Shoshi Nakazawa (temporary)	Japan.
J. M. Garland	F. R. Dalrymple	Australia.
B. Kharmawan	V. M. Peries	Indonesia.
		Afghanistan.
		Cambodia.
		Ceylon.
		Laos.
		Nepal.
Lim Taik Choon	Chanchai Leetavorn	New Zealand.
		Malaysia.
		Thailand.
		Singapore.
		Western Samoa.
P. V. R. Rao	J. R. Hiremath	India.
W. K. Wardroper	R. W. H. du Boulay	United Kingdom.
		Canada.
		Denmark.
		Finland.
		Norway.
		Sweden.
Bernard Zagorin	Herman H. Barger	United States.

HELMUT ABRAMOWSKI, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: German.

Born on May 20th, 1923, at Hannover, Germany, Elementary and secondary education in Berlin, Studied Law and Economics at Kiel University.

As of 1953 civil servant in the German Federal Ministry of Economics. In charge of banking, monetary affairs, and development aid.

1963-65: Alternate Executive Director with IBRD, Washington, DC.

October 1965: Head of the German delegation to the meeting of the Preparatory Committee for the Establishment of the Asian Development Bank at Bankok, Thailand.

Member of the Committee of Preparatory Arrangements on the Establishment of the Asian Development Bank.

Married, two children.

CORNELIO BALMACEDA, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Philippine.

One of the chief architects of the Asian Development Bank.

1. Balmaceda was Chairman of the Committee on Preparatory Arrangements for the Establishment of the Asian Development Bank.

2. He was, before that, the Chairman of the Consultative Committee of high-level government representations that set up the plan to organize the Asian Development Bank.

3. He headed the ADB mission that toured the world's capitals to get support from governments and international financial institutions for the ADB project.

4. He was the chairman of the First Ministerial Conference on Asian Economic Cooperation held in 1963 at which the plan of Asian ministers to have a regional development bank was first launched.

5. He was again the Chairman of the Second Asian Ministerial Conference and the Conference of Plenipotentiaries held in 1965 at which the agreement establishing the Asian Development Bank was signed.

Balmaceda is a former cabinet minister of his country, and at present special adviser to the President of the Philippines on the Asian Development Bank.

1. Graduate of Harvard University with the degree of master of business administration.

2. He was twice Minister of State for Commerce and Industry of the Philippines, serving as such under two Presidents.

3. He was Chairman of the National Economic Council, the Philippines' ministry for national economic planning.

He served with distinction in various international conferences:

1. He was elected Chairman of the Economic Commission for Asia and the Far East (ECAFE) in its seventh session.

2. Elected Chairman of the U.N. Technical Assistance Committee during the 13th session of the Economic and Social Council.

3. He was elected Vice President for Asia, and presided for several days, at the UNCTAD (United Nations Conference on Trade and Development) held in Geneva in 1964.

He was engaged for 4 years (1958–61) in development work in rural communities as president of the Philippine rural reconstruction movement, the leading private community development organization in the Philippines.

BYUNG KYU CHUN, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Korean.
Graduated from Osaka University of Commerce, Osaka, Japan.
Associated with the Bank of Korea for 20 years.
Deputy Governor, the Bank of Korea.
Vice Minister, Ministry of Finance.
Finance Minister.
Adviser to the Minister of Finance.

MASARU FUKUDA, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Japanese.
Born: Nagasaki, Japan, September 30, 1914.
Family: Married, with three daughters.
Education: (1) Graduated from the Law School of Tokyo Imperial University in 1939 with a degree in law; (2) member of special study group sent by Cabinet to United States of America for administrative reorganization in 1951; (3) research scholar at Duke University, North Carolina, United States of America., from 1956 to 1957.
Professional career: Joined the Ministry of Finance, Japanese Government, in 1939, where he served in various senior posts including Director of the National Tax Bureau for Hokkaido and the Finance Minister's special representative to the Japan Monopoly Corporation.
In 1960 he was appointed the Counselor at the Japanese Embassy in Washington, D.C., and served there as the top financial representative handling negotiations with U.S. Government and IBRD until July 1962, when he was transferred to the Japanese Embassy in London, and since 1963 he has been Minister in charge of financial matters, finally with the rank of Envoy Extraordinary and Minister Plenipotentiary to the Court of St. James's.
He participated in many international conferences on development problems and international financial matters. He was also responsible for Japanese international capital issues in Europe and had many contacts with international bankers.
Other information: At Duke University he gave many lectures to the graduate students as the visiting scholar in political science. While in London, he was Vice Chairman in 1964 and Chairman in 1965 of "The Association for Economic Representatives in London," which is a proud feature of London diplomatic community as a multi-international organization for all diplomats in charge of economic affairs.

J. M. GARLAND, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Australian.
1949–51: Alternate Executive Director, IMF and IBRD.
1951–59: Economic Adviser, Commonwealth Bank of Australia.
1959–65: Executive Director, IMF and IBRD.
Senior Adviser of the Reserve Bank of Australia.

BYANTI KHARMAWAN, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Indonesian.
Date of birth: June 1, 1906.
Educational attainment: Economic faculty, University of Rotterdam, Netherlands.
Professional experience: Director, Bank Indonesia (Central Bank); Delegate to Europe/Representative Bank Indonesia in Great Britain and Europe, in London; Representative Bank Indonesia in the U.S.A./Americas, in New York; Deputy Governor, Bank Indonesia, Djakarta; Chief Economic Adviser to the Board of Management of the Bank Indonesia with the rank of Deputy Governor, in Djakarta; Financial/Economic Adviser to the Presidium/Government of the Republic of Indonesia with the rank of Ambassador.

LIM TAIK CHOON, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Malaysian.
Date of birth: August 30, 1929.
Place of birth: Kampar Perak, Malaysia.
Marital status: Married.
Education: Anglo-Chinese School, Kampar, graduated 1949, University of Malaya (Singapore), graduated with B.A., May 1953; graduated with B.A. (honors), May 1954.
Training: Foreign service training, 1956–57; attended the Australian National University and the Canberra, University College in Canberra, Australia.
Appointments held: Assistant district officer and chief assistant; district officer, in Bahau and Kuala Pilah, Malaysia, 1954–56; assistant state secretary, Negri Sembilan, Malaysia, 1956; September 1957–January 1960—First Secretary, Malaysian (then Federation of Malaya) Embassy, Washington, D.C.; February 1960–August 1965—Principal Assistant Secretary, Ministry of Foreign Affairs, Malaysia; October 1965–April 1967—Deputy High Commissioner for Malaysia in the United Kingdom; 1957—Observer of the then Federation of Malaya to the Conference of International Union of Official Travel Organizations in Washington, D.C.
Member of Malaysian (then Federation of Malaya) delegations to the 12th, 13th and 14th General Assembly of the United Nations in 1957, 1958 and 1959; member of the delegation to the 1966 Commonwealth Prime Ministers' Conference in London; awarded the Kesatria Mangku Negara by His Majesty, the Yang di-Pertuan Agong in 1965.

P. V. R. RAO, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Indian.
Born September 19, 1909.
Education: Universities of Mysore and Calcutta and School of Oriental Studies, London.
Joined the Inlian Civil Service, 1932.
Among posts held:

(a) Establishment Officer and Joint Secretary, Ministry of Home Affiairs, 1947.
(b) Adviser to the Economy Committee, Ministry of Finance, 1948–49.
(c) Finance Secretary to Government of Bombay, 1950.
(d) Minister, High Commission of India in London, 1952–55.
(e) Chief Secretary to Government of Bombay State and then of Mysore State from 1955 to 1959; was in additional charge of economic development activities in the States in this period.
(f) Adviser to the Governor of Kerala State, 1959–1960.
(g) Joined the Government of India in 1961 and served as Secretary of Government (the topmost official position) in individual Ministries. Apart from service in the Ministry of Defence, he has served in the Ministry of Community Development and Co-operation and in the Ministry of Economic Co-ordination.

WILFRID KENNETH WARDROPER, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Canadian.
Mr. Wardroper was born in Duncan, British Columbia, Canada, in 1922. He completed his studies in economics at the University of British Columbia in 1947

after having served over 4 years as an infantry officer in the Canadian Army in the European theatre in World War II, during which he was twice wounded in action.

In 1947 he joined the Canadian Foreign Service and was given several assignments in Ottawa in the economic and other divisions of the Department of External Affairs, before being sent as Consul to Los Angeles to open the first Canadian Consulate General in that city in 1953. Upon completing a tour of duty there, he became Deputy of the Administrative Services Division in 1957. In 1959, he found himself on a special assignment on loan to the Ghanaian Foreign Office to provide technical advice on administration and operations. In 1960, he was posted to Helsinki, Finland, as Charge d'Affaires and became Counsellor of Embassy with the subsequent arrival of an Ambassador.

In 1963, he returned to the Economic Division in Ottawa, where he has been Deputy Head of Division with responsibility for external aid and financial matters among other subjects.

Mr. Wardroper is married to the former Nancy Wilson of Victoria, British Colombia, and they have two young sons.

BERNARD ZAGORIN, DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: American.

Mr. Zagorin was born in Chicago, Ill. on January 5, 1921. He was educated at Los Angeles City College and the University of Chicago, where he achieved membership in Phi Beta Kappa. He is married to the former Ruth Kramer of Chicago. The Zagorins have four children and they reside in Falls Church, Va.

Mr. Zagorin was in the U.S. Army Signal Corps from 1942 to 1946. From 1946 to 1949 he was in graduate study at the University of Chicago. In 1948 and 1949 he was a lecturer at Roosevelt College, Chicago.

He has been a U.S. government employee since June 1949, when he joined the Economic Cooperation Administration, in London, as an economist. He joined the Treasury in July 1951 as Assistant Treasury Representative and Assistant Financial Attache of the United States Embassy at London. In 1955 he became Assistant Chief, European Division, Office of International Finance, at the Treasury in Washington.

Mr. Zagorin's direct association with Asian economic development problems began in 1959, when he went to New Delhi, India, as Treasury Representative and Financial Attache at the United States Embassy. In 1963 he became Director of the Treasury's Office of Developing Nations in Washington. This assignment was changed, in February 1966, to Special Assistant to the Assistant Secretary of the Treasury for International Affairs. Since September 1965 he has also been Alternate United States Executive Director at the International Bank for Reconstruction and Development (World Bank) in Washington.

He has been specially active in international meetings and conferences. These have included membership in United States delegations to consortium meetings on assistance to India in the period 1959–1965 and on assistance to Pakistan in 1963–1965. Mr. Zagorin was a member of the U.S. Delegation to the Colombo Plan meeting in Bangkok in 1963 and was Alternate Chairman to the U.S. Delegation to the Colombo Plan meeting in London in 1964. He represented the U.S. in the Finance and Invisibles Committee at the United Nations Conference on Trade and Development (UNCTAD) in Geneva in April–June 1964. During the past year and a half he has been adviser to Mr. Eugene Black, the President's Adviser on Economic and Social Development in Asia, with respect to the Asian Development Bank. He accompanied Mr. Black on his most recent trip to Asia. Mr. Zagorin was Alternate Head of the United States delegation to the conference at Bangkok in October 1965 at which the Asian Development Bank Charter was drafted, and a member of the U.S. Delegation at the Conference in Manila, last December, at which the Charter was signed. He served as a Member of the Committee on Preparatory Arrangements for Establishment of the ADB.

DENIS FORTHOMME, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Belgian.
Born: March 25, 1939, in Tokyo, Japan.
Civil status: Single.
Home address: 14, Avenue des touristes, Woluwé–St. Pierre (Brussels 15).

University degrees: Candidat en sciences sociales (1960), Licencié en sciences économiques (1962), (Both obtained from Université libre de Bruxelles).
Banking traineeship (securities analyses): Jean Degroof & Cie (1962).
Former occupations: Secretaire d'Administration at the Commission bancaire (1962–67), studies department until 1964, then securities department; Banque de Bruxelles (April–July 1967), financial department (bond issues).

ZAHIRUDDIN AHMED, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Pakistani.
Date of Birth: April 13, 1915. Married, with wife and one daughter.
Academic Qualifications: Master of arts; bachelor of arts (with honors).
Awards: Sitara-i-Quaid-Azam (SQA).
Outline of Career:

I. Zahiruddin Ahmed as a civil servant who has rendered 26 years of distinguished service in various capacities in the field of financial and economic administration. He belongs to the cadre of the economic pool, which is a cadre comprising selected civil servants who are earmarked to man senior appointments in the economic Ministeries, namely the Ministeries of Finance, Economic Affairs, Industries, and Commerce. A statement showing the main positions held by him from time to time is attached. (Annexure.)

II. The award of Sitari-i-Quaid-e-Azam (SQA) was conferred on him by the President in 1962 for his meritorious services.

III. He has represented Pakistan as leader or member of a large number of delegations to important international conference organizations like Colombo Plan, Commonwealth Finance Ministers' Conference, Economic and Social Council of UN, CENTO and RCD. He was elected Vice President of the Economic and Social Council of the U.N. for the year 1959.

IV. He was chairman of a number of important committees set up by Government. For instance:

Chairman: Credit Inquiry Committee.—Report has been published. This report led to the establishment of small loans departments in Pakistani banks.

Chairman: Committee on Allocation of Revenues between the Central and Provincial Governments.—This report led to the remission by the Central Government of half the debts owed to it by the Provinces.

Chairman: Committee of Officials on Insurance.—Report has been published. This committee has come to be popularly known as the Zahiruddin Committee and its recommendations have formed the basis of important legislation which is under the consideration of the National Assembly.

Chairman: Committee of Officials to Review the Export Bonus Scheme.—This report helped in the formulation of Government's present policy regarding the export bonus scheme.

Member: Finance Commission and Power Commission.

V. He has served as a member of the board of directors of the following institutions for varying periods: National Bank of Pakistan, Agricultural Development Bank of Pakistan, Pakistan Industrial Credit and Investment Corp., National Investment Trust, Pakistan Refugees Rehabilitation Finance Corp., Pakistan Services Ltd. (company owning the chain of intercontinental hotels in Pakistan), Pakistan Petroleum Ltd.

VI. In the field of insurance:

(i) He has been instrumental in developing an outstandingly successful program of regional cooperation among Iran, Pakistan, and Turkey. He is the director of the RCD Insurance Center located in Pakistan.

(ii) He has founded a valuable magazine on insurance called the Insurance Review which is produced jointly by the Pakistan Insurance Corp., the Insurance Association of Pakistan, and the Pakistan Insurance Institute. He is the chairman of the board of governors of the Insurance Review.

(iii) He played a leading role in the establishment of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) and has been elected its vice president.

VII. He has a highly distinguished academic career. Stood first in the university in B.A. (honors) and second in the university in M.A. Was a keen sportsman.

VIII. In the social sphere, he is a steward of the Jockey Club of Pakistan and a member of several other high-class clubs.

ANNEXURE

Main positions held by Zahiruddin Ahmed in his official career

1. Joined the Military Accounts Service of undivided India in 1940 on the result of all-India class I services examination.
2. Assistant financial adviser, British Commonwealth occupation force in Japan (1946–47). Represented (undivided) India on the staff of the financial adviser.
3. Deputy Secretary, Ministry of Finance (1949–54), in charge of the Budget Division of the Ministry, with responsibility for preparing the budget of the Central Government and coordinating the fiscal relations between the Central and Provincial Governments.
4. Awarded U.N. fellowship for studies in economic development, 1953.
5. Economic Minister and financial adviser at Pakistan's Embassy in U.S.A. (1955–59). During this time he was accredited in the same capacity to Pakistan's High Commission in Canada and permanent mission to the United Nations.
6. Director General, Investment Promotion Bureau (1959–61). Was the first incumbent of this post. Established the Bureau as well as its procedures ab initio.
7. Joint Secretary, Ministries of Economic Affairs and Finance 1961–63. Controller of capital issues for the same period.
8. Managing Director, Pakistan Insurance Corp. (with status of Secretary to Central Government) since September 1963. In this capacity he has helped in the formulation of important legislation to regulate the insurance industry of the country.

BUU-HOAN, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Vietnamese.
Date of birth: April 24, 1925.
Professional occupations: 1965.—Senior economist, International Monetary Fund, Washington, D.C.; 1963–64.—Board chairman, Vietnam Textile Corp. (SICOVINA); founder and general manager, National Company for the Development of Industrial Estates in Vietnam (SONADEZI); 1961–64.—Managing director, Industrial Development Center; 1960–63.—Atlernate Governor of the International Monetary Fund for Vietnam; 1961–62.—Professor, University of Saigon; 1957–62.—Professor, University of Hue; 1958–63.—Research director, National Bank of Vietnam.
Education: 1956–57.—Columbia University, USA visiting scholar; 1953–56.—University of London, England, M. Sc. (economics); 1951–53.—University of Washington, USA, B.A. (economics); 1950.—Sorbonne, University of Paris (Cert. d'Etudes Litteraires Generales).
Publications: "The Economic Consequences of the Geneva Peace," Hongkong 1960. Contributor to: Pacific Affairs, Far Eastern Economic Review, Malayan Economic Review.

SHOSHI NAKAZAWA, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Japanese.
Birth date: January 5, 1933.
Birth place: Gumma Prefecture, Japan.
Civil status: Married.
Name of spouse: Akiko Nakazawa.
Educational attainment: Economics Department, Tokyo University, Graduated in March 1955.
Work experience: Joined the Ministry of Finance in April 1955. Present position: First Secretary, Japanese Embassy, Manila.

F. R. DALRYMPLE, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Australian.
Born Sydney, Australia, November 6, 1930.
Educated Shore School, Sydney, University of Sydney and Oxford University, M.A. (First class in Honors School of Philosophy, Politics and Economics).
Married in 1957, Ross Elizabeth Williams, two sons, one daughter.
1955–56 lecturer, Department of Philosophy, Sydney University; 1957 joined Australian Commonwealth Public Service in Department of External Affairs. Third Secretary, later Second Secretary, Australian Embassy, Bonn, Germany. First Secretary, Australian High Commission, London, 1961–64; From 1964 to 1967 Economic Relations and External Aid Branches in Department of External

Affairs, Canberra. Member of Australian delegations to various meetings and conferences of ECAFE, IBRD, OECD (DAC) etc.

VERNON M. PERIES, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Ceylonese.
Born February 14, 1921.
BA Hons—modern history—University of Ceylon, 1943.
Entered Ceylon Civil Service, 1945.
Served in various departments of the Ceylon Government, more recently Vice Chairman, Colombo Port Commission; Vice Chairman, Ceylon Transport Board; Director—Organization, Method, Training, Ceylon Government; Controller of Finance, Ceylon Government; Commissioner of Customs, Ceylon Government; Undersecretary, Treasury (budget and finance), Ceylon Government.
1965—Appointed to rank of Permanent Secretary; Served also as part-time Director in the following corporations: Oils and Fats Corporation; Ceylon Petroleum Corporation; Ceylon Tourist Board; Agricultural and Industrial Credit Corporation; Ceylon Savings Bank; Port Cargo Corporation.

CHANCHAI LEETAVORN, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Thai.
Born December 18, 1927, married, with two children.
Started education in Bangkok; 1948–52—University of Illinois; 1953—Office of Undersecretary, Ministry of Finance; 1954—Appointed Loan Officer; 1955—Attended the general training program at the International Bank for Reconstruction and Development; 1956–58—Budget analyst, Budget Bureau, Bangkok; 1959–61—Assistant Economic and Financial Counselor Royal Thai Embassy, London; 1961–63—Acting Economic and Financial Counselor Rayol Thai Embassy, London; 1964 to present—Senior Economist, Fiscal Policy Office, Ministry of Finance.

JAGDISH RUDRAYA HIREMATH, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: Indian.
Date of birth: August 11, 1931.
Education attainment: B.A., University of Poona, India; A.M., University of Pennsylvania, U.S.A.
Professional experience: Joined the Indian Foreign Service in May 1954. Stationed at various times with the Indian missions in Tokyo, New York, Nairobi, and Mogadishu. Represented India on the Governing Council of the Special Fund and the Technical Assistance Committee between 1962 and 1965. Member of the Indian delegation to the First UNCTAD, 1964.

R. W. H. DU BOULAY, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: British.
Born: March 30, 1922.
Her Majesty's Forces, 1942–46; Colonial and Her Majesty's Overseas Civil Service, 1948–58; Foreign Office, 1959–60; First Secretary, British Embassy, Washington, 1960–64; in Foreign Office since 1964; Counselor in Her Majesty's Diplomatic Service.
Married Elizabeth Home, 1957; one daughter born 1959.

HERMAN H. BARGER, ALTERNATE DIRECTOR, ASIAN DEVELOPMENT BANK

Nationality: American.
Born in Springfield, Mass., on November 28, 1915.
B.A. degree, Harvard College, 1937; L. LB. degree from George Washington University, Washington, D.C., 1935. Member of the District of Columbia Bar.
Foreign correspondent—Asia and Latin America, 1937–41; Economic analyst, American Embassy, Buenos Aires, Argentina, 1942–43; U.S. naval officer, Atlantic and Pacific theaters of operation, 1943–46; economic analyst, U.S. Embassy, La Paz, Bolivia, 1946; assigned, Department of State, 1946–47; partner in manufacturing company, 1947–48.
International economist, Department of State, 1949–50; acting chief, Trade Agreements Division, Department of State, 1951–57.
Assigned, Naval War College, Newport, R.I., 1957–58, 1958–60; Counselor for Economic Affairs, American Embassy, Djakarta, Indonesia; 1960–61, Special

Assistant to Under Secretary of State of Economic Affairs, Washington; 1962–63, Deputy Director, Office of International Trade, Department of State; 1963–66, Counselor of Embassy for Economic Affairs and Coordinator for the Agency for International Development, Mexico City; 1966, assigned as Alternate Director, Asian Development Bank, with the rank of Minister.

Mr. PASSMAN. Do you know of any banker who is in the organization?

Mr. PETTY. The President of the Bank is a Japanese whose experience was with the Bank of Japan and the Japanese Treasury.

Mr. PASSMAN. It is a good question to know if there is a single banker in the outfit.

Mr. PETTY. Both the President and the Vice President are fiancial experts.

Mr. PASSMAN. Most of these organization don't like bankers around. They veto some of the loans.

If you will give us a biography on these people. Dollars are going down the drain unless we straighten some things out. I think charity should begin at home. We have to know something about it.

We will adjourn at this time and reconvene at 1 o'clock tomorrow.

APRIL 2, 1968.

INTER-AMERICAN DEVELOPMENT BANK

WITNESSES

JOHN R. PETTY, DEPUTY ASSISTANT SECRETARY OF TREASURY FOR INTERNATIONAL AFFAIRS (AND ASSISTANT SECRETARY-DESIGNATE)

REUBEN STERNFELD, ACTING U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK

E. JAY FINKEL, DIRECTOR, OFFICE OF LATIN AMERICA, TREASURY DEPARTMENT

MILAN C. MISKOVSKY, ASSISTANT GENERAL COUNSEL, TREASURY DEPARTMENT

ERNEST C. BETTS, JR., DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND BUDGET OFFICER, TREASURY DEPARTMENT

PROGRAM AND FINANCING

[In thousands of dollars]

Identification code 04-08-0072-0-1-152	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Investment in Inter-American Development Bank (costs—obligations) (object class 33.0)	250,000	300,000	300,000
Financing:			
21 Unobligated balance available, start of year	−611,760	−611,760	−611,760
24 Unobligated balance available, end of year	611,760	611,760	611,760
40 New obligational authority (appropriation)	250,000	300,000	300,000
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)	250,000	300,000	300,000
72 Obligated balance, start of year	631,500	827,500	1,039,500
74 Obligated balance, end of year	−827,500	−1,039,500	−1,219,500
90 Expenditures	54,000	88,000	120,000
Expenditures are distributed as follows:			
02 Out of prior authorizations	54,000	88,000	120,000

Mr. PASSMAN. We will now consider the budget estimate for the Inter-American Development Bank for fiscal 1969 in the amount of $300,000,000, which is the U.S. contribution to the Fund for Special Operations.

We have as a witness the Honorable John R. Petty, Acting Assistant Secretary for International Affairs, Treasury Department; Hon. Reuben Sternfeld, Alternate U.S. Executive Director of the Inter-American Development Bank; Hon. Milan C. Miskovsky, Assistant General Counsel, Treasury Department; Hon. E. Jay Finkel, Director, Office of Latin America, Treasury Department, and Hon. Ernest C. Betts, Jr., Deputy Assistant Secretary for Administration and Budget Officer, Treasury Department. Without a doubt Mr. Betts possesses more knowledge than any other man in the Treasury Department. He appears before another subcommittee on which I have the privilege of sitting. I would hate to tangle with him because of his knowledge on budgetary matters. So far he has been polite enough not to challenge some of my statements.

Mr. Secretary, you have a statement you would like to make to the committee on behalf of this request.

Mr. PETTY. Yes, I do.

GENERAL STATEMENT

Mr. Chairman and members of the committee, I appear before you today in support of the request for appropriation of $300 million to meet the second installment on the U.S. obligation arising from the increase in the resources of the Fund for Special Operations (FSO) of the Inter-American Development Bank (IDB).

The administration's request for this appropriation results from the approval by the Congress of Public Law 90–88 enacted September 22, 1967, which authorized the Secretary of the Treasury, as U.S. Governor of the IDB, to vote in favor of an increase of $1.2 billion in the resources of the FSO. This legislation also authorized the appropriation of $900 million as the U.S. share of this increase, payable in three annual installments of $300 million each. Following hearings before this committee late last year, an appropriation of $300 million was included in the Foreign Assistance Appropriations Act, Public Law 90–249, enacted January 2, 1968, and the United States paid its first installment with those funds. Today's request covers the second installment of $300 million falling due at the end of this year.

The Latin American members of the IDB are contributing $300 million in their own currencies as their part of the total increase, also in three annual installments. As you may recall from testimony in previous years, this U.S. participation in the FSO is in lieu of any further contribution to the Social Progress Trust Fund.

Given the committee's considerable familiarity with the history and structure of the IDB and the scope of U.S. participation in this institution, I shall, Mr. Chairman, review these matters only briefly:

BACKGROUND

While the requested appropriation is concerned solely with the Fund for Special Operations, the activities of the Fund may be fully

understood only in the context of the efforts of the United States to assist Latin American economic and social development and to promote hemispheric cooperation and stability through the Alliance for Progress.

The Bank was established at the end of 1959 and began its operations in the fall of the following year. Its membership includes only countries that are members of the Organization of American States; Cuba has never joined and, with its withdrawal from the OAS, is no longer eligible for membership.

Under its charter, the Bank has the primary aim of accelerating the economic development of its member countries, both individually and collectively. In fulfilling this purpose it has used its own subscribed and contributed resources and has promoted the investment of Latin American private and public capital in economic development. It has likewise served as administrator of funds for accelerating Latin American social development. In addition, it has financed advice and technical assistance on development plans and projects.

The Bank has largely conducted its activities through three "windows": its ordinary capital, the FSO, and the Social Progress Trust Fund (SPTF). The resources of these three funds are administered and accounted for completely separately from one another. With the termination of further U.S. funding of the SPTF, the Bank now operates mainly through two windows, the ordinary capital and the FSO. In addition, however, the Bank also administers funds provided by the Governments of Canada, the United Kingdom, Germany, and Sweden.

ORDINARY OPERATIONS

A substantial part of the Bank's own resources is devoted to economic development lending on conventional or "hard" terms comparable to those of the World Bank. The initial source of the funds for these ordinary operations was the paid-in portion of the member countries' subscriptions to the ordinary capital. This portion amounted to a total of almost $382 million, of which about $266 million took the form of U.S. dollars or gold and the remainder was paid in other national currencies; the U.S. share of that total was $150 million. Since 1962, however, reliance has been placed upon funds raised from bond issues floated on private capital markets or placed directly with governmental institutions. From that year until the present, 10 public issues in the total amount of close to $421.5 million have been placed in the United States, Italy, West Germany, the United Kingdom, Switzerland, and Belgium. An additional, $22.5 million has been raised in direct borrowings in Spain and Japan. The Bank also has borrowed $70 million in short term bonds from the central banks of its Latin American members and those of Spain and Israel. A net total of $513.6 million of borrowings was outstanding as of December 31, 1967. About 35 percent of the Bank's issues has been sold outside the United States.

The voting strength of a member country in the Bank on any subject is determined by its subscription to the ordinary capital. The United States has about 42 percent of the total voting power. Decisions on matters affecting the Fund for Special Operations require a two-thirds vote.

As of December 31, 1967, ordinary lending operations had resulted in 155 loans in 19 Latin American countries (including two loans to regional institutions) totaling about $901 million. The normal interest rate for ordinanry capital dollar loans is currently 7¾ percent and the usual term has been from 10 to 20 years.

Legislation is now pending before the Congress which would authorize U.S. subscription of $411.8 million toward a $1 billion increase in the callable ordinary capital stock of the Bank and thus reinforce the Bank's ability to borrow in the capital markets of the world. The full House has already taken favorable action on this proposal and the Senate Foreign Relations Committee has held hearings on it. The proposal involves no foreseeable expenditure of cash, although it will be necessary for us to seek an appropriation for the first half of the total amount later this year.

FUND FOR SPECIAL OPERATIONS

At the time of the Bank's establishment the FSO was created as a separate entity within the Bank to make loans on flexible terms to member countries whose balance-of-payments situations made it difficult for them to meet their development needs through hard loans on conventional terms. It was the purpose of the FSO, furthermore, to assist in financing projects which were of basic development importance but from which economic benefits could be realized only over the long term.

Subscriptions by member countries to the Fund for Special Operations since the Bank's inception amount to $2,303,709,000 as of December 31, 1967 (including amounts due to be paid in the suceeeding 2 years). Of this sum, the U.S. quota is $1,800 million and the quotas of the Latin American member countries amounted to $503,-709,000. As will be explained presently, the original scope of this Fund was expanded in 1965 to include social development projects previously financed by the Social Progress Trust Fund. As of December 31, 1967, the Bank had committed $967.5 million in 165 loan operations, out of the $1.1 billion of resources available in the FSO during the course of 1967. During 1967 alone, FSO commitments amounted to $313 million on 39 loans, compared to $291 million on 47 loans in the preceding year.

The approval of any transactions involving the use of FSO resources requires a two-thirds majority vote of the Board of Executive Directors; this is also true of the operations of the Social Progress Trust Fund. Thus with its voting strength of roughly 42 percent the United States in effect possesses a veto power over all the soft loan operations of the Bank.

SOCIAL PROGRESS TRUST FUND

The third "window" of the Bank, the Social Progress Trust Fund, was established in 1961 as a means of helping the Latin American countries to cope with their enormous social problems. By means of a special agreement with the bank, the United States undertook to make available resources to be administered by the Bank through the Trust Fund. A total of $525 million was thus contributed to the SPTF by the United States for lending on easy terms and for technical assist-

ance in the fields of low-income housing, land settlement, improved land use, water supply and sanitation, advanced education, and training. By the end of 1965 the resources of the Trust Fund had been substantially committed after having helped to finance 117 projects. With the 1965 expansion of the FSO, it was understood that no further resources would be provided to the SPTF.

RESOURCES OF THE FSO

Since the 1965 increase in the Fund for Special Operations, the Bank's three "windows" have, in effect, been reduced to two. The primary purpose of merging the operations of the two soft "windows"—the FSO and the SPTF—was to simplify and strengthen the Bank's operating structure.

At the time of the 1965 increase, the additional U.S. contribution to the FSO was tied to the purchase of goods and services produced in this country. U.S. resources being provided under the present increase are tied in the same manner. Further, the U.S. contribution is initially made available to the Bank in the form of a letter of credit that is drawn on only as funds are required for disbursement on loans.

The resources of the expanded FSO are being used by the Bank to provide financial assistance both for high priority development projects in such basic fields as power, transportation, and agriculture, and for essential social projects and programs of the kinds mentioned above. Increasing emphasis has been given by the Bank to the expansion and improvement of technical, vocational, and scientific education in Latin America. Loans have been made for the purchase of laboratory equipment, construction of new facilities, and the contracting of expert services to revamp school administrations and modernize curriculums. Funds have also been provided for resource surveys and feasibility studies to provide a rational basis for development of specific sectors of the economy and for programs of investment in specific fields.

In its administration of its resources, the Bank has continued to take into account the institutional improvements which borrowing countries are undertaking, the steps taken to achieve the success of the specific project proposed for financial assistance, the extent to which local contributions are being made available for financing the project, and lastly, but perhaps most important, the extent and effectiveness of the overall self-help practices of a borrowing country, in conformity with the principles established by the Charter of Punta del Este and subsequent related Alliance for Progress documents.

INCREASE IN RESOURCES OF THE FUND FOR SPECIAL OPERATIONS

The appropriation before you is the second payment on the further replenishment of the Fund for Special Operations voted by the Governors of the Bank in April of last year. This replenishment is a concrete implementation of the Declaration of the Presidents of the Republics of the Western Hemisphere at Punta del Este, which gave new life and vigor to the Alliance for Progress. The future activities of the expanded Fund for Special Operations—as well as the activity of the entire Inter-American Development Bank—will be oriented especially toward those problem areas singled out for special attention by the Presidents.

The urgent problem of rural and improved agricultural production—especially food—is being given the highest priority. In addition, the Bank proposes extending its activities in the education and health sectors in accordance with the directions laid down by the Presidents of the Americas. The Bank also proposes to move forward even more vigorously in the new direction toward the multinational infrastructure required for the economic development and integration of Latin America.

To this end, the Bank has established a preinvestment fund to carry out the urgently needed feasibility studies and other necessary preparations for the execution of multinational projects. The Bank proposes to devote annually up to $100 million of its resources—both ordinary capital and Fund for Special Operations—toward the financing of such projects. Multinational projects will not only assist in bringing the continent together by improving transportation and communications and beginning the exploitation of the vast physical resources—such as water and power—but also will further the Common Market objective, which the Latin American Presidents have agreed upon. It was to meet this new responsibility to move forward with multinational projects that President Johnson last year proposed and the Congress authorized an increase of $50 million above the previous $250 million annual level of our contributions to the Fund for Special Operations.

It should be noted that the U.S. contribution to the Fund for Special Operations under this increase is in a ratio of 3 to 1 to the contributions of the Latin American members. This is in contrast to the 5 to 1 ratio which prevailed in the years 1965 to 1967, and the 11 to 1 ratio which prevailed in 1964. Not only are the Latin Americans doubling their own contribution to the Fund for Special Operations, but they are giving further expression to the principle of self-help—mutual self-help. Furthermore, the four largest Latin American members of the Bank—Argentina, Brazil, Mexico, and Venezuela—have agreed to permit a substantial portion of their contributions to be used by the Bank to make loans to other members which are relatively less industrialized and have relatively weaker financial and physical capabilities.

RELATIONSHIP TO U.S. BILATERAL AID POLICIES

Both the manner in which the funds of the expanded FSO are being utilized, and the overall policies of the Inter-American Development Bank, are fully in accord with the major policy guidelines established by Congress for the U.S. bilateral aid program. The Bank does not, directly or indirectly, engage in financing military equipment purchases. No funds provided to the expanded FSO are available to Communist-bloc countries. With respect to the expropriation of private property of U.S. nationals, it will be recalled that Congress added an amendment to the authorizing legislation of the expanded FSO requiring that the U.S. votitng power in the Bank be exercised to disapprove any loan to a country against which it has been necessary to invoke the Hickenlooper amendment requiring the suspension of U.S. assistance. If such circumstances should ever arise this parallel action can easily be taken in the Fund for Special Operations, be-

cause the U.S. vote of 42 percent is necessary to obtain the two-thirds majority required for favorable consideration of any loan to be made from the Fund.

CONCLUSION

In summary, the appropriation here requested by the administration for the Inter-American Development Bank for the fiscal year of 1969 is needed to permit the United States to fulfill an international commitment, authorized by the Congress, to meet the second installment on the U.S. obligation arising from the increase in the resources of the Fund for Special Operations.

President Johnson stressed the need for this action in his remarks upon signing the authorization bill for the U.S. contribution to the Fund for Special Operations in the presence of all the foreign ministers of the Western Hemisphere on September 22, 1967. He said:

> The Bank is the vanguard of planning for the future of the hemisphere. The bill that I am about to sign, we think, advances this program and supports the expanded direction of it.
>
> We think it is a vote of confidence by the American Congress in the Bank and particularly of those who manage the Bank's affairs.
>
> It is an earnest of the commitment of the U.S. Congress and the people to the Alliance for Progress and to the summit decisions.

The previous actions of your committee and of the full Congress have amply demonstrated this U.S. commitment to the Alliance for Progress.

Thank you, Mr. Chairman.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you very much, Mr. Secretary. We will now have the justification material inserted in the record at this point.

(The justification material follows:)

FUNDS APPROPRIATED TO THE PRESIDENT

INVESTMENT IN INTER-AMERICAN DEVELOPMENT BANK

For subscription to the Inter-American Development Bank for the second installment of the U.S. share in the 1968-70 increase in the resources of the Fund for Special Operations of the Bank, $300 million, to remain available until expended.

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-one Western Hemisphere republics, including the United States, are members of the Bank. The original 20 members have all completed required payments on their original authorized subscriptions and quotas. Trinidad and Tobago, which became a member in calendar 1967, will make payments on its subscription to the ordinary capital in three annual installments and on its contribution to the Fund for Special Operations in five annual installments. 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 $1,778.8 million had been subscribed as of December 31, 1967. Of the total subscribed, the equivalent of $383,650,000 is in the form of paid-in capital, and the remaining $1,395,180,000 is subject to call by the Bank if required to meet its obligations arising out of borrowings of 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. A further increase of $1 billion in callable capital is now pending before member governments.

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 $411,760,000 to cover an increase in the U.S. callable subscription. The U.S. subscription, as of December 31, 1967, totaled $761,760,000.

By December 31, 1967, Bank commitments from ordinary capital had reached $901.0 million equivalent on 155 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. With the admission of Trinidad and Tobago to Bank membership in 1967, total resources of the FSO increased to $1,121.4 million, prior to the $1.2 billion increase which became effective in December 1967 as discussed below. 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.

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 3-year period from approximately early 1968 through early 1971. This increase became effective on December 29, 1967. The U.S. share of this increase is $300 million per year or a total of $900 million. Authorizing legislation for the latter amount was passed by the Congress (Public Law 90–88 of September 22, 1957). An appropriation for the first $300 million installment of the U.S. contribution was obtained in 1968. The present appropriation request for $300 million is for the second installment of the U.S. contribution, and one further appropriation of $300 million for the third installment will be sought in 1970.

As of December 31, 1967, commitments from the Fund for Special Operations amounted to $967.5 million equivalent on 165 loans.

FUND FOR SPECIAL OPERATIONS

Statement of Loans as of Dec. 31, 1967

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans			Approved (Signed)	Interest (Maturity)
					Disbursed	Repaid	Outstanding		
ARGENTINA									
Republic of Argentina Public entity	Technical assistance for preparation of development projects and plans ($3,733,000)	Advisory services for establishment of planning agency completed; loan for new phase approved	Pesos	25,000,000	25,000,000	11,003,332	13,996,668	2/28/62	4%
			U.S. dollars	500,000	500,000		500,000	(6/29/62)	(1967-72)
			Total in U.S. dollars	645,884	645,884	64,208	581,676		
Province of Río Negro Public entity	Development and colonization of an agricultural project in the lower Viedma Valley, Province of Río Negro ($9,608,000)	Irrigation canal near completion; agricultural studies under preparation; experimental station almost completed	Pesos [1]	2,845,000	1,231,535		1,231,535	7/31/62	4%
			U.S. dollars	2,683,000	156,484		156,484	(5/10/63)	(1968-83)
			Total in U.S. dollars	5,528,000	1,388,019		1,388,019		
Minera y Siderúrgica Patagónica Sierra Grande, S.A. (Acíndar, Industria Argentina de Aceros, S.A.; Minera Aluminé, S.A., and S.E.T., Sociedad de Responsabilidad Limitada) Private entity	Preinvestment studies for the establishment of a steel complex in Province of Río Negro ($798,000)	Project being restudied to meet new requirements	U.S. dollars	148,244	148,244	44,473	103,771	4/8/64 (6/1/64)	5¾% [2] (1966-71)
Administración General de Obras Sanitarias de la Nación (Republic of Argentina) Public entity	Expansion of water supply system in Buenos Aires suburbs of Avellaneda and Lanus ($3,818,000)	Project 8% complete	Pesos [1]	2,000,000	254,981		254,981	7/30/64 (10/7/64	4% (1969-83)
Administración General de Obras Sanitarias de la Nación (Republic of Argentina) Public entity	Improvement of water systems of Buenos Aires, San Miguel de Tucumán, San Salvador de Jujuy, Córdoba and Mendoza ($26,700,000)	Project 6% complete	Pesos [1]	6,500,000				12/9/65	2¼% [4]
			U.S. dollars	12,000,000	48,000		48,000	(6/10/66	(1970-86)
			Total in U.S. dollars	18,500,000	48,000		48,000		

Republic of Argentina Public entity	Continuation of technical assistance for studies of development projects and plans ($508,000)	Studies initiated	U.S. dollars	400,000	131,142	131,142	12/16/65 (5/23/66)	3¼% [3] (1969-70)
Republic of Argentina Public entity	Completion of a Hospital-School to improve teaching and research in medical sciences at University of Buenos Aires ($10,500,000)	Technical assistance extended; equipment being supplied	Pesos [1] U.S. dollars Total in U.S. dollars	200,000 3,600,000 3,800,000			4/24/66 (2/21/67)	2¼% [4] (1970-87)
Republic of Argentina Public entity	Improvement in teaching and research in metallurgical sciences in Buenos Aires ($1,490,000)	Equipment being purchased	U.S. dollars	1,000,000	144,683	144,683	4/24/66 (8/19/66)	2¼% [4] 1970-86)
Republic of Argentina Public entity	Establishment of preinvestment fund for the preparation of specific projects and general studies ($6,450,000)		Pesos [1] U.S. dollars Total in U.S. dollars	1,000,000 3,300,000 4,300,000			9/15/66 (2/21/67)	3¼% [3] (1970-82)
Municipalidad de la Ciudad de Buenos Aires (Republic of Argentina) Public entity	Construction of 6,800 housing units and respective services as part of an urban renewal project in Buenos Aires ($18,170,000)		Pesos [1] U.S. dollars Total in U.S. dollars	1,800,000 10,400,000 12,200,000			11/3/66 (2/21/67)	2¼% [4] (1971-97)
Agua y Energía Eléctrica, Empresa del Estado (Republic of Argentina) Public entity	Irrigation phase of broad rural development program in the Dulce River Valley, Province of Santiago del Estero ($57,130,000)	Technical survey underway	Pesos [1] U.S. dollars Total in U.S. dollars	6,600,000 15,630,000 22,230,000	22,500 22,500	22,500 22,500	2/2/67 (2/21/67)	3¼% [3] (1971-92)
Province of Santiago del Estero (Republic of Argentina) Public entity	Land resettlement phase of above program ($40,730,000)		Pesos [1] U.S. dollars Total in U.S. dollars	4,000,000 6,480,000 10,480,000	27,500 27,500	27,500 27,500	2/2/67 (2/21/67)	2¼% [4] (1971-92)
Republic of Argentina Public entity	Technical assistance for rural electrification program ($150,000)		U.S. dollars	100,000			3/16/67 (6/23/67)	2¼% [4] (1969-77)
Republic of Argentina Public entity	Expansion of 7 grain elevator facilities in 6 major port cities ($21,038,000)		Pesos [1] U.S. dollars Total in U.S. dollars	4,000,000 6,400,000 10,400,000			7/20/67 (12/5/67)	3¼% [3] (1972-87)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
ARGENTINA (Cont'd.)									
Republic of Argentina Public entity	Construction of highway sections providing better integration links to Chile and Bolivia ($44,826,000)		Pesos [1] U.S. dollars Total in U.S. dollars	8,660,000 12,490,000 21,150,000				12/28/67	3¼% [3] (1972-88)
TOTAL LOANS TO ARGENTINA EXPRESSED IN U.S. DOLLARS				112,882,128	2,810,953	108,681	2,702,272		
Less: Participations				910,000	910,000		910,000		
Net total loans to Argentina expressed in U.S. dollars				111,972,128	1,900,953	108,681	1,792,272		
BOLIVIA									
Corporación Boliviana de Fomento (Banco Central de Bolivia) Public entity	Industrial, agricultural and electric power credits ($10,000,000)	Project completed; 66 industrial credits for $2,550,623, 117 agricultural credits for $1,956,220, and 17 mining credits for $1,186,383 authorized; $2,279,557 in loans for 5 electric power projects approved	U.S. dollars	10,000,000	10,000,000	3,006,891	6,993,109	2/24/61 (5/11/61)	4½% (1964-74)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	First phase of project to rehabilitate Bolivia's tin mines ($25,350,000)	First phase completed	U.S. dollars	4,500,000	4,500,000	1,928,571	2,571,429	7/14/61 (8/31/61)	4% (1965-71)
Banco Agrícola de Bolivia (Banco Central de Bolivia) Public entity	Agricultural credits for farm settlement projects in the Departments of Cochabamba, Santa Cruz and La Paz ($6,128,000)	13 credits for $289,482 authorized	U.S. dollars	2,600,000	390,196		390,196	12/28/62 (1/24/63)	4% (1968-80)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Second phase of project to rehabilitate Bolivia's tin mines ($18,040,000)	Second phase completed	Pesos [1] U.S. dollars Total in U.S. dollars	400,000 4,460,000 4,860,000	400,000 4,460,000 4,860,000	106,667 1,184,787 1,291,454	293,333 3,275,213 3,568,546	2/14/63 (3/15/63)	4% (1966-73)

Republic of Bolivia Public entity	Agricultural credits to support rural development bases ($1,567,000)	74 credits for $304,803 authorized	U.S. dollars	1,100,000	331,190	40,000	291,190	10/31/63 (1/16/64)	4% (1967-79)
Republic of Bolivia Public entity	Construction of first stage of 27,000-kilowatt hydroelectric plant at Corani, along with transmission and distribution facilities ($15,500,000)	Project completed	Pesos [1] U.S. dollars Total in U.S. dollars	400,000 3,100,000 3,500,000	400,000 2,523,667 2,923,667		400,000 2,523,667 2,923,667	7/23/64 (7/24/64)	4% 1969-89)
Universidad Mayor de San Simon (Republic of Bolivia) Public entity	Academic and administrative improvements in teaching agricultural sciences in Cochabamba ($754,000)		Pesos [1] U.S. dollars Total in U.S. dollars	128,000 372,000 500,000				12/21/65 (4/1/66)	2¼% [4] (1969-86)
Universidad Técnica de Oruro (Republic of Bolivia) Public entity	Academic and administrative improvements in College of Engineering in Oruro ($800,000)	Construction underway	Pesos [1] U.S. dollars Total in U.S. dollars	161,000 239,000 400,000	6,450 57,815 64,265		6,450 57,815 64,265	12/21/65 (4/1(66)	2¼% [4] (1969-86)
Universidad Autónoma Gabriel René Moreno (Republic of Bolivia) Public entity	Academic and administrative improvements in College of Veterinary Medicine in Santa Cruz ($600,000)	Construction underway; technical assistance initiated	Pesos [1] U.S. dollars Total in U.S. dollars	146,000 254,000 400,000	6,300 5,220 11,520		6,300 5,220 11,520	12/21/65 (4/1/66)	2¼% [4] (1969-86)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Third stage of project to rehabilitate Bolivia's tin mines ($10,000,000)	Third stage well advanced	Pesos [1] U.S. dollars Total in U.S. dollars	41,000 2,459,000 2,500,000	41,000 948,755 989,755		41,000 948,755 989,755	2/10/66 (3/11/66)	3¼% [3] (1969-79)
Banco Industrial, S.A. (Banco Central de Bolivia) Private entity	Industrial credits ($1,500,000)	13 credits for $499,484 authorized	U.S. dollars	1,000,000	115,561		115,561	6/23/66 (7/29/66)	3¼% [3] (1970-81)
Republic of Bolivia Public entity	Establishment of preinvestment fund for the preparation of specific projects and general studies ($3,150,000)	12 credits for $513,000 authorized	Pesos [1] U.S. dollars Total in U.S. dollars	400,000 1,700,000 2,100,000	250,783 185,830 436,613		250,783 185,830 436,613	9/1/66 (9/30/66)	3¼% [3] (1970-82)
Corporación Boliviana de Fomento (Republic of Bolivia) Public entity	Industrial and mining credits ($17,298,000)	11 credits for $860,628 authorized	Pesos [1] U.S. dollars Total in U.S. dollars	2,000,000 8,800,000 10,800,000	500,000 591,173 1,091,173		500,000 591,173 1,091,173	11/10/66 (2/28/67)	3¼% [3] (1971-82)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
BOLIVIA (Cont'd.)									
Consejo Nacional de Vivienda (Republic of Bolivia) Public entity	Construction of 3,500 low-income housing units and community services throughout the country ($8,507,000)		Pesos [1] U.S. dollars Total in U.S. dollars	2,000,000 3,500,000 5,500,000				7/27/67 (11/3/67	2¼% [4] (1972-97)
Republic of Bolivia Public entity	Construction of water systems for 60 communities with 160,000 inhabitants ($3,475,000)		U.S. dollars	1,800,000				8/17/67	2¼% [4] (1972-93)
Republic of Bolivia Public entity	Improvement and expansion of water systems of Cochabamba and Potosí and water and sewage facilities of Santa Cruz ($17,640,000)		Pesos [1] U.S. dollars Total in U.S. dollars	1,300,000 9,700,000 11,000,000				12/7/67	2¼% [4] (1972-93)
TOTAL LOANS TO BOLIVIA EXPRESSED IN U.S. DOLLARS				62,560,000	25,713,940	6,266,916	19,447,024		
Less: Participations				250,000	250,000		250,000		
Net total loans to Bolivia expressed in U.S. dollars				62,310,000	25,463,940	6,266,916	19,197,024		
BRAZIL									
Banco do Nordeste do Brasil Public entity	Industrial credits for Brazil's Northeast ($20,000,000)	41 credits for $9,950,000 authorized	U.S. dollars	10,000,000	8,507,812	1,714,518	6,793,294	4/9/61 (8/3/61)	4½% (1965-77)
Fundacão Comissão de Planejamento Econômico da Bahia (State of Bahia) Public entity	Preparation of specific industrial, infrastructure and social projects in State of Bahia ($810,000)	Studies on 6 projects concluded	Cruzeiros [1]	135,633	135,633	73,033	62,600	2/21/62 (8/9/62	4% (1964-70)

Banco do Estado da Guanabara S.A. (State of Guanabara) Public entity	Expansion and improvement in the water system of Rio de Janeiro ($25,653,000)	Project 89% complete	Cruzeiros [1]	2,500,000	2,500,000	29,558	2,470,442	3/13/62	4%
			U.S. dollars	9,000,000	9,000,000	106,409	8,893,591	(5/5/62)	(1967-92)
			Total in U.S. dollars	11,500,000	11,500,000	135,967	11,364,033		
Departamento Municipal de Água e Esgotos (Banco do Estado de Rio Grande do Sul) Public entity	Expansion and improvement in water and sewage system of Porto Alegre ($6,973,000)	Project 57% complete	Cruzeiros [1]	1,500,000	1,500,000		1,500,000	12/19/63	4%
			U.S. dollars	1,650,000	831,103		831,103	(9/17/64)	(1969-89)
			Total in U.S. dollars	3,150,000	2,331,103		2,331,103		
Banco do Estado da Guanabara S.A. (State of Guanabara) Public entity	Expansion and improvement in water system of Rio de Janeiro ($12,484,000)	Project 89% complete	Cruzeiros [1]	3,000,000	3,000,000		3,000,000	12/24/64	4%
			U.S. dollars	4,000,000	1,816,360		1,816,360	(12/31/64)	(1968-85)
			Total in U.S. dollars	7,000,000	4,816,360		4,816,360		
Usina Siderurgica de Bahia S.A. (Republic of Brazil) Public entity	Feasibility study for construction of steel mill at Salvador, Bahia, in Brazil's Northeast ($382,000)	Study completed	U.S. dollars	200,000	200,000		200,000	7/1/65 (12/1/65)	4% (1968-72)
Republic of Brazil Public entity	Establishment of preinvestment fund for the preparation of specific projects and general studies ($7,500,000)	Studies initiated	Cruzeiros [1]	1,500,000	500,000		500,000	9/27/65	4% [2]
			U.S. dollars	3,500,000	4,000		4,000	(10/1/65)	(1970-80)
			Total in U.S. dollars	5,000,000	504,000		504,000		
Republic of Brazil Public entity	Agricultural credits ($40,500,000)	Program initiated through 14 financial agencies	Cruzeiros [1]	3,000,000	30,000		30,000	12/9/65	2¼% [4]
			U.S. dollars	17,500,000	2,219,168		2,219,168	(4/1/66)	(1969-86)
			Total in U.S. dollars	20,500,000	2,249,168		2,249,168		
Departamento Nacional de Estradas de Rodagem (Republic of Brazil) Public entity	Construction of 411 miles of highway between Port of Paranaguá and Foz do Iguaçu on Paraguayan border ($40,000,000)	Project 70% complete	Cruzeiros [1]	4,000,000	3,506,248		3,506,248	12/21/65	3¼% [3]
			U.S. dollars	16,000,000	10,516,874		10,516,874	(4/1/66)	(1969-86)
			Total in U.S. dollars	20,000,000	14,023,122		14,023,122		
Departamento Nacional de Portos e Vias Navegáveis (Republic of Brazil) Public entity	Improvement in port installations at Paranaguá ($11,860,000)	Project initiated	U.S. dollars	5,640,000	32,082		32,082	12/21/65 (4/1/66)	3¼% [3] (1969-86)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
BRAZIL (Cont'd.)									
Republic of Brazil Public entity	Improvement of water system of Salvador and water supply projects for 200 other Brazilian communities ($29,303,000)	Salvador project 34% complete; work underway in 22 other communities	Cruzeiros [1] U.S. dollars Total in U.S. dollars	3,100,000 11,900,000 15,000,000	2,838,431 2,000 2,840,431		2,838,431 2,000 2,840,431	12/21/65 (7/28/66)	2¼% [4] (1971-86)
Banco Nacional da Habitação (Republic of Brazil) Public entity	Construction of 18,700 housing units in 40 Brazilian communities ($44,000,000)	7,257 housing units in construction	Cruzeiros [1] U.S. dollars Total in U.S. dollars	5,000,000 15,000,000 20,000,000	1,000,000 26,000 1,026,000		1,000,000 26,000 1,026,000	8/4/66 (10/10/66)	2¼% [4] (1970-96)
Conpanhia Hidro Elétrica do São Francisco (Republic of Brazil) Public entity	Expansion of Paulo Afonso hydroelectric plant by 300,000 kilowatts and related facilities in Brazil's Northeast ($24,370,000)	Project initiated with ordinary capital resources loan	Cruzeiros [1] U.S. dollars Total in U.S. dollars	3,600,000 5,500,000 9,100,000				8/25/66 (11/3/66)	3¼% [3] (1972-84)
Banco do Nordeste do Brasil (Republic of Brazil) Public entity	Expansion of water supply systems in Northeast cities of Aracajú, Fortaleza and João Pessoa ($28,900,000)		Cruzeiros [1] U.S. dollars Total in U.S. dollars	3,000,000 11,450,000 14,450,000				11/29/66 (6/30/67)	2¼% [4] (1971-92)
Departamento Municipal de Aguas e Esgotos de Belo Horizonte (Caixa Econômica do Estado de Minas Gerais and State of Minas Gerais) Public entity	Expansion of water system of Belo Horizonte ($25,170,000)	Project underway	Cruzeiros [1] U.S. dollars Total in U.S. dollars	4,000,000 8,000,000 12,000,000				12/22/66 (6/30/67)	3¼% [3] (1971-87)
Banco do Nordeste do Brasil S.A. (Republic of Brazil) Public entity	Industrial credits for Brazil's Northeast ($24,000,000)		Cruzeiros [1] U.S. dollars Total in U.S. dollars	50,000 5,950,000 6,000,000				12/28/66 (6/30/67)	3¼% [3] (1971-83)

Republic of Brazil Public entity	Expansion and improvement of technical and industrial schools and training centers in 14 states ($4,600,000)		Cruzeiros [1] U.S. dollars Total in U.S. dollars	1,000,000 2,000,000 3,000,000				5/12/67 (6/30/67)	2¼% [4] (1971-92)
Banco Nacional do Desenvolvimento Econômico Public entity	Industrial credits ($25,309,000)		Cruzeiros [1]	8,700,000				7/20/67 (9/26/67)	3¼% [5] (1971-82)
Republic of Brazil Public entity	Strengthening basic, technological and agricultural sciences at 9 universities ($45,400,000)		Cruzeiros [1] U.S. dollars Total in U.S. dollars	5,000,000 20,000,000 25,000,000				11/16/67 (12/6/67)	2¼% [4] (1971-92)
Banco do Brasil S.A. (Republic of Brazil) Public entity	Credits for agricultural, livestock, forestry and fishery processing industries ($36,000,000)		Cruzeiros [1] U.S. dollars Total in U.S. dollars	5,500,000 12,500,000 18,000,000				12/28/67	3¼% [5] (1972-88)
TOTAL LOANS TO BRAZIL EXPRESSED IN U.S. DOLLARS Less: Participations Net total loans to Brazil expressed in U.S. dollars				214,375,633 2,390,000 211,985,633	48,165,711 2,390,000 45,775,711	1,923,518 1,923,518	46,242,193 2,390,000 43,852,193		
CHILE									
Corporación de Fomento de la Producción Public entity	Resettlement in 8 projects in South-Central Chile ($13,860,000)	718 families resettled; 600 houses and 617 farm structures built; 514 miles of fences and 59 miles of access roads installed; 2,644 credits provided	Escudos U.S. dollars Total in U.S. dollars	1,470,000 5,657,000 6,265,503	1,470,000 4,377,767 4,986,270	108,889 254,153 299,228	1,361,111 4,123,614 4,687,042	12/21/61 (5/2/62)	4% (1966-92)
Corporación de Fomento de la Producción Corporación de la Reforma Agraria Public entities	Technical assistance for above resettlement project ($265,000)	Assistance provided	U.S. dollars	265,000	107,600	46,114	61,486	12/21/61 (5/2/62)	4% (1965-71)
Corporación de Fomento de la Producción Public entity	Aerophotogrammetric survey in Central Chile ($5,380,000)	Project completed	U.S. dollars	2,100,000	2,100,000	442,105	1,657,895	10/18/62 (12/20/62)	4% (1966-75)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans: Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
CHILE (Cont'd.)									
Corporación de Fomento de la Producción Public Entity	Establishment of preinvestment fund for the preparation of specific projects and general studies ($4,500,000)	25 credits for $1,110,983 and 2,917,326 escudos authorized	Escudos [1] U.S. dollars Total in U.S. dollars	1,090,000 1,910,000 3,000,000	145,434 383,985 529,419		145,434 383,985 529,419	8/12/65 (11/26/65)	4% [2] (1968-80)
Universidad de Concepción (Corporación de Fomento de la Producción Private entity	Buildings and other improvements for Schools of Education and Sociology in Concepción ($2,920,000)	Construction 30% complete	Escudos [1] U.S. dollars Total in U.S. dollars	450,000 750,000 1,200,000	191,433 41,066 232,499		191,433 41,066 232,499	11/4/65 (1/20/66)	2¼% [4] (1970-86)
Republic of Chile Public entity	Expansion and improvement of water systems in 39 cities ($26,006,000)	Project underway	U.S. dollars	15,500,000				12/14/65 (3/25/66)	2¼% [4] (1970-86)
Universidad Técnica Federico Santa María (Corporación de Fomento de la Producción) Private entity	Buildings and other improvements at technological university in Valparaiso ($4,100,000)	Construction 10% complete; equipment being purchased	Escudos [1] U.S. dollars Total in U.S. dollars	900,000 1,600,000 2,500,000	183,504 202,444 385,948		183,504 202,444 385,948	1/6/66 (6/20/66)	2¼% [4] (1970-91)
Corporación de Servicios Habitacionales (Republic of Chile) Public entity	Construction of 10,700 housing units in 75 communities ($24,000,000)	10,067 housing units built; 230 in construction	Escudos [1] U.S. dollars Total in U.S. dollars	3,050,000 9,000,000 12,050,000	2,400,000 24,000 2,424,000		2,400,000 24,000 2,424,000	4/24/66 (10/6/66)	2¼% [4] (1969-96)
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Improvements in teaching agricultural sciences at University of Chile in Santiago ($6,400,000)	Construction 12% complete; 57% of technical assistance provided	Escudos [1] U.S. dollars Total in U.S. dollars	2,200,000 2,800,000 5,000,000	779,067 12,500 791,567		779,067 12,500 791,567	5/12/66 (10/11/66)	2¼% [4] (1970-91)
Republic of Chile Public entity	Construction on 127 miles of the Chilean section of Trans-Andean highway between Valparaiso, Chile, and Mendoza, Argentina ($27,000,000)	About 50% of the project carried out	Escudos [1] U.S. dollars Total in U.S. dollars	1,500,000 13,500,000 15,000,000	1,022,000 3,900,000 4,922,000		1,022,000 3,900,000 4,922,000	6/16/66 (10/6/66)	3¼% [2] (1971-86)

Instituto de Desarrollo Agropecuario (Corporación de Fomento de la Producción) Public entity	Agricultural credits ($33,610,000)	1,630 credits extended	Escudos [1]	2,500,000	2,401,318		2,401,318	9/15/66	2¼% [4]
			U.S. dollars	8,500,000	1,338,565		1,338,565	(10/6/66)	(1969-81)
			Total in U.S. dollars	11,000,000	3,739,883		3,739,883		
Universidad Técnica del Estado (Corporación de Fomento de la Producción) Public entity	Improvements in training and research in technological sciences ($2,980,000)		Escudos [1]	100,000				4/13/67	2¼% [4]
			U.S. dollars	900,000				(6/26/67)	(1972-92)
			Total in U.S. dollars	1,000,000					
Corporación de Fomento de la Producción Public entity	Credits for small-scale industries and crafts ($17,492,000)		Escudos [1]	800,000				6/1/67	3¼% [5]
			U.S. dollars	5,700,000				(6/20/67)	(1971-92)
			Total in U.S. dollars	6,500,000					
Caja Central de Ahorros y Préstamos (Republic of Chile) Public entity	Construction of 3,030 low-income housing units ($13,614,000)		Escudos [1]	1,000,000				8/3/67	2¼% [4]
			U.S. dollars	5,000,000				(9/8/67)	(1971-97)
			Total in U.S. dollars	6,000,000					
Republic of Chile Public entity	Assistance to train personnel for Chile's agrarian reform program ($1,408,000)		U.S. dollars	680,000				8/24/67	2¼% [4]
								(12/13/67)	(1971-75)
TOTAL LOANS TO CHILE EXPRESSED IN U.S. DOLLARS				88,060,503	20,219,186	787,447	19,431,739		
Less: Participations				1,083,158	1,083,158	442,105	641,053		
Net total loans to Chile expressed in U.S. dollars				86,977,345	19,136,028	345,342	18,790,686		
COLOMBIA									
Corporación Autónoma Regional de los Valles del Magdalena y del Sinú (Republic of Colombia) Public entity	Preinvestment studies for development of Sinú River watershed ($1,586,000)	Some 66% of studies carried out	Pesos	4,930,000	2,884,531	961,510	1,923,021	5/11/62	4%
			U.S. dollars	280,000	67,289	18,347	48,942	(7/17/62)	(1966-71)
			Total in U.S. dollars	655,104	311,618	99,790	211,828		
Instituto Nacional de Fomento Municipal (Republic of Colombia) Public entity	Construction of first stage of projects to build water and sewage systems in 367 communities ($5,680,000)	189 water and 73 sewage, as well as 50 potable water plants and 40 treatment plants, under construction; project 68% complete	Pesos [3]	1,000,000	652,819	22,991	629,828	7/12/62	4%
			U.S. dollars	1,500,000	1,026,615	37,289	989,326	(8/21/62)	(1967-92)
			Total in U.S. dollars	2,500,000	1,679,434	60,280	1,619,154		

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
COLOMBIA (Cont'd.)									
Empresas Públicas de Medellín (Republic of Colombia) Public entity	Second stage in project to expand water system of Medellín ($7,550,000)	Project 56% complete	Pesos [1]	800,000	800,000		800,000	4/15/65	4% [2]
			U.S. dollars	3,950,000	1,908,597		1,908,597	(9/30/65)	(1970-89)
			Total in U.S. dollars	4,750,000	2,708,597		2,708,597		
Establecimiento Público Empresas Municipales de Cali (Republic of Colombia) Public entity	Expansion of electric power distribution system of Cali ($8,263,000)	Project 30% complete	U.S. dollars	3,300,000	461,214		461,214	10/21/65 (4/19/66)	3¼% [3] (1969-81)
Universidad de los Andes (Republic of Colombia) Private entity	Expansion and improvements of the School of Engineering of the Universidad de Los Andes in Bogota ($1,948,000)	Construction phrase 18% complete	Pesos [1]	470,000	104,469		104,469	12/16/65	2¼% [4]
			U.S. dollars	530,000				(8/6/66)	(1970/86)
			Total in U.S. dollars	1,000,000	104,469		104,469		
Instituto Colombiano de la Reforma Agraria (Republic of Colombia) Public entity	Execution of two irrigation and farm settlement projects near Cartagena and Cali ($22,532,000)	Main irrigation canal and drainage canal for project near Cartagena 70% complete	Pesos [1]	4,300,000	1,579,217		1,579,218	4/24/66	2¼% [4]
			U.S. dollars	5,400,000	26,640		26,640	(11/1/66)	(1969-91)
			Total in U.S. dollars	9,700,000	1,605,858		1,605,858		
Universidad de Antioquia (Republic of Colombia) Public entity	Construction of new university campus in Medellín ($9,650,000)	Construction phase 30% complete	Pesos [1]	1,600,000	491,918		491,918	7/21/66	2¼% [4]
			U.S. dollars	3,700,000	7,500		7,500	(10/25/66)	(1971-85)
			Total in U.S. dollars	5,300,000	499,418		499,418		
Universidad Nacional de Colombia (Republic of Colombia) Public entity	Improvement of facilities at campuses at Bogota, Medellín, Manizales and Palmira ($18,400,000)		Pesos [1]	3,200,000				12/8/66	2¼% [4]
			U.S. dollars	4,500,000				(3/16/67)	(1971-87)
			Total in U.S. dollars	7,700,000					
Banco Ganadero (Republic of Colombia) Public entity	Livestock credits ($24,000,000)		Pesos [1]	4,700,000				12/14/67	3¼% [5]
			U.S. dollars	6,000,000					(1971-83)
			Total in U.S. dollars	10,700,000					
TOTAL LOANS TO COLOMBIA EXPRESSED IN U.S. DOLLARS				45,605,104	7,370,608	160,070	7,210,538		
Less: Participations				824,981	824,981	37,289	787,692		
Net total loans to Colombia expressed in U.S. dollars				44,780,123	6,545,627	122,781	6,422,846		

COSTA RICA									
Banco Nacional de Costa Rica Public entity	Credits for agricultural cooperatives ($2,000,000)	7 credits for $203,459 authorized	U.S. dollars	1,000,000	423,696	30,000	393,696	4/4/63 (5/15/64)	4% (1967-85)
Banco Nacional de Costa Rica (Republic of Costa Rica) Public entity	Credits to rehabilitate farms damaged by Irazu Volcano and settle farmers in other areas ($11,872,000)	56 credits for $578,422 authorized	Colones [1] U.S. dollars Total in U.S. dollars	400,000 4,800,000 5,200,000	300,000 200,000 500,000		300,000 200,000 500,000	8/26/65 (11/23/65)	4% (1970-85)
Servicio Nacional de Acueductos y Alcantarillado (Republic of Costa Rica) Public entity	Construction or improvement of 60 rural and 2 urban water systems ($2,300,000)	13 systems finished; 8 under construction; project 40% complete	Colones [1] U.S. dollars Total in U.S. dollars	70,000 1,230,000 1,300,000	70,000 294,592 364,592		70,000 294,592 364,592	10/21/65 (12/1/65)	2¼% (1969-95)
Banco de Costa Rica (Republic of Costa Rica) Public entity	Industrial credits ($3,771,000)	27 credits for $1,676,775 authorized	U.S. dollars	2,200,000	626,799		626,799	12/21/65 (6/8/66)	3¼% (1970-82)
Banco Nacional de Costa Rica Public entity	Livestock credits ($400,000)	32 credits for $332,040 authorized	Colones [1]	400,000	289,577		289,577	8/2/66 (8/29/66)	3¼% (1968-74)
Universidad de Costa Rica Public entity	Improvements in the engineering, agronomy and pharmacy departments of the Universidad de Costa Rica ($2,519,000)		Colones [2] U.S. dollars Total in U.S. dollars	200,000 1,170,000 1,370,000				5/12/67 (10/2/67)	2¼% [4] (1971-87)
TOTAL LOANS TO COSTA RICA EXPRESSED IN U.S. DOLLARS				11,470,000	2,204,664	30,000	2,174,664		
Less: Participations				160,000	160,000		160,000		
Net total loans to Costa Rica expressed in U.S. dollars				11,310,000	2,044,664	30,000	2,014,664		
DOMINICAN REPUBLIC									
Banco Central de la República Dominicana Public entity	Industrial credits ($10,000,000)	23 credits for $6,304,492 authorized	Pesos [1] U.S. dollars Total in U.S. dollars	150,000 4,850,000 5,000,000	150,000 1,150,093 1,300,093		150,000 1,150,093 1,300,093	4/15/65 (5/19/66)	4% [3] /1970-81)
Corporación Azucarera Dominicana (Dominican Republic) Public entity	Technical assistance to carry out improvements in operations of state sugar corporation ($343,000)	Project completed	Pesos [1] U.S. dollars Total in U.S. dollars	71,849 167,651 239,500	71,849 167,651 239,500		71,849 167,651 239,500	12/2/65 (6/28/66)	3¼% [5] (1969-74)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans			Approved (Signed)	Interest (Maturity)
					Disbursed	Repaid	Outstanding		
DOMINICAN REPUBLIC (Cont'd.)									
Dominican Republic Public entity	Expansion of water and sewage facilities for Puerto Plata ($4,150,000)		Pesos [3] U.S. dollars Total in U.S. dollars	900,000 2,050,000 2,950,000				3/2/67 (4/28/67)	2¼% [4] (1970-92)
Dominican Republic Public entity	Construction of water systems for 89 small towns ($3,000,000)		Pesos [3] U.S. dollars Total in U.S. dollars	400,000 1,550,000 1,950,000				12/28/67	2¼% [4] (1971-93)
TOTAL LOANS TO DOMINICAN REPUBLIC EXPRESSED IN U.S. DOLLARS				10,139,500	1,539,593		1,539,593		
ECUADOR									
Banco Nacional de Fomento (Republic of Ecuador) Public entity	Credits for oil palm cultivation in area of Santo Domingo de los Colorados ($4,944,000)	23 credits for $1,127,504 authorized	Sucres [3] U.S. dollars Total in U.S. dollars	276,000 1,089,000 1,365,000	276,000 503,576 779,576	60,000 80,000 140,000	216,000 423,576 639,576	7/13/61 (10/31/61)	5% (1964-74)
Banco Nacional de Fomento Public entity	Technical assistance for administrative and accounting improvements of development bank ($187,000)	Project completed; recommendations being carried out	U.S. dollars	96,892	96,892	96,892		7/5/62 (9/20/62)	4% (Repaid)
Banco Nacional de Fomento (Republic of Ecuador) Public entity	Industrial and agricultural credits ($12,000,000)	49 industrial credits for $8,465,000 and 985 agricultural credits for $5,802,388 authorized	U.S. dollars	6,000,000	5,993,110	1,154,970	4,838,140	10/25/62 (11/7/62)	4% (1966-75)
Municipalidad de Quito (Republic of Ecuador) Public entity	Expansion of water system for Quito ($17,555,000)		Sucres [3] U.S. dollars Total in U.S. dollars	1,300,000 10,700,000 12,000,000				7/14/66 (10/21/66)	2¼% [4] (1970-89)

Comisión de Valores-Corporación Financiera Nacional (Republic of Ecuador) Public entity	Industrial credits ($4,165,000)		U.S. dollars	2,500,000				1/26/67 (7/11/67)	3¼% [3] (1971-82)
TOTAL LOANS TO ECUADOR EXPRESSED IN U.S. DOLLARS				21,961,892	6,869,578	1,391,862	5,477,716		
EL SALVADOR									
Banco Central de Reserva (Republic of El Salvador) Public entity	Expansion of electric power distribution systems for 11 communities ($225,000)	Project completed; 68 miles of transmission lines built	Colones	147,317	147,317		147,317	8/10/61	4%
			U.S. dollars	123,802	123,802		123,802	(11/17/61)	(1970-86)
			Total in U.S. dollars	182,728	182,728		182,728		
TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS				182,728	182,728		182,728		
GUATEMALA									
Republic of Guatemala Public entity	Preinvestment study for water system of Guatemala City ($350,000)	Technical studies completed	Quetzales [1]	49,800	49,800	16,600	33,200	7/30/64	4%
			U.S. dollars	154,574	154,574	51,525	103,049	(8/26/64)	(1967-69)
			Total in U.S. dollars	204,374	204,374	68,125	136,249		
Banco de Guatemala Public entity	Agricultural and industrial credits ($3,333,000)	25 agricultural credits for $346,000 and 1 industrial credit for $6,550 authorized	Quetzales [1]	700,000	250,594		250,594	8/9/66	2¼% [4]
			U.S. dollars	1,300,000				(12/1/66)	(1970-84)
			Total in U.S. dollars	2,000,000	250,594		250,594		
Banco de Guatemala Public entity	Industrial and agricultural credits ($1,333,000)	14 agricultural credits for $1,914,000 and 1 industrial credit for $6,760 authorized	Quetzales [1]	800,000	150,140		150,140	8/9/66 (12/1/66)	3¼% [3] (1970-84)
Republic of Guatemala Public entity	Construction of water supply systems for 100 communities ($2,100,000)	1 system completed; 38 under construction;; project 16% complete	Quetzales [1]	100,000	50,000		50,000	9/22/66	2¼% [4]
			U.S. dollars	1,200,000				(9/30/66)	(1970-96)
			Total in U.S. dollars	1,300,000	50,000		50,000		
Republic of Guatemala Public entity	Construction of 21 access roads 294 miles long and improvement of 14 others 198 miles long ($14,000,000)	Project in initial stage	U.S. dollars	9,000,000				12/28/66 (3/9/67)	3¼% [5] (1971-92)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	(Signed) Approved	(Maturity) Interest
GUATEMALA (Cont'd.)									
Republic of Guatemala Public entity	Construction of 30 small and medium irrigation projects in eastern and southern areas ($10,000,000)		Quetzales [1] U.S. dollars Total in U.S. dollars	1,000,000 5,000,000 6,000,000				12/19/67	2¼% [4] (1971-98)
TOTAL LOANS TO GUATEMALA EXPRESSED IN U.S. DOLLARS				19,304,374	655,108	68,125	586,983		
Less: Participations				170,000	170,000		170,000		
Net total loans to Guatemala expressed in U.S. dollars				19,134,374	485,108	68,125	416,983		
HAITI									
Banque Nationale de la République d'Haiti (Republic of Haiti) Public entity	Agricultural and industrial credits ($5,000,000)	28,838 farm credits for $1,493,660 and 73 industrial credits for $2,210,888 authorized	U.S. dollars	3,500,000	1,821,925	442,327	1,379,598	4/9/61 (8/17/61)	4% (1965-76)
Banque Nationale de la République d'Haiti (Republic of Haiti) Public entity	Expansion of water system of Port-au-Prince ($2,520,000)	Construction underway	Gourdes [1] U.S. dollars Total in U.S. dollars	190,000 2,170,000 2,360,000	132,500 272,000 404,500		132,500 272,000 404,500	3/5/64 (9/1/64)	2% (1972-91)
Banque Nationale de la République d'Haiti (Republic of Haiti) Public entity	Improvements in teaching agricultural sciences and medicine ($2,700,000)		U.S. dollars	1,300,000				11/17/66 (2/14/67)	2¼% [4] (1972-97)
TOTAL LOANS TO HAITI EXPRESSED IN U.S. DOLLARS				7,160,000	2,226,425	442,327	1,784,098		
HONDURAS									
Republic of Honduras Public entity	Construction of 5 highways 178 miles long in Northwest Honduras ($13,250,000)	Project virtually complete	U.S. dollars	2,081,603	2,081,603	325,251	1,756,352	5/11/61 (8/11/61)	4% (1966-81)
Republic of Honduras Public entity	Feasibility studies for 4 highways 346 miles long ($1,660,000)	Project completed; additional highway to be studied	U.S. dollars	960,000	810,447	810,447		11/9/61 (3/30/62)	4% (Repaid)

Banco Nacional de Fomento (Banco Central de Honduras) Public entity	Agricultural and industrial credits ($11,635,000)	Project completed; 1,997 agricultural credits for $4,750,000 and 24 industrial credits for $1,370,512 authorized	U.S. dollars	6,000,000	6,000,000	450,000	5,550,000	4/12/62 (6/8/62)	4% (1966-78)
Republic of Honduras Public entity	Construction of a 128-mile section of the Northern Highway from Puerto Cortes to Tegucigalpa ($24,500,000)	Project 17% complete	U.S. dollars	10,130,000	1,787,111		1,787,111	3/25/65 (7/22/65)	4% [3] (1971-90)
Instituto de Vivienda (Republic of Honduras) Public entity	Construction of 2,800 housing units in Tegucigalpa ($4,170,000)	185 housing units in construction	Lempiras [1]	500,000	499,064		499,064	4/7/66	2¼% [4]
			U.S. dollars	2,225,000	329,605		329,605	(4/22/66)	(1969-96)
			Total in U.S. dollars	2,725,000	828,670		828,670		
Banco Nacional de Fomento (Banco Central de Honduras) Public entity	Industrial and agricultural credits ($6,258,000)	150 agricultural credits for $571,290 and 3 industrial credits for $146,827 authorized	Lempiras [1]	420,000	252,531		252,531	10/27/66	3¼% [5]
			U.S. dollars	3,880,000	543,099		543,099	(12/5/66)	(1970-86)
			Total in U.S. dollars	4,300,000	795,630		795,630		
	Agricultural credits ($3,792,000)	2,888 credits for $866,958 authorized	Lempiras [1]	1,030,000	100,000		100,000	10/27/66	2¼%
			U.S. dollars	1,670,000	863,003		863,003	(12/5/66)	(1970-86)
			Total in U.S. dollars	2,700,000	963,003		963,003		
Federación Sindical de Trabajadores de Honduras (Republic of Honduras) Private entity	Construction of 1,000 housing units for labor federation members ($3,570,000)		U.S. dollars	2,270,000				2/2/67 (5/7/67)	2¼% [4] (1970-97)
Republic of Honduras Public entity	Construction of 59-mile link in highway from San Pedro Sula to Tela ($6,940,000)		Lempiras [1]	100,000				8/3/67	3¼% [5]
			U.S. dollars	5,175,000				(11/6/67)	(1972-92)
			Total in U.S. dollars	5,275,000					
TOTAL LOANS TO HONDURAS EXPRESSED IN U.S. DOLLARS				36,441,603	13,266,464	1,585,698	11,680,766		
Less: Participations				798,776	798,776	648,776	150,000		
Net total loans to Honduras expressed in U.S. dollars				35,642,827	12,467,688	936,922	11,530,766		

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans			Approved (Signed)	Interest (Maturity)
					Disbursed	Repaid	Outstanding		
MEXICO									
Nacional Financiera, S.A. (United Mexican States) Public entity	Preinvestment studies for the development of the Lerma-Chapala-Santiago Basin in West Central Mexico ($5,000,000)	4 general studies and 51 specific project studies carried out; work being done on 24 additional projects	Pesos [1]	3,415,000	3,415,000	284,583	3,130,417	4/4/63	4%
			U.S. dollars	376,136	376,136	31,345	344,791	(9/19/63)	(1967-78)
			Total in U.S. dollars	3,791,136	3,791,136	315,928	3,475,208		
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 9 irrigation systems in the Lerma-Chapala-Santiago Basin in West Central Mexico ($19,600,000)	Work largely completed on 5 irrigation dams	Pesos [1]	500,000	474,571		474,571	10/22/64	4% [2]
			U.S. dollars	9,300,000	2,476,901		2,476,901	(10/30/64)	(1968-89)
			Total in U.S. dollars	9,800,000	2,951,472		2,951,472		
Asociación Civil Enseñanza e Investigación Superior de Monterrey (Cervecería Cuauhtemoc, S.A.; Hojalata y Lámina, S.A.; Vidriería Monterrey, S.A.) Private entity	Expansion and improvement of a technological institute in Monterrey ($2,988,000)	68% of equipment acquired; 96% of construction completed; 67% of library material purchased	U.S. dollars	1,000,000	309,478		309,478	10/21/65 (1/7/66)	3% [3] (1970-86)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction or improvements on 82 feeder roads 1,800 miles long ($55,000,000)	Project 10% complete	Pesos [1]	8,500,000	1,190,135		1,190,135	12/30/65	4% [3]
			U.S. dollars	24,500,000	1,212,436		1,212,436	(3/7/66)	(1971-91)
			Total in U.S. dollars	33,000,000	2,402,571		2,402,571		
Nacional Financiera, S.A. (United Mexican States) Public entity	Irrigation project in El Carrizo Valley in State of Sinaloa ($22,155,000)		Pesos [1]	7,080,000				12/15/66	4% [3]
			U.S. dollars	4,000,000				(4/28/67)	(1971-92)
			Total in U.S. dollars	11,080,000					
Nacional Financiera, S.A. (United Mexican States) Public entity	Establishment of preinvestment fund for preparation of specific projects and general studies ($7,273,000)	Project initiated	Pesos [1]	3,000,000	300,000		300,000	12/28/66	4% [3]
			U.S. dollars	2,000,000				(3/31/67)	(1972-83)
			Total in U.S. dollars	5,000,000	300,000		300,000		

Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 400 small-scale irrigation works in Northeast ($26,000,000)		Pesos [1] U.S. dollars Total in U.S. dollars	4,500,000 8,500,000 13,000,000	321,874 321,874		321,874 321,874	3/23/67 (4/28/67)	3% [3] (1971-92)
Nacional Financiera, S.A. (United Mexican States) Public entity	Agricultural credits ($50,000,000)		U.S. dollars	20,000,000				12/19/67	3% [3] (1971-93)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 560 small-scale irrigation works in five Mexican regions ($71,870,000)		Pesos [1] U.S. dollars Total in U.S. dollars	2,750,000 31,350,000 34,100,000				12/28/67	3% [3] (1972-94)
TOTAL LOANS TO MEXICO EXPRESSED IN U.S. DOLLARS				130,771,136	10,076,531	315,928	9,760,603		
Less: Participations				470,000	470,000		470,000		
Net total loans to Mexico expressed in U.S. dollars				130,301,136	9,606,531	315,928	9,290,603		
NICARAGUA									
Banco Nacional de Nicaragua (Republic of Nicaragua) Public entity	Livestock credits ($9,608,000)	Used jointly with ordinary capital resources loan for $4.6 million; 4,208 credits for $6,603,000 authorized	U.S. dollars	4,500,000	4,152,594		4,152,594	12/31/64 (4/6/65)	4% [2] (1968-80)
Instituto de Fomento Nacional (Republic of Nicaragua) Public entity	Feasibility studies of specific industrial projects ($448,000)	1 credit for $11,500 authorized	Cordobas [1] U.S. dollars Total in U.S. dollars	100,000 100,000 200,000	 30,000 30,000		 30,000 30,000	8/5/65 (12/13/65)	4% [2] (1969-81)
Republic of Nicaragua Public entity	Construction of 20 access roads 388 miles long ($17,152,000)	Work progressing on 3 roads; projects 19% complete	Cordobas [1] U.S. dollars Total in U.S. dollars	350,000 11,650,000 12,000,000	350,000 1,238,546 1,588,546		350,000 1,238,546 1,588,546	9/27/65 (10/25/65)	4% [2] (1969-90)
Instituto Agrario de Nicaragua (Republic of Nicaragua) Public entity	Feasibility studies of a project to settle 4,500 farm families on new lands at Rigoberto Cabezas in the Department of Zelaya ($498,000)	Studies completed	Cordobas [1] U.S. dollars Total in U.S. dollars	100,000 200,000 300,000	78,015 104,509 182,524		78,015 104,509 182,524	3/17/66 (9/14/66)	2¼% [4] (1969-73)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
NICARAGUA (Cont'd.)									
Banco Nacional de Nicaragua (Republic of Nicaragua) Public entity	Agricultural credit ($11,045,000)	5,927 credits for $2,118,015 authorized	Cordobas [1]	1,050,000				11/10/66	2¼% [4]
			U.S. dollars	4,050,000	503,600		503,600	(12/21/66)	(1970-87)
			Total in U.S. dollars	5,100,000	503,600		503,600		
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS				22,100,000	6,457,264		6,457,264		
Less: Participations				67,000	67,000		67,000		
Net total loans to Nicaragua expressed in U.S. dollars				22,033,000	6,390,264		6,390,264		
PANAMA									
Instituto de Fomento Econômico (Republic of Panama) Public entity	Agricultural credit ($11,112,000)	Loan totally committed in 20,552 credits	Balboas	186,000	186,000	38,750	147,250	12/7/61	4%
			U.S. dollars	2,714,000	2,714,000	565,417	2,148,583	(1/10/62)	(1965-77)
			Total in U.S. dollars	2,900,000	2,900,000	604,167	2,295,833		
Republic of Panama Public entity	Feasibility study of an 80-mile highway linking Penonomé and Colón ($223,000)	Feasibility and preliminary studies concluded	U.S. dollars	123,290	123,290	29,009	94,281	12/31/63 (4/17/64)	4% (1966-74)
Banco Nacional de Panamá (Republic of Panama) Public entity	Industrial credit ($2,350,000)	42 credits for a total investment of $2,905,555 authorized	U.S. dollars	1,000,000	954,602		954,602	12/10/64 (1/19/65)	4% (1969-79)
Instituto de Vivienda y Urbanismo (Republic of Panama) Public entity	Construction of 6,000 housing units in Panama City, Colon, and other cities ($12,000,000)	799 units built; 1,846 in construction	Balboas [1]	500,000	340,000		340,000	12/2/65	2¼% [4]
			U.S. dollars	8,500,000	2,305,341		2,305,341	(2/17/66)	(1971-96)
			Total in U.S. dollars	9,000,000	2,645,341		2,645,341		
Republic of Panama Public entity	Establishment of loan fund for university students and post-graduates ($1,000,000)	34% of technical assistance provided	U.S. dollars	700,000	280,957		280,957	3/17/66 (3/21/66)	2¼% [4] (1970-86)

Banco Nacional de Panamá (Republic of Panama) Public entity	Credits for development of livestock, pork and poultry production ($3,473,000)	52 credits authorized	Balboas [1]	300,000	67,656		67,656	9/22/66	3¼% [5]
			U.S. dollars	1,700,000	306,250		306,250	(9/27/66)	(1970-86)
			Total in U.S. dollars	2,000,000	373,906		373,906		
Republic of Panama Public entity	Construction of 16 farm access roads 126 miles long ($7,050,000)		U.S. dollars	3,500,000				11/3/66	2¼% [4]
								(2/15/67)	(1970-87)
Instituto de Acueductos y Alcantarillados Nacionales (Republic of Panama) Public entity	Construction of improvements of water systems in 7 cities and 37 communities and improvement of sewage works for Chitre ($5,284,000)		Balboas [1]	300,000				5/25/67	2¼% [4]
			U.S. dollars	3,150,000				(5/29/67)	(1970-94)
			Total in U.S. dollars	3,450,000					
TOTAL LOANS TO PANAMA EXPRESSED IN U.S. DOLLARS				22,673,290	7,278,096	633,176	6,644,920		
PARAGUAY									
Banco Nacional de Fomento (Republic of Paraguay) Public entity	Industrial and agricultural credit ($5,500,000)	176 agricultural credits for $1,677,553 and 58 industrial credits for $1,303,968 authorized	U.S. dollars	2,946,942	2,946,942	1,391,858	1,555,084	3/24/61	5¼%
								(7/28/61)	(1963-69)
Republic of Paraguay Public entity	Development of a pilot land colonization project at Puerto Presidente Stroessner in Eastern Paraguay ($1,050,000)	Project carried out	U.S. dollars	250,000	250,000	138,889	111,111	5/26/61	4%
								(7/28/61)	(1963-71)
Republic of Paraguay Public entity	Land settlement studies in the Alto Paraná area ($310,000)	Project completed	U.S. dollars	231,250	231,250	63,068	168,182	4/5/62	4%
								(12/3/62)	(1966-71)
Administración Nacional de Electricidad (Banco Central del Paraguay) Public entity	Preparation of design and construction plans for 45,000-kilowatt hydroelectric plant on Acaray River ($400,000)	Plans completed	U.S. dollars	400,000	400,000	400,000		12/6/62	4%
								(12/7/62)	(Repaid)
Administración Nacional de Electricidad (Republic of Paraguay) Public entity	Construction of a 45,000-kilowatt hydroelectric plant on Acaray River; 195 miles of transmission lines to Asunción, and other improvements ($24,910,000)	Plant scheduled to enter operations in late 1968	U.S. dollars	14,150,000	11,479,029		11,479,029	4/18/63	4%
								(8/17/64)	(1970-89)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans — Disbursed	Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
PARAGUAY (Cont'd.)									
Banco Nacional de Fomento (Republic of Paraguay) Public entity	Industrial credit ($9,000,000)	23 credits for $1,851,000 authorized	Guaraníes [1]	500,000				7/30/64	4%
			U.S. dollars	3,500,000	1,849,156		1,849,156	(8/17/64)	(1968-79)
			Total in U.S. dollars	4,000,000	1,849,156		1,849,156		
Republic of Paraguay Public entity	Expansion of agricultural colonization project at Puerto Presidente Stroessner in Eastern Paraguay ($1,415,000)	Project initiated	Guaraníes [1]	400,000	44,055		44,055	5/27/65	4% [2]
			U.S. dollars	260,000	1,320		1,320	(1/21/66)	(1970-81)
			Total in U.S. dollars	660,000	45,375		45,375		
Republic of Paraguay Public entity	Establishment of a pre-investment fund for preparation of specific projects and general studies ($1,000,000)		U.S. dollars	700,000				6/9/66 (9/30/66)	3¼% [3] (1970-82)
Banco Nacional de Fomento (Republic of Paraguay) Public entity	Agricultural and industrial credit ($8,800,000)		Guaraníes [1]	1,600,000				11/10/66	2¼% [4]
			U.S. dollars	4,400,000				(4/28/67)	(1971-92)
			Total in U.S. dollars	6,000,000					
Administración Nacional de Electricidad (Republic of Paraguay) Public entity	Feasibility studies for expansion of Acaray River hydroelectric plant to 135,000 kilowatts ($270,000)		U.S. dollars	225,000				3/9/67 (5/19/67)	3¼% [5] (1969-74)
Administración Nacional de Electricidad (Republic of Paraguay) Public entity	Installation of two 45,000-kilowatt generator plants ($21,526,000)		Guaraníes [1]	3,000,000				7/20/67	3¼% [5]
			U.S. dollars	9,500,000				(9/2/67)	(1972-92)
			Total in U.S. dollars	12,500,000					
TOTAL LOANS TO PARAGUAY EXPRESSED IN U.S. DOLLARS				42,063,192	17,201,752	1,993,815	15,207,937		

PERU

Republic of Peru Public entity	Preinvestment studies of 66-mile Jaén-San Ignacio road in Northern Peru and 115-mile road between Inambari and Puerto Maldonado in Southeast Peru ($560,000)	Feasibility studies completed	Soles [1] U.S. dollars Total in U.S. dollars	114,713 360,000 474,713	114,713 360,000 474,713	17,198 63,530 80,728	97,515 296,470 393,985	8/20/64 (11/6/64)	4% (1966-74)
Republic of Peru Public entity	Integrated development of Indian communities in the Sierra ($39,542,000)	Wide variety of agricultural extension, credit, sanitation, irrigation, housing, road, health, veterinary and education services provided	Soles [1] U.S. dollars Total in U.S. dollars	2,400,000 17,600,000 20,000,000	1,709,328 1,415,051 3,124,379		1,709,328 1,415,051 3,124,379	1/27/66 (3/4/66)	2¼% [4] (1970-96)
Corporación Financiera de la Reforma Agraria (Republic of Peru) Public entity	Settlement of 5,125 farm families in the Huallaga River Basin in the Departments of Huanuco and San Martin ($25,000,000)	Project well underway	Soles [1] U.S. dollars Total in U.S. dollars	1,500,000 13,500,000 15,000,000	521,725 479,409 1,001,134		521,725 479,409 1,001,134	5/26/66 (9/30/66)	2¼% [4] (1971-91)
Republic of Peru Public entity	Establishment of preinvestment fund for preparation of specific projects and general studies ($5,167,000)		Soles [1] U.S. dollars Total in U.S. dollars	500,000 2,600,000 3,100,000				9/29/66	3¼% [5] (1971-83)
Universidad Nacional de Trujillo (Republic of Peru) Public entity	Expansion and improvement of Schools of General Studies and Chemical Engineering ($3,100,000)		Soles [1] U.S. dollars Total in U.S. dollars	100,000 1,700,000 1,800,000				12/8/66 (6/1/67)	2¼% [4] (1971-92)
Republic of Peru Public entity	Construction of dam to irrigate 17,000 acres and improve irrigation for 25,000 more at Aguada Blanca near Arequipa ($1,130,000)	Project 15% complete	Soles [1]	800,000	80,000		80,000	12/28/66 (3/21/67)	3¼% [5] (1970-87)
Republic of Peru Public entity	Improvement of water and sewage systems in 11 cities with 800,000 inhabitants ($33,415,000)		Soles [1] U.S. dollars Total in U.S. dollars	75,000 16,290,000 16,365,000				4/6/67 (4/24/67)	2¼% [4] (1971-92)

Country and Borrower (Guarantor)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans			Approved (Signed)	Interest (Maturity)
					Disbursed	Repaid	Outstanding		
PERU (Cont'd.)									
Republic of Peru Public entity	Construction of water systems in 307 rural communities with 240,000 inhabitants ($7,179,000)		Soles [1]	25,000				4/6/67	2¼% [4]
			U.S. dollars	3,110,000	238,924		238,924	(4/24/67)	(1970-92)
			Total in U.S. dollars	3,135,000	238,924		238,924		
TOTAL LOANS TO PERU EXPRESSED IN U.S. DOLLARS				60,674,713	4,919,150	80,728	4,838,422		
Less: Participations				700,000	700,000		700,000		
Net total loans to Peru expressed in U.S. dollars				59,974,713	4,219,150	80,728	4,138,422		
TRINIDAD AND TOBAGO									
Trinidad and Tobago Public entity	Studies to improve potable water systems throughout nation ($500,000)		U.S. dollars	300,000				12/7/67 (12/21/67)	2¼% [4] (1970-78)
TOTAL LOANS TO TRINIDAD AND TOBAGO EXPRESSED IN U.S. DOLLARS				300,000					
URUGUAY									
Establecimientos Frigoríficos del Cerro, S.A. Private entity	Soap manufacturing plant ($640,000)	Project completed	U.S. dollars	197,000	197,000	197,000		8/3/61 (11/30/61)	5¾% (Repaid)
Cooperativa Nacional de Productos de Leche (Banco de la República Oriental del Uruguay) Public entity	Expansion of dairy industry ($5,900,000)	Project initiated	U.S. dollars	3,600,000	686,226		686,226	11/5/64 (3/9/65)	4% [3] (1969-81)
Republic of Uruguay Public entity	Expansion of water supply services in eastern coastal cities ($1,778,000)		U.S. dollars	1,000,000				6/10/65 (8/19/65)	4% [3] (1969-85)

Banco de la República Oriental del Uruguay Public entity	Establishment of preinvestment fund for the preparation of specific projects and general studies ($2,150,000)		Pesos [1] U.S. dollars Total in U.S. dollars	150,000 1,350,000 1,500,000				9/1/66 (2/28/67)	3¼% [3] (1971-83)
Republic of Uruguay Public entity	Construction of water systems in communities in the interior ($7,100,000)		Pesos [1] U.S. dollars Total in U.S. dollars	1,250,000 3,150,000 4,400,000				8/31/67	2¼% [4] (1971-98)
Administración Nacional de Combustibles, Alcohol y Portland (Republic of Uruguay) Public entity	Technical assistance to improve financial and accounting systems ($1,200,000)		U.S. dollars	1,000,000				11/16/67	3¼% [3] (1971-88)
TOTAL LOANS TO URUGUAY EXPRESSED IN U.S. DOLLARS				11,697,000	883,226	197,000	686,225		
VENEZUELA									
Instituto Agrario Nacional (Republic of Venezuela) Public entity	Settlement of 800 farm families ($10,019,000)	Project 63% complete	Bolivares [1]	2,700,000	2,700,000	60,000	2,640,000	11/8/62 (12/19/62)	4% (1966-85)
Instituto Nacional de Obras Sanitarias (Republic of Venezuela) Public entity	Expansion of water systems for Cumaná, Puerto Cabello and Puerto Ordaz and of sewage system for Maracaibo ($19,814,000)	Construction supplies acquired for projects in Cumaná and Puerto Cabello; work begun on Maracaibo sewage lines	Bolivares [1]	7,200,000				11/29/66 (3/17/67)	4% (1970-85)
Fundación Andres Bello (Corporación Venezolana de Fomento) Private entity	Expansion of university facilities at Universidad Católica Andrés Bello ($2,990,000)		Bolivares [1] U.S. dollars Total in U.S. dollars	1,240,000 260,000 1,500,000				12/19/67	3% [3] (1971-88)
Corporación Venezolana de Fomento Public entity	Industrial and fishery credit ($6,000,000)		Bolivares [1]	3,000,000				12/21/67	4% [2] (1970-83)
Corporación Venezolana de Fomento Public entity	Establishment of preinvestment fund for preparation of specific projects and general studies ($6,000,000)		U.S. dollars	4,000,000				12/21/67	4% [2] (1971-83)
TOTAL LOANS TO VENEZUELA EXPRESSED IN U.S. DOLLARS				18,400,000	2,700,000	60,000	2,640,000		
Less: Participations				1,660,000	1,660,000		1,660,000		
Net total loans to Venezuela expressed in U.S. dollars				16,740,000	1,040,000	60,000	980,000		

Country and Borrower (Guarantor)	Purpose (Project Cost)	Achieved Progress	Currency	Amount	Status of Loans			Approved (Signed)	Interest (Maturity)
					Disbursed	Repaid	Outstanding		
REGIONAL									
Central American Bank for Economic Integration Public entity	Industrial and infrastructure credit ($9,004,000)	22 industrial loans for $8,812,636 authorized	Colones (Costa Rica)	1,350,000	1,112,210	34,757	1,077,453	4/4/63	4%
			Colones (El Salvador)	350,000	350,000	7,914	342,086	(4/26/63)	(1967-83)
			Quetzales	270,000	270,000	6,105	263,895		
			Lempiras	380,000	308,545	4,117	304,428		
			Cordobas	1,400,000	350,000	10,938	339,062		
			U.S. dollars	5,000,000	4,988,102	113,053	4,875,049		
			Total in U.S. dollars	6,003,927	5,770,382	131,194	5,639,188		
Central American Bank for Economic Integration Public entity	Industrial and infrastructure credit ($13,160,000)	17 industrial loans for $12,050,057 authorized	Colones (Costa Rica) [1]	80,000	80,000		80,000	12/24/64	4%
			Colones (El Salvador) [1]	100,000	100,000		100,000	(3/26/65)	(1969-85)
			Quetzales [1]	120,000	77,306		77,306		
			Cordobas [1]	100,000	100,000		100,000		
			U.S. dollars	7,800,000	7,012,354		7,012,354		
			Total in U.S. dollars	8,200,000	7,369,660		7,369,660		
Central American Bank for Economic Integration Public entity	Preparation of preinvestment studies of specific projects of regional interest ($4,300,000)		Colones (Costa Rica) [1]	60,000				4/24/66	3¼% [5]
			Colones (El Salvador) [1]	60,000				(9/29/66)	(1972-86)
			Quetzales [1]	60,000					
			Lempiras [1]	60,000					
			Cordobas [1]	60,000					
			U.S. dollars	2,700,000	271,250		271,250		
			Total in U.S. dollars	3,000,000	271,250		271,250		

Central American Bank for Economic Integration Public entity	Infrastructure credits ($13,800,000)	U.S. dollars	11,500,000				1/26/67 (4/26/67)	3¼% [5] (1971-97)
TOTAL REGIONAL LOANS EXPRESSED IN U.S. DOLLARS			28,703,927	13,411,292	131,194	13,280,098		
TOTAL LOANS EXPRESSED IN U.S. DOLLARS			967,526,723	194,152,269	16,176,485	177,975,784		
Less: Participations			9,483,915	9,483,915	1,128,170	8,355,745		
Net total loans expressed in U.S. dollars			958,042,808	184,668,354	15,048,315	169,620,039		

A) All loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, takes certain action and furnishes certain documents to the Bank.

B) The Bank has entered into irrevocable commitments to disburse $11,000,000.

[1] Expressed in U.S. dollar equivalent.

[3] In addition to the interest rate shown, also subject to a commitment fee of ¾% on the undisbursed balance.

[2] In addition to the interest rate shown, also subject to a commitment fee of ½% on the undisbursed balance.

[4] In addition to the interest rate shown, also subject to a commitment fee of ½% and a service charge of ¾%.

[5] In addition to the interest rate shown, also subject to a commitment fee of ¾% and a service charge of ¾%.

[6] In addition to the interest rate shown, also subject to commitment fees of ¾% and ½%, according to the subprograms to be financed, and a service charge of ¾%.

Mr. PASSMAN. Mr. Secretary, as I understand it, this appropriation of $300 million is the second of three installments to the Fund for Special Operations of the Bank. It is authorized by Public Law 90–88, is that correct?

Mr. PETTY. Yes, sir.

U.S. CONTRIBUTION TO FUND FOR SPECIAL OPERATIONS

Mr. PASSMAN. What has the total contribution of the United States been to this Fund since the inception of the Bank in 1959?

Mr. PETTY. The United States has contributed $1.2 billion.

Mr. PASSMAN. $1.2 billion?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Would you submit for the committee a table showing the U.S. contribution to the Fund and the contributions of the other 20 members?

Mr. PETTY. We'd be glad to.

(The information follows:)

CONTRIBUTIONS—FUND FOR SPECIAL OPERATIONS

[Expressed in U.S. dollars]

	Prior to increase	Proposed increase	Total after increase
Argentina	48,873,000	66,213,000	115,086,000
Bolivia	3,924,000	5,316,000	9,240,000
Brazil	48,873,000	66,213,000	115,086,000
Chile	13,419,000	18,180,000	31,599,000
Colombia	13,410,000	18,168,000	31,578,000
Costa Rica	1,962,000	2,658,000	4,620,000
Dominican Republic	2,616,000	3,543,000	6,159,000
Ecuador	2,616,000	3,543,000	6,159,000
El Salvador	1,962,000	2,658,000	4,620,000
Guatemala	2,616,000	3,543,000	6,159,000
Haiti	1,962,000	2,658,000	4,620,000
Honduras	1,962,000	2,658,000	4,620,000
Mexico	31,419,000	42,570,000	73,989,000
Nicaragua	1,962,000	2,658,000	4,620,000
Panama	1,962,000	2,658,000	4,620,000
Paraguay	1,962,000	2,658,000	4,620,000
Peru	6,546,000	8,868,000	15,414,000
Trinidad and Tobago	1,962,000	2,658,000	4,620,000
United States	900,000,000	900,000,000	1,800,000,000
Uruguay	5,241,000	7,101,000	12,342,000
Venezula	26,187,000	35,478,000	61,665,000
Total	1,121,436,000	1,200,000,000	2,321,436,000

NOTE: Contributions by the United States through Mar. 31, 1968, total $1,200,000,000. ($900,000,000 shown above as "prior to increase" plus first installment of "proposed increase.")

NATIONAL CURRENCIES

Mr. PASSMAN. As I understand it, one-half of the contribution of the other 20 members is in their national currency.

Mr. PETTY. Yes, Mr. Chairman.

Mr. PASSMAN. How much of these national currencies does the Bank have on hand at this time?

Mr. PETTY. The amount available as of December 31, 1967, in Latin American currencies is $98.656 million, Mr. Chairman.

Mr. PASSMAN. What portion of that total is presently unobligated or committed?

Mr. STERNFELD. $76 million of that is unobligated.

Mr. PASSMAN. Why don't you utilize those funds and recommend a postponement for a portion of this request until it is really needed?

Mr. STERNFELD. It is expected, Mr. Chairman, that these funds will be utilized in calendar year 1968. The largest portion of these funds was made available the last week of December to cover the contribution on the part of the Latin American Governments.

Mr. PASSMAN. Did they put up dollars in the same amount?

Mr. STERNFELD. No, sir. These are local currencies.

Mr. PASSMAN. Did they match it with dollars at the same time?

Mr. STERNFELD. No, sir.

Mr. PASSMAN. I thought the arrangement was that one-half of the contribution of the other 20 would be in their national currency and one-half in dollars or convertible currencies.

Mr. STERNFELD. The original contribution made to the Fund for Special Operations was on the basis of one-half in national currency and one-half in dollars. The contributions which are now made in this new arrangement, (Public Law 90–88) in which the United States will put forward $900 million for the next 3 years and the Latin American Governments put forth $300 million, are put in by all countries in their national currencies.

RATIO OF U.S. CONTRIBUTION TO LATIN AMERICAN CONTRIBUTION

Mr. PASSMAN. They are putting up $300 million in their own national currency and we are putting $900 million in cash.

Mr. STERNFELD. In dollars.

Mr. PASSMAN. That's a ratio of 20 nations putting up 25 percent and one nation puting up 75 percent. It that right?

Mr. STERNFELD. That's 3 to 1.

Mr. PASSMAN. We put up $900 million dollars and they put up $300 million, so that's really——

Mr. STERNFELD. Two-thirds to one-third ratio.

Mr. PASSMAN. That's not two-thirds. If it's $900 million—it appears to me to be 3 to 1.

Mr. STERNFELD. Yes; 3 to 1.

Mr. PETTY. I might say, sir, in the previous contribution to the Fund for Special Operations, the ratio was 5 to 1. So the ratio of U.S. contribution has decreased.

Mr. PASSMAN. I can show you places where the ratio has been 50 to 1. But it follows, nevertheless, that 20 nations are putting up $300 million in their own local or national currency, but we are putting up $900 million and they are the beneficiaries of the whole fund, aren't they?

Mr. PETTY. They are, indeed.

Mr. PASSMAN. This is one of the arrangements and entanglements that the bureaucrats get us into. I am not being critical of you. This is completely par for the course.

PERCENTAGE OF CONTRIBUTIONS IN NATIONAL CURRENCIES

Now, Mr. Secretary, under a previous arrangement, the 20 nations put up 50 percent of their contributions in their own national currency, and 50 percent of it in dollars or convertible currency. We're getting a nod from this side of the table.

Mr. PETTY. Yes, sir.

Mr. PASSMAN. That's correct, sir. It's even worse, because they have amended the charter where subsequent contributions are made altogether in their local currency. Now why couldn't we get in on that and put up half of ours in the excess currency we may have in those countries? How do we get worked into these deals where we actually put up the money?

Mr. STERNFELD. One of the basic reasons of our agreeing to putting up the moneys in national currencies is that this permits us to provide that the dollars which we make available can only be used in the United States or in the member country in which the project would be located. If we were to continue on the provision which allows the countries to make their funds available half in their national currencies and half in dollars or gold, this would untie the latter half of the contribution.

Mr. PASSMAN. How did you get fouled up on that first deal—where they would put up half in their national currency and half in dollars? Did you make a mistake then?

Mr. STERNFELD. No, sir.

Mr. PASSMAN. But they changed the rules by which they make their contribution and we did not change ours.

Mr. STERNFELD. Since our national currency is dollars and not other currency, we didn't change the rule.

Mr. PASSMAN. We don't have any excess currency in these countries?

Mr. STERNFELD. In Latin American countries? No, sir.

Mr. PASSMAN. They are meeting their commitments by contributing 100 percent in their national currency, whereas previously they put up 50 percent in national currency and 50 percent in dollars?

Mr. STERNFELD. That's right. We felt it was in our interest.

Mr. PASSMAN. Are you familiar with the mess we are getting ourselves into all over the world in the balance-of-payments situation, public debt, deficit financing, and the gold outflow?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Now I believe that Douglas Dillon—and he was an able man—stated at one time in a direct answer to a direct question that all countries, large or small, rich or poor, earn convertible currencies from their exports. Do you subscribe to that?

Mr. STERNFELD. Yes, sir. They still do.

Mr. PASSMAN. I believe these Latin American countries at one time purchased a substantial amount of commodities from the United States, did they not?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. I believe Mr. Dillon also said that we did not have any control over the internal affairs of governments and their treasuries. Do you agree?

Mr. STERNFELD. Yes, sir.

EFFECT OF ASSISTANCE ON TRADE

Mr. PASSMAN. Is it not true that when we credit these countries with these free dollars with which they can requisition their commodities from us whether it be out of this spigot or any of the other 15 spigots of foreign aid, then that releases to them the earnings from their exports to spend wherever they want to, does it not?

Mr. STERNFELD. Not necessarily, sir.

Mr. PASSMAN. If you don't have control over their internal affairs, how can you prevent these people from increasing their trade with our competitors?

Mr. STERNFELD. If these dollars are going for specific projects.

Mr. PASSMAN. That's not what I said, Doctor. You admitted Mr. Dillion made a statement of fact that they can take the earnings from their own exports and spend that money wherever they want to, can't they?

Mr. STERNFELD. They are free, national, sovereign countries.

Mr. PASSMAN. Have you looked at the record lately to see how greatly they have increased their purchases from our competitors in recent years?

Mr. STERNFELD. It is my understanding that, as far as Latin American trade with the United States is concerned, they had not decreased the amounts they had purchased. In fact they had increased it.

Mr. PASSMAN. They have increased it out of AID dollars but how greatly have they increased trade with the European nations?

Mr. STERNFELD. No, sir. We can supply for the record——

Mr. PASSMAN. I know you can but you ought to be able to supply the answer now. I don't believe you've had a look at that side of the ledger. You don't have the answer now.

Mr. PETTY. I think, Mr. Chairman, it is clear, looking at the free foreign exchange purchases by the Latin American countries and excluding U.S. Government-financed projects, that for the period from early 1960 through 1966 and according to indications for 1967 as well, the U.S. share of free foreign exchange of the Latin American countries used in the United States has increased.

Mr. PASSMAN. Certainly it has, because actually, Doctor, any time we give these people aid, and I don't care from what spigot you draw it out, we call that an export to Latin America, and put it in the adding machine and take credit for it.

Mr. PETTY. No, sir.

Mr. PASSMAN. Don't say "no." I know it is true.

Mr. PETTY. My statement was on a basis excluding AID-financed projects.

Mr. PASSMAN. Certainly there should be some increase with the tremendous number of billions of dollars we have given them. We would expect some increase, but I wish you would, Doctor, compare the increase in trade with American exporters minus aid, to the increase in trade with European countries. There is a beautiful record in prior year hearings, and I am going to instruct the clerk to look it up and refer you to that page. You have some ammonia ready. It is going to be so shocking you will need it.

Mr. PETTY. This is a subject of considerable effort on the part of the Treasury working with the AID and the Commerce Department in our so-called additionality exercises where we make very conscious efforts to make sure that the AID-financed exports are additional to the goods that would normally be sold commercially by U.S. exporters to Latin America.

Mr. PASSMAN. Doctor, I have never questioned the integrity of the justifiers—I think you know I have that reputation—but I often question their wisdom. When we look at what is happening to the dollar,

what is happening to our gold, what is happening to the public debt, our tremendous budget deficit, what is happening to world trade, and put them all together, something is wrong. None of the justifiers for money ever assume any of the responsibility, but it is the people who appear before this committee that we must blame for the serious position we are in with our public debt, with the budget deficit, with the gold outflow, with the deficit balance-of-payments situation, and with world trade. I'll cite this, if I may.

Off the record.

(Discussion off the record.)

NEED FOR APPROPRIATION

Mr. PASSMAN. We have no other alternative. The Congress passed the legislation, so we have no alternative other than to consider your request and subsequently we will have to find out whether or not there is a legal obligation on the part of the Congress to make available these vast amounts of sums, especially in view of the critical condition in which we find the dollar today.

What procedures are followed by the Bank in assuring itself that the proposal for loans from the FSO cannot be financed from other sources?

Mr. STERNFELD. The Bank has, as part of its charter and part of its operating regulations, rules that if funds can be provided from private sources or other international organizations operating in the field, they should not be provided by the Bank.

Mr. PASSMAN. I know that. My question is, What are you doing to assure yourself that there is not?

COORDINATION OF LOANS TO LATIN AMERICA

Mr. STERNFELD. Yes, sir. This is handled in a number of ways. There is an intergovernmental committee called the Inter-American Committee for the Alliance for Progress in which all of the agencies who operate in Latin America meet periodically on a country basis to exchange information and to see which borrowers are coming to which institutions and which of the agencies are prepared to finance the specific projects. That is done at that level.

Also, at the working level, the person working on a particular country will be in touch with his counterparts in AID, in the World Bank, in the Export-Import Bank, and to the extent possible, to other national organizations to see if they are interested in a particular project. Also the U.S. Director, before casting his vote on any IDB loan, takes his instructions from the Chairman of the National Advisory Council which has as its responsibility the coordination of a U.S. position in each of the international aid-giving agencies.

Mr. PASSMAN. You are talking about entirely intergovernmental correspondence from one bureaucrat checking with another, but where do you have copies of letters addressed to the banks, and letters from the banks declining? You have to do more than just have an oral——

Mr. STERNFELD. It is more than oral. They exchange the list of applications which have come in from the country and they go over the specific projects individually. They do that at the level of the person working in the institution and at the level within the U.S. Government.

STATUS OF FSO FUNDS

Mr. PASSMAN. What is the status of the Fund as of some current date?

Mr. STERNFELD. The status of the Fund for Special Operations?

Mr. PASSMAN. Yes.

Mr. STERNFELD. As of December 31, 1967—which is not completely up-to-date——

Mr. PASSMAN. Let's take December 31, 1967, some period you can vertify as to its correctness. I'll put it this way: What was the total resources available as of December 31, 1967?

Mr. STERNFELD. The total resources, including the contributions made, and the loan repayments—

Mr. PASSMAN. Cash on hand.

Mr. STERNFELD. Total resources available as of December 31, 1967, was $1,161,863,315.

Mr. PASSMAN. No cents?

Mr. STERNFELD. No cents.

Mr. PASSMAN. How much does that represent in dollars? And how much does that represent in local currency?

Mr. STERNFELD. I'm sorry, I don't have the exact figures.

Mr. PASSMAN. Get it for the record.

Mr. STERNFELD. Yes; we will.

(The information follows:)

Fund for Special Operations, December 31, 1967

[Expressed in U.S. dollars]

Resources:	
U.S. dollars	936,356,015
Latin American currencies	225,507,300
Total	1,161,863,315

UNOBLIGATED BALANCE

Mr. PASSMAN. What part of this $1,161,863,315 is uncommitted?

Mr. STERNFELD. The unobligated portion of that is $209,384,907.

Mr. PASSMAN. No odd pennies?

Mr. STERNFELD. Not to my knowledge.

Mr. PASSMAN. I just want to get it as accurate as we can.

VOLUME AND RATE OF LENDING

Now, what is the average rate of loans per year since the inception of this fund.

Mr. STERNFELD. Yes; for this fund. In 1967 it was $313,030,000. In 1966 it was $290,805,000. In 1965 it was $196,220,000. In 1964 it was $48,937,000. In 1963 it was $32,028,000. In 1962 it was $41,093,000. In 1961 it was $45,414,000.

Mr. PASSMAN. That's a grand total of what?

Mr. STERNFELD. $967,527,000.

Mr. PASSMAN. Over how many years?

Mr. STERNFELD. Seven years.

Mr. PASSMAN. The total resources available as of December 31 exceeds the total amount of disbursements for the 7 years of operations; is that correct?

Mr. STERNFELD. Yes, sir.

NUMBER OF FUNDS AVAILABLE TO BANK

Mr. PASSMAN. How many funds do you have in this Bank? Sometimes we open up one window, sometimes we have two windows, and I think sometimes we have three windows. Let's put the pieces together. How many windows do you have in this operation?

Mr. STERNFELD. Basically, three windows.

Mr. PASSMAN. What is the aggregate now, of all the capital, all three windows, as of December 31?

Mr. STERNFELD. The amount of loans authorized——

Mr. PASSMAN. That's not what I asked. I'll ask that next. I want to know what is available.

Mr. STERNFELD. Yes.

Mr. PASSMAN. Have you run into some more windows?

Mr. STERNFELD. Yes.

Mr. PASSMAN. Well, forget about the small ones. Let's get the three main ones.

RESOURCES OF BANK

The total resources are $2,680,617,000; is that right?

Mr. STERNFELD. Yes. You are very good. You can read upsidedown. I take my hat off to you.

Mr. PASSMAN. Now, what are the total receivables, accounts receivables?

Mr. STERNFELD. The loans outstanding——

Mr. PASSMAN. I'll accept it that way.

Mr. STERNFELD. The loans outstanding are $2,370 million.

Mr. PASSMAN. The total assets are what amount?

Mr. STERNFELD. That's not total assets. I am not adding that to the capital.

LOAN PRINCIPAL REPAYMENTS

Mr. PASSMAN. What has been the repayment record of borrowers from the fund?

Mr. STERNFELD. This fund? All the payments are current. There are no arrears, and as of December 31, the loan principal repayments have been a total of $16 million in dollars, and local currency.

LOAN DELINQUENCIES

Mr. PASSMAN. Do you have any delinquencies?

Mr. STERNFELD. No delinquencies.

Mr. PASSMAN. What is your rollover system? How deliquent does a loan have to be before you roll it over.

Mr. STERNFELD. There are no rollovers in the Bank.

Mr. PASSMAN. You can always keep everybody up-to-date if you roll them over often enough, can't you?

Mr. STERNFELD. If you had a series of debt reschedulings you can.

Mr. PASSMAN. Rollover means bringing delinquent accounts up-to-date by some kind of refinancing, refunding, or rescheduling agreements; doesn't it?

Mr. STERNFELD. Yes.

Mr. PASSMAN. So far you haven't had a rollover operation?

Mr. STERNFELD. Nothing of that sort under the fund for special operations.

Mr. PASSMAN. The $16 million repayments, out of the total loans made, is what percentage of the total?

Mr. STERNFELD. $968 million loaned and $16 million in loan principal repayments.

SELF-SUPPORTING PROGRAM

Mr. PASSMAN. I believe this institution, after its inception, was supposed to be one that would become self-supporting in just a few years; is that right?

Mr. STERNFELD. Not to my knowledge was the Fund for Special Operations expected to become self-supporting in a few years. It is felt eventually it will be.

Mr. PASSMAN. How soon?

Mr. STERNFELD. There is a feeling that there has to be a great deal of reliance on the ordinary capital window, not the Fund for Special Operations window.

Under the ordinary capital window it is felt the Bank should obtain its funds for regular bankable loans from the capital markets of the world. The Bank has been successful in obtaining and floating bonds in the United States and six or seven other countries for the ordinary capital needs.

Mr. PASSMAN. Mainly the United States?

Mr. STERNFELD. That's right. Sixty-five percent in the United States and 35 percent outside.

Mr. PASSMAN. All the other 129 nations of the world, is what percentage?

Mr. STERNFELD. Thirty-five percent of their funded debt has been financed from other countries of the world. This is the ordinary capital fund.

Mr. PASSMAN. When do you think the Special Operations Fund would be self-sustaining? Can you project it?

Mr. STERNFELD. I'm not able to project it. I think we have been moving in this fund in recent years to place a greater reliance on the other country members.

Mr. PASSMAN. You mean the beneficiaries of the fund; is that correct?

Mr. STERNFELD. They are the beneficiaries; that's correct. We had a ratio on the replenishment prior to Public Law 90–88, of 5 to 1.

Mr. PASSMAN. You mean put in one and take out five?

Mr. STERNFELD. No.

Mr. PASSMAN. That may be correct, however.

Mr. STERNFELD. I don't know if that's correct either.

Mr. PASSMAN. That's not what you are referring to?

Mr. STERNFELD. No, sir. I'm referring to the contributions. We have moved from 5 to 1 to 3 to 1 in the last replenishment. We initially had 11 to 1.

Mr. PASSMAN. There are some places where we had 70 to 1; is that right?

Mr. STERNFELD. I'm not sure.

Mr. PASSMAN. In some cases we had 100 to 0. You don't question the accuracy of that statement do you?

Mr. STERNFELD. No, sir.

Mr. PASSMAN. I don't believe you would question the fact that the dollar is about to go down the drain either, would you?

Mr. STERNFELD. I question that, sir.

GOLD SITUATION

Mr. PASSMAN. I don't guess you would question though that our gold is about all gone.

Mr. STERNFELD. I question that.

Mr. PASSMAN. It is down to $10.4 billion, from $24 billion, with $33 billion in short term claims floating around ready to grab the rest of our gold, if they ever decide to. You are familiar with how low it is now?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. About $10.4 billion; isn't it? Is it not true that our gold reserves dropped from $24 billion in recent years down to $10.4 billion?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Isn't it true also the short term claims against that $10.4 billion have moved from $10.5 billion to $33 billion?

Mr. PETTY. Yes, sir. The long-term assets quadrupled.

Mr. PASSMAN. Whose assets?

Mr. PETTY. U.S. corporations, U.S. industry.

Mr. PASSMAN. You don't have any thing to do with the corporations. I'm talking about Government. We permitted our gold to drop from $24 billion to $10.4 billion. And if it continues to drop at this same rate, then we won't have enough gold left to fill your teeth.

Mr. PETTY. You are showing the——

Mr. PASSMAN. I'm saying what the people downtown say. You ought to read some of their statements. They know our dollar is about to go down the drain. We are on the verge of financial collapse. You know that as well as I do. Three weeks ago you had to discount dollars 10 or 15 percent when you paid your hotel bill abroad. We begged for a little breathing spell to get our financial house in order. If you think it is in order, then you are not following what is being said by Mr. Johnson, Mr. Fowler, and Mr. Rusk, and all the others.

Mr. PETTY. It explains the great emphasis the Treasury places on the need for the surtax.

Mr. PASSMAN. The increased withdrawal from the U.S. Treasury during the first 8 months of this fiscal year—only 44 percent of it went to finance the increased costs of the Vietnam war. The other 56 percent was to finance the Great Society programs that had never been heard of in this country until just a very few years ago. I'll leave that on the record. If you can change those figures you are going to have to retype the Treasury statements.

If you get that $10 or $12 billion in increased taxes and put it in the Great Society spending stream, it will be absorbed very fast. The answer is to cut out a lot of these wasteful programs at home and abroad. That's the way I feel. That's the way I vote. That's the way I'm going to work. I hope someday I can see these things materialize.

INVESTMENTS OF THE BANK

Can you tell us what type of investments the Bank has at this time?

Mr. STERNFELD. The Fund has a small amount invested in U.S. Government obligations.

Mr. PASSMAN. What is a "small amount"?

Mr. STERNFELD. $3,577,000.

CASH GRANT TO THE BANK

Mr. PASSMAN. What has been our total cash grant to the Bank since its inception?

Mr. STERNFELD. We have provided as of this date——

Mr. PASSMAN. I didn't ask "provided," I asked "grant." I'm trying to be fair about it.

Mr. STERNFELD. If we are talking about the fund for special operations: $1,200 million. That was appropriated and made available to the Bank's fund for special operations as a contribution to its capital.

Mr. PASSMAN. When will it be paid back?

Mr. STERNFELD. If the fund ever dissolves——

Mr. PASSMAN. If it ever dissolves we'll never get any of it back.

Mr. STERNFELD. I don't know why we shouldn't.

Mr. PASSMAN. Until it dissolves there is nothing that calls for repayment of our contribution, is that right?

Mr. STERNFELD. There is nothing called for.

Mr. PASSMAN. Do you mean to tell me they have taken money out of this fund that we gave them and are buying U.S. Government bonds on which we have to pay them interest?

Mr. STERNFELD. Those are funds going back to the original contribution that was made available.

Mr. PASSMAN. Out of the money we gave them, are they investing part of it in Government bonds on which we are paying interest? Is that a fair statement? That we are borrowing some of it back and paying interest?

Mr. STERNFELD. I am unable to tell from the records I have here as to whether these aren't funds which were made available from the Latin American governments, when they had to make their contribution in dollars or other hard currency—or whether these are not Latin American contributions paid in dollars that were invested in U.S. Government obligations.

Mr. PASSMAN. But this is the same Bank that we gave $1.2 billion to, and Uncle Sam is now borrowing money from them and paying them 5 percent interest. Is that right?

Mr. STERNFELD. We basically operate with this Bank by giving them a letter of credit which is not drawn down until the funds are needed to make the actual disbursements.

Mr. PASSMAN. I'm going to sit here until 9 o'clock tonight to get an answer. We have made grants of $1,200 million, for which there is no provision in the contract for repayment, but we are presently, from the same Bank, borrowing a certain amount of funds, are we not, and paying them 5 percent interest, or whatever the going rate is?

It is a completely fair question.

Mr. STERNFELD. It is a fair question.

Mr. PASSMAN. Then how much is it, doctor?

Just tell me how much money the United States is borrowing from the Inter-American Development Bank and paying interest on it. Can you give me that?

Mr. STERNFELD. I can't——

Mr. PASSMAN. I'm not asking you to identify a thing in the world. Is our Government borrowing any money from the Inter-American Bank from any of these windows?

Mr. STERNFELD. The Inter-American Bank—in the fund for special operations—has invested $3,577,000 in U.S. obligations.

Mr. PASSMAN. Putting it another way so that the U.S. taxpayer could understand it, we gave $1.2 billion to this fund, but currently our Government owes the Bank $3.5 million. At what rate of interest are we paying the Inter-American Bank for this money?

Mr. STERNFELD. I can't tell from the information I have here.

Mr. PASSMAN. It is not free; is it?

Mr. STERNFELD. No, sir.

Mr. PETTY. At the market rate.

Mr. PASSMAN. What is the market rate?

Mr. PETTY. In the neighborhood of 5½ to 6 percent.

Mr. PASSMAN. Am I assessing this correctly, that whatever the amount may be, at the least the U.S. taxpayer, through its Government, is paying the Inter-American Bank the going interest rate on the amount of money that we borrowed back from them?

Mr. PETTY. That's correct, on what they've invested in U.S. Government obligations.

Mr. PASSMAN. Thank you very much. Let's not complicate it any further.

COMPARISON WITH ASIAN DEVELOPMENT BANK

Is this operation—it is quite similar to the Asian Development Bank; is it not?

Mr. STERNFELD. This was established many years before that.

Mr. PASSMAN. I know. But I say, it is quite similar in its aims and purposes.

Mr. STERNFELD. Yes.

Mr. PETTY. As a regional development bank; yes, sir.

Mr. PASSMAN. They both appear to be in reasonably good financial condition; is that a fair statement?

Mr. PETTY. Yes, sir.

AID GRANTS

Mr. PASSMAN. We learned yesterday that the AID agency made a grant of $250,000 to the Asian Development Bank, notwithstanding the fact that disbursements have been zero, they have $195 million on hand, and they only have about $30 million in loan applications. Has AID made any grant as such to the Inter-American Bank?

Mr. STERNFELD. Mr. Chairman, as you know, in 1961, the U.S. Government, through AID provided funds for the social progress trust fund in two appropriations which your committee dealt with, total ing $525 million.

Mr. PASSMAN. That's a nice answer, but to get a brief one, the AID agency made a grant to the Inter-American Bank of $525 million.

Mr. STERNFELD. Yes; which was authorized and appropriated by the Congress to the President.

Mr. PASSMAN. Through AID?

Mr. STERNFELD. Yes. It was placed under the supervision of AID; yes, sir.

Mr. PASSMAN. That's a little more than $250,000. I won't sleep tonight. I'm sorry I asked the question. That is, in addition to all the other money.

Mr. STERNFELD. Correct.

Mr. PASSMAN. That's window 3?

Mr. STERNFELD. That's correct.

Mr. BETTS. It is a part of the total funds available of $2.6 billion which you mentioned earlier.

Mr. STERNFELD. Yes.

Mr. PASSMAN. When did we make the last grant?

Mr. STERNFELD. I think it was fiscal 1964, Mr. Chairman.

Mr. PASSMAN. I am very pleased they stopped, but why did they stop? Ran out of legislation?

Mr. STERNFELD. No, sir. It was felt it was more desirable to carry out the activities which were financed under the social progress trust fund, as a part of the regular operations of the Bank which would call for contributions, not only on the part of the United States, but also on the part of the other member countries who are recipients.

Mr. PASSMAN. Isn't that the way the Asian Development Bank does it?

Mr. STERNFELD. I'm not familiar with that.

Mr. PASSMAN. All right. Seriously, I am frightened. I am frightened as to the financial entanglements that we are getting ourselves into. This is no personal affront to you. You are just as loyal and devoted as any group that comes before this committee. But we are in for it and I don't know how we are going to straighten out.

We are spending money on things we don't need trying to be everything to everybody, and it is on borrowed money.

I hope we come to our senses soon and not renew some of these present commitments when they expire.

FIELD OFFICES OF THE BANK

I note from the statement of income and expenses for the fund for special operations, that it has field offices which cost $720,000. That is in 1967. Is that right?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Where are they located?

Mr. STERNFELD. In all of the member countries.

Mr. PASSMAN. The purpose is to solicit business?

Mr. STERNFELD. The purpose is to make sure that the Bank's funds are being wisely allocated and utilized and to maintain liaison with member governments.

Mr. PASSMAN. I don't think it is quite fair to you, to our Government, and to the American taxpayer, for us to accept these statements without more specific information. Now, we are looking at field offices expenses. It would appear that the salaries are about $140,331—that's for calendar 1967, and other expenses are $579,719. I think that salaries are easily established—a list of employees and show what the

salary is, and where they are located. But when you put down this big figure, "Other" which is several times the cost of the salaries, it raises my curiosity as to what is meant by "Other." I would like to have more detail on it. Of course you don't have the detail, I wouldn't think, would you?

Mr. STERNFIELD. I wouldn't have it with me. I can supply it.

(The information follows:)

FUND FOR SPECIAL OPERATIONS

Details of 1967 expense for field offices—other expense

Other compensation and benefits	$93,312
Travel	85,524
Contractual services	143,304
Communications	58,010
Office occupancy	67,644
Publications and printing	11,641
Supplies and equiment	56,837
Miscellaneous	66,447
Total	579,719

REPRESENTATION ALLOWANCE

Mr. PASSMAN. I know one time the Bank had a big clambake. The ink had not dried on the charter before they had a clambake in Rio, I believe, and the representation allowance was a frightfully high figure. Now, they have either ceased to have the representation allowance, or they have it under a different caption. That arouses my curiosity a little. Where do we find the representation allowance carried? Under what fund is that?

Mr. STERNFELD. I think what you are referring to is the——

Mr. PASSMAN. The clambake where they all got together and said, "Santa Claus has come. Look at the money we have." I guarantee you that, if you put all the money together that they spent for representation allowance in a swimming pool, it would run over. You just can't find it. Where is it listed?

Mr. STERNFELD. I think what you are referring to is a Board of Governors meeting——

Mr. PASSMAN. I know what I am referring to.

Mr. STERNFELD. I know, too.

Mr. PASSMAN. Is it represented in this operation? Where do we find it?

Mr. STERNFELD. You find it in a number of places.

Mr. PASSMAN. Tell us where.

Mr. STERNFELD. If you are looking at the audited statements——

Mr. PASSMAN. That's what I'm looking at.

Mr. STERNFELD. There is representational funds as part of the Board of Governors annual meeting——

Mr. PASSMAN. I know. But how do you break it apart, as they did one time. When you just say Board of Governors annual meeting—previously you broke it down for us.

Mr. STERNFELD. Yes, sir; I can attempt to break this down.

Mr. PASSMAN. Why the change in the way of reporting it?

Mr. STERNFELD. This is the method which the external auditors have indicated they will report this.

Mr. PASSMAN. Isn't that what we had before.

Mr. STERNFELD. I think they gave you a detailed statement before.

Mr. PASSMAN. Yesterday, the Asian Development Bank had about $20,000 for staff representation, but we could not fund the representation allowance for the Board of Directors or their alternates. He was going to search it out and tell me the amount. What if you accept the same suggestion and you search it out and if you will let us know what it is.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Let us look at it, because we may want to have some additional hearings. That "other" is a pretty big item, like the Secretary's travel figure of yesterday. Some of those people must have 15 or 20 children—if they spend that much money in travel, each employee must be going by private plane.

(The information follows:)

FUND FOR SPECIAL OPERATIONS, 1967 ADMINISTRATIVE EXPENSE—REPRESENTATION

Category of expense	Total expense	Includes representation expense
Board of Governors	$60,910	$8,422
Board of Executive Directors, other compensation and benefits	32,873	8,851
Staff, other compensation and benefits	801,114	9,722
Other administrative expense, miscellaneous	183,541	15,368
Total		42,363

LEGISLATION FOR ADDITIONAL CALLABLE CAPITAL

Mr. PASSMAN. Although there is no specific request before us at the moment, H.R. 15364, which authorizes $411,760,000 as a U.S. subscription to the capital stock of the Bank recently passed by the House, is that correct?

Mr. STERNFELD. Yes.

Mr. PASSMAN. What is the status of this huge amount in the Senate?

Mr. STERNFELD. Hearings have been held by the Senate Foreign Relations Committee. Nothing has been reported out of that committee yet.

Mr. PASSMAN. Now, this would be in addition to all this other money we appropriated and in addition to this $900 million?

Mr. STERNFELD. That's correct.

Mr. FINKEL. The chairman may wish to note that that appropriation involves no expenditure of cash funds. It is for callable——

Mr. PASSMAN. They want us to make it available, nevertheless.

Mr. FINKEL. Yes, sir.

Mr. PETTY. One-half this time and one-half in 1970 I believe it is.

Mr. PASSMAN. Well, it is the same thing as a no-year appropriation. You just put it on ice.

Mr. STERNFELD. It is a guarantee, a contingent liability.

Mr. PASSMAN. Certainly it is.

I would assume that you would request the $205,880,000 as soon as the bill was signed into law?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. If the appropriation was not forthcoming, the Bank certainly could operate unrestricted, could it not, for the foreseeable future.

Mr. STERNFELD. If the appropriation were not forthcoming the Bank would very quickly run out of funds to make new commitments.

Mr. PASSMAN. You have answered my question. Then you are saying they would be calling upon this account for their money in the very near future.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. When do you think——

Mr. FINKEL. No, sir. Callable funds would not be available to obtain cash for the Bank for normal operations. They are callable only in order to meet obligations already outstanding that may be falling due.

Mr. PASSMAN. As you see it this is a standby line of credit.

Mr. FINKEL. Only in the limited sense of a guarantee.

Mr. PASSMAN. Yes, but it is a standby in the event the Bank should get into financial straits and needed it. You don't see that possibility in the foreseeable future do you?

Mr. STERNFELD. No, sir.

Mr. PASSMAN. Thank you. I'll ask my question again. If the Congress does not make this money available this year, then the Bank would continue for the time being operating on a normal basis, would it not?

Mr. FINKEL. No, sir. It would continue simply to collect and relend funds from loans already outstanding, but it would not be in a position to make new loan commitments.

Mr. PASSMAN. Then it is more than a contingent liability. They are actually making loans contingent on this fund.

Mr. STERNFELD. This callable capital is necessary in order for the Bank to float its bonds in the various capital markets. Unless it is able to obtain callable capital it would be very difficult for it to finance its ordinary capital operations.

CONTINGENT LIABILITIES

Mr. PASSMAN. I noted yesterday where 115 major statutes have been passed that call for the payout for services previously rendered, I think the figure is $1,400 billion. We know we are going to have to pay that because the law says you are going to pay this veteran so much per month, and so on, and you are going to pay interest of so much per month.

Now we have another contingent liability and that is this kind of monkey business. We are a back stop. We are making a guarantee to all the nations of the world who may see fit to make a loan to the Inter-American Bank that their loan is backed up by the United States. Is that it?

Mr. PETTY. Along with the other member countries.

Mr. PASSMAN. I'm not talking about any other countries. I am talking about the United States. It is a statement of fact that whatever we appropriate, whatever legislation we pass, it is a contingent liability in the amount you asked for.

Mr. PETTY. It is contingent on the nonrepayment of loans to the Bank and the incapacity of the Bank to pay its debts, and the other countries not paying their pro rata shares.

Mr. PASSMAN. If the other countries do not live up to their commitments then, of course, they look to us to make up for the difference. Is that what you are saying?

Mr. PETTY. Yes, sir; up to the amount of our subscription.

Mr. PASSMAN. Then we do have a liability; there is no way you can put it together. It is invisible. All the other things we referred to about our own country, the statutes are on the books. We know what we are going to have to put up because we know what the pensions are per month.

But, we don't know what this eventually could cost us. I wonder what the aggregate of these kinds of arrangements amount to in our Government; would you know?

Mr. FINKEL. If I'm not mistaken, a report was recently submitted to the Congress on contingent liabilities.

Mr. PASSMAN. This kind of a liability?

Mr. FINKEL. It is included in that tabulation.

Mr. PASSMAN. I'm wondering if you can get it for us, since you people are in the foreign aid field, what the total would be of this type of contingent liability. Is there any way to put it together?

Mr. FINKEL. Yes, sir. It is in an underlying schedule. It amounts to $5.7 billion in the World Bank, the International Bank for Reconstruction and Development. We have $100 million in the Asian Bank——

Mr. PASSMAN. A lot of that is paid in capital.

Mr. PETTY. No, sir; callable capital.

Mr. PASSMAN. Would you place in the record at this point a schedule of these contingent liabilities.

(The information follows:)

STATEMENT OF LIABILITIES AND OTHER FINANCIAL COMMITMENTS OF THE UNITED STATES GOVERNMENT AS OF JUNE 30, 1967 [1]

This report is compiled in accordance with section 402 of Public Law 89-809 (80 Stat. 1590). It shows the liabilities of the Federal Government as of June 30, 1967 (sec. I), and amounts representing financial commitments which may or may not subsequently become liabilities, depending upon a variety of future conditions and events (secs. II, III, and IV).

A word of caution about the use of the data is essential. The four sections of the report deal with basically dissimilar types of commitments which cannot be aggregated in any meaningful sense for any meaningful purpose. Within sections III and IV, even the individual line items are largely dissimilar and not susceptible to meaningful addition.

The "Liabilities" in section I represent existing liabilities to pay for such things as (1) money borrowed, (2) goods and services actually received, and (3) adjudicated claims. The existence of the liability in each of these categories is certain and unconditional in all material respects and the amount owing is fixed or reasonably determinable, but simply has not yet been paid.

The "Undelivered orders" in section II represent obiligations for goods and services ordered but not yet received and other legal commitments against appropriations, all pursuant to section 1311 of the Supplemental Appropriation Act of 1955 (31 U.S.C. 200). These commitments will mature into liabilities in section I when the goods and services ordered are delivered or when other performance stipulations have been fulfilled. The maturation of undelivered orders in section II into section I liabilities is a normal expectancy in the regular course of events in a relatively short time and the amounts of the undelivered orders are a reasonable measure of such future liabilities.

The "long-term contracts" in section III represent commitments of a general nature which have some similarity to those in section II but differ from the latter insofar as (1) they are not legal commitments against appropriations, (2) maturation to a liability stage is of longer range nature, and (3) they are more susceptible to cancellation or modification and hence are much less susceptible to use as a measure of future liabilities.

The "Contingencies" in section IV represent commitments which have the basic characteristic of uncertainty (1) as to whether the conditions or events

[1] Summary tables only. Underlying detailed schedules omitted.

implicit as a matter of conjecture will ever occur to cause any liability to be incurred or (2) if they do occur, as to when, with what frequency and to what degree.

Clearly, there is a vast difference between items in section I—where the liability is certain and the amounts relatively precise—and section IV—where the possible future liability is highly speculative, and may never arise and where the amounts, if they can be projected at all, are stated for the most part in terms of maximum theoretical risk exposure (the upper limit of the Government's financial commitment) without regard to probability of occurrence and without deduction for existing and contingent assets which would be available to offset potential losses.

The explanatory notes accompanying the data, particularly for sections III and IV, are intended to assist interested parties in assessing broadly any risk of probable loss; for most of the items in section IV, quantitative assessment becomes highly illusory.

Data classifications in this first report, as of June 30, 1967, are largely on the basis of budget concepts and format then prevailing.

SUMMARY STATEMENT OF LIABILITIES AND OTHER FINANCIAL COMMITMENTS OF THE U.S. GOVERNMENT AS OF JUNE 30, 1967

[In millions]

Description	Total	Applicable to other Government funds	Applicable to the public
I. Liabilities:			
The public debt on June 30, 1967, as published in the daily Treasury statement	$326,221	$75,731	$250,490
Net public debt transactions in transit as of June 30, 1967	−40		−40
The public debt as of June 30, 1967 (schedule 1)	326,181	75,731	250,450
Total agencys ecurities issued and outstanding (schedule 2)	18,549	1,783	16,766
Total public debt and agency securities	344,730	77,514	267,216
Deposit fund liability accounts (schedule 3)	2,593		2,593
Checks and other instruments outstanding (schedule 4)	3,107		3,107
Accrued interest on the public debt, not due (schedule 4)	1,440		1,440
Other liabilities on the books of the Treasury (schedule 4)	156		156
Accounts payable and accruals on the books of Government agencies (schedule 5)	24,065	1,791	22,274
Military housing mortgages payable	2,037	89	1,948
Total liabilities	378,128	79,394	298,734
II. Undelivered orders (obligations incurred under law against appropriations and funds for goods and services not yet received) (schedule 6)	77,320	1,692	75,627
III. Long-term contracts (subject to future modification or cancellation in advance of delivery of goods or services) (schedule 7)	[1] 2,759		[1] 2,759

	Maximum theoretical measure of contingency
IV. Contingencies:	
Government guarantees, insuring private lenders against losses (schedule 8)	$87,177
Beneficial interests in certain Government financial assets evidenced by participation certificates (schedule 9):	
Issued and outstanding	7,997
Less: Related amount of pooled assets	−7,997
Insurance commitments (schedule 10)	577,986
Actuarial status of annuity programs (schedule 11)	[2]
Unadjudicated claims (schedule 12)	3,649
International commitments (uncalled subscriptions to international organizations) (schedule 13)	[3] 6,611
Other contingencies not included above (schedule 14)	2,762

[1] Excludes certain contracts of indefinite amount, see schedule 7.

[2] Because the various annuity programs have been computed on different actuarial bases, it is not possible to compute a total. Details of individual programs are given in schedule 11.

[3] Includes liability for installment payment of $104 million to International Development Association which has since been paid.

Note: The data presented in this report were compiled from reports submitted by the agencies in accordance with Treasury Department Circular No. 966, Amdt. No. 1, dated Sept. 13, 1967. In several instances, incomplete data have been submitted by certain agencies since their accounting systems have not yet been developed to the point where they are able to provide the required information. In other instances the data furnished were on the basis of estimates by the reporting agencies.

Mr. PASSMAN. In all fairness to your country I don't think it should be listed as a liability, because there is a possibility we will not be called upon to pay these funds. We hope not. I certainly hope it will be kept to a minimum, because these other people are getting a lot of cash.

But when you put the credit of the country on top of that, to me—I just think we are going a bit too far.

Mr. STERNFELD. Twenty years experience with the World Bank has shown that they haven't called for that.

Mr. PASSMAN. I haven't criticized the World Bank.

Mr. STERNFELD. No, you haven't criticized anybody.

Mr. PASSMAN. You know very well this type of bank is not as solid as the World Bank. You don't put it on the same basis, I don't believe.

Mr. STERNFELD. On 8 years of experience of this bank, it has had no reason to call on its callable capital. It has some callable capital outstanding here which the U.S. Government has guaranteed. The record is good, and there is no reason to believe that there will ever be any call on this capital.

PERCENTAGE OF LOAN REPAYMENT

Mr. PASSMAN. Out of that billion dollars, you got back, I believe you said, $16 million.

Mr. STERNFELD. For Special Operations.

Mr. PASSMAN. Of what percentage is the total outstanding? Of the total loans, what percentage has been paid in?

Mr. FINKEL. About 1.6 percent of total commitments.

Mr. PASSMAN. About 1.6 percent. You are going to have to have a lot more experience with this operation.

Mr. STERNFELD. Yes, sir; but——

Mr. PASSMAN. Let me finish. You are going to have to have a lot more experience with this window before you can really say it measures up to par.

Mr. STERNFELD. That's correct. But the callable capital which we are talking about should be related to the ordinary capital where we have had repayments of principal of $62 million.

Mr. PASSMAN. How much of that in local currency?

Mr. STERNFELD. $10 million in local currency.

NEED FOR INCREASE IN CALLABLE CAPITAL

Mr. PASSMAN. Why is the increase in callable capital stock necessary?

Mr. STERNFELD. Unless the Bank is able to obtain this increase in callable capital stock, it will not have the backing to go out and insure additional securities, to obtain funds so it could make more commitments.

Mr. PASSMAN. Putting it this way, you have a sales pitch that we need this money and you can't miss because all the resources of the United States stand in back of us that we will repay you; isn't it that simple?

Mr. STERNFELD. But there are institutional investors who buy these securities all over the country. Banks, insurance companies——

Mr. PASSMAN. Isn't that exactly what we are doing? "Don't worry, Mr. Jones, if you buy this and the bank fails, Uncle Sam is standing

by to pick up the check." Putting it in my words, isn't that just what it is?

Mr. STERNFELD. Uncle Sam and the other member countries.

Mr. PASSMAN. Uncle Sam is putting up most of the money?

Mr. STERNFELD. Forty-two percent.

Mr. PASSMAN. And in another instance, as cash applies, we had a 3 to 1 ratio, $900 million to $300 million. You don't think they would buy it then? You couldn't sell these bonds, and you couldn't borrow these moneys unless Uncle Sam guaranteed it?

Mr. STERNFELD. I think you are correct.

Mr. PASSMAN. How long do you think you have to operate before Uncle Sam can "wean" this operation?

Mr. STERNFELD. Since the U.S. Government will not be paying out any funds it is not anticipated there will be any expenditure on the budget. This is money coming from the private capital market. I don't think it is intended to wean them away.

Mr. PASSMAN. I see. You still want that sales pitch. We are not too sure we are going to fail, but if you do make the loan and we do fail, Uncle Sam is backing it up. My point is, Are you always going to operate that way, or in the foreseeable future are you going to make such a record you can "wean" those people from Uncle Sam guarantying it?

Mr. PETTY. In the foreseeable future, I don't anticipate it. The legislation we mentioned earlier—that's before the Senate Foreign Relations Committee—calls for appropriations in 1970. So in the foreseeable future it is not anticipated.

Mr. PASSMAN. Not anticipated, what?

Mr. PETTY. To "wean" away from the past procedure.

Mr. PASSMAN. So we are going to still hang on. In the foreseeable future you don't anticipate we can wean them and let them operate strictly on their own?

Is that correct?

Mr. STERNFELD. That's correct.

Mr. PASSMAN. That's a fair answer. That's the way I thought the answer would finally come out.

REVIEW OF PROJECTS UNDER SOCIAL PROGRESS TRUST FUND

Now, we had a very distinguished Member of Congress last year, one very friendly to these projects and to Latin America. He commented not too favorably on various projects funded by AID, the Inter-American Development Bank, and the social progress trust fund, and in particular recommendation No. 4 stated:

> Projects funded by the social progress trust fund and administered by the Inter-American Development Bank which had long delays in their execution should be reevaluated and a determination made as to whether they should be continued or terminated.

Are you familiar with that statement?

Mr. STERNFELD. Yes, sir; I'm familiar with the report.

Mr. PASSMAN. Do you accept it as an accurate statement?

Mr. STERNFELD. I accept it as an accurate statement that projects should be reviewed and assessments should be made as to the current status of it and what should be done with the particular project. The

management and the Board of Directors of the Bank have approved a system to undertake such a review along with the other activities of the Bank.

Mr. PASSMAN. When are you going to do it?

Mr. STERNFELD. We expect to initiate this within 60 days.

BANKING EXPERIENCE OF DIRECTORS

Mr. PASSMAN. Do you have a banker connected with this Bank?

Mr. STERNFELD. On the Board of Directors, I believe, six out of seven members of the Directors have had some banking experience.

Mr. PASSMAN. I've had some myself as a borrower. I am talking about running banks.

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Who are they?

Mr. STERNFELD. There is a distinguished private banker from Uruguay.

Mr. PASSMAN. Who is our Board Director?

Mr. STERNFELD. Until January 15, it was True Davis. He had been a member of a number of banks.

Mr. PASSMAN. That's too many. Let's get down to specifics. Did he ever sit down at a desk and review applications at a bank?

Mr. STERNFELD. Yes, sir. As I remember him telling me he was a member of the board of directors of a bank.

Mr. PASSMAN. In some banks, you only have to inherit a little money and you can get on the board. Getting on the board doesn't mean a thing in the world. I am quite honest about this. You are a specialist in your own field but do we actually have any hard-nosed bankers on this Board? If so, would you place in the record at this point their experience, whether they are Board members through prestige of their family or whether they have been hard-nosed bankers sitting at a desk reviewing loan applications. Would you give us a biography on these Board members?

Mr. STERNFELD. Yes, sir.

(The information follows:)

Mr. José Juan de Olloqui, of Mexico, has been a member of the Board of Executive Directors of the Inter-American Development Bank for 2 years, representing Mexico, Panama, and the Dominican Republic. Mr. Olloqui concurrently holds the position of Assistant General Director of Credit in the Mexican Ministry of Finance. Previously he was head of the Department of Banking, Currency, and Investment of the Mexican Ministry of Finance. He has also served as an executive of the Mexican Central Bank and has served as a board member of various private and government credit institutions and enterprises.

Mr. Diego Calle Restrepo, of Colombia, has been a member of the Board of Executive Directors of the Inter-American Development Bank for 2 years, representing Chile, Colombia, Trinidad and Tobago, and Venezuela. Previously Mr. Calle held the positions of Minister of Finance, Ambassador of Colombia to Canada, Director of the National Chamber of Commerce and President of the Textile Industries Association of Colombia.

Mr. Alberto Ibáñez González, of Bolivia, has been a member of the Board of Executive Directors of the Inter-American Development Bank for 1 year, representing Bolivia, Paraguay, and Uruguay. Mr. Ibáñez' previous positions include President of the Central Bank of Bolivia and Vice President of the Bolivian-American Bank of La Paz. In 1965 he served as the Governor of Bolivia of the International Monetary Fund.

Mr. Victor da Silva of Brazil has been a member of the Board of Executive Directors of the Inter-American Development Bank for 3 years, representing

Brazil, Ecuador, and Haiti. Mr. da Silva has held numerous positions of responsibility in the fields of accounting, banking and government, including positions with the Finance Ministry and Planning Ministry of Brazil. He has occupied various positions with the National Bank for Economic Development, including service on its Directorate. He has also served as Secretary General of the Joint Brazil-United States Economic Development Commission, and has been a member of the Brazilian delegations to the United Nations and the International Monetary Fund.

Mr. Carlos Brignone, of Argentina has been a member of the Board of Executive Directors of the Inter-American Development Bank for 2 months, representing Argentina and Peru. Previously, Mr. Brignone was Vice President of the Central Bank of Argentina, Deputy Director of the National Office of Statistics and Census, and Director of the World Bank. He has substantial experience in the fields of finance and economic development and has held a number of important positions in the Argentine Government, among them Assistant to the President, adviser to the chamber of commerce, and Chairman of the Securities Commission.

Carlos Enrique Peralta-Mendez of Guatemala has been a member of the Board of Executive Directors of the Inter-American Development Bank for 2 years, representing Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Previously he had served as Minister of Labor and Social Security and Minister of Economy. As an attorney-at-law, he served as reviser of the Civil Code and Procedural Code of Guatemala.

Mr. PETTY. I would like to speak to this for a moment.

U.S. EXECUTIVE DIRECTOR

Mr. PASSMAN. Who is the new Director?

Mr. STERNFELD. The President has submitted a nomination to the Senate of Mr. Edward Clark of Texas.

Mr. PASSMAN. Is he a banker?

Mr. STERNFELD. A lawyer and a banker in Texas.

Mr. PASSMAN. What bank is he affiliated with at this time?

Mr. STERNFELD. I'm sorry, I don't know.

Mr. PASSMAN. He must be a past master if he can be a lawyer and run a board.

Mr. STERNFELD. He has had——

Mr. PASSMAN. He may be topnotch. He is a lawyer basically, isn't he?

Mr. STERNFELD. I'm sorry, I can't tell you whether he is a lawyer basically or banker basically.

Mr. PASSMAN. Would you give us something for the record?

Mr. STERNFIELD. Yes, sir. We'll get his biographical statement.

(The biographical sketch follows:)

Mr. Clark was the American Ambassador to Australia from August 1965, until February 1968.

Previously he was engaged in the private practice of law in Austin, Tex., and served as a senior partner in the firm of Clark, Thomas, Harris, Denius & Winters.

He was born July 15, 1906, at San Augustine, Tex. He received his B.A. degree from Tulane University in 1926 and an LL. B. degree from the University of Texas in 1928. In World War II he served in the U.S. Army.

Since 1928, Mr. Clark has been active in various civic and governmental affairs. In the 1930's he served as Secretary to the Governor of Texas and from 1937–39 as Secretary of State.

He has been active in banking, and served as president of the First National Bank of San Augustine, Tex., and chairman of the board of the Capital National Bank of Austin before being named to his ambassadorial post by President Johnson.

Mr. Clark, who was admitted to the Texas bar in 1928, is a member of the American Bar Association and during 1961–62 served as attorney for the Board

of Regents of the University of Texas. In 1965 he was the President of the Austin United Fund and a trustee of the Allen Military Academy of Bryan, Tex.

Mr. Clark is married to the former Anne Metcalf and they have one daughter, Lelia.

BANKING EXPERIENCE OF THE DEPUTY ASSISTANT SECRETARY OF TREASURY

Mr. PETTY. It may be useful for the record, Mr. Chairman, to note that in my position in the Treasury I follow closely the operations of the Inter-American Development Bank. I have had 13 years in commercial international banking.

Mr. PASSMAN. Were you sitting in an office downtown, or actually sitting at a desk in the bank reviewing loan applications, and was it your money or your family's money that you were having to loan out?

Mr. PETTY. It was something far more precious—it was the depositors' money, Mr. Chairman.

Mr. PASSMAN. You are at the Treasury Department now?

Mr. PETTY. I spent 13 years, before I joined the Treasury, as a commercial banker, both in the United States and overseas, looking at loan applications, looking at on-site operations, at the Chase-Manhattan Bank.

Mr. PASSMAN. Were you on the board of directors at that bank?

Mr. PETTY. I was the vice president.

Mr. PASSMAN. My bank has several of them. Were you an executive vice chairman? I'm impressed and I'm trying to make a record as to how far you actually got in the banking field.

Mr. PETTY. Your point was you want to know whether people in the U.S. Government following the operations of the bank, have had practical banking experience? My answer is yes. I, at least, have.

Mr. PASSMAN. Did you quit your job, give up your executive position to join the Treasury Department?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. I want to commend you. How long have you been in this job?

Mr. PETTY. About 18 months.

Mr. PASSMAN. Did you sell your bank before you came to Washington?

Mr. PETTY. I didn't own the bank. I didn't have any stock in the bank.

Mr. PASSMAN. That furnishes additional information that is very helpful. You are a nice man. I have been somewhat impressed with your knowledge, and I am not trying to ridicule, but you and I know very well that despite the $115 billion that we have given away in foreign aid since the end of World War II, we have had a lot of difficulty ever finding any bankers. Take Mr. Gaud—a wonderful man, great administrator. Mr. Bell—a fine man, never had a bit of banking history, only the same kind of experience I have had—borrowing. I don't think there has ever been an AID Director who had been a banker previously; yet he sits there and approves loan applications amounting to billions of dollars, so I think we have a right to be a little critical.

If we are going to retrieve this situation, and I think there is a possibility if we come to our senses, and realize that you could confiscate all the wealth in America and you still would not have sufficient funds to do all the things called desirable.

Now, Mr. Secretary, and supporting witnesses, you have been very, very helpful in furnishing information which we hope will not necessarily reduce this request, because I think we are committed. But somehow we must head off future commitments until we get our financial house in order. I think it is necessary and I believe you do, too, Mr. Secretary, and I mean this sincerely, because of your experience as an international banker and certainly your experience in the Treasury Department. You are bound to agree we are in serious trouble and some correction has to be made or the dollar is going to go down the drain.

Thank you for your cooperation.

LOCATION AND SIZE OF THE BANK

Mr. SHRIVER. Where are the headquarters of this Bank?

Mr. PETTY. Washington, D.C.

Mr. SHRIVER. Where do you have field offices?

Mr. STERNFELD. In each of the 20 member countries, in each and every one.

Mr. SHRIVER. By way of numbers, people working for the Bank, how many are there?

Mr. STERNFELD. There are 800 people in Washington and 55 in the field offices.

INCREASE IN SALARIES AND TRAVEL FOR FISCAL YEAR 1967 IN FSO

Mr. SHRIVER. I was looking at the financial statement here. I am wondering why the increase from 1966 to 1967 in this Bank from $1,324,485 to $2,381,316. That's more than a million dollars increase.

Mr. STERNFELD. There are two reasons for this increase. In 1966, the larger percentage of the salaries was charged to the ordinary capital fund rather than this fund for special operations. In other words, in 1967 there had been more business done in this fund, so a larger percentage of salaries was charged to the Fund for Special Operations. That's one reason.

The other reason is they have put on about 80 more people.

Mr. SHRIVER. The same thing would be——

Mr. STERNFELD. True of all the expense items.

Mr. SHRIVER. Including travel from $213,000 to $218,000?

Mr. STERNFELD. Yes, sir. What the auditors have done is make an assessment of what percentage of the Bank business is being carried out under the fund for special operations as opposed to what is being carried out under ordinary capital. In 1967, they determined that two-thirds of the expenses should be charged against this fund. The amount of loans that was made in 1967, I think a total of $493 million, about two-thirds of that came out of this fund for special operations.

Mr. SHRIVER. Then the figure for 1967, $2,381,000 plus for salaries, is not the true figure.

Mr. STERNFELD. That's correct—not the consolidated total.

SALARIES FOR ENTIRE PROGRAM

Mr. SHRIVER. What is the figure for salaries for that year? I didn't see any consolidated statement.

Mr. STERNFELD. They have not provided it.

Mr. PETTY. This is an interim statement.

Mr. SHRIVER. We have a copy of that but this causes me to become curious as to what the total operation would be relative to salary and travel expenses.

Mr. STERNFELD. The salaries I think are $4,762,631. Yes. In 1967, the salaries—I'll give you the rough figures—average around $9,000 and something.

DIRECTOR'S SALARY

Mr. SHRIVER. What kind of salary do your directors receive?

Mr. STERNFELD. Well, executive directors receive a salary of $25,000 a year plus a representation expense of $3,000 a year which is the same amount as provided to the executive directors in the World Bank and the executive directors of the International Monetary Fund.

The U.S. executive director does not receive the $3,000 expense item.

Mr. SHRIVER. They devote full time?

Mr. STERNFELD. They are full time directors

INTERN TRAINING

Mr. SHRIVER. I notice an item in this Price Waterhouse report for intern training. Do you have any now?

Mr. STERNFELD. There are a small number of people kept throughout the year. They usually put them on in the summer. I am sure there are interns now.

Mr. SHRIVER. We had a program in the House of Representatives, but the Congress discontinued the program because of the serious economic problem a year ago, so we are not having interns.

DISTRIBUTION OF LOANS BY PURPOSE

In your press release of January 19, 1968, there is a table showing the distribution of loans by function for the period 1961 through 1967. This table shows 23.1 percent of these loans were for agricultural purposes, while only 4.3 percent were for education, yet in a speech last September Mr. Herrera, President of the Bank, quoted a report made by Professor Yudelman of the University of Michigan, that there is at this time no Malthusian crisis in Latin America.

In view of this report, is some reevaluation of priorities needed regarding distribution of these loans?

EDUCATION LOANS

Mr. STERNFELD. It is still the view of the Bank that the priority need in the Bank for the utilization of its funds, particularly in the fund we are talking about today, the fund for special operations, is for financing for agriculture and education.

Mr. SHRIVER. You only have 4 percent.

Mr. STERNFELD. Yes, sir; 4.3, but this was for the 6-year period. I think if you will look at the year 1967 alone——

Mr. SHRIVER. What percentage is that a year?

Mr. STERNFELD. It is $35.9 out of $496. It is about 9 percent, almost double. Let me give it to you a different way. In the period from 1961 to 1967, $101.6 million had been provided to education. In 1967 alone, $35.9, so you can see there is an increase. This is one of the most diffi-

cult kinds of loans to make. I know on the Board of Directors we've got to be very careful that the funds which we are providing here for education are going for things which they would not do otherwise.

What we are primarily focusing on is in higher education where you get a bigger return for your investment. We are also concerned to see that the funds that are provided not only go for physical structures, to build a better laboratory or better library or better structure for the institution—we are concerned that there be academic reforms as well because, as you know, the kind of educational system that exists in most of the universities of Latin America goes back to the European system, back to 1300. A good number of the universities are picking up the modern system in which we have a general study program to introduce more science and more mathematics, that kind of activity.

AGRICULTURE LOANS

These loans are not easy to make but the Bank does consider that this is a matter of high priority. The same thing is true of agriculture. In the early days of the Bank, they did not pay sufficient attention to agriculture. The Latin American countries were more interested in industrializing. I think most of the countries have seen that this is not the answer to their problems because most of their people are engaged in agriculture.

This is being reflected in the applications to the Bank and in the priorities the Bank has placed on agriculture.

Mr. SHRIVER. What kinds of loans are those? To individuals?

Mr. STERNFELD. The loans are generally through intermediate credit institutions for agricultural credit. For example, there is a loan that has just been signed a couple of days ago to a cattle bank which permitted the bank to import some cattle into the country.

Mr. SHRIVER. What do you mean by a cattle bank? That deals primarily in making loans to cattlemen?

Mr. STERNFELD. Yes. The primary interest in this agricultural field is to the intermediate credit institutions. However, we made a loan to a fertilizer plant which, of course, has a direct impact in the agricultural field.

Mr. SHRIVER. You call that an agricultural loan or industrial loan?

Mr. STERNFELD. I frankly can't tell you. I would include it in the agricultural loan, because that is what fertilizer is going to be used for. For instance, it is an industry but it is a vital ingredient for the improvement of agriculture in the area.

Mr. FINKEL. There is a new category of agro-industry.

Mr. SHRIVER. I am well aware of that term in our own State.

Mr. STERNFELD. This is picking up in Latin America. One of the loans made last year was for agro-industry, for agricultural production for domestic consumption.

Mr. SHRIVER. For instance, the fertilizer loan you mentioned, for how long a period of time was the loan made?

Mr. STERNFELD. I would have to look that up. I would assume 15 or 20 years. This would ordinarily have 6½-percent interest.

Mr. SHRIVER. The same thing would be true of other loans.

Mr. STERNFELD. The agricultural credit loans are made for a longer period and a lower interest rate.

Mr. SHRIVER. By lower, what do you mean?

Mr. STERNFELD. I mean 4, 3½, 3¼ percent—three-fourths of 1 percent as service charge, it would come out to about 4 percent.

PAYMENTS IN DOLLARS AND LOCAL CURRENCIES

Mr. SHRIVER. Under the terms of agreement for the fund for special operations, one-half of the resources are to be paid in dollars and one-half in member currencies. However, in appendix 25 of the Price-Waterhouse audit, the contributions received do not meet this criteria except for the relatively small contribution from Haiti. How do you explain that?

Mr. STERNFELD. One-half in dollars and one-half in local currency only applied to the initial subscription. All of the countries met that. Subsequent to the initial subscription, all of the payments have been made in their own national currencies.

Mr. FINKEL. That's treated in the resolution that covered the most recent increase, which says:

> Each member shall make its additional contributions in its own currency and the entire amount of each contribution shall constitute the national currency to which the provisions of article V, sections 1(c) and 4 of the agreement establishing the Bank shall be applicable.

I am reading from attachment 2 of the National Advisory Council report that supported the legislation, House Document 117. The authorizing legislation referred to this resolution of the Board of Governors.

STATUS OF SUBSCRIPTIONS AND CONTRIBUTIONS

Mr. SHRIVER. Are all the members of the Bank current with their subscriptions and contributions to the Fund for Special Operations?

Mr. STERNFELD. No, sir. There are at this moment three countries that have not made their subscription, which was due on February 29. It was expected that two of the three countries will make their payment within the next few weeks. The one country that is expected to not have its payment made is Panama and that is due to the current difficulties in Panama.

The other two countries are El Salvador and Peru. In the case of Peru, the Congress of Peru has authorized a subscription and they had made the appropriation, but the actual transfer of funds has not taken place.

In the case of El Salvador, it is pending before the Congress. It is expected in the next few weeks.

REGIONAL PROJECTS

Mr. SHRIVER. We were talking a moment ago about percentages. What percentage of the Bank's total program for 1968 and 1969 is to be devoted to projects such as roads in other countries, and so forth?

Mr. STERNFELD. It is expected in 1968 and 1969 these regional projects which have more than a single country effect, like telecommunications and roads, things of that sort, will probably total around $100 million for 1968, and that would make it about 20 percent if you take the 1967 base.

Mr. SHRIVER. Do you think that is a good emphasis?

Mr. STERNFELD. I think it is the kind of emphasis that should be placed here, not necessarily for roads. This is a huge continent, particularly in South America and Central America. To make a phone call across the continent you have to come through Miami and New York, and roads connecting across——

Mr. SHRIVER. I would agree, but I think perhaps more emphasis should be placed on it.

Mr. STERNFELD. You are involving national sovereignties.

Mr. SHRIVER. I am also thinking about the repayment possibilities.

Mr. STERNFELD. It depends on the countries who are involved.

Mr. SHRIVER. People who use the communications facilities.

Mr. STERNFELD. Their record to this date is fairly good. The Bank has had two defaults in the ordinary capital. They were not Government loans, they were private loans.

Mr. SHRIVER. In that connection, has the repayment record for the social progress trust fund been satisfactory?

Mr. STERNFELD. Yes, sir; both accounts have been current.

Mr. SHRIVER. Have you been asked to put that information in the record showing the status of these payments?

Mr. STERNFELD. No, sir.

SELF-HELP EFFORTS OF IDB PARTICIPANTS

Mr. SHRIVER. On page 8 of your statement, you say that in the Bank's operations, special notice is taken of the institutional improvements which borrowing countries are undertaking and the extent of the effectiveness of the overall self-help practices of the borrowing country.

Would you give us some specific examples of these improvements and these practices?

Mr. PETTY. Yes. I would like to refer to the Executive Director who reviews these particular problems with the Bank on particular cases.

Mr. STERNFELD. Mr. Shriver, the United States has required from the Bank an annual report on the improvement problems and progress made, country by country, and overall for the region, since the beginning of the social progress trust fund. The Seventh Annual Report, which covers the year 1967, was submitted to the U.S. Government on the 1st of March, and was released, I think, to the press today. The full report is contained in this volume, headed "Socio-Economic Progress in Latin America," where there is an examination, country by country, of what institutional changes have taken place in housing, in agriculture, in education, and in health, environmental sanitation, the principal areas.

There is also a section here in the report on the domestic mobilization of resources—the self-help—what are they doing to increase their own taxes and what are they doing to improve their own budgetary and financial situation.

This is an annual report that comes out and these considerations are part and parcel of every loan proposal that has come up before the Board where we consider what actions have the countries taken in terms of improving their situation in the particular institution and in their overall performance.

Mr. SHRIVER. I know now from your discussion that it has recently been published, but getting back to my other question, would you pick

out of that some specifics of these improvements and practices by way of summary for the record?

Mr. STERNFELD. Yes, sir.

(The information follows:)

REPRESENTATIVE LATIN AMERICAN SELF-HELP EFFORTS INVOLVING PARTICIPATION WITH THE INTER-AMERICAN DEVELOPMENT BANK

Evidence that the Latin American nations are continually taking more interest in furthering their own economic and social development is apparent from their growing participation in the Inter-American Development Bank (IDB).

During 1967 the members of the Bank voted to mobilize additional resources in support of its program and activities as the largest multilateral lender to Latin America. At the April 1967 Board of Governors meeting, country delegations voted to expand the resources of the soft window of the Bank to $2.3 billion, with the Latin American countries increasing their contribution ratio from 1-to-5 to 1-to-3. At this time, the country delegates also agreed to increase the callable capital of the Bank's ordinary resources by $1 billion to $2.85 billion. The callable capital serves, in effect, as a guarantee for the Bank's obligations and thus enables the Bank to borrow additional resources in world capital markets.

As the Bank's resources have increased, the Latin Americans have been investing greater amounts in the development process through their counterpart contributions to projects undertaken through the Bank. Latin American nations are contributing approximately $3 for every $2 loaned by the Bank. From 1961 through 1967 the Bank authorized nearly $2.4 billion in loans which are helping to finance development projects which have an estimated total cost of $6.4 billion. More than 450 projects have been financed by this estimated $6 billion. This represents a broad contribution to the capitalization of Latin America, which can be measured by these figures: the improvement or bringing into production through irrigation programs of some 5,903,823 acres of farmland; the expansion of electric generating capacity by 4,500,000 kilowatts; the construction or improvement of 11,719 miles of highways and farm-access roads; the construction or expansion of about 3,000 new water supply systems for 40 million people; loans of approximately $100 million to improve 120 centers of learning with 155,000 students; and the construction of 300,000 housing units for low-income families. In industry, along with financing large plants, the Bank has provided financing through relending institutions to improve more than 3,000 small- and medium-sized plants.

In every sector the Latin Americans have initiated self-help efforts which have received assistance from the IDB. Representative of the self-help efforts to which the Bank has given technical and/or financial help are the following:

Costa Rica, where only 58 percent of the population had access to adequate water supply systems in 1965, has embarked on an ambitious program which eventually will benefit 600,000 persons in urban areas and another 100,000 in rural parts of the country. Under the first stage of the program, 70 new water supply systems are being built and another 10 expanded for the benefit of 131 rural communities. The Bank is assisting the country with part of this effort through a $1.3 million loan made in 1965

In Colombia the Universidad Nacional de Colombia is providing close to 68 percent of the resources of an $18.4 million, 4-year expansion program. Through this project, the university, the largest in the nation, is consolidating its academic structure into nine schools, improving its faculty salaries, hiring additional professors, and creating new study courses, particularly in the scientific and technological disciplines. As part of the total project, the Bank has authorized a $7.7 million loan to the university for construction of needed buildings, and for the purchase of laboratory equipment, furnishings, books, and other bibliographic material. The expansion program will enable 20,000 students a year to obtain a university education by 1969; in 1965 only 9,276 students were enrolled.

The Government of Peru has initiated the first stage of a program designed to improve the social, economic, and cultural conditions of its Indian population. Seven Indian communities will benefit from the $39.5 million project to which the IDB will contribute $20 million. In Peru's eastern jungle region, the Government, as part of its agrarian reform, is conducting a farm settlement program for more than 5,000 families. IDB aid is through a $15 million loan, 73 percent

of which will be for the extension of credits to settlers for onfarm investments and houses, 25 percent for highway construction and infrastructure, and, the remaining 2 percent for technical assistance and supervisory costs.

In Mexico the Government has begun a national feeder road program to open up new lands to agriculture, to reduce transportation costs, and to improve levels of productivity and output in areas whose current economic growth is stymied by poor communications with marketing centers. The IDB is contributing $54 million to help finance the first stage of the two-part program.

In Brazil's depressed northeast, the Brazilian federal agency in charge of the development of the region is conducting a $19 million program to provide credit for cooperatives and small-scale farmers who are members. The IDB has extended a $2.7 million loan to assist in this total effort.

The Bank is supporting efforts by Latin American governments to solve their country's housing problems through numerous kinds of programs. For example, in Brazil a $20 million loan made in 1966 will supplement $20 million provided by the Banco Nacional de Habitação, the country's housing bank, and $4 million from low-income family cooperatives and "slum-replacing" housing cooperatives. The latter are joint stock groups organized by public agencies. Some 18,700 houses are to be constructed in 40 communities through these combined resources. Chile, in order to meet a housing deficit of some 640,000 units, has initiated a national housing plan to build 360,000 units between 1965 and 1970. The first stage of the plan, involving the construction of homes for families in slum areas, will cost $24 million of which the Government of Chile, the Corporación de Servicios Habitacionales (a governmental agency responsible for providing housing and community facilities for low-income families), the beneficiaries and other Chilean institutions will put up $11,950 and the IDB the remaining amount. Through Chile's savings and loan system 36,000 units are to be built between 1965 and 1970. Through a program approved in 1967, the Caja Central de Ahorros y Préstamos (which organizes, supervises, and provides financial aid to the national savings and loan system), the beneficiaries, and the Government will provide 56 percent of the cost for the completion of 14,000 units, with the IDB financing the remaining 44 percent. The project is being carried out primarily through some of the 292 housing cooperatives associated with the National Savings and Loan System which have a membership of more than 20,000 families. More than 5,000 homes have been completed through similar projects that the IDB has helped to finance and others are under construction. In Venezuela, a rural housing development program has been supported by the Bank through the extension of two loans, one for $12 million made in 1962 and another for $10 million in 1964. Utilizing a self-help system, 23,000 homes were completed through the first loan. Another 18,000 homes, built in the same manner, are expected to be completed with resources from the second loan when it is fully disbursed.

Financing from the IDB makes it possible for numerous private institutions not only to expand their programs but also to improve their own organization and procedures. For instance, the Corporación Boliviana de Fomento, Bolivia, which has received two loans to make credit available for the industrial and mining sectors, was authorized to use $300,000 of its last loan to finance advisory services to improve its own institutional reorganization.

The Bank's technical assistance also has made development and reform of Government agencies possible. In 1967, a technical assistance loan of $100,000 was granted to the Government of Argentina to help establish a rural electrification department. The latter is to be responsible for a series of rural electrification projects in the near future which in its first stage alone would involve 44,000 rural settlements with a population of 200,000. Chile's National Development Agency, the Corporación de Fomento de la Producción (CORFO) has been able to make changes in its administrative organization as well as in its budgetary and accounting departments through assistance from the Bank. Through 1966 this agency had extended more than 230 credits for industrial projects. In the agriculture sector, CORFO will be able to make credit available to approximately 194,000 farmers through resources provided by the Bank through December 1966. A new vocational training and industrial credit program was approved in 1967 to which CORFO and the ultimate borrowers will contribute 56 percent, the IDB 37 percent, and other external sources 7 percent.

DISPOSITION OF REPAYMENTS OF SPTF

Mr. SHRIVER. Has any decision been made as to the disposition of repayment of loans of the Social Progress Trust Fund in line with the committee's inquiry of a year or two ago?

Mr. STERNFELD. No, sir. The Administration has been considering what should be done with the reflows into the Social Progress Trust Fund. However, until a final decision has been made as to the distribution of those reflows, the Bank has taken action so that the reflows which are primarily in local currencies are not diluted and the value is maintained on those currencies.

They have been using a portion of those currencies as participations in the loans of the Funds for Special Operations.

Mr. SHRIVER. Is it anticipated that there will be disposition of the repayments?

Mr. STERNFELD. Yes, sir. In connection with the meeting of the Presidents at Punta del Este last year, consideration was given as to whether the payments that are coming in might not be utilized primarily in the education field to establish educational foundations, but it was decided to wait for larger reflows before a final decision is made.

CONTRIBUTIONS BY MORE-DEVELOPED TO LESS-DEVELOPED LATIN AMERICAN COUNTRIES

Mr. SHRIVER. On page 11 of the statement, it said Argentina, Brazil, Mexico, and Venezuela have agreed to permit a substantial portion of their contribution to be used for loans to less developed Latin American countries. What percentage is this substantial portion?

Mr. STERNFELD. This has not yet been fully negotiated with those four countries. This was supposed to apply to their contributions for calendar year 1968. I don't anticipate it will go above 50 percent of their contribution.

Mr. PASSMAN. Do any of those countries have foreign aid programs?

Mr. STERNFELD. We have no foreign aid program in Venezuela. Mexico has no—I'm sorry—has a small technical assistance program, but I think it is phasing out. Argentina has a very small technical assistance program also. Brazil does have one—it has a major U.S. foreign aid program on a bilateral basis.

IMPACT OF DECREASING APPROPRIATION REQUEST

Mr. SHRIVER. You say this total contribution was needed to fulfill our international commitment. As you know, Congress authorizes its commitments in two stages—the authorization and appropriation. What would be the effect of temporarily lowering it, due to pressing demands on our resources? Would our friends in Latin America abandon their own efforts toward development if we determined in our own national interest priorities were necessary to put in effect?

Mr. PETTY. One of the great priorities, we believe, which must be pursued with our other priorities in this world, is the Alliance for Progress and development in Latin America. We look upon the Inter-American Development Bank as a basic vehicle through which we pursue economic assistance and development in Latin America, and based upon the authorization legislation of prior years, we have been work-

ing with the Bank in planning their loan applications, expansions, in anticipation of the relevant appropriations legislation.

I believe cutting back on this part, in the light of the history of the authorization legislation, would indeed severely hamper our own programs for economic assistance in Latin America. It would hamper the operations of the Bank in developing economic assistance and helping the Latin Americans to help themselves. It would seriously undermine our own objectives in that part of the hemisphere.

Mr. MISKOVSKY. It is also a legal commitment.

Mr. FINKEL. I was just going to add there is a clear multiplier effect deriving from the self-help requirements that we referred to a little bit earlier. Funds provided through a Bank loan may be matched by additional funds at the national level. There may be provincial or local funds added in. If the external funds that kick off a project are not available, there would be, consequently, the absence as well of the matching or more than matching funds.

Mr. PETTY. I believe we must bear in mind Public Law 90–88 authorized the Secretary of the Treasury to agree to increase the contributions to the FSO of the Inter-American Bank by $900 million.

REDUCTION OF SELF-HELP PROGRAMS IN UNITED STATES

Mr. SHRIVER. I stepped out of the committee a little while ago to accompany a man from my State who was up here to testify on behalf of getting the appropriations needed but yet cut back considerably from last year for watershed development in the United States, which is a self-help matching kind of program we have had for years for the benefit of our own country.

Now there has been a reduction, a rather sizable reduction that has been made by the Bureau of the Budget in connection with a number of programs of self-help and matching as it relates to people of our own country and projects within our own country. These cutbacks have occurred and we are now considering whether or not they should be increased or cut further; yet we have the so-called commitments where it would be deterimental, in your judgment, for any reductions to be effected in connection with some foreign country—not our own people, not our own national programs, not our own self-help programs—and I was just wondering if it would be consistent if we are going to do that for our own programs in this country, that there be some similar kind of reductions in these foreign aid programs.

EFFECTS OF REDUCING APPROPRIATIONS REQUEST

Mr. PETTY. There have been planned cuts in the international area: The area of authorized commitments to other agencies, in planning the operations for the IDA——

Mr. SHRIVER. You think Latin American countries would abandon their own efforts if we decided priorities needed to be made in our own national interests?

Mr. PETTY. I'm sorry.

Mr. SHRIVER. Abandon their own interests toward development, if we didn't do all that maybe we had in mind originally before we got into such a financial problem as we are now facing in this country?

Mr. PETTY. They have made certain efforts relying on our financial commitments, but nevertheless they recognize what is being done in Latin America is for their own benefit and the benefit of the Western Hemisphere and the world at large, and it would be difficult for them to recognize that having already increased their proportionate contribution, increased their self-help effort, that at the same time the rug is pulled out from underneath them.

Mr. SHRIVER. I understand all that. Of course, the people of this country have also looked to the Federal Government for certain assistance in connection with the improvement of their farms or water conservation programs, and this is a matching, self-help kind of thing, but there we are willing to take these reductions.

U.S. FOREIGN AID COMMITMENT

Mr. STERNFELD. I think part of the difficulty here is that while we have made a commitment, we know that it is subject to the Congress appropriating the funds on the basis of the authorizing legislation. The U.S. Government did go into this institution.

Mr. SHRIVER. This is true with all of our authorizing legislation. The next stage is the appropriations process.

Mr. STERNFELD. I think there is some distinction between the foreign aid program, the bilateral program, and the international institutions. In the international institutions the governor of the bank is specifically authorized to subscribe, over a specific period of time, a specific amount of funds. This makes it in the nature of an international contract.

Mr. SHRIVER. Why do we have hearings here then before the Appropriations Committee?

Mr. STERNFELD. I believe the process in the United States for review by the Appropriations Committee of the need for the funds.

Mr. SHRIVER. In other words, we couldn't reduce it.

Mr. MISKOVSKY. We will be in default in our commitments.

Mr. PASSMAN. Will the gentleman yield?

Is it not true, if we should never appropriate one additional dollar for any type of foreign aid, we would not have violated any purely legal commitment we have in any place on the face of the earth?

Mr. MISKOVSKY. That's foreign aid, Mr. Chairman.

Mr. PASSMAN. I'm talking about foreign aid and assistance.

Mr. MISKOVSKY. Foreign aid, in terms of the AID program, you are correct. But this is a different situation.

Mr. PASSMAN. Now the AID people say, and I make it all inclusive, that all—this is conditioned upon the Congress appropriating the funds. Is that correct?

Mr. MISKOVSKY. That's correct.

Mr. PASSMAN. So do these people understand that it is entirely conditioned upon the Congress appropriating the funds?

Mr. MISKOVSKY. I believe they do, sir.

Mr. PASSMAN. AID has answered forthrightly and truthfully time and time again that, legally, if we should never appropriate another dime, we have not violated any law.

Mr. MISKOVSKY. Not any law, but we would violate——

Mr. PASSMAN. Why do you people even come to us?

Mr. MISKOVSKY. We would violate our commitment here to an international contract-type agreement.

Mr. PASSMAN. You are talking about a moral commitment and not a legal commitment.

Mr. MISKOVSKY. It's a legal commitment.

Mr. PASSMAN. I don't believe that's true. Let's clear it up. I am going to give it to you specifically:

> There is hereby authorized to be appropriated without fiscal year limitation, for with the United States share of the increase in the resources of the Fund for Special Operations of the Bank the sum of $900 million.

It doesn't say we have to appropriate.

Mr. FINKEL. There is the further language:

> Upon the adoption of such resolution, the United States Governor is authorized to agree on behalf of the United States to pay to the Fund for Special Operations of the Bank the sum of $900,000,000 in accordance with and subject to the terms and conditions of such resolution.

That authorizes the Secretary of the Treasury to do what he has done, which is to agree, on behalf of the United States, to pay $900 million. There is no reservation in the text of the law.

Mr. PASSMAN. Over what period of time?

Mr. FINKEL. Over 3 years. This is brought in by a reference.

Mr. PASSMAN. You could take it 20 years, could you not, and not violate it? Why come in for an appropriation then? What would be the position if this committee said we're sorry, we're not going to fund this account? Would you fund it anyway?

Mr. MISKOVSKY. We would be in default of our commitment.

Mr. PASSMAN. So what? Do you mean to tell me if we get ourselves in these entanglements with these nations, they take priority over the same projects in our country?

Mr. FINKEL. No, sir. I think the distinction has to be drawn between the clear and obvious power of the Congress to decide whether or not to appropriate particular funds and its clear authorization to the Secretary of the Treasury to enter into an international agreement. In the absence of an appropriation this year of $300,000,000, clearly the Secretary of the Treasury would have no authority to make that payment.

Mr. PASSMAN. Then this appropriation is a part of this package and this committee, and the Congress, has the right to either recommend or to deny the appropriation; do they not?

Mr. MISKOVSKY. That's correct.

Mr. PASSMAN. Then what legal commitment would we have violated?

Mr. FINKEL. The commitment undertaken by the Secretary of the Treasury, as the U.S. Governor, to agree on behalf of the United States to pay these amounts, pursuant to congressional authority.

Mr. PASSMAN. Based on subsequent appropriation.

Mr. FINKEL. The statute does not direct the Secretary to make that qualification. It is assumed——

Mr. PASSMAN. That we would make the appropriation. "Gentlemen, we got you into this entanglement. It's a moral obligation and you are going to embarass us if you don't appropriate the money." Is it that simple?

Mr. PETTY. Well, we assumed——

Mr. PASSMAN. I know you assumed. I don't believe there is any legal commitment on my Government to disburse these funds unless the Congress specifically appropriates the money.

Mr. MISKOVSKY. That's correct, there wouldn't be authority to do so.

Mr. PASSMAN. Tha't right. I asked AID, is it not true if we never appropriated another dime for foreign aid, that we would not violate any legal commitment. And they said, "That's true." That's in the record.

Mr. SHRIVER. Is counsel satisfied?

Mr. PASSMAN. Since you yielded to me, I'm not here to satisfy the counsel.

Mr. SHRIVER. I wanted to know how it would be corrected if we didn't pay it?

Mr. MISKOVSKY. It would probably go into arbitration of some sort, or we would have to redo our obligation.

Mr. SHRIVER. You mean the Treasury? Somebody might run a garnishment on the Treasury or sell a building to raise the money?

Mr. MISKOVSKY. No. It would be an international dispute. It may not ever be collected and we would be in default of our obligation.

Mr. SHRIVER. Our moral obligation?

Mr. MISKOVSKY. Contractual type obligation.

Mr. PASSMAN. Why don't you change your request?

Mr. SHRIVER. That being the case, I don't really know why we are here.

Mr. PASSMAN. I don't believe the counsel. I think he's a very brilliant young man. I don't think he's on top of this thing. I think it is all predicated, and that's what they told us in the past, upon a subsequent appropriation.

Mr. MISKOVSKY. I agree with you.

Mr. PASSMAN. Mr. Shriver, I cannot help but ask this one question. What if we just kept the money? What would you do then, if we just don't have it and we are running out of money. What if people stop buying bonds?

Mr. PETTY. That's a serious question, Mr. Chairman. Where the Secretary of the Treasury acts and makes an agreement with a multilateral agency and fulfills the intent of Congress and then you are raising the question a year later of not picking up the check that the United States put its name to. I think that I would not like to answer that question this quickly.

Mr. PASSMAN. Mr. Shriver, you're a great member on this committee. I think possibly I should make this observation. Our Government rushed down to Bogotá and made a certain amount of promises, based on an authorization that the Congress acted on hastily because they assured the committees of the Congress that under no circumstances would we ever implement the authorization with money until these people had done certain things, and made many, many reforms. It was a very positive agreement with the Congress. I can assure you that almost before the ink was dry we were disbursing funds. We didn't force those people to come forth with those reforms.

I'm making this as a positive statement of the fact. We started disbursing the funds before they had complied and that's one of the reasons why I'm always questioning the wisdom of these things. So even though they did not do what they said they were going to do, we were disbursing these funds before a single reform had taken place. That's in the record and I'm not going to pursue it any further. You

are doing the questioning but I am familiar with this Bogotá agreement, and you ought to be familiar with it too.

AUTHORITY TO EXPEND FUNDS

Mr. RIEGLE. I have a few questions.

First, let's try to go further and pin down this responsibility to pay somebody something. I would like to know where it is in the Constitution that says that the Secretary of the Treasury, or for that matter, any other executive officer of the United States, can spend money from the Treasury without an appropriation in Congress. If he has that authority along these lines, I'm not aware of it. So let's be absolutely clear on that point. Whether it be the Secretary of the Treasury or anybody else, there isn't anybody who has that authority. If you think that's not a statement of fact, let's get on the phone and check it. I want everybody here to either agree that that's the case or we might as well adjourn these proceedings until we do agree that's the case.

Mr. MISKOVSKY. I don't think there is any question; you are correct.

Mr. FINKEL. I don't think there has been any question. What we said, quoting the statute, was that the U.S. Governor was authorized to agree to pay a sum of $900 million. He has done so, and he has agreed to pay it pursuant to congressional authority. The question then was, what if the Congress fails to appropriate the money. If the Congress fails to appropriate the money, the Secretary does not have the authority to pay funds in the absence of that appropriation.

Mr. RIEGLE. That's exactly right. Let's come down to the question that was asked in the first place; that is, What happens if we don't ante up this full amount? I just want to say to you that I spent some time with IBM before coming into the Government, and if I had ever been asked that question by someone I was reporting to at that time and had answered the way you answered the question here, I think I would have been fired. You didn't answer the question. As I understand the earlier question, and it's the same question that's in my mind, it is this:

Specifically, what do you anticipate would happen in Latin America if we decided not to appropriate this amount? Suppose we appropriated $250 million? What do you see happening, what are the consequences?

EFFECT OF A REDUCED APPROPRIATION

Mr. PETTY. In the past we've both had experience in private industry; it reminds me of a commitment a bank makes to make a loan and then when a customer comes in to make a disbursal, the money is not there. I think the comparison might be drawn.

Mr. RIEGLE. What's going to happen, that's what I want to know? Let me put this in perspective for you. You see, what has happened in this country, whether you know it or not, is that we made more commitments than we can keep, so we are breaking commitments every day here at home. The chairman referred to Hill-Burton hospital funds, which had been pledged to his district, through promises by members of the executive branch. But we are out of money, so this commitment is not being met. So we are not presently meeting our commitments because in the past we made more commitments than we could keep, so there is an anticipated budget deficit this year of some $28 billion. We may not be able to keep this commitment either. I'm asking you as a practical matter, what do you think the consequences would be if we don't appropriate he full amount? If you can't answer the question, can anybody else here answer it?

Mr. PETTY. I think in the area of cutting back on commitments that is something I spend my time doing, when I'm not here, as part of my responsibility. I think it's something this country must do, and is actively doing in the area of certain priorities. Among them is cutting back of appropriations——

Mr. RIEGLE. What would happen if we cut this? Suppose it is $250 million? What happens? What practical consequences are there?

Mr. PETTY. The United States is welshing on its undertaking. It's very difficult to know what the implications are.

Mr. RIEGLE. That's what we have to assess, because we have more prior commitments than we can presently meet within the Appropriations Committee. You are just one of thousands of people who come before this committee and ask for money.

Now, all the money everybody is asking for just doesn't exist. So it just can't be given. The question is, What are the practical consequences, if your amount is scaled down? Aren't you able to answer that question?

Mr. PETTY. I think certainly the management of the Bank which is undertaking long-range development plans, would begin to feel that the word of the United States is such that it cannot be relied upon. The amount of loans and economic assistance the Bank would provide would have to be reduced because as in the past, the Bank would not undertake commitments——

Mr. RIEGLE. You would cut back on projects.

Mr. PETTY. It would cut back on operations of the Bank. In terms of immediate impact on this, it might have a further multiplying impact because other countries would cut back.

LOAN DEFAULTS SUBSEQUENT TO WORLD WARS I AND II

Mr. PASSMAN. Let's take the many countries after World War I: France, the United Kingdom, some 24 countries involving billions and billions of dollars. We made those people what we thought were sound dollar loans. They were supposed to pay them back. They defaulted. We put them over on the deadhead ledger, turned around and gave them about twice that much after World War II and are giving them money now. Have they broken any international agreements?

Mr. PETTY. I don't believe, sir, if you are referring to the World War I debts, that there were any aid countries involved in that.

Mr. PASSMAN. France got $9 billion subsequent to World War II.

Mr. PETTY. I heard you stating we are giving them money now.

Mr. PASSMAN. They defaulted on billions of dollars and we just turned the other cheek and said, "Well, we're going to give you more next time. Forget about this, and here you are." Did they break any agreements? How did they save face?

Mr. PETTY. The earlier World War II contributions were a grant and subsequently a loan. There is no question that the World War I debt is still in default.

CONSTITUTIONAL PROVISO AUTHORIZING FOREIGN AID

Mr. PASSMAN. If the gentleman will yield, I want to first make an observation and a request. I find not a word, a line, a clause, or a provision in the Federal Constitution that authorizes or permits the for-

eign aid program. I wonder if the counsel would cite for the record what part of the Constitution that makes it legal for my Government to give away billions of dollars—would you put that in the record for use—cite the part of the Constitution?

Mr. MISKOVSKY. Can I put it in the record? I don't have it. I want to be very sure.

(The information follows:)

MEMORANDUM

You have raised the question of the constitutional authority which underpins the foreign aid program as well as U.S. participation in the IDB. The basic constitutional authority for both acts is vested in the Congress by article 1, section 8 of the Constitution which provides, inter alia:

"The Congress shall have Power to lay and collect Taxes * * * to * * * provide for the common Defense and general Welfare of the United States * * *."

The Congress specifically made a finding in the statement of policy prefatory to the Foreign Assistance Act of 1961 that foreign aid was established to support the common defense and promote the general welfare of the United States. The statement of policy for the economic assistance portion of the Foreign Assistance Act provides, inter alia, in section 102:

"The Congress declares that the freedom, security, and *prosperity of the United States* are best sustained in a community of free, secure, and prospering nations. In particular, the Congress recognizes the threat to world peace posed by aggression and subversion wherever they occur, and that ignorance, want, and despair breed the extremism and violence which lead to aggression and subversion. The Congress declares therefore that it is not only expressive of our sense of freedom, justice, and compassion but also *important to our national security* that the United States, through private as well as public efforts, assist the people of less developed countries in their efforts to acquire the knowledge and resources essential for development and to build the economic, political, and social institutions which will meet their aspirations for a better life with freedom, and in peace." (Emphasis supplied.) (22 U.S.C. section 2151.)

The statement of policy for the military assistance portion of the Foreign Assistance Act of 1961, as amended, provides in section 501:

"The Congress hereby finds that the efforts of the United States and other friendly countries to promote peace and security continue to require measures of support based upon the principle of effective self-help and mutual aid. It is the purpose of this part to authorize measures *in the common defense* against internal and external aggression, including the furnishing of military assistance, upon request, to friendly countries and international organizations." (22 U.S.C. 2301.)

* * * * * * *

"In enacting this legislation, it is therefore the intention of the Congress to promote the peace of the world and the foreign policy, security, and *general welfare of the United States* by fostering an improved climate of political independence and individual liberty, improving the ability of friendly countries and international organizations to deter or, if necessary, defeat Communist or Communist-supported aggression, facilitating arrangements for individual and collective security, assisting friendly countries to maintain internal security, and creating an environment of security and stability in the developing friendly countries essential to their more rapid social, economic, and political progress." (Emphasis supplied.)

In addition to the taxing power, the Supreme Court has found residual authority in the Congress to legislate in foreign affairs. In Perez v. Brownell (356 U.S. 44, 57, (1958)) the Court held that:

"Although there is in the Constitution no specific grant to Congress of power to enact legislation for the effective regulation of foreign affairs, there can be no doubt of the existence of this power in the law-making organ of the Nation."

By enacting the Foreign Assistance Act, the Congress delegated to the President certain authority to conduct the foreign aid program. Of course, the broad power of the President to conduct the foreign relations of the United States is also a basis for the foreign aid program. As the Supreme Court noted in United States v. Curtiss-Wright Corp. (299 U.S. 304, 319–20):

"It is important to bear in mind that we are here dealing not alone with an authority vested in the President by an exertion of legislative power, but with such an authority plus the very delicate, plenary and exclusive power of the President as the sole organ of the federal government in the field of international relations—a power which does not require as a basis for its exercise an act of Congress, but which, of course, like every other government power, must be exercised in subordination to the applicable provisions of the Constitution."

The constitutional authority for U.S. participation in the Inter-American Development Bank is the same as that for the foreign aid program. The United States signed ad referendum the agreement establishing the IDB on April 8, 1959. On August 7, 1959, the Congress authorized the President to accept membership in the Bank (73 Stat. 299). On December 30, 1959, upon the ratification by member countries holding 85 percent of the subscribed capital, the IDB Charter entered into force with respect to the United States (10 U.S.T. 3029). The legislative history of the IDB Act clearly reflects the congressional view that U.S. participation in the Bank would advance the general welfare and national security of the United States.

Mr. PASSMAN. This is just as illegal as if I got up and stuck a dagger in you. We just get by with it. There's absolutely no legal authorization anywhere in the Constitution in print or that authorizes this country to give away one single dime in foreign aid and/or assistance. Thank you, Mr. Shriver.

Mr. SHRIVER. That's all the questions I have. I'm going down to vote.

Mr. PASSMAN. Mr. Riegle you proceed. I have a lot more questions.

EFFECT OF REDUCING APPROPRIATION REQUEST

Mr. RIEGLE. If you don't mind I'd like to finish this one point. I'd like you to supply for the record, your assessment of the consequences if this appropriation were cut to $250 million; what in specific terms—what projects are we talking about? What countries, what reciprocal actions by other countries? I want the best forecast that somebody in your organization can make as to what we are talking about as to the trade-off here. If you've not competant to speak on this subject, you have no business coming in here today.

Mr. PASSMAN. Would you amend it and give us what the answer would be if we only provided 50 percent of your request and whether, in your opinion, they'd turn that down, or accept it and go along with us until we get in better shape.

(The information follows:)

EFFECTS OF A 50-PERCENT REDUCTION IN REQUESTED FSO APPROPRIATION

It has been suggested that, in light of the present efforts toward expenditure restraints in domestic Federal programs, the Congress should appropriate less than the $300 million authorized by Public Law 90–88 for the second installment of the U.S. contribution to the 1967 increase in the Fund for Special Operations of the Inter-American Development Bank. Reductions of as much as $150 million have been mentioned. Although the consequences of such an action do not lend themselves readily to analysis in numerical terms, they can be foreseen as severe in terms of U.S. political relations with Latin America—particularly regarding the creditability of U.S. support of the Alliance for Progress. The consequences would also be severe in terms of impairment of operations of the

Inter-American Development Bank and therefore would markedly and adversely affect economic development in Latin America. In a broader worldwide context, the fact that the United States failed to meet a binding obligation with a public international institution would undoubtedly tend to weaken confidence in the integrity of the pledges of the U.S. Government solemnly entered into after congressional action and approval. In a similar way it would also reflect on the financial integrity of the United States.

1. U.S. commitment to the Alliance for Progress

U.S. participation in the expansion of the FSO, on the scale agreed upon last year, was one of the most direct and tangible responses by the United States to the April 1967 Declaration of Presidents at Punta del Este. The action gave assurance to Latin America that our support of the Alliance for Progress was not diminishing, as some had feared but, in fact, remainded steadfast, with new emphasis being given to the economic integration of Latin America along the lines charted by the Presidents. Any reduction in the amount being made available by the United States through the FSO would undermine the impetus to the Alliance generated by the Punta del Este conference and give rise anew to the charge that the United States was abandoning its traditional concern for the nations of this hemisphere, a concern evidenced by the establishment of the Bank itself, and given further expression by Presidents Eisenhowever, Kennedy, and Johnson. Such a reaction could be expected whatever the degree of cutback from the amounts pledged and whatever the rationale offered; the political fact of repudiating a prior agreement, would naturally dominate Latin American thinking. A conclusion by Latin American governments that the United States was backing out from the Alliance and its goals would be quickly reflected in a weakening of their ability to mobilize a domestic political consensus to support the difficult decisions necessary for institutional change and economic progress.

2. Impact on IDB and Latin American economic development

FSO lending in calendar 1967 slightly exceeded $300 million. In agreeing on the present replenishment, the Governors of IDB fixed an annual FSO lending volume of $400 million during 1968–70 as necessary to achievement of Alliance goals. With this determination of the Governors in mind, the IDB has equipped itself, in terms of staff and in terms of studies, technical assistance, and other techniques for generating a pipeline of eligible projects, to operate at the desired level. A reduction of as much as 50 percent in the U.S. contribution would be a reduction of 37½ percent in total annual input of resources to FSO if other members continued to meet fully their commitments. A comparable percentage reduction would follow in the annual loan commitment level. Thus a sudden cutback of as much as 50 percent in dollar resources would have a severely damaging effect on landing operations.

Of the $300 million now being sought, $50 million was specifically related to economic integration activities; the suggested reductions exceed this amount. Agricultural development has been given greater priority in recent bank lending but, despite a longer term food-population problem in Latin America, this emphasis might have to be reexamined. Since total IDB lending now somewhat exceeds AID lending in Latin America, any drastic reduction in FSO resources affects not only the Bank as a lending institution but also, in a very substantial way, the overall flow of external resources to Latin America.

(In addition, there is the likelihood that Latin American governments, whose increased commitments to FSO were conditioned on a definite level of pledge by the United States feel constrained to reduce their own inputs to FSO, thus increasing the adverse impact on the Bank.)

3. Broader considerations—

As a general consideration, it should be noted that the United States undertook a binding obligation vis-a-vis the IDB when it agreed to pay its share of the FSO replenishment. This agreement was specifically authorized by Public Law 90–88. Failure to honor an international obligation of this nature by contributing the amount pledged for this year, could raise serious doubts concerning the responsible manner in which the United States is moving to redress its fiscal and balance-of-payments difficulties. Should other governments come to feel that U.S. balance-of-payments programs would result in arbitrary repudiations of prior commitments, confidence in the dollar would be seriously weakened.

CONTRIBUTIONS OF EUROPEAN NATIONS AND CANADA

Mrs. REID. Concerning the funds that were provided by the Governments of Canada, the United Kingdom, Germany, and Sweden, in your various tabulations, which you submitted; did you submit the percentages of the contributions of these countries? If not, I wish you would provide this for the record.

Mr. STERNFELD. These countries are not members of this Bank. What they do is a special arrangement. I'll submit it.

(The information follows:)

CANADIAN RESOURCES—STATEMENT OF LOANS AS OF DEC. 31, 1967

Country and borrower (guarantor)	Purpose (project cost)	Progress achieved	Currency	Amount	Status of loans: Disbursed	Repaid	Outstanding	Approved (signed)	Interest (maturity)
Argentina: Republic of Argentina, public entity.	Establishment of a preinvestment fund for the preparation of specific projects and general studies ($1,100,000).		Canadian dollars	756,000				Sept. 15, 1966	(1977–2018).
			Expressed in U.S. dollars.	700,000				(Feb. 21, 1967)	
Bolivia: Corporacion Boliviana de Fomento (Republic of Bolivia), public entity.	Industrial and mining credits ($2,594,000).		Canadian dollars	1,620,000				Nov. 10, 1966	(1974–98).
			Expressed in U.S. dollars.	1,500,000				(Feb. 28, 1967)	
Chile:									
Universidad Técnica del Estado (Corporación de Fomento de la Producción), public entity.	Improvements in training and research in technological sciences ($12,847,000).		Canadian dollars	4,320,000				Apr. 13, 1967	(1977–2018).
			Expressed in U.S. dollars.	4,000,000				(June 26, 1967)	
Empresa Nacional de Telecomunicaciones (Corporación de Fomento de la Producción), public entity.	Modernization of Chiles's communications network ($8,275,000).		Canadian dollars	4,320,000				Sept. 28, 1967	3 percent (1974–98).
			Expressed in U.S. dollars.	4,000,000					
Total loans to Chile in Canadian dollars				8,640,000					
Total loans to Chile expressed in U.S. dollars				8,000,000					
Ecuador: Republic of Ecuador, public entity.	Preinvestment studies for development of Guayas River basin ($1,870,000).		Canadian dollars	1,260,000				Nov. 24, 1965	(1977–2017).
			Expressed in U.S. dollars.	1,166,667				(Aug. 5, 1966)	
El Salvador: Comisión Ejecutiva Portuaria Autónoma de el Salvador (Republic of El Salvador), public entity.	Expansion of port facilities at Acajutla ($6,654,000).	Construction contract signed for storage facilities, pier dredging and other major civil works; contract for mechanical equipment and installations under study.	Canadian dollars	3,240,000	46,991		46,911	June 10, 1965	(1971–2002).
			Expressed in U.S. dollars.	3,000,000	43,436		43,436	(May 5, 1966)	
Mexico: Nacional Financiera, S.A. (United Mexican States), public entity.	Establishment of a preinvestment fund for preparation of specific projects and general studies ($785,000).		Canadian dollars	540,000				Dec. 28, 1966	(1977–2018).
			Expressed in U.S. dollars.	500,000				(Mar. 31, 1967)	
Paraguay: Republic of Paraguay, public entity.	Highway feasibility studies ($1,000,000).		Canadian dollars	800,000				June 23, 1966	(1977–2017).
			Expressed in U.S. dollars.	740,740				Nov. 9, 1966)	
Peru: Republic of Peru, public entity.	Establishment of a preinvestment fund for preparation of specific projects and general studies ($900,000).		Canadian dollars	540,000				Sept. 29, 1966	(1977–2116).
			Expressed in U.S. dollars.	500,000					

Regional—Central American Bank for Economic Integration, public entity.	Infrastructure credits ($4,200,000).		Canadian dollars	3,780,000			Jan. 26, 1967	(1977–2017).
			Expressed in U.S. dollars.	3,500,000			(Apr. 26, 1967)	
Total loans in Canadian dollars				21,176,000	46,911		46,911	
Total loans expressed in U.S. dollars				19,607,407	43,436		43,436	
UNITED KINGDOM RESOURCES—Statement of Loans as of Dec. 31, 1967								
Chile: Corporación de Fomento de la Producción, public entity.	Credits for development of private industries and crafts ($2,691,000).		Pounds sterling	358,000			Sept. 7, 1967	(1972–83).
			Expressed in U.S. dollars.	859,200			(Nov. 22, 1967)	
Total loans in pounds sterling				358,000				
Total loans expressed in U.S. dollars				859,200				

CONTRIBUTIONS FROM NONMEMBER NATIONS

Mrs. REID. Is there any possibility of increased contribution?

Mr. STERNFIELD. Yes; there has been discussion with the Government of Canada as to whether they might not increase their fund. Their fund is about $40 million. There has been discussion going on with Sweden also and other countries in other kinds of arrangements. This is a very active operation of the Bank, to get the nonmember countries involved in the Bank.

Mrs. REID. Have there been any other nations of the free world who have indicated a willingness to contribute?

Mr. STERNFELD. What has been going on is an effort to persuade these other nations to permit the Bank to sell securities in their market. There is Italy. Italy has been a very good participant. Israel bought some Inter-American Bank bonds, and Spain has also. The Netherlands, where discussions are going on right now; 2 months ago we had a bond issue in Belgium. Germany and Switzerland I should also mention, and Japan. I think I have named all the countries.

Mrs. REID. Are other nations contributing to economic and social development in Latin America through other channels?

Mr. STERNFELD. Most European governments have bilateral programs in Latin America. They are not very large. General de Gaulle was down in Latin America a couple of years ago, made a number of statements about what France would be doing for these countries. I don't think the Latin America countries have yet seen the large flow of funds from France that was anticipated as a result of that trip.

Mrs. REID. Is there any Communist aid?

Mr. STERNFELD. As far as the Western Hemisphere is concerned the large Communist-aid program is in Cuba. They are being drained very heavily by the Cubans. There are some small efforts in a number of countries where the Communist countries have attempted to start a program but they are small. The Communist countries are primarily interested in trade.

Mrs. REID. They have not advanced?

Mr. STERNFELD. No; they have not.

U.S. VOTING POWER

Mrs. REID. You discussed earlier the United States has about 42 percent of the voting power.

Mr. STERNFELD. Yes ma'am.

Mrs. REID. Did you at that time provide for the record a tabulation of the distribution of voting strength by percentages for the other members?

Mr. STERNFELD. No ma'am; but I'll provide it for the record.

(The information follows:)

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER, DEC. 31, 1967—
INTER-AMERICAN DEVELOPMENT BANK, ORDINARY CAPITAL

[Expressed in U.S. dollars]

Member	Shares	Percent of total	Total subscribed capital	Number of votes	Percent of total
Argentina	22,448	12.62	$224,480,000	22,583	12.50
Bolivia	1,802	1.01	18,020,000	1,937	1.08
Brazil	22,448	12.62	224,480,000	22,583	12.50
Chile	6,164	3.47	61,640,000	6,299	3.49
Colombia	6,159	3.46	61,590,000	6,294	3.48
Costa Rica	901	.51	9,010,000	1,036	.57
Dominican Republic	1,202	.67	12,020,000	1,337	.74
Ecuador	1,202	.67	12,020,000	1,337	.74
El Salvador	901	.51	9,010,000	1,036	.57
Guatemala	1,202	.67	12,020,000	1,337	.74
Haiti	901	.51	9,010,000	1,036	.57
Honduras	901	.51	9,010,000	1,036	.57
Mexico	14,430	8.11	144,300,000	14,565	8.06
Nicaragua	901	.51	9,010,000	1,036	.57
Panama	901	.51	9,010,000	1,036	.57
Paraguay	901	.51	9,010,000	1,036	.57
Peru	3,008	1.69	30,080,000	3,143	1.74
Trinidad and Tobago (Note D)	901	.51	9,010,000	1,036	.57
United States	76,176	42.82	761,760,000	76,311	42.23
Uruguay	2,407	1.35	24,070,000	2,542	1.41
Venezuela	12,027	6.76	120,270,000	12,162	6.73
Total	177,883	100.00	$1,778,830,000	180,718	100.00

COUNTRIES MOST BENEFITED THROUGH IDB

Mrs. REID. Then you discussed with Mr. Shriver this booklet, "The Social Economic Progress of Latin America." As you review the assistance extended by the Bank today, which country or countries do you feel have benefited the most thus far?

(Discussion off the record.)

PRIORITIES OF TYPES OF PROJECTS

Mrs. REID. This was also discussed with Mr. Shriver, the fact that the highest priority is being given to agriculture.

Now in the tabulation which he requested, you did include the percentage for agriculture, I realize that. What percentage for health, education, and economic development?

Mr. STERNFELD. I'll provide that for the record by those categories.

Mrs. REID. Include family planning also, if you would.

Mr. STERNFELD. Yes, ma'am.

(The information follows:)

FUND FOR SPECIAL OPERATIONS—RECAPITULATION OF LOAN OPERATIONS (AS OF DEC. 31, 1967)

	Number	Amount [1]
COMMITMENTS		
I. By Sector:		
Industry and mining	22	105.7
Agriculture	37	300.8
Water and sewerage	25	176.5
Transportation	13	158.7
Electric Power	6	45.0
Housing	8	69.7
Education	20	65.5
Preinvestment studies	34	45.6
Total	165	967.5
II. By year:		
1961	14	45.4
1962	14	41.0
1963	8	32.0
1964	13	48.9
1965	30	196.2
1966	47	290.8
1967	32	313.0
Total	165	967.5

[1] Amounts are in millions of dollars or equivalents.

MULTINATIONAL (REGIONAL) PROJECTS

Mrs. REID. The Bank proposes to have a hundred million dollars a year for multinational projects. It would seem to me this would involve greater risks. What special criteria do you apply in this case?

Mr. STERNFELD. They are greater risks. I think one has to examine the benefits in looking at them. I know we had a road project that connected three different countries and it was a very difficult job making a good benefit-cost ratio as to what benefits we are getting out of the cost. This was done. The Bank is now considering a multinational project, which is going to be very difficult to assess as to the benefits but they will work at it. This is a project to work on hoof and mouth disease control, which is very rampant, particularly in the southern part of the hemisphere, and when cattle get that disease it reduces these countries ability to sell their cattle. This is something you can't work on just on a national basis, you have to work on it on a multinational basis, so the criteria are being developed as these projects come along.

Sometimes a multinational project might not have as high a priority within a single nation but if you are looking at the region as a whole it has a higher priority than some other project within one country. There are very strong national feelings. They would rather have done first the project within the country, rather than connecting up countries; but I think the meeting of the Presidents last April, at Punta del Este—at least the Presidents of the hemisphere told their subordinates that they are putting a priority on these multinational efforts.

Now we have to see the implementation of the policies of the Presidents.

RATIO OF U.S. CONTRIBUTION

Mr. REID. You say the U.S. contribution to the Fund for Special Operations is now in the ratio of 3 to 1, down from a ratio of 5 to 1, with a greater awareness of the need for mutual self-help

among the contributors themselves. Do you feel that this ratio may be improved?

Mr. STERNFELD. It's my feeling we ought to be improving that ratio and we ought to also be moving on the front of getting the countries which are better off economically to help those countries who are worse off in the hemisphere. That spirit does exist in the Bank.

Mrs. REID. Do you think it's possible?

Mr. STERNFELD. I think it's possible. We moved from 5 to 1, to 3 to 1. I would hope we would be able to move along in that direction with these countries. I think they are very conscious of the fact that there is just one big contributor in the Bank and they would rather have a more equal standing.

Mrs. REID. That's all Mr. Chairman, except I do want to add that I too am extremely interested in the information which we will receive from the questions asked by Mr. Shriver and Mr. Riegle, because of the problems which we are having with priorities in our own domestic issues here at home.

Mr. PASSMAN. Let's take this in three steps.

Ordinarily the President, the Vice-President, the Secretary of State, or some other high ranking public official of our Government, attends these conferences where these international agencies are formulated. That is really the first commitment, is it not; where some representative of our Government will make a commitment?

BOGOTÁ CONFERENCE

Mr. FINKEL. No, Mr. Chairman.

Mr. PASSMAN. Oh, yes. Mr. Dillon, or some other U.S. Government official, prior to the Bogotá Conference, more or less committed our Government and that was the basic reason for the Conference.

Mr. FINKEL. All of the proposals at the conferences from which these legislative requests emerged were subject to appropriate legislative action.

Mr. PASSMAN. But he made a commitment and left the people under the impression that the United States would provide this.

Mr. FINKEL. He made an undertaking that the administration would submit a request to the Congress.

Mr. PASSMAN. He named the figure, did he not? Did he not specifically name a figure?

Mr. STERNFELD. It's my understanding, Mr. Chairman——

Mr. PASSMAN. I want specifics.

Mr. STERNFELD. If I can go to the record I think there was a piece of legislation passed which authorized an appropriation.

Mr. PASSMAN. I'm talking about the first trip.

Mr. STERNFELD. Before he went to Bogotá.

AUTHORIZATION LEGISLATION AND APPROPRIATION LEGISLATION

Mr. PASSMAN. Usually you have two or three meetings to negotiate these commitments, do you not? They don't fall out of a clear blue sky, do they? Don't you have to consult with the foreign nationals and the foreign governments and the foreign representatives to formulate a plan before you can submit it to the Congress. Isn't that right, sir?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. And you usually mention a figure, do you not, as to the amount?

Mr. FINKEL. We have found it desirable from the Congress' standpoint, as well as the Administration's, to have figures for us and the others.

Mr. PASSMAN. You come in with a package and these figures have been mentioned to our counterparts in other countries; is that correct?

Mr. FINKEL. It's a package——

Mr. PASSMAN. No. 2, you come to Congress for the authorizing legislation? Isn't that the way it actually works? It is limited to an authorization?

If we refer to the next to the last paragraph of the Authorization Act it states:

There is hereby authorized to be appropriated without fiscal year limitation for the United States share in any increase in the resources of the Fund for special operations of the Bank, the sum of $900,000,000.

This act is only an authorization and it can in no way, shape, or form or fashion, commit our country to an appropriation. It is only an authorization whereby we may subsequently appropriate funds against it. Isn't that right?

Mr. FINKEL. May I refer to section 16–A.

Mr. PASSMAN. Have I read that correctly into the record?

Mr. FINKEL. You have read 16–B correctly into the record. Section 16–A of the same legislation reads:

Upon the adoption of such resolution, the United States Governor is authorized to agree on behalf of the United States to pay—

The funds——

Mr. PASSMAN. You are only authorizing.

Mr. FINKEL. Authorized to agree to pay.

Mr. PASSMAN. The word "authorize" is a pretty big word and it's always up to the Congress to carry it out.

Mr. FINKEL. The Secretary has not interpreted it——

Mr. PASSMAN. Why are you here asking this committee to make an appropriation if you already have a legal commitment. If it's on the statute books can you give it to them without an appropriation?

Mr. FINKEL. We can't give it to them without an appropriation.

Mr. PASSMAN. We are only dealing with an authorization and you are not bound in a completely legal commitment because this is part of our normal function.

Mr. FINKEL. The Congress authorized two things. It authorized the Secretary to do something and it authorized the Congress, subsequently, to do another thing.

Mr. PASSMAN. You're telling the Congress to do it. You are not asking the Congress. If you claim you have a right, you are telling us; you are not asking us.

I'll talk about an authorization. An authorization act is positively not a legal commitment. It only makes it legal to subsequently appropriate money against that authorization act. I just talked to the chairman of the Ways and Means Committee on the floor and he said we were confusing an authorization with a completely unbreakable legal commitment, which in my candid opinion, this is not. We could not

be violating anything if we did not appropriate a dime based on this authorization act.

Let's take it one step further. In America we have authorizations for all of our projects. We expect to get money for these authorized projects and we may even appropriate the money. The project is completely authorized and subsequently we appropriate money for it. Then the President says we hereby freeze these funds. Sometimes the funds will be frozen for several years. The President is presently impounding funds for authorized projects.

Now, are you telling this committee that projects in a foreign country take priority over projects in America?

Mr. MISKOVSKY. No, sir. I don't think we are in basic disagreement. on your exposition of authorization and appropriation. All we are saying is, pursuant to the authorization we have made an international commitment and that is all we are saying.

COMMITMENT AT THE BOGOTÁ CONFERENCE

Mr. PASSMAN. This is what Mr. Dillon said at the Bogotá Conference:

The Government of the United States is prepared—

And this was before the appropriation—

to devote over the years ahead, large additional resources as progress is made. We will expect to continue our support with new and additional funds.

Is that a commitment? Was he commiting the United States?

Mr. MISKOVSKY. No. It's a moral commitment, sir.

Mr. PASSMAN. What's the difference?

Mr. MISKOVSKY. What we are talking about here is when the Secretary has the authorization from the Congress to go along with this resolution. Then he puts the name of the United States on the line.

Now, what Mr. Dillon was doing there, he was making, I imagine, a commitment of the United States from his own particular function.

Mr. PASSMAN. He said pointblank what we would do.

Mr. MISKOVSKY. He didn't have authorization from the Congress.

Mr. PASSMAN. Certainly not, and you don't have any commitment either until you get this money.

Mr. MISKOVSKY. We can't pay. That is right. No question.

OVERALL REDUCTION OF EXPENDITURES

Mr. PASSMAN. Let's go a bit further. This is important. The President is daily impounding funds for projects here in America. Let's take the Hill-Burton hospital program. The Congress had appropriated the funds and turned them over to the Executive to administer them. The local people went out and raised their share of the money—floated bonds—and in one instance in my congressional district, awarded a contract. Then the Executive causes the funds to be frozen. The local community couldn't proceed. The one community had to cancel the contract in one instance, and in the other instance, they have to pay interest on the bonds they floated to raise their share and they cannot proceed until the funds are freed.

Today we are on the verge of freezing many, not only authorized projects but also funded projects; the money is being impounded.

Do you mean to tell me that in this financial crisis that we are facing—I think it's even much more serious than I have implied—that you people could determine here and now and say we are going to lose friends and these people are going to resent our action if we don't make available all the funds that the authorization calls for and that they would like to have. I don't think you say that there is a priority for foreign projects when they are gifts. Don't you think if it gets right down to the point where we are just going to have a cutback, that we are going to have to apply this cutback to all projects and all countries, not just our own? I don't think you would want the record to show that you feel that we should fully fund a program of this type that is for the same type of projects in America where we are freezing the funds. Am I making a statement of fact, that the money you're asking us to provide for the Inter-American Development Bank is going to do the same type of projects that we are presently withholding funds from in this country.

Mr. FINKEL. I think we are discussing a much narrower area.

Mr. PASSMAN. We've got to pin this down. We have a man here from the Treasury. He's familiar with impounding these funds. The Inter-American Bank is funding similar projects that we have in this country—roads, schools, hospitals, and everything that makes for a better community; are they not?

Mr. STERNFELD. Yes, sir.

Mr. PASSMAN. Aren't we impounding funds in this country for the same projects?

Mr. BETTS. This have been done under the requirements of Public Law 90–218.

Mr. PASSMAN. We have given to our friends in Latin America a minimum of $12 billion net, since the end of World War II. Don't you think if you gentlemen would approach these people and say, "We desire to amend our commitment downward for the foreseeable future," that such an agreement could be worked out?

Mr. PETTY. One of the purposes of the cutback at the present time in the domestic economy is to stop the immediate injection of money into the economy and slow down the rate of inflation. There is a considerable timelag differential between appropriations and disbursable money and the likelihood of any impact these funds would have on the U.S. economy——

Mr. PASSMAN. On that basis, foreign projects take a priority over ours?

Mr. PETTY. I wasn't talking about initial priority. I was talking about the timing of the relative economic impact of the U.S. economy and domestic inflation.

Mr. PASSMAN. Let's go a step further. A very high percentage of this money is tied to American commodities. So you give these people this money. They turn around and they drop it into the American economy. Does that create less inflation than if you were to go ahead and let Mr. and Mrs. America spend the same money for the same types of projects? What's the difference?

Mr. PETTY. The point I was making was substantially that of the timing of the projects financed under the funds we were discussing.

Mr. PASSMAN. The projects today for which we are getting slices of money were authorized 10, 12, 15 years ago, public works projects.

So if we continue the flow of money into this account, they turn around and they purchase commodities from the United States; do they not?

Mr. PETTY. Yes.

Mr. PASSMAN. Spending money, creating inflation. How could that create less inflation, than if our own people, spending money for the same projects in our own country——

Mr. PETTY. I was talking about the timing, Mr. Chairman. Cutting back on the appropriations today would cut back on commitments on projects.

Mr. PASSMAN. That's exactly what we want. If you cut back on this, wouldn't they slow down?

Mr. PETTY. The disbursal of which would be 1970, 1971, or 1972. You are talking about other projects, about impounding money immediately.

Mr. PASSMAN. We are delaying some of these projects 4, 5, or 6 years, because in all probability we are going to see a limitation placed on spending. You get it in the pipeline. It isn't what you appropriate this year necessarily that will effect what they spend this year. It's what you have in the pipeline. You may see a limitation placed on the amount that can be taken out of the pipeline as well as the amount that may be put into the pipeline.

Here is some confusing language about the limitation we were reading a moment ago. I think we ought to clear it up. This is House Report No. 1145, accompanying H.R. 16364. It states on page 6.

In accordance wtih covenants with its existing bond holders, the Bank cannot make net borrowings in excess of the U.S. subscription to callable capital.

Evereything is based on Uncle Sam, isn't it?

Mr. FINKEL. No, sir. That refers to the amount of borrowing the Bank may enter into. In event of default, not only the United States but the other Latin American countries as well would, in accordance with the charter, be liable to answer the call.

Mr. PASSMAN. But you are limiting this to the United States.

Mr. FINKEL. A voluntary limitation on the amount of borrowing the Bank would enter into, upon the advice of its underwriters from the time it floated its first bond issue.

Mr. PASSMAN. I'm glad, basically, we are in accord, Mr. Counsel.

I do want to say this as we get ready to conclude. Nothing would please me more than to see this foreign giveaway program succeed in Latin America, but as far as I am concerned, I don't have the capacity to draw upon my imagination that it will succeed, to the extent you wonderful gentlemen do.

I think the program has been a failure. I think it has done more harm than good. I think these people are becoming complacent because we are doing for them what they could do for themselves. I don't think you have had near the success your imagination leads you to believe you have, including reforms in the tax system, or the fair distribution of the vast land that is in the hands of the few in that area.

I think our failure is mainly because we don't do what we say we'll do. We say, you're going to have to do this before we do this. When they don't do it, we go ahead and do it anyway.

I would like to know, in your candid opinion what good, if any, has the distribution of $12 billion to our friends in Latin America

done; how has it helped us, taking into account they had some thriving civilizations while the Indians were still running around in this country and before we even had a United States of America?

Put that into the record. Take a week if you want to. Also, if you can, answer this question now. Giving away our wealth to secure friends is indeed a new concept in our foreign policy. It has come into being in very recent years, has it not?

Mr. PETTY. We have made grants in the past to provide economic and political stability in different parts of the world to our mutual benefit; yes, sir.

Mr. PASSMAN. You didn't answer my question.

Mr. PETTY. Since World War II.

Mr. PASSMAN. This is a new concept in foreign policy that started with the Marshall plan.

Mr. PETTY. We did receive some loans and grants from France during our Revolutionary War.

Mr. PASSMAN. Do you know of any other instance, other than the Revolutionary War, where France made this small consideration for seven States?

Mr. PETTY. Not offhand.

Mr. PASSMAN. In effect, it is a new concept in foreign policy, isn't it?

Mr. PETTY. Certainly it's more prevalent today than before.

Mr. PASSMAN. The Secretary of State 2 years ago said we never received foreign assistance from any foreign country—that's in the record. So, it is a new concept.

Gentlemen, you are dedicated men but this program is wrecking our country's economy. As an international banker we are in a pretty bad way with our dollar and gold, aren't we?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Somehow, Mr. Secretary, this is going to have to be brought under control.

Mr. PETTY. Absolutely.

Mr. PASSMAN. Wherever we make cuts it's going to hurt, whether it's foreign or at home, would you agree to that?

Mr. PETTY. Yes, sir.

Mr. PASSMAN. Unless, as the President said, we do these things we are in trouble. I hope that you understand that we are trying to find the solution and face up to our responsibilities. I don't think there is any area in foreign aid that can not be reduced. I think if we approach this properly and give you half of what you're asking for, and let your people tell them about our fiscal situation and that as soon as we can straighten out our fiscal situation we will consider furnishing the balance.

IMPACT OF AN APPROPRIATION REDUCTION ON THE GOLD PROBLEM

Mr. RIEGLE. If we were to cut this appropriation by $50 million, or even cut it in half, in terms of the immediate impact on our gold problem, would it help or hurt our situation as far as the gold flow?

Mr. PETTY. I don't think it would have any impact. I think this money we would be discussing today is funds disbursed under commitments that would be made on the basis of these appropriations. And there is a lagtime of 2 or 3 years. Most of this money is spent

back in the United States, and a small part is in the regional countries, who spend most of their money back in this country. I would understand, certainly in the immediate future, it would have no relation to the gold question.

Mr. PASSMAN. The record is abundantly clear that we are making available funds by which these people can requisition their needs from this country. Couldn't they take what they earned from their exports—the profits on their exports to Europe—and demand gold for those dollars if they know the commodities they would normally buy are forthcoming against this grant?

Mr. PETTY. For the most part the Latin American countries have not been gold buyers of any significant amount.

Mr. PASSMAN. But they could, could they not, when they see this appropriation made by which they can finance their projects. Then, if they have money they earned from their exports they could requisition gold, could they not?

Mr. PETTY. They could but they have not.

Mr. PASSMAN. That's wonderful, but they could?

Mr. PETTY. They could make their liquid assets sterile; yes.

Mr. PASSMAN. They could not do that if they didn't have this money to pay for these commodities.

Mr. PETTY. We are financing projects that would otherwise not be financed.

Mr. PASSMAN. It takes American commodities to make up the package?

Mr. PETTY. Yes; had it not been for the Bank, Project A would not have gotten underway.

Mr. PASSMAN. That's exactly what they had been doing in the past. If you just take this chart and look at Latin America, it hasn't been too large but it's been somewhat substantial. This is the gold they bought.

I don't think they would have bought that gold if we had not been——

Mr. PETTY. They were net sellers of gold to us in 1967.

Mr. RIEGLE. I'm interested in the answer because it seems to me, as we go ahead and appropriate this money it has the effect of increasing the overspending we are doing in this country by this amount. It seems to me further, that much of the gold problem has to do with confidence by international communities. Much of their present lack of confidence stems from overspending by the U.S. Government. In order to better conduct our economic affairs, it seems to me, that every additional expenditure, one we might not undertake that we do undertake, makes our financial situation all the more risky. In fact, each additional dollar spent diminishes world confidence in both the value of the dollar and our ability to manage our financial affairs and thus worsens the gold crisis that now exists.

Mr. PETTY. I agree with you, sir, that the United States is on the line and we are being judged upon a capacity to manage our own fiscal affairs. Our defaulting on a moral commitment, would do more internationally to destroy confidence in the U.S. dollar than anything else.

Mr. PASSMAN. Mr. Secretary, go to the Senate and plead with them not to approve this request for $200 million that a House committee has already approved, to an institution that does not need the money. Render that little service for us, so it won't be a legal commitment until the Senate passes it and the President passes the bill.

Mr. PETTY. Are you referring to the Asian Development Bank?

Mr. PASSMAN. The Banking and Currency Committee has approved a bill for $200 million for the Asian Bank and this is the Inter-American Bank. But you still have time to cut them both off, over in the Senate. If you cut them off, I'll recommend the committee approve this entire program.

Mr. PETTY. I may have misspoken. The House has not passed the Asian Development Bank bill.

Mr. PASSMAN. It has been reported favorably.

You help us block it and if you will, I'll recommend every dime and hope the committee will go along with me. At least, it will not be a legal commitment, we can stop it at this point.

Mr. PETTY. Yes, we can stop it at this point.

Mr. PASSMAN. And it will not be a legal commitment.

Mr. PETTY. That's correct.

Mr. PASSMAN. Thank you, Mr. Riegle.

Mr. RIEGLE. It's interesting, its going to be an interesting record to read today because you said there was a legal commitment, then we decided after that point that it was not a legal commitment, but was actually a moral commitment.

Mr. MISKOVSKY. It's a legal commitment.

Mr. PASSMAN. Based upon the appropriation he said; is that right?

Mr. BETTS. As for the $300 million we're talking about here, today, the Congress authorized the Secretary of Treasury as the U.S. Governor to agree to be paid as part of the $900 million authorized in Public Law 90–88. However, any such agreement is dependent upon subsequent appropriation of funds by the Congress.

Mr. PASSMAN. You can get any kind of an answer you want.

Mr. RIEGLE. We are talking about what is here now.

Mr. MISKOVSKY. Yes, it's legal.

Mr. RIEGLE. You are still calling this a legal commitment?

Mr. PASSMAN. It's only authorized. I just talked to three Members, an able Republican Member and two Democrats on the floor. It's implied but it is not a legal commitment, it is only authorized. That's what they say.

So, we've got to clear this up. When we get the Secretary of State, before us we will try to find out whether we have a legal commitment or not. We're not getting anywhere trying to get the counsel to agree. Every time he says it's so, I'm going to say it's not so because I'm not going to let the record show that we have a legal commitment. If so, we are wasting the committee's time.

Mr. RIEGLE. You made the point a minute ago, and I agree with the chairman on this point, that no one in the executive branch has the authority to spend money unless specifically appropriated by the Congress.

Mr. FINKEL. We've already answered that. . . .

Mr. MISKOVSKY. No question about that.

Mr. PASSMAN. I think we ought to rest on that statement. As to the bill pending that I believe the Banking and Currency Committee reported favorably, authorizing $200 million for the Asian Development Bank—we are not legally committed, implied or otherwise, at this point, are we?

Mr. PETTY. No, sir.

Mr. PASSMAN. The Inter-American Bank bill, I believe, the bill is over in the Senate. And until such time as they approve it and the President signs it, we are not legally committed.

Mr. MISKOVSKY. That's right.

Mr. PASSMAN. This would be a good time to stop those two bills if we don't want to get into more financial entanglements. If counsel says it's legal, then neither one would be legal if we could kill them at this point. Is that right, sir?

Mr. PETTY. I remind you, sir, the legislation in the Senate is on the "callable capital," and not for the Fund for Special Operations for which we are appearing today.

Mr. PASSMAN. It has already been strongly implied and if they call it——

Mr. PETTY. No, sir.

Mr. PASSMAN. You're creating a contingent liability, aren't you? And isn't that the same as if I go down to the bank and sign your note for a thousand dollars? I am backing up a credit that you don't have?

Let's put it the other way. You go down to the bank and sign my note for a thousand dollars, you are backing up a credit I don't have.

Mr. PETTY. But I'm backing up a good credit, sir.

Mr. PASSMAN. You'd better check well the security of that note.

Mr. PETTY. That's the concept.

Mr. PASSMAN. Let's knock them both off. Now's the time to stop it. Let's get a special order and take it and blow it out of the water.

Mr. RIEGLE. You mentioned a minute ago that it was a moral commitment and I commented to you earlier that we have more moral commitments at this time than we can keep, if you take into consideration all of our domestic and all of our international promises. I am wondering, would you recommend to us or would you recommend to the Appropriations Commitee that somehow, an international moral commitment is a higher priority than a domestic commitment?

Mr. PETTY. I don't think I could rank domestic and international obligations in priorities. To improve the welfare of the people, the welfare of the Nation—I think, Congress certainly and the administration sets its own priorities when they pass authorization, legislation and pass appropriations and——

Mr. PASSMAN. But, they have to subsequently freeze them.

Mr. PETTY. I agree with the suggestion that the U.S. international commitments—be closely reviewed and cut back. The issue I'm raising is whether it is not only appropriate but desirable for the United States and Congress, which has authorized the Secretary of the Treasury to make this commitment to the Inter-American Bank to now alter the figure that was originally intended.

Mr. RIEGLE. You are not then saying that you feel this is a moral commitment, you are saying that it's an overriding moral commit-

ment that ought to come ahead of all other moral commitments that we are faced with trying to presently meet with insufficient resources?

Mr. PETTY. I think it's a contractual agreement as well as a moral agreement. What is more, I think the overall priority has been established in the administration when it sent the budget to the Hill and the relationships that are involved.

Mr. RIEGLE. There are many members of the Appropriations Committee, as well as the Congress, who feel basically there weren't any priorities in that budget. Or if we were to argue that the budget did have priorities—we would be kidding ourselves with words, because there is a good deal more spending projected in that budget, and asked for, than we can afford.

I just want to nail down this one point. You are not then suggesting that this particular kind of moral commitment is somehow an overriding commitment that ought to come ahead of any other kind of moral commitment that we may have as a Nation, either abroad or at home?

Mr. PETTY. It's an overriding moral commitment to the extent that it involves the word of the U.S. Government.

Mr. RIEGLE. Everyone of our commitments involves that word.

Mr. PETTY. The Secretary of the Treasury acted upon the authorization of Congress to enter into and then meet an international commitment. The value of the dollar is dependent upon the undertakings of the administration and to the extent——

Mr. RIEGLE. I don't think you would make that point if you thought those actions were actions that would really bankrupt us. If we keep our word by bankrupting ourselves that doesn't keep the dollar strong. does it?

Mr. PETTY. That's implying this commitment, which would call for disbursements 2 or 3 years from now, would bankrupt us. I don't think it would.

Mr. RIEGLE. As a general premise, if we spend ourselves into bankruptcy meeting excessive commitments we were foolish to make in the first place, that's not the way to maintain our prestige and integrity internationally, is it?

Mr. PETTY. I think that's correct.

COUNTRIES ELIGIBLE FOR LOANS WITH IDB

Mr. PASSMAN. Mr. Secretary, how many countries are involved in this Inter-American Bank?

Mr. PETTY. Twenty.

Mr. STERNFELD. Twenty-one, including ourselves.

Mr. PASSMAN. The 20 Latin American countries, are each contributors, is that correct?

Mr. STERNFELD. Yes.

Mr. PASSMAN. And each one is eligible for a loan from the Bank?

Mr. PETTY. Yes.

Mr. PASSMAN. Do we have the same privilege? Can we borrow from the Inter-American Bank?

Mr. STERNFELD. Yes, as a legal matter, yes.

Mr. PASSMAN. So, as to get ourselves out of this spot wouldn't it be wise, through our Secretary of State, to explain these people the de-

plorable fiscal condition we are in, and so as not to create an international incident, or have the United States accused of violating its word, to place our loan application immediately with the Bank for $300 million to meet this commitment?

Would this apply also to the Asian Bank, to borrow back from them the same amount of our legal commitment. That way we could soften the impact and at the same time not violate any commitment. Could we not work that out?

I mean, couldn't we work it out that way without breaking any moral commitment since we're eligible to borrow?

How about that, legal counsel, would you agree that this could be worked out and we would save face and lessen the impact on our economy?

Mr. MISKOVSKY. To apply for a loan?

Mr. PASSMAN. Yes. Wouldn't we save face, and also save our money?

Mr. MISKOVSKY. I think as a purely legal point you probably could.

Mr. PASSMAN. That's all I'm going to question you on. On the legal part we are eligible. Now, I'm going to recommend that you do that. And I would ask you to support your application with the facts as it would apply to Asian Bank, that is, that now we are borrowing our own money back at 5 percent. You could support your proposition on that basis. And to some extent you could tell the people when you file your application with the Inter-American Bank that we are now borrowing some of the money back at 5 percent that we gave them. I think you could make a very good case and if you would like to proceed on that basis we'll so indicate in our report, so as to lessen the impact and to save face, that we are going to fund this account but then petition the Bank with an application in the same amount.

Will you follow through on that?

(The information follows:)

U.S. USE OF INTER-AMERICAN DEVELOPMENT BANK RESOURCES

It has been suggested that the United States should borrow from the Inter-American Development Bank an amount equal to one-half of the $300 million installment due in 1968 on the U.S. 3-year pledge of $900 million to the Fund for Special Operations, in order to reduce by half the effective U.S. contribution. The suggestion is put forward in the light of the program of expenditure restraints on various elements of the Federal budget. After carefully examining it, however, the Treasury Department has concluded that the proposal is undesirable for a number of policy and practical reasons. Among these are the following:

1. The Articles of Agreement of the Bank draw no distinctions among Bank members as to their right to borrow from the Bank for the purposes and in the manner provided in articles. The United States is, therefore, technically eligible to use the Bank's resources. The establishment of the Bank itself, however, and U.S. participation therein reflected an appreciation by the United States of the need for external capital to finance Latin American development. It was a fundamental assumption in drafting the Articles of Agreement and necessary U.S. legislation that the United States, as the richest nation in the world, would be a provider, rather than a user, of the Bank's resources. The initial contributions by the Latin American members of the Bank, and their subsequent undertakings to increase their proportionate share in the Bank's capital, were made in consideration of the assumed full availability of the amounts pledged by the United States.

2. In accordance with Charter provisions and lending policies encouraged and supported by the United States, the Bank does not lend for projects where financing is available from alternative sources on satisfactory terms. Given the undisputed fact that the domestic U.S. capital market is the largest in the world and that domestic financing can be obtained on more favorable terms than elsewhere, the Bank could not reach the necessary determination, in the case

of a loan application from the United States, that appropriate financing was not otherwise available.

It is also the Bank's policy, endorsed by the United States, that, in the interest of insuring that limited funds are applied where most urgently needed, FSO lending give priority to countries at the lower end of the per capita GNP spectrum. The per capita GNP of the United States exceeds by a factor of 15 or more the per capita GNP of those countries of Latin America that can expect to receive FSO financing. Thus, as a matter of standard lending policy, the United States would clearly be ineligible for FSO loans.

3. The Bank lends for economic development purposes and does not lend to members purely for purposes of balance-of-payments support or budget support. In present circumstances, an application for a loan by the United States would necessarily be regarded as a request for one or both of the latter forms of assistance.

4. The present program of expenditure restraints is designed to achieve an immediate effect in reducing the cash impact of Federal spending on an overheated economy; tax measures requested of the Congress are similarly designed to bring about an early reduction of private sector demand. Because of the inherent nature of the lending process, the funds that are now being requested as FSO contributions would not be drawn in cash by IDB until several years from now. They can, therefore, have no impact on our immediate economic and fiscal situation. It follows that there is no present basis for concluding that it would be desirable to offset the cash impact of our contribution through a loan from the Bank, particularly since cash disbursements on such a loan would come at some future time of possibly quite different economic and fiscal conditions.

5. In a broader international monetary context, the mere fact of an application by the United States to one of the international development finance institutions would be widely interpreted as marking new weakness in the position of the dollar. Such a step could, therefore, lead to significant renewed speculation against the dollar in the foreign exchange markets and general loss of confidence in the external financial position of the United States.

Finally now, I'm being repetitious but it's good. That way we can save face and at the same time we can save our money. Would you agree to that Doctor, that that is right—legally, technically, and otherwise?

Mr. STERNFELD. I don't think other than legally——

Mr. PASSMAN. Let's say legally and technically.

Mr. STERNFELD. Legally there's no bar against the United States filing an application.

Mr. PASSMAN. Then we have technically solved one of the problems. If you would follow through I'd be grateful.

Mr. STERNFELD. It would violate the intention

Mr. PASSMAN. Yes; we're violating intentions every day of our life. Even the President withdrew, canceled his candidacy on account of the same involvements. But anyway, I'm not asking you to elaborate on whether you like it or not, it's perfectly legal. And upon that basis, and before this fiscal situation gets so much worse, before we mark this bill up you may commend me for my recommendation. So, why don't you stand by and when you see this thing worsen by the day, come in and we'll have a further consultation. Will you do that? You fix the date at your convenience.

Mr. STERNFELD. Mr. Chairman, the word of the United States in in international circles is so important.

Mr. PASSMAN. We're going to keep our word. Mr. Secretary, we're going to keep our word. We're going to make the money available but we're going to petition them for a loan.

Mr. STERNFELD. Part of the word of the United States, Mr. Chairman, was that the funds were going to be made available——

Mr. PASSMAN. Let's make available.

Mr. STERNFELD. To those who have annual per capita incomes which range from $300 and $400 down to $100 per capita.

Mr. PASSMAN. You are reneging on what you previously said, that we are a member and we could legally submit a loan application. Previously you said the reason is that we would break faith, that we made a commitment.

Mr. STERNFELD. I didn't say that.

Mr. PASSMAN. Yes you did. You said we had a commitment.

Mr. STERNFELD. Yes we do, have a contractual commitment.

Mr. PASSMAN. I wouldn't expect you to change your position, because it is a lot easier for you to give it away, than it is to bring it back, But, let's follow through on it and see whether or not you can't develop this into a good program because our fiscal situation is going to get a lot worse before it gets better.

Mr. Counsel, I believe you said it would be legal, did you not?

Mr. MISKOVSKY. Yes.

Mr. PASSMAN. Then the testifier for these funds said it would be perfectly legal for us to approach it on that basis.

Now, with that solution the Committee will adjourn until we set a date for further deliberations.

MILITARY ASSISTANCE PROGRAM

WITNESSES

HON. PAUL H. NITZE, DEPUTY SECRETARY OF DEFENSE

HON. PAUL C. WARNKE, ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

VICE ADM. L. C. HEINZ, U.S. NAVY, DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

PHILIP J. FARLEY, DEPUTY ASSISTANT SECRETARY OF STATE FOR POLITICO-MILITARY AFFAIRS

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)

JOSEPH J. WOLF, DIRECTOR FOR OPERATIONS, OFFICE OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

BENJAMIN FORMAN, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE

ROBERT G. RATH, MILITARY ASSISTANCE COMPTROLLER, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

CAPT. JIMMIE "B" ALLRED, U.S. NAVY, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

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PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimated	1969 estimated
	Program by activities:			
	Grant aid operations:			
	Reservations for requirements ordered from U.S. military services (22 U.S.C. 1819):			
	1. Aircraft	108,965	49,842	66,697
	2. Ships	38,701	14,791	20,398
	3. Tanks, other vehicles, and weapons	78,180	26,824	41,738
	4. Ammunition	68,699	21,446	32,007
	5. Missiles	7,272	4,962	6,618
	6. Electronic equipment	12,010	14,148	15,573
	7. Military public works	9,510	970	
	8. Other	154,068	99,719	102,304
	Adjustment of prior year reservations	−22,443		
	Subtotal	454,962	232,702	285,335
	Obligations for requirements other than through reservations:			
	9. Offshore procurement	6,760	2,676	3,089
	10. Supply operations	79,646	67,586	55,046
	11. Training	49,584	39,921	37,348
	12. Administration	22,896	21,400	21,000
	13. Contributions for international military headquarters and agencies	44,763	24,100	25,000
	14. Contributions to construction of facilities in other countries:			
	(a) Infrastructure	74,212		
	(b) Military public works	652		
	15. Other activities	97	1,546	1,182
	Adjustment of prior year research and development obligations	−1,344		
	Subtotal	277,263	157,229	142,665
	Total, grant aid operations	732,225	389,931	428,000
	Sales operations:			
	17. Reservations for requirements ordered from U.S. military services (22 U.S.C. 1819)	3,102		
	Total, sales operations	3,102		
10	Total obligations/reservations	735,327	389,931	428,000
	Financing:			
	Receipts and reimbursements from:			
11	Federal funds	163		
14	Non-Federal sources (22 U.S.C. 2355)	−8,360	−8,000	−8,000
17	Cancellation of prior year reservations	−6,154	−114,013	
21	Unobligated balance available, start of year	−11,086	−11,931	−10,000
23	Unobligated balance transferred to other accounts	6,154	114,013	
24	Unobligated balance available, end of year	11,931	10,000	10,000
	New obligational authority	727,975	380,000	420,000
	New obligational authority:			
40	Appropriation	792,000	400,000	420,000
41	Transferred to other accounts	−64,025	−20,000	
43	Appropriation (adjusted)	727,975	380,000	420,000
	Relation of obligations to expenditures:			
10	Total obligations/reservations	735,327	389,931	428,000
70	Receipts and other offsets (items 11–17)	−14,351	−122,013	−8,000
71	Obligations/reservations affecting expenditures	720,976	267,918	420,000
72.40	Obligated balance, start of year	1,656,240	1,347,558	916,978
73	Obligated balance transferred to other accounts	−126,639	−148,498	
74	Obligated balance, end of year	−1,347,558	−916,978	−817,978
90	Expenditures	903,018	550,000	525,000
	Expenditures are distributed as follows:			
01	Out of current authorization	255,847	108,000	125,000
02	Out of prior authorization	647,171	442,000	394,000

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	ALLOCATION ACCOUNTS			
	Grant aid operations:			
	Reservations:			
25.1	Other services	71,149	46,408	54,994
26.0	Supplies and materials	147,699	83,884	97,654
31.0	Equipment	236,114	102,410	132,687
	Total grant aid operations	454,962	232,702	285,335
	Personnel compensation: Obligations for requirements other than through reservations:			
11.1	Permanent positions	15,672	16,011	15,935
11.3	Positions other than permanent	84	76	37
11.5	Other personnel compensation	417	335	328
	Total personnel compensation	16,173	16,422	16,300
12.0	Personnel benefits, civilian personnel	1,651	1,616	1,573
12.1	Personnel benefits, military personnel	4,502	3,396	3,283
21.0	Travel and transportation of persons	24,538	23,635	22,133
22.0	Transportation of things	38,119	37,495	34,179
23.0	Rent, communications, and utilities	2,848	2,931	2,935
24.0	Printing and reproduction	639	585	555
25.1	Other services	45,303	45,215	37,338
25.2	Services of other agencies		4,875	4,875
26.0	Supplies and materials	6,806	5,876	5,488
31.0	Equipment	25,757	15,183	14,006
41.0	Grants, subsidies, and contributions	110,927		
	Total, obligations for requirements other than through reservations	277,263	157,229	142,665
	Sales operations:			
31.0	Equipment	3,102		
	Total, sales operations	3,102		
99.0	Total obligations/reservations	735,327	389,931	428,000
	Obligations are distributed as follows:			
	Secretary of Defense	116,250	4,682	4,710
	Army	347,778	226,954	247,781
	Navy	99,428	46,842	51,097
	Air Force	167,035	106,578	119,537
	State	4,836	4,875	4,875
	PERSONNEL SUMMARY			
	Total number of permanent positions	2,706	2,289	2,211
	Full-time equivalent of other positions	21	7	7
	Average number of all employees	2,535	2,244	2,184
	Average GS grade	8.1	8.2	8.2
	Average GS salary	$9,618	$10,035	$10,464
	Average salary, positions authorized by 22 U.S.C. 2151	$23,726	$24,167	$24,334
	Average grades, established by the Secretary of Defense	3.4	3.8	3.8
	Average salary, grades established by the Secretary of Defense	$15,137	$15,997	$16,142
	Average salary of ungraded positions	$2,005	$2,277	$2,278

Mr. PASSMAN. The committee will come to order. We shall, this afternoon, begin hearings on the budget request for the very small portion of the military assistance program that is still under the jurisdiction of this subcommittee.

Before we conclude the hearings we will, of course, have testimony on the $100 million supplemental request for Korea, as well as on the budget estimate of $120 million, against the authorization request of $296 million, to finance foreign military credit sales.

We have before us this afternoon as witnesses, the Honorable Paul H. Nitze, Deputy Secretary of Defense; the Honorable Paul C. Warnke, Assistant Secretary of Defense for International Security Affairs; Vice Adm. L. C. Heinz, U.S. Navy, Director of Military Assistance, Office of the Assistant Secretary of Defense, and other

supporting witnesses, all of them important, not only in the military assistance program, but in the Defense Department. Many of them have appeared before this committee before and have helped very much in establishing the needed level of military assistance. Their names will also be inserted in the record.

It has been customary in the past for the Secretary of Defense either to lead off or conclude this committee's hearings on the budget estimate for the military assistance program. However, as everyone knows, the President recently appointed the Honorable Clark Clifford as Secretary of Defense to succeed Secretary McNamara. The job of the Secretary of Defense is indeed a tough one and it is virtually impossible for any one individual to familiarize himself even in part with all the details of our huge defense budget in such a short period of time, and still have any time left to familiarize himself with the military assistance program. It would be rather inconsistent, and the members of this subcommittee would be out of character, to ask this busy man who has not had an opportunity to familiarize himself with this request, to appear before this or, as far as I am concerned, any other subcommittee and subject himself to cross-examination on the budget.

Therefore, the distinguished Secretary of Defense will not appear as a witness. I discussed this matter also with the ranking minority member of this subcommittee, Mr. Shriver. He also agreed this committee would be somewhat out of character and unfair to subject Mr. Clifford to the type of cross-examination, that some members are capable of entering into.

Now, I believe, Mr. Secretary, you do have a statement you would like to present to the committee.

General Statement of the Deputy Secretary of Defense

Mr. Nitze. Mr. Chairman and members of the committee, the opportunity to testify before this committee in support of the proposed fiscal year 1969 military assistance program is welcome for two reasons. First, it enables me to express the firm conviction of the Department of Defense that the basic principles of military assistance remain valid and continue to support a sound defense strategy. Second, it gives me a chance to explain in some detail why we believe that the extremely austere program we are presenting is an important and integral factor in our total effort to advance both the national security and the foreign policy interests of the United States.

Military assistance has been an integral part of our foreign policy in the decades since World War II. During these decades we have used it, in the words of President Truman, "to support free people who are resisting attempted subjugation by armed minorities or by outside pressures." The current conflict in Vietnam and the recent rapid rise in outside pressures on the Republic of Korea are striking evidence that attempted subjugation of free people is still very much a part of the international context in which we must fashion our national security policies and support them with our resources.

These policies call for the continuing active participation by the United States in an international system of individual and collective defense against aggression and subversion. The miltiary assistance

program is a time-tested and proven vehicle of that participation. While the grant program will continue to decrease as the economic capabilities of our friends and allies increase, it cannot be phased down so rapidly as to deny them the support they still need if they are to carry an increasing share of the mutual security effort. Drastic curtailment of the U.S. military assistance could threaten the very foundation we have, at considerable cost, built to sustain the collective security system.

As Mr. McNamara said in his posture statement, there is no way to determine precisely what any nation's fair share of the burden of collective defense should be. For nearly two decades of war and uneasy peace, the United States, because of its economic, industrial, and technological preeminence, has carried a large share of that burden, not only through the support of its own Defense Establishment but also by providing weapons, equipment, other materiel and training for the forces of our allies. Over this span, the character of our contribution has changed significantly, and I am certain it can be expected to change still further in the years ahead. Grant materiel assistance, though still required in a number of situations, has for some time been declining in relative importance in many countries. The sale of U.S. military equipment and services, in contrast, has grown along with our allies' increasing ability to shoulder their defense needs from their own resources. However, regardless of what form our contribution has taken, its basic objective has remained the same—to weld a system of individual and collective defense in which all participants contribute according to their respective abilities.

We can prevent both a crisis in allied confidence and a degrading of the free world common defense posture by insuring continuation of an effective but austere military assistance program. The issue is that simple, and the cost is moderate compared to the additional resources—in both manpower and money—we would have to expend to maintain our worldwide security interests without the contribution and cooperation of our collective security partners.

While we believe firmly in the interdependence of military assistance and our national security, we of course recognize the equally valid claims of many other important programs, both foreign and domestic, on total United States resources. It is with full consideration of these competing requirements, and of the extraordinary demands made upon us both by the war in Southeast Asia and by the urgent need for coping with our problems at home, that we are requesting this year a minimal amount of new obligational authority. This amount reflects not only a paring down of on-going programs, but the continuing process of eliminating materiel programs where countries no longer require such assistance.

The result is a program involving $420 million in new obligational authority for fiscal year 1969. Because, as you know, we have presented to the Congress a separate legislative request covering governmental military sales, the program now before you is limited to grant aid; and this presentation does not involve any form of foreign military sales.

Authorization and appropriation of the $420 million requested for grant aid will provide us with the $500 million in total obligational authority upon which the proposed program is based. The difference

between the two amounts represents $80 million in anticipated recoupments, reimbursements and reappropriation of prior year funds. Any shortfall in this $80 million in additional assets over and above our budget request would, of course, reduce total obligational authority by the same amount and thus make it impossible to implement the entire program as presently proposed.

This program is, as I have said, a barebones one; and the manner in which we propose to allocate the minimal funds requested reflects careful consideration of national security and foreign policy interests with respect to each area and country, as well as relative priorities among competing objectives. We are satisfied that our proposals are fully consistent with the best use of available assets in support of our most basic interests and highest priority objectives.

First, then, I would invite your attention to the fact that the lion's share of the fiscal year 1969 military assistance program is going to five forward defense countries—Korea, Turkey, Greece, Iran, and the Republic of China. These are the nations whose geographical proximity to the U.S.S.R. and Communist China automatically places them in a position of maximum exposure to direct threat. Allocation of this high percentage to them is entirely consistent with the sense of the Congress, as reflected by a new paragraph added last year to the statement of policy at the beginning of part II of the Foreign Assistance Act. This provision reads that "priority shall be given to the needs of those countries in danger of becoming victims of active Communist of Communist-supported aggression or those countries in which the internal security is threatened by Communist-inspired or Communist-supported internal subversion."

The allocation of $365 million out of a total program amounting to $500 million to the support of this key objective also reflects the close relationship between military assistance and the United States forward strategy. In supporting that strategy, the primary role of MAP has been—and continues to be—to supply arms, equipment, and training to fill the gap between what our allies need for deterrence and initial defense and what their economies can provide. The concentration of our military assistance investment in such primary target countries has produced very substantial dividends. It has helped to create and maintain a common defense capability which has been, and remains today, a major factor in deterring aggression and subversion. It enables them to maintain a position of strength against Soviet and Chinese pressures.

The existence of this substantial military strength, and its on-the-spot deployment in areas of strategic importance and potential vulnerability, is an asset of great value to the common defense. The military assistance program is a crucial link between the self-help efforts of our partners and our own self-interest in ensuring that they have the means increasingly to do their part of the job.

This concept of mutuality has repeatedly been highlighted by the President's emphasis on the importance of "self-help" as a condition of eligibility for any form of foreign assistance.

So far as MAP is concerned, indigenous effort has always been a criterion carefully applied to the evaluation of individual country and area capabilities and requirements. Never has the programing of military assistance been directed toward doing for a country what that country could do for itself. Instead, it has been designed to stimulate development and use of indigenous resources, to provide equipment and training essential to full realization of the recipient's own potential for self-defense and to create a climate of confidence and cooperation conducive to the kind of reciprocity that collective security demands. Such reciprocity enables the United States to count on continuing access to overseas installations which are an integral part of U.S. forward strategy for global defense.

Next, I would point out that programs proposed for all countries outside the forward defense category amount to a total of $83.9 million. This 17 percent of our anticipated total obligational authority will provide for all of the military assistance planned for 43 of the total 48 recipient countries included in the proposed worldwide program. Let me add that, within that 48 grand total, the number for which materiel assistance is planned is 25, with the remaining 23 countries scheduled to receive training only. Of those 23, 15 countries are restricted to training provided within the United States.

Almost all of this $83.9 million allocation is directed toward strengthening the internal security and self-defense capabilities of developing nations. The specific purpose of such programs is to help equip and train local military forces so that they can play their proper role in maintaining a framework of stability as a precondition to political, economic and social progress in the face of externally fostered pressures threatening their societies. Although the basic problems of underdeveloped nations call for solutions that involve much more than military measures, this assistance serves a valid and useful purpose by helping to maintain minimum essential capabilities for dealing with insurgencies and maintaining internal security.

The training element of programs for developing nations, particularly when it is offered in the United States, serves as one of the more effective instruments of our foreign policy because of its impact on young officers. Their attitudes can be a significant factor in their nations' future courses of action.

The remainder of the program makes provision for the U.S. share of support of International Military Headquarters and for nonregional costs, including administrative expenses.

Turning now to a region-by-region rundown of the proposed program, I want first to address the magnitude and thrust of the military assistance proposed for East Asia in fiscal year 1969. The allocation of $219.3 million is almost 44 percent of the total $500 million worldwide program. The greatest share of the regional total is allocated to the Republic of Korea. This is not only the largest individual country program in the East Asia area, but also in the entire worldwide MAP.

The reason is obvious. Although South Korea has thus far escaped the impact of reduced appropriations which have necessitated curtail-

ment of other country programs, limited fund availability has restricted the degree of modernization of the ROK forces. Recent developments have revealed a truculent aggressiveness on the part of North Korea which poses a new and more immediate threat to the security and independence of the Republic of Korea.

Accordingly, it has become urgently necessary—as you know—for the President to request a $100 million fiscal year 1968 supplemental appropriation for military assistance to Korea. Justification of that request has been presented to the appropriations committees. Since it is separate from the regular programs for either fiscal year 1968 or fiscal year 1969, I shall limit my comment today to the fact that the proposed program for Korea assumes congressional approval of the supplemental request. It represents the best we can do within the limits of the regular military assistance program for fiscal year 1969 to enable the Republic of Korea to continue improving the combat ready posture of its forces.

The Republic of China has had to absorb a substantial part of the impact of restricted appropriations on military assistance programs for countries in the East Asia area. Fortunately, however, its growing economic strength—which has already made possible the termination of economic aid—continues to permit steady increase in the self-financed share of its defense costs. The grant program proposed for the coming year will provide for only the most essential operation and maintenance items.

These two forward defense countries account for all but some 13 percent of the funds allocated to East Asia. Most of that balance will go to the Philippines, in support not only of our mutual security interests there, but also of the internal security and civic action endeavors of this nation. Military assistance for the remaining countries in the East Asia region is primarily designed to promote general U.S. foreign policy and national security objectives.

Next, the amount requested for the Near East and South Asia area sharply emphasizes the priority assigned to forward defense countries. More than 99 percent of the $176.4 million allocated to this area will be used for military assistance to Greece, Turkey, and Iran. Our assistance elsewhere in the area is restricted to training, including the program for Saudi Arabia plus training in the United States of selected military personnel from several other countries in the area. I have already mentioned the unique benefits which accrue to the United States from training these future leaders of developing nations.

Recent Soviet attempts to extend and enhance the influence of the U.S.S.R. in and around the Mediterranean basin have increased the importance of a continuing U.S. role in this area. Neither Greece nor Turkey can yet provide for more than a part, though a gradually increasing share, of the military equipment essential to the performance of their self- and common-defense missions. Although their forces urgently need modernization which has had to be postponed repeatedly because of limited fund availability, programs for both countries are contingent upon realistic planning in light of actual re-

sources expected to be available. As the situation now stands, however, and insofar as is economically possible, we propose to resort to some credit sales to offset, in part at least, limitations in grant aid.

Iran's strategic location, stability, and pro-Western orientation are of importance to the United States. Military assistance programs totaling more than $800 million from 1950 through fiscal year 1968 have made a substantial contribution to the security and progress of Iran, and have successfully advanced our mutual interests. Delivery of the items programed in fiscal year 1969 will fulfill our agreement with Iran for grant aid as stated in the 1964 United States-Iranian Memorandum of Understanding, pursuant to which grant aid has been gradually reduced and purchases from the United States increased. Thus, after 1969, Iran will be providing for virtually all of her national security requirements.

Military assistance programs totaling $23.7 million are proposed for Africa in fiscal year 1969. The amount allocated to this area falls within the proposed ceiling of $25 million on all military assistance to the entire region, and represents less than 5 percent of the total worldwide program.

The programs proposed for Africa are small in scope and limited in number,—only five materiel programs with the remainder training only.

The three programs in North Africa (Morocco, Tunisia, and Libya) are intended primarily to help lessen resulting tensions stemming from massive Soviet deliveries to Algeria and the United Arab Republic.

In Africa, south of the Sahara, our small program for Liberia will help to improve its internal security capability. In the Congo (Kinshasa) we are supplementing the efforts of other free world nations, principally Belgium and Italy, to organize and retrain Congolese military units. The proposed program for Ethiopia will help that nation to cope with its problems of dissidence and territorial integrity. In addition, we plan to provide limited training for selected military personnel from several African countries in order to foster internal security capabilities.

In this small way, we hope to contribute to the stability of the countries and areas concerned by helping them to provide a framework within which orderly social and economic development can proceed.

The last region I shall discuss is Latin America. Total military assistance proposed for this area in fiscal year 1969 amounts to $26 million. That amount, which represents just slightly more than 5 percent of the worldwide MAP, reflects a continued phase down of Latin American programs. Within the total, almost half is allocated to training. The materiel portion of the program is limited to 11 Latin American countries whose resources are limited, and which continue to need help to develop and maintain essential forces for internal security. The training portion will not only enhance the professional knowledge of the hundreds of young officers and noncommissioned officers from all 16 countries who will attend service schools in the United States and Panama, but will also expose them to United States concepts of the role of the military in a democratic society.

Both the reduced size and the highly selective composition of the programs proposed for Latin America in fiscal year 1969 take into careful account a realistic analysis of the pertinent factors. These include an evaluation of the threat posed by violent internal revolution supported by Castro and our continuing effort to discourage nations, whose greatest need is for economic development, from diverting scarce resources to the support or acquisition of superfluous or unnecessary military hardware. The result is a program designed to help the countries of Latin America create a climate of security, and of confidence in constitutional government, in which economic development may proceed with reduced fear of or disruption by subversive forces, domestic or foreign. I am persuaded that it is not only consistent with the objectives of the Alliance for Progress, but that it will make their attainment easier and more certain.

That statement applies on a broader scale to our entire worldwide military assistance undertaking. The program has but one purpose and one justification, which is to make the attainment of U. S. security and foreign policy objectives easier and more certain wherever MAP can best serve as an instrument of the national interest. I believe that the proposed fiscal year 1969 military assistance program which we are presenting today will not be found wanting when measured against that criterion, and I therefore urge that you give it your full support.

Mr. PASSMAN. Thank you very much Mr. Secretary, for your statement.

TOTAL MILITARY ASSISTANCE FOR FISCAL YEAR 1969

Mr. Secretary, if the committee should add back into this estimate for fiscal 1969 for the military assistance program, known as mutual security, those items which were formerly included in prior years MAP estimates, such as the military sales fund program, programs for Laos, Thailand, Vietnam, and NATO Infrastructure, the estimate would be approximately $2,500 million. Is that correct, sir?

Mr. NITZE. The first point, Mr. Chairman, is that we think the way it is being done now is the best way to do it.

Mr. PASSMAN. I know that's true, but I am thinking in terms of the accuracy of the statement I made and the total amount, because we could argue whether it is the best way to do it until after your plane leaves, and we would be right back where we started. Inasmuch as it is rather controversial in the Congress, all I am trying to do is verify if these pieces have been placed in other bills. If they were put back in this bill wouldn't the total be $2.5 billion?

Mr. NITZE. That is correct. The amount in this bill is $420 million. The amount in the DOD bill is, I think, correctly in the DOD bill because assistance to the Vietnamese when a war is going on in Vietnam is better handled as part of the military expenditures of the Defense Department. It is really part of the contest going on in Vietnam today.

Mr. PASSMAN. I will apologize for asking the question again. All I am trying to ascertain, Mr. Secretary, is that if the items I just mentioned that were formerly carried in the mutual security program—

I am not advocating they be returned at this time—but if they should be returned, or if we take those items and add them to the present request, then the total would be approximately $2½ billion.

Mr. NITZE. The aggregate of the amount in this bill plus the aggregate of all military sales, of which in the President's current budget submission, only $120 million would be financed by new obligational authority, plus the amounts spent in connection with the Vietnamese war, would aggregate something over $2.4 billion. For sales, a revised budget estimate for $296 million would be forwarded, an increase of $176 million. However, Export-Import Bank requirements will be reduced by $190 million so that the President's total budget will not be increased.

Mr. PASSMAN. That's good enough. The items I mentioned were formerly carried, I believe, under the military assistance item of the mutual security program. Is that correct, sir?

Mr. NITZE. Yes, sir, in a different situation.

FOREIGN AID PROGRAMS FRAGMENTIZED

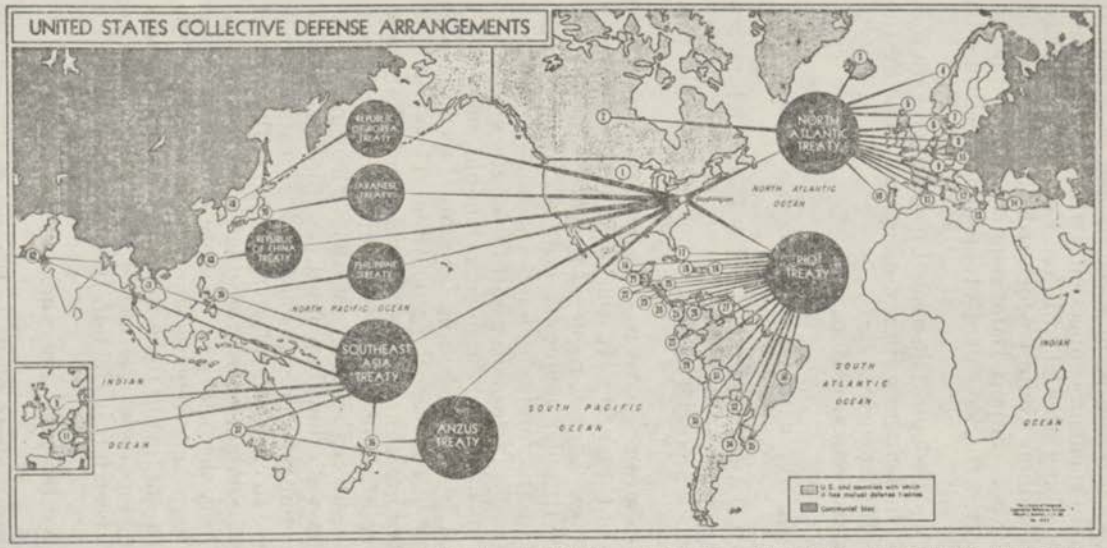
Mr. PASSMAN. You have a right to answer any way you want to. I am not talking about situations. I am talking about dollars. You may think it should be, I may think otherwise; that's not important at this point, Mr. Secretary.

The total foreign aid program has been so fragmentized that even the most astute Members of Congress have difficulty putting the finger on the total. I believe the foreign aid request this year exceeds by $2 billion the amount that the President requested last year.

The total requests to date for foreign aid and assistance is approximately $11,273 million, or $2 billion in excess of the aggregate request last year, and since you make policy statements, I might as well say my piece. These things are by design because as mutual security goes down, other items go up. IDA this year is $240 million. Then you have a $200 million bill reported out for the Asian Development Bank and they haven't disbursed one dime out of the $193 million they have on hand. They opened for business December 19, 1966. Then in the Export-Import Bank, you have $500 million for a new foreign aid program, whereby they are going to permit the Bank to extend weak credits and when they have to charge it off, to take $100 million out of the Bank's profits and get reimbursement for other losses directly out of the U.S. Treasury. So I say that this year we are confronted with the highest foreign aid and assistance request since the inception of the foreign aid program. All I am trying to do is to put these pieces back into the bill temporarily so as to let the record show what the total would have been had they been left in the bill. It is just that simple.

COLLECTIVE DEFENSE ARRANGEMENTS

I think it would be appropriate to insert in the record at this point page 2 of the justification which relates to collective defense arrangements.



NORTH ATLANTIC TREATY (15 NATIONS)

A treaty signed April 4, 1949, by which "the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all, and . . . each of them . . . will assist the . . . attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary including the use of armed force."

1 UNITED STATES
2 CANADA
3 ICELAND
4 NORWAY
5 UNITED KINGDOM
6 NETHERLANDS
7 DENMARK
8 BELGIUM
9 LUXEMBOURG
10 PORTUGAL
11 FRANCE*
12 ITALY
13 GREECE
14 TURKEY
15 FEDERAL REPUBLIC OF GERMANY

* Considering the independence of Algeria, the North Atlantic Council on January 16, 1963, noted that insofar as the former Algerian Departments of France were concerned the relevant clauses of this treaty had become inapplicable as from July 3, 1962.

RIO TREATY (21 NATIONS)

A treaty signed September 2, 1947, which provides that an armed attack against any American State "shall be considered as an attack against all the American States and . . . each one . . . undertakes to assist in meeting the attack . . ."

1 UNITED STATES
16 MEXICO
17 CUBA**
18 HAITI
19 DOMINICAN REPUBLIC
20 HONDURAS
21 GUATEMALA
22 EL SALVADOR
23 NICARAGUA
24 COSTA RICA
25 PANAMA
26 COLOMBIA
27 VENEZUELA
28 ECUADOR
29 PERU
30 BRAZIL
31 BOLIVIA
32 PARAGUAY
33 CHILE
34 ARGENTINA
35 URUGUAY
36 TRINIDAD & TOBAGO

** The present government of Cuba is excluded from participation in the Inter-American System by the decision of the Eighth Meeting of Consultation of Ministers of Foreign Affairs of the OAS in January 1962, which was convened under the provisions of the Rio Treaty.

ANZUS (Australia-New Zealand-United States) TREATY (3 NATIONS)

A treaty signed September 1, 1951, whereby each of the parties "recognizes that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety" and each party agrees that it will act "to meet the common danger in accordance with its constitutional processes."

1 UNITED STATES
36 NEW ZEALAND
37 AUSTRALIA

PHILIPPINE TREATY (BILATERAL)

A treaty signed August 30, 1951, by which the parties recognize "that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety" and each party agrees that it will act "to meet the common dangers in accordance with its constitutional processes."

1 UNITED STATES
38 PHILIPPINES

JAPANESE TREATY (BILATERAL)

A treaty signed January 19, 1960, whereby each party "recognizes that an armed attack against Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes." The treaty replaced the security treaty signed September 8, 1951.

1 UNITED STATES
39 JAPAN

REPUBLIC OF KOREA (South Korea) TREATY (BILATERAL)

A treaty signed October 1, 1953, whereby each party "recognizes that an armed attack in the Pacific area on either of the Parties . . . would be dangerous to its own peace and safety" and that each Party "would act to meet the common danger in accordance with its constitutional processes."

1 UNITED STATES
40 REPUBLIC OF KOREA

SOUTHEAST ASIA TREATY (8 NATIONS)

A treaty signed September 8, 1954, whereby each Party "recognizes that aggression by means of armed attack in the treaty area against any of the Parties . . . would endanger its own peace and safety" and each will "in that event act to meet the common danger in accordance with its constitutional processes."

1 UNITED STATES
5 UNITED KINGDOM
11 FRANCE
36 NEW ZEALAND
37 AUSTRALIA
38 PHILIPPINES
41 THAILAND
42 PAKISTAN

REPUBLIC OF CHINA (Formosa) TREATY (BILATERAL)

A treaty signed December 2, 1954, whereby each of the parties "recognizes that an armed attack in the Treaty Area against territories which either of the Parties . . . would endanger its own peace and safety" and that each will "act to meet the common danger in accordance with its constitutional processes." The territory of the Republic of China is defined as "Taiwan (Formosa) and the Pescadores."

1 UNITED STATES
42 REPUBLIC OF CHINA (FORMOSA)

Mr. PASSMAN. Mr. Secretary, page 1 of the justification states, "we have invested more than $34 billion of military assistance to free world nations to promote the security and foreign policy of the United States". Do I read that correctly, sir?

Mr. NITZE. That is correct, I believe.

TROOP DEPLOYMENT TO VIETNAM BY RECIPIENTS OF MILITARY ASSISTANCE

Mr. PASSMAN. Of all the countries who have received military assistance from us since fiscal 1946, how many of them have combat troops assisting us in South Vietnam?

Mr. NITZE. Korea, Thailand, the Philippines. Australia is not one of those receiving military assistance.

Mr. PASSMAN. Are the Philippines furnishing combat troops, or are they engineering battalions?

Mr. NITZE. Engineering battalions.

Mr. PASSMAN. I'm talking about troops on the front lines, who may get shot before nightfall. Who has troops there?

Mr. NITZE. Korea, Thailand, Australia, and New Zealand.

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

I believe we have a military assistance program, either in the training area or equipment area, in some 80 nations, have we not?

Mr. NITZE. I think it is less than that, Mr. Chairman.

Mr. PASSMAN. I am talking about not only those who are in the program now, but who were also previously in. I think it is 80. Let me say there have been 80 nations that we have provided military aid, either training or equipment, and of those, we have, I believe, three of them that are furnishing combat troops.

Mr. NITZE. I think four is the correct number.

Mr. PASSMAN. Thailand, Korea, Australia, and New Zealand. I believe New Zealand has about 400 men, do they not?

Mr. NITZE. They have 540 men.

Mr. PASSMAN. What does Australia have, 12,000?

Mr. NITZE. I think it is approximately 7,500.

Mr. PASSMAN. I don't think Australia has received aid, has she?

Mr. WARNKE. Australia has received credit for purchases from the United States, but has not received any grant aid.

AID RECEIVED AND CAPABILITIES OF FIVE NATIONS PARTICIPATING IN VIETNAM

Mr. PASSMAN. Would you furnish for the record a table showing the total amount of grant aid and excess equipment the five countries have received since the inception of the program, the amount they have financed out of their resources, and then a comprehensive analysis, if it is available, of the capability of the armed forces of the countries.

(Unclassified information follows, and additional classified information was submitted to the committee.)

SELF-FINANCED DEFENSE EXPENDITURES

[Current prices. In millions of dollar equivalents]

Country	Fiscal years covered [1]	Cumulative total
Korea	Fiscal years 1950–51 to fiscal year 1968	[2] 960
Philippines	Fiscal years 1950–51 to fiscal years 1967–68	1,275
Thailand	Fiscal year 1951 to fiscal years 1967–68	1,508
Australia	Fiscal years 1960–61 to fiscal years 1967–68	5,797
New Zealand	Fiscal years 1961–62 to fiscal years 1967–68	683

[1] Time periods covered: Korea, Apr. 1, 1950, to Dec. 31, 1968; Philippines, July 1, 1950, to June 30, 1968; Thailand, Jan. 1, 1951, to Sept. 30, 1968; Australia, July 1, 1960, to June 30, 1968; New Zealand, Apr. 1, 1961, to Mar. 31, 1968.
[2] In Korea successive currency reforms and devaluations affect the estimates of the cumulative dollar equivalent amount of self-financed defense expenditure.

GRANT AID DELIVERIES, FISCAL YEARS 1950-68

[Thousands of dollars]

	Grant aid chargeable	Excess equipment
Australia		
Korea	$2,472,351	$276,569
New Zealand		
Philippines	362,925	59,144
Thailand	591,709	67,250

CLASSIFICATION OF COUNTRY PROGRAM DATA

Mr. PASSMAN. The committee observes for the first time since the inception of the foreign economic aid program that the budgets for each type of program for each country have been declassified. Why is it necessary for the military assistance country estimates to remain classified?

Mr. NITZE. I think it is very important they remain classified because of our negotiations with those countries. I would like Secretary Warnke to expand on that.

Mr. WARNKE. My feeling, Mr. Chairman, has been that the military assistance programs which are prepared for each country are much more detailed than the economic assistance program. Accordingly, we feel that they could be interpreted as in the nature of a commitment to each of these countries and, consequently, if we are unable to live up to that commitment, that inability could develop resentment and cause political embarrassment.

Mr. PASSMAN. I might say I have no quarrel with your answer to the question, but we have had, almost word for word, the same answer when we used to question the classifiication of economic aid—that the countries are jealous and if we were to publish it, this country would be jealous of that the other country is getting. I actually had no quarrel with the way it was handled then; certainly I wouldn't be in a position to quarrel with this position, but it would appear to me that they should be kept more or less in the same category, keeping it classified until the allocations have been made. I wonder if you people have had the same experience I have had. Many times an ambassador of some country has given me advance information on my own bill. I wouldn't know anything about it, but he would come to my office and tell me how much I had in the bill for country A, which was more than they were ever going to get.

I finally just refused to see them because they actually knew in advance of the committee what the request would be for their countries and they wanted some explanation.

Mr. NITZE. I would suggest that our publishing out in the open an estimate in detail is a different matter.

Mr. PASSMAN. Could you not declassify the country total then? We don't want the detail declassified. We just want the country total unclassified as it might make it a little bit easier, since the economic aid is going to be handled that way—not the detail, just the country total. We'll take it up with the admiral. He is smiling like he has a good answer.

Mr. WARNKE. Our feeling has been, that since, as I have indicated, MAP programing is on a more exact basis, we don't want a feeling of competition to develop between the military establishments of the various countries. As a result of releasing country totals which could lead to one country comparing the amount of military assistance it would receive with the amount its neighbor was scheduled to receive.

Mr. PASSMAN. I shall not belabor this discussion, but in the past they gave us the same answer, only a little stronger, about economic aid. You ought to read some of the testimony about this matter in prior years.

Mr. WARNKE. The economic part doesn't come under my jurisdiction.

Mr. PASSMAN. I am just telling you, though, that chances are your successor will declassify country totals sooner or later. Your answer sounded as if you were reading their answer in prior years. Of course, you were not.

FOREIGN MILITARY CREDIT SALES FUND

Now, Mr. Secretary, while there is no actual budget estimate for the foreign military credit sales fund before us at this moment, the committee would appreciate a brief statement from you as to the need for this legislation and why you feel you need an appropriation of $296 million in fiscal year 1969 for this purpose.

Mr. NITZE. As you are well aware, Mr. Chairman, it has been the intent of the Congress, and very much our own intent, to reduce the amount of our military grant assistance and wherever possible to go over to a sales program, so that the countries involved would carry a larger share of the costs involved in the mutual defense program. We have moved, over the years, very significantly towards the sales program as opposed to the grant program.

In connection with that sales program, it has been necessary to extend credit because one of the ways by which we were able to increase the percentage of sales programs, as opposed to grant programs, was through the credit provisions. The Eximbank provided the credit for a substantial percentage of the sales. It is now our intent to finance such credit through the military sales bill which has been proposed to the Congress. The estimate is that it would be wise to make credit sales of some $296 million through this procedure, and this would require approximately $296 million under the old legislation in order to provide DOD credit or DOD guarantee authority for commercial credit for those sales.

ROLE OF THE EXPORT-IMPORT BANK

Mr. PASSMAN. The Export-Import Bank has ceased to finance military sales?

Mr. WARNKE. In the event the foreign military sales bill is enacted by Congress, than the Export-Import Bank would no longer finance sales to the less developed countries.

Mr. PASSMAN. That goes back only 3 or 4 years.

Mr. WARNKE. That's correct, sir.

Mr. PASSMAN. We, the politicians, responding to the urging of the Executive, are diluting a lot of good agencies. The Export-Import Bank has been one I could always rely on. Today they have two loan windows—the long term and the short term. They go up to 25 years under the long-term arrangement. Then they got into the military equipment sales business.

I think it is frightening that the Congress would permit, and I hope they don't, the Export-Import Bank, that has had such a wonderful reputation since its inception, to extend credits that do not normally meet its standards, to the extent of $500 million, and then when the losses occur, take the first $100 million out of its profits, and if it has further losses, all it has to do is to go to the Treasury and the Treasury will make up the difference.

I don't think it is right to prostitute these good agencies. This is no indictment of any of the witnesses here today, but we have just scattered the Foreign Aid Program across the waterfront and Mr. and Mrs. America don't like it very much.

PROVISION OF EXCESS EQUIPMENT IN ADDITION TO BUDGET REQUEST

I'll ask this question, and no doubt I'll ask it again. In addition to this $420 million request, and the funds previously carried in this bill but now carried in another appropriation bill, you have the excess equipment fund, too, do you not, and that is a gift of the recipients, other than just the rehab costs?

Mr. NITZE. There is no reimbursement to the agency providing the excess equipment, that's correct. However, I might make one further comment. On the military sales that were financed by the Eximbank and guaranteed by the Department of Defense the amount of the funds put into the guarantee fund would be the first call against any nonpayment of loans; as a matter of fact, we had no nonpayments on those credits, so there have not been any losses. I may have misunderstood, but I thought your suggestion had been if there were losses they would fall first against the Eximbank.

PROPOSED LEGISLATION FOR EXPORT EXPANSION PROGRAM

Mr. PASSMAN. No. This legislation is so new and so frightening that it hasn't even gotten around to you public officials. It takes 702 people, according to research, to do all the things that are said to be done in the name of the President. The Export-Import Bank may, under pending legislation, extend $500 million in credits that failed to meet their normal standards of prior years. It is anticipated that the Bank may not collect these loans and the legislation would provide that the Bank charge the first $100 million of losses out of its profits; then the Treasury finances other losses.

When you start weakening one program, we get suspicious of the rest of them. It is not military sales, but it could be.

Mr. NITZE. I misunderstood you.

Mr. PASSMAN. It depends on whether they get back into the field of financing military equipment.

LIQUIDATION OF PRIOR YEAR OBLIGATIONS/RESERVATIONS

Now, Mr. Secretary, how much of your estimated MAP expenditures for 1969 will be used to liquidate fiscal 1968 and prior year obligations and/or reservations?

Mr. NITZE. I think Admiral Heinz could answer that question.

Admiral HEINZ. I will put it in the record.

Mr. PASSMAN. How much of your estimate in 1969 MAP expenditures will be used to liquidate fiscal 1968 and prior year obligations or reservations? Is that clear now?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. How much will be used to liquidate obligations or reservations from the fiscal 1969 appropriation? Can you give us a breakdown? It would be helpful.

(The information follows:)

Estimate of MAP expenditures in fiscal year 1969

	Millions
To liquidate fiscal year 1968 and prior obligations/reservations	$394
To liquidate fiscal year 1969 obligations/reservations	125
Total expenditures fiscal year 1969	519

EFFECT OF CONTE-LONG AMENDMENT ON FURNISHING SOPHISTICATED WEAPONS

Mr. PASSMAN. Last year's 1968 appropriation bill contained the now world-famous Conte-Long amendment which prohibits the use of MAP funds for the furnishing of sophisticated weapons to all underdeveloped countries, except Greece, Turkey, Iran, Israel, the Republic of China, the Philippines, and Korea, unless the President determines that the furnishing of such weapons is vital to the national security of the United States.

What has been the good effect of this proviso?

Mr. NITZE. To be frank, we do not think it has had a good effect.

Mr. PASSMAN. I didn't think so. It kind of restricted, did it not, the sale or gift of equipment to certain nations that we previously had been giving or contemplated giving equipment to?

Mr. NITZE. We have been trying as hard as we could for many years to control the acquisition of military equipment by countries that do not need it, and we thought we were doing quite well.

Mr. PASSMAN. We thought, too. But we wanted to be sure because we were furnishing military equipment to India and they were turning around and taking economic aid money we were giving them and buying Mig's from Russia. It would be pretty hard for the President to come up with a determination that buying Mig's from Russia would be vital to the national security of the United States, wouldn't it?

Mr. NITZE. It cuts two ways, Mr. Chairman. On the one hand, we do believe it is important for India to have military capability for her defense against China. In fact, I was one of those who went out to India at the time of the Chinese attack on India when we certainly felt most strongly that it was important that India be able to defend herself against Chinese attack.

It is also true that India's capability to finance her military establishment is limited. She isn't a rich country. She is financing that establishment today. We are no longer providing military assistance to India. She is, however, buying equipment from the U.S.S.R. Frankly, we think she does need military equipment.

Mr. PASSMAN. I believe the U.S.S.R. is building a Mig plant in India.

Mr. NITZE. Yes.

Mr. PASSMAN. How could I explain to my constituents if the President should determine it is vital to the national security of the United States to continue furnishing dollars or credits to India when they are going to buy Russian Mig's with it or to manufacture it and pay the Russians the royalty? Can anybody come up with a satisfactory answer?

Mr. NITZE. Our aid would not go directly toward that purpose.

Mr. PASSMAN. They put it in the left pocket and take it out of the right, that's what they do. You credit them with free dollars with which to pick up what they would normally spend their dollars for in the economic sector, then that releases to them what they earn from their exports to buy Mig's.

I yield to Mr. Long.

Mr. LONG. If it is true India is buying Mig's from Russia, which I think would fall into the meaning of "sophisticated weapons system," what is the Defense and State Departments doing to curtail aid to India under the terms of the amendment we are referring to?

Mr. NITZE. As I said, we are not granting military assistance other than a small training program.

Mr. LONG. The amendments also refer to economic aid.

Mr. NITZE. This is a question to which the State Department could better respond. We do have a small amount for training, but apart from the small amount for training——

Mr. LONG. The amendments we referred to call for the cutting off of economic aid if a country persists in buying sophisticated weapons systems, any of these countries. What is the administration doing to carry out the terms of that amendment?

Mr. NITZE. I think the State Department has this issue very much under consideration today. I am not in a position to testify as to what their conclusions are at the moment.

Mr. LONG. Don't you think it is about time we got a decision about this? How long has it been since these amendments went through? About 3 or 4 months? I get the impression the administration has been squirming around. I saw a colloquy between the Defense Department and General Accounting Office in which the Defense Depart-

ment tries to say that these amendments applied only to military aid. The General Accounting Office replied this wasn't true, that this referred to both military and economic aid.

Now, obviously you people are squirming all over the place to try to get around these amendments, and I want to know what you are doing to carry them out.

Mr. WARNKE. In the first place, the Defense Department is not squirming around trying to get out from under these amendments at all. We intend to carry out both the spirit and letter of the amendment. I cannot speak to the parts that come under the jurisdiction of the Department of State and AID. With respect to India, the Defense Department has no jurisdiction because, as you know, we are not furnishing sophisticated weapons systems to India.

Mr. LONG. The stipulations are if they buy these weapons systems from us or from anybody else, their economic aid is to be reduced by that amount, and I haven't seen any real alacrity on the part of the administration to carry out these provisions. We haven't been able to get a real statement out of anybody indicating just what you propose to do to carry out these amendments.

Mr. WARNKE. The provision with respect to the reduction of economic aid is one which does not come under the jurisdiction of the Defense Department, and we are not in a position to testify on that provision.

Mr. LONG. Why did the Defense Department ask the General Accounting Office to give them a ruling of applying this to only military aid? Why was the Defense Department interested in maintaining economic aid?

Mr. WARNKE. The only request I know of is for a ruling as to whether the Conte-Long amendment contained in the proviso to the language appropriating funds for military assistance applied to military grant aid as well as sales, or only to sales.

Mr. LONG. I wish I had the memorandum here because the way the memorandum was phrased, it was a very leading question and invited the General Accounting Office to give a ruling which would apply the amendments only to military aid, as the Defense Department was trying to protect economic aid to countries.

Mr. WARNKE. We submitted no request with respect to an interpretation of Section 119. That would not be our business.

TRANSFER OF RESPONSIBILITY FOR COORDINATION OF MILITARY ASSISTANCE FROM AID TO STATE

Mr. PASSMAN. Both items fall under the jurisdiction of this committee so far as hearings and appropriations are concerned. The military assistance budget is under the State Department; is it not?

Mr. WARNKE. That's correct.

Mr. PASSMAN. Heretofore, the AID Director coordinated the military. Now you have transferred it over to the State Department, I believe, and inasmuch as the State Department testifies for both—usually Secretary Rusk when he appears before us becomes General Rusk when he is testifying for the military assistance part. We have to ask questions on both programs, because if you put military assist-

ance in the right pocket and say you can't spend it for sophisticated weapons, and the country purchases sophisticated weapons from the left pocket, what is the difference. To date, we have received only one ———. Have there been any others?

PROPOSED PURCHASE OF SOPHISTICATED WEAPONS

Mr. NITZE. That's the only one, Mr. Chairman.

Mr. LONG. I would like to ask another question, Mr. Chairman.

I wonder how you can say you have been doing your best and you felt you were succeeding in persuading these countries not to buy a lot of sophisticated weapons systems when in the last year, and currently, I believe, country after country in Latin America has been out trying to get sophisticated weapons systems from us and from France in a kind of arms rivalry. It seems to me to be a new level of escalation. I don't quite follow your feeling that you have been successful in this.

Mr. NITZE. We thought we were being as successful as we could be in minimizing this; but what I had in mind, Mr. Long, was the case of the F–5's. We were trying to hold off the pressure for purchase of the F–5's until 1969, by which time the existing planes would have become obsolete. This, we thought, would be the best way to reduce military expenditures on the part of those countries and still maintain the small air capabilities that they have.

ADVANTAGES OF F–5 AIRCRAFT OVER FRENCH MIRAGE

I might also point out that the F–5 is a plane specifically designed for the requirements of certain MAP countries. It requires relatively little in the way of maintenance and upkeep. It is only supersonic, when without a load. We don't really consider it to be a sophisticated plane. We consider the *Mirage* a much more sophisticated plane, much more difficult to operate, of a much higher performance and much more expense.

The upshot is that the Latin American countries certainly are going for the *Mirage*, despite the amendment, so we do not think we are doing any better now than we were doing before.

Mr. LONG. In the first place, of course, we don't accept your idea that the F–5 is not a sophisticated weapons system. We grant the definition of sophisticated weapons systems is sophisticated in relation to the requirement that the military mission of the country faces. I think it would be impossible to argue that their requirements for a sophisticated weapons system, in for example, Latin America, unless these countries choose to use them against each other, but certainly not against the mission we are getting for it.

Mr. NITZE. We agree with you, and we have all along.

PURPOSE OF CONTE-LONG AMENDMENT

Mr. LONG. As far as the purchase of the French *Mirage* planes are concerned, it is clear to you, isn't it, as it is to us, that the amendments are designed to discourage them from buying the *Mirage*?

Mr. NITZE. We understand that. We think, however, we would have a better chance in discouraging purchase of the *Mirage* if we had somewhat greater flexibility with respect to the F–5.

Mr. LONG. Of course, this is speculation and we all have to speculate on these things. I think Congress disagreed with you on this. I think this has to be kept in mind.

We certainly appreciate their desire for these things. We felt they were far more interested in their security, often against rivals who were equally friendly to us. We felt they were far more interested in this than the economic development and betterment of the lives of their own people. I think it was the sense of Congress, it certainly was my feeling, that these countries were not just sacrificing their own assets, but ours. I felt I could not ask my constituents to make sacrifices to improve the lot of people who aren't interested in improving their own lot. That was the sense in which these amendments were put through.

I think we all realize that you probably could not stop the current wave of escalation of these weapons systems. A lot were under contract already. We felt sooner or later they were going to get the message when the bite begins to come in in fiscal 1969, let's say, and they are going to lose a lot of economic aid. Sooner or later they are going to learn the cost of going out and spending a lot of money that they should be spending on improving the lot of their people for military developments, on military escalation. When one country after another gets it, at least we could stop the second or the third round of military escalation. That's my feeling. I think that maybe it was the feeling of some others.

DISAPPROVAL OF FISCAL YEAR 1968 ESTIMATE FOR CREDIT SALES FUND

Mr. PASSMAN. Last year the budget proposed an estimate of $60 million for the credit sales fund. In its report, on page 20, the committee stated, "Included within the total reduction of $231 million made by the committee is the disapproval of the request for $60 million for the credit sales revolving fund."

Notwithstanding the specific reduction made by the committee and the House in the estimates, the President's budget, pages 78 and 80, indicates that you have allocated $20 million to the credit sales revolving fund. On what authority did you disregard the action of the committee and the House in approving this transfer of $20 million to the credit sales revolving fund?

Mr. NITZE. My understanding of the situation is that the amount that your committee approved was $365 million, that in conference with the Senate the amount was raised to $400 million; but that this particular prohibition was not included in the conference report.

Mr. PASSMAN. It was never an item of conference, Mr. Secretary.

Mr. NITZE. What I am suggesting is that the amount was higher than the $360 million.

DISREGARD OF COMMITTEE AND HOUSE OF REPRESENTATIVES PROHIBITION

Mr. PASSMAN. Wouldn't it place this committee and this Congress in an awkward position when this subcommitte adopted that language

which was approved by the full committee, and by the House of Representatives, simply because the other body made some adjustment in the overall total. This was an item not in conference.

We want to know if that is the way you do business; simply because there may be some difference in dollars between the two branches, that you ignore the specific prohibition in the House committee report which was supported by the House of Representatives?

Mr. NITZE. I haven't completed my answer, Mr. Chairman. I wanted to point out further than that that the question of the $20 million is under review.

Mr. PASSMAN. Of course, the President's budget indicates it has already been transferred. Has it been transferred?

Admiral HEINZ. It has not.

Mr. PASSMAN. We trust it won't be. If it is going to be, we are going to have to stop writing these reports if you people are going to ignore them. The alternative is to give you a line item bill, which I don't think you would like very much—you have members of this committee who want a line item bill anyway. We want to be fair about this. It isn't just my feelings, but when the subcommittee writes a report which is approved by the full committee, there is no reservation, and it is approved by the House—and if it is an item not in conference, we don't like to see it ignored.

Mr. LONG. Will the chairman yield?

Mr. PASSMAN. Let me make good my word at this point and yield first to the gentlemen from California.

Mr. MCFALL. I have no questions.

POSSIBILITY OF PUTTING PROGRAM ON LINE ITEM BASIS

Mr. LONG. The chairman refers to the line item. I agree with him entirely, but it was my understanding my amendment which was adopted last year almost did put this thing on a line item basis by stipulating no military assistance will go to any country in excess of the amount which they have justified to Congress.

Mr. PASSMAN. That's true, but if you have a look at our committee report and then observe how they are trying to transfer out the $20 million, you'll know why we are just a little unhappy over it. We have had witnesses who stated they had not read the committee's report and we took care of them very nicely, as we have prerogatives by which it can be handled. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

AUSTERITY OF PROGRAM QUESTIONED

Mr. Secretary, you refer in your statement on several occasions to the austerity program, page 1 and page 3, and the bare-bones program, page 4. You are requesting appropriations of $420 million compared to $400 million last year, which together with the reappropriation of $10 million, recoupments of $62 million, and reimbursements of $8 million, provide a grant program of $500 million as compared to the 1968 program of $484 million; in addition to this appropriation, there are requests for ——— million for Laos, ——— million for Thailand, and ——— million for Vietnam, and military sales program of $1,112,500,000. As I figure it, your total military as-

sistance for all forms in 1969 is $3,322,800,000. How would that total compare with last year, including the items that I just went over? Is it still an austere program?

Mr. NITZE. I believe it to be an austere program.

Mr. SHRIVER. Can you add all these up and enumerate them?

Mr. NITZE. May we supply a more detailed answer for the record?

(The information follows:)

[Millions of dollars]

	Fiscal year 1968	Fiscal year 1969
Appropriation	[1] $400.0	$420.0
Reappropriation	11.9	10.0
Recoupments	84.0	62.0
Reimbursements	8.0	8.0
Total	(503.9)	(500.0)
Laos	———	———
Thailand	62.5	———
Vietnam	1,298.7	———
Foreign military sales (cash and credit)	1,442.1	1,112.5
Total	———	———

[1] Request was $595 million.

MILITARY CASH SALES

Mr. NITZE. May I make just a few points? In the first place, of the sales total you mentioned, I think it was $1,100,000,000, something of that kind.

Mr. SHRIVER. $1,112,500,000.

Mr. NITZE. Of that $1,112,500,000, $816,500,000 are military sales for cash. They are not assistance in any form, shape or fashion. As I said earlier, before you came in, I believe, it has been the intent of the Congress and very much our intent to reduce the amount of grant aid and to substitute therefor military sales where the military equipment is necessary for the country, and when it becomes more able to carry the load.

REPAYMENT OF CREDIT SALES

This $816 million of cash sales certainly represents successful accomplishment along that line. Now with respect to the remainder of the estimated sales—the $296 million of credit sales that eventually will be paid for by the countries—it is merely credit until they pay. We are being repaid on some of our past credits, so I do not think this could be viewed, in toto, as a burden on the taxpayer.

DEFENSE-FUNDED MILITARY ASSISTANCE TO VIETNAM

Those items of $1.1 billion are a very substantial portion of the aggregate which you mentioned. Another substantial portion obviously is the item for DOD assistance to the Republic of Vietnam where there is a war going on. They have 700,000 men in uniform, and we are supplying the equipment that they can't supply for those men. We think that the ——— billion involved is an essential component of our effort in Vietnam today. It is supplying, as I say, 700,000 men.

Mr. SHRIVER. It is still aid. You subtracted the $1.1 billion military sales which would still leave it in excess of ——— billion.

Mr. NITZE. That's right, but one of the reasons therefor is that we have a very difficult war situation in Vietnam, and there are 700,000 men fighting whom we are supporting. We consider the support which is given to be a war expense. We think it is in a different category than military assistance to countries at peace. It is a question of how one looks at the problem.

NEED TO REDUCE GOVERNMENT EXPENDITURES

Mr. SHRIVER. But today, I have been very much alarmed and concerned, having heard our chairman of our full Appropriations Committee speak about the condition of the dollar and the necessity for reducing expenditures, and then this noon hearing another very alarming discussion by a high-ranking person in the Government. I would think there are some very difficult monetary problems and problems in connection with the sustaining of the value of the dollar.

Mr. NITZE. We are fully conscious of this and we want to do everything we can to minimize our expenditure. Frankly, we do think, however, that insofar as is possible, it really does make sense to help equip an ally rather than to station even more people of our own over there.

Mr. PASSMAN. Will the gentleman let me clear up one point?

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you, Mr. Shriver.

OTHER FOREIGN AID COSTS IN DIFFERENT PARTS OF BUDGET

I think we established at the beginning of the hearings that the military assistance program items presently funded in the defense appropriation bill were previously carried in the mutual security program, and the very fact it is needed may be worse than previously. But it doesn't alter the fact that it is still foreign aid and that it was previously carried in this item, but they no longer identify it as foreign aid simply because it is in a different appropriation bill.

I think we read into the record the correct figures, but it is just about the same as it has always been other than you take it out of title I of our appropriation bill, and hide it like they have some additional $9 billion. I wanted to put that in the record and I am going to repeat it six or seven times before we finish these hearings so we won't lose sight of the fact that it is still foreign aid notwithstanding the fact it is in a different place in the budget.

KOREAN CONTRIBUTION TO FREE WORLD EFFORT IN VIETNAM

Mr. SHRIVER. How many of the countries which are receiving military assistance from us are participating in the free world efforts in Vietnam? What is the nature of that participation?

Mr. NITZE. The Republic of Korea has 50,000 men in South Vietnam, and they are fighting very well and very ably. We talked to General Abrams when he was back here last week, and he spoke most enthu-

siastically and highly of the contribution that those ROK troops are making in South Vietnam.

Mr. SHRIVER. We have how many?

Mr. NITZE. We have approximately 516,000 today.

Mr. SHRIVER. In Korea?

Mr. NITZE. We have two divisions, about 52,000, in Korea

Mr. SHRIVER. They have about 50,000 in the Vietnam war.

Mr. NITZE. That's correct. ———.

THAI CONTRIBUTION

Mr. SHRIVER. What other countries?

Mr. NITZE. The other participating country which is receiving aid from us is Thailand. The Thais now have 2,500 troops in Vietnam, and will have 11,000 there by January 1969.

COST OF DEPLOYING ADDITIONAL ROK FORCES TO VIETNAM

Mr. SHRIVER. Going back to your answer to the prior question relation to Korea, how much expense to the U.S. Government is involved?

Mr. NITZE. That is being worked up today, and I can't give it to you until tomorrow.

Mr. SHRIVER. Can you put it in the record?

Mr. WARNKE. ———

Mr. CONTE. Can you tell us any details on the record?

Mr. WARNKE. I can't tell you at the present time. ———. We have some outside figures. I think Admiral Heinz has them.

(Classified information was submitted to the committee.)

Mr. SHRIVER. I need to go to the floor and vote now and you are going to have to leave, but you are going to be back?

Mr. CONTE. Can we get some agreement as to when Mr. Nitze will be back?

Mr. PASSMAN. Yes.

Mr. NITZE. I'll be glad to come back.

(A recess was taken.)

Mr. PASSMAN. The committee will come to order. We shall continue our hearings on the budget request for the military assistance program. It has been my privilege to chair this subcommittee for 13 years. We have had many distinguished military men as the director of the military assistance program, but I say for the record, that as far as I know, Admiral Heinz is one man who has appeared before this committee that we couldn't do anything with; he always has a good answer to our questions and I think he has helped make it a better program.

Admiral Heinz, we appreciate the cooperation you have given to this committee in the past. We have wielded out as much polite punishment as we could, and with a few exceptions, you have always been able to maintain that smile. I question whether we are going to be able to make it fade away this year but we certainly are going to try.

If you have a statement that you would like to make to the committee, we would be very pleased to hear from you at this time.

STATEMENT OF DIRECTOR OF MILITARY ASSISTANCE

Admiral HEINZ. Mr. Chairman and members of the committee, once again, it is my responsibility, as director of military assistance, to discuss in some detail our proposals for fiscal year 1969.

The first and most obvious fact to be borne in mind, not only as we review the recent past, but also as we look to the immediate future, is that the military assistance program of today is the streamlined product of a series of reductions and refinements which have cut it back to basic rudiments. In terms of selectivity alone, the change is striking. More than 80 allied and friendly nations have received some form of military assistance since the beginning of the program in 1950, and all but a very few of these have been provided materiel as well as training. Today, we are proposing only 25 country programs for fiscal year 1969 which include both materiel and training, a reduction of seven from 1968. An additional 23 countries for which military assistance is planned in fiscal year 1969 will be limited to training only.

This increased selectivity is also apparent in the fact that $365 million out of the administration's budget request for $420 million is earmarked for five forward defense countries—Korea, Turkey, Greece, Iran, and the Republic of China. The proposed allocation of 85 percent of the new obligational authority we are asking for the coming year to these five countries underscores both their vulnerability to aggression by neighboring Communist nations and the importance of their security to that of the rest of the free world.

In terms of dollar magnitude, the proposed fiscal year 1969 military assistance program clearly reflects the overall need for austerity and concentration on highest priority objectives throughout the Federal budget. Both the vital importance of keeping that budget within manageable limits, and the keen competition among top priority national objectives—domestic as well as foreign—have been determining factors in the administration's decision to hold the MAP budget request to $420 million. The amount of new obligational authority, plus $80 million in anticipated reappropriations, reimbursements, and recoupments, will provide the $500 million in total obligational authority upon which we have based the program we are presenting today.

In developing a program of such extreme austerity, all those responsible for planning military assistance have sought to apply limited available assets in the manner best calculated to serve its primary purposes. We believe that the proposals which are the end result of careful consideration of both the national security and foreign policy issues involved, and of frequently difficult decisions as to comparative risks and competitive objectives, represent the most effective use of the funds requested to promote those U.S. interests most directly dependent upon military assistance for their protection. We hope that the balance we have sought to establish will not be upset either by international developments which would increase the closely calculated risk we have already assumed, or by a decrease in fund availability resulting from a shortfall in anticipated total obligational authority. Both appropriation of the full $420 million requested and realization of the entire $80 million in estimated reappropriations, reimbursements, and recoupments are thus essential if we are to attain

the objectives of the minimal program we are proposing. Those objectives are directly related to our foreign goal of assisting in the development of a stable world community of free and independent nations. Within that framework, we seek through the judicious allocation of military assistance to selected allied and friendly nations, to strengthen their ability to defend themselves against the threat of external attack; ——— to help developing countries protect themselves against internal violence and maintain conditions of internal security and stability prerequisite to economic progress and nation building; and to provide a channel through which the United States may influence key elements of recipient nations toward courses of action consistent with our foreign policy interests.

Turning now from the general parameters of the proposed fiscal year 1969 military assistance program to its specific content, I would like to discuss the regional and country details.

EAST ASIA REGION

The relative emphasis we have placed on the east Asia region is clearly apparent in the fact that it accounts for almost 44 percent of the total proposed program. Its strategic importance is also reflected in the very high percentage of the $219.3 million area allocation we have earmarked for two strategic forward defense countries within the region—the Republic of Korea and the Republic of China. The other substantial program proposed for the east Asia area is that for the Philippines in the amount of ——— million; total training for the region will amount to $13.6 million, or about 6 percent of the $219 million regional allocation.

———.

Military assistance to the Republic of China is directly related to the United States need for GRC forces capable of deterring ——— a limited Communist Chinese challenge or probe ———. In accordance with its economic progress, the GRC has been constantly increasing its budgetary support of its armed forces. The ——— reduction in the fiscal years 1968 and 1969 programs below previously planned levels will call for still further increase in GRC cash and credit purchases of military equipment and supplies.

The proposed ——— million program for fiscal year 1969 continues the rapid reduction in grant aid funding begun in fiscal year 1968, and brings military assistance for the GRC down to a level we had not previously planned to reach until after ———. We shall be able to provide the most essential operation and maintenance support on a grant aid basis, and leave to military sales most future investment items.

U.S. foreign policy with respect to Indonesia is directed toward ——— encouraging its present military-led government to pursue efforts aimed at solution of economic problems, and to maintain friendly relations with its neighbors. Accordingly, we propose a ——— million program of military assistance for fiscal year 1969 which will emphasize training, spare parts, and construction equipment designed to support the civic action and rehabilitation undertakings of the Indonesian Armed Forces. Materiel will also be provided to improve their transportation capability.

The proposed fiscal year 1969 program for the Republic of Korea assumes congressional approval of the President's request for $100 million fiscal year 1968 appropriation for military assistance to that threatened country. That supplemental appropriation is necessary, despite the fact that the ——— million fiscal year 1969 allocation to South Korea represents the largest individual country program in the worldwide MAP.

Our own security interests in the area call for support of ROK military forces which, together with available U.S. forces, are necessary to defend South Korea against aggression from North Korea and to counter North Korean infiltration and guerrilla activities in South Korea. There are, however, deficiencies in the equipment of those ROK forces which MAP has not been able to satisfy in past years. And it is to meet the most serious of these deficiencies, which have assumed a compelling new significance in light of the increased threat from North Korea, that the $100 million supplemental appropriation for the current fiscal year has been requested.

The proposed ——— million program for fiscal year 1969 is required to enable the Republic of Korea to continue improving the combat-ready posture of its armed forces. The threat to the Republic of Korea has increased, and that country must be ready to encounter it. About three-fourths of the planned program will be needed to provide for the costs of supporting forces in being. The remainder will provide for a part of the modernization needed to improve overall capabilities, but particularly those for anti-infiltration and air defense. F–5 aircraft, helicopters, and ammunition are all major components of the program. In the overall, the program attempts to establish the best possible balance among the competing requirements involved in maintaining and improving the forces needed to meet the aggressive Communist threat.

Military assistance promotes several United States' objectives with respect to the Philippines. These include supporting the capability of military and paramilitary forces to maintain internal security; to deploy limited forces within the SEATO area; ———. In the Philippines, President Marcos continues to press vigorously his program of using the armed forces as a major instrument for carrying out civic action-type projects; and we support this effort. The proposed ——— million program for fiscal year 1969 will continue to emphasize improved air, sea, and ground mobility for forces engaged in internal security operations; will improve coastal surveillance; and will also provide equipment, ammunition, spare parts, and training required to maintain existing capabilities. I would also note that the Philippines has a 2,050-man civic action group in South Vietnam, a group that has been operating effectively in the field for over 18 months.

The $478,000-area program provides funds for the execution of MAP training by major U.S. Commanders within the Far East area, as well as for costs connected with MAP student training at the U.S. Army Pacific Intelligence School in Okinawa. Requirements for training of Malaysian military personnel within the continental United States are also included in this program.

NEAR EAST AND SOUTH ASIA REGION

The strategic importance of the Near East-South Asia region to the United States is, I believe, self-evident; and our continuing equities in the region are substantial. Three of the five forward defense countries to which we have allocated 85 percent of our total budget request for fiscal year 1969 are located in the area—Greece, Turkey, and Iran. Because of their great importance in our own security, military assistance programs proposed for these three nations alone represent better than 99 percent of the $176.4 million NESA allocation for fiscal year 1969.

Since the Arab-Israeli conflict of June 1967, Greek and Turkish ports and airspace have become more important than ever to the United States and NATO. Increased Soviet naval presence in the Mediterranean has also served to highlight the strategic significance of Greece and Turkey, both of which border the Aegean Sea through which Soviet sea traffic must pass to reach Soviet bases in the Black Sea. Greece and Turkey account for almost one-third of the land forces committed to NATO; ———, and have granted the United States equally vital overflight privileges ———.

The specific objectives of military assistance to Greece are to preserve these crucial strategic advantages and further to enhance the security of the United States by helping to modernize and maintain Greek military forces capable of contributing adequately to the defense of NATO. Greece has remained staunchly committed to NATO, has cooperated closely with the United States during the Middle East crisis, and continues to do so. Without Greece, NATO would lack a true southern flank for military operations, since Turkey would be isolated from the other NATO countries.

Accordingly, we are proposing, for planning purposes, a ——— million fiscal year 1969 program for Greece. Chief emphasis is on the ground forces where the need for such modernization is greatest in the areas of tactical mobility, artillery, and communications. Secondary emphasis will be placed on modernization of the air force and minor improvements of naval units. While we are still suspending the delivery of selected items of equipment, this policy is under active review as Greece moves toward constitutional reform.

Military assistance for Turkey is directed toward the same general objectives as the program for Greece. Turkey's geographical position makes it an especially valuable location for ——— NATO defense facilities; but it is still economically impossible for Turkey, despite steady development, to equip and maintain modern forces capable of performing assigned NATO defense missions without extensive U.S. assistance. There has been improvement in Turkish forces, but major effort is still required to increase their effectiveness. Progress continues in self-help measures, particularly in ammunition production and assembly, and repair and rehabilitation of vehicles, tanks, and other army equipment.

The proposed ——— million fiscal year 1969 program will permit limited modernization of Turkish forces to continue, with primary emphasis on the ——— needed to improve the capabilities and mobility of the ground forces. An ——— will be provided to strengthen the air

force. Naval support will take the form primarily of cost-shared construction ——— by the Turks. A small credit sales program may be initiated as a means of offsetting the austerity of MAP grant aid.

Military assistance provided to Iran since 1951 has enabled that strategically situated forward defense country to organize and maintain a small, well-trained, and mobile armed force. The United States has contributed significantly to Iran's ability to defend the country against attack and to maintain internal security, and has also helped Iran develop the military presence necessary to deal effectively with the U.S.S.R. Last, but far from least, our assistance has been instrumental in making the Iranian Armed Forces the progressive and stabilizing element they now represent in Iranian society. These professional forces have participated enthusiastically in regional exercises, and an Iranian medical team is serving with other free world forces in Vietnam. Civic action, which has played a major role in Iran, is now completely Iranian supported.

The grant materiel commitment contained in the 1964 United States-Iranian Memorandum of Understanding will be completed with deliveries under the proposed ——— million fiscal year 1969 program for Iran. This program is designed to complement Iran's increased purchases by providing, in accordance with our commitment, fighter aircraft to round out the air force modernization program, training for all services, plus mobility and communications equipment for the armed forces and minor improvements in the navy.

MAP provides only modest amounts of training and support for the U.S. training mission in Saudi Arabia, which is an important source of both our own and our allies' supply of oil. Recent indications of increased Soviet activity in adjacent Yemen, coupled with the announced British withdrawal of forces from the Persian Gulf, have reemphasized the importance to our interests of developing and maintaining ———. Fiscal year 1969 program for Saudi Arabia will promote those interests.

Funds included in the $901,000 NESA area program for fiscal year 1969 will be used for training in the United States of foreign military personnel from other nations of the area—Afghanistan, Ceylon, India, Jordan, Lebanon, Nepal, and Pakistan.

AFRICAN REGION

Less than 5 percent of the total worldwide military assistance program for fiscal year 1969 is allocated to Africa. The amount involved—$23.7 million—is below the proposed $25 million ceiling on all military assistance to the entire region; but it will provide limited and highly selective programs ———. Only five countries will receive materiel assistance. Regardless of the wide variation in size from the ——— million program proposed for Ethiopia to less than ——— million apiece for Liberia and Libya and even smaller amounts of training in the United States for Ghana, Guinea, Nigeria, and Senegal, all are designed to serve a valid purpose in support of U.S. aims with respect to this important continent.

The specific and limited objectives of miliary assistance for Africa are: ——— to ease the tensions and lessen the military imbalance caused by Soviet arms pouring into Algeria; and to improve the capabilities of selected armed forces to maintain internal security as a

basis for orderly national development. To the extent possible within available manpower and materiel resources, we have sought to encourage the participation of indigenous forces in civic action projects.

The major individual country program in the African region is that for Ethiopia in the amount of ——— million ———. Concurrently, MAP has made a major contribution toward improving Ethiopia's security capability through the development of a better balanced army and a small but effective air force and navy. It has also supported the participation of Ethiopian military units in community activities and economic development through civic action projects.

———. Materiel to be provided includes transport vehicles, weapons, construction equipment, associated spare parts, and ammunition. The program will also continue to emphasize training and organizational improvement designed to increase efficiency and thus permit a reduction in force levels.

In North Africa, the extensive support of the Algerian armed forces by the U.S.S.R. continues, creating an increasing disparity between the defensive capabilities of Morocco and Tunisia and the offensive potential of Algeria. The United States seeks to lessen tensions in this area. Toward this end, we propose a fiscal year 1969 military assistance program for Morocco in the amount of ——— million, about half of which is for training. Repair parts and support equipment make up the remainder of the program. The ——— million program proposed for Tunisia in fiscal year 1969 is designed to continue assisting that country in its effort to improve its limited defensive capabilites. The emphasis in the Tunisian program is on equipment which can be readily absorbed.

The proposed fiscal year 1969 program for Libya, in the amount of ——— million is for training only, ———.

U.S. military assistance to the Congo is designed to complement the efforts of the other free world nations, principally Belgium and Italy, to help in the development of armed forces which, in conjunction with the civil police, will be capable of maintaining internal security. The ——— million program proposed for fiscal year 1969 will provide ——— general support.

To improve the quality of Liberia's armed forces, a ——— million program is proposed for fiscal year 1969, over half of which is for training. ———. Emphasis is, therefore, on improving personnel performance.

In addition to the individual country programs I have been discussing, we propose to allocate $473,000 to the Africa area to provide for training in the United States of military personnel from selected nations in the sub-Sahara region.

LATIN AMERICAN REGION

The $26 million we propose to allocate to Latin America in fiscal year 1969—about 5 percent of the total worldwide MAP—continues the downward trend of military assistance to this area. Of that amount, $24.9 million will be used to fund individual country programs; and the remaining $1.1 million will provide training and other services included in the Latin American area program. The

heavy emphasis on training throughout our entire military assistance effort in Latin America is strikingly apparent in the fact that almost half of the $26 million total allocated to the area will be used for this purpose.

The number of countries receiving materiel assistance has been reduced from 15 programed in fiscal year 1968 to 11 in fiscal year 1969. The four countries no longer receiving grant materiel are Argentina, Brazil, Chile, and Peru. We will continue to provide training to these countries in keeping with the importance we attach to the benefits derived from the training program.

Eleven countries for which materiel programs are planned will receive equipment and training designed to strengthen their internal security capabilities and to support civic action undertakings by their armed forces. The importance we attach to meeting the internal security needs of Latin American recipient nations is shown by the fact that 83.5 percent of the total $26 million program for Latin America is directed toward assisting in the development of indigenous forces capable of providing, in conjunction with police and other security forces, the internal security essential for orderly political, social, and economic development.

Another key objective of our military assistance effort in Latin America is, and has been, ——— to dissuade recipient nations from acquiring costly equipment which would divert resources from socio-economic development. We also encourage military civic action which contributes both to nation building and to combating insurgency. U.S. assistance in past years was frequently the primary impetus to civic action programs which are now well established and largely self-sustaining. MAP continues to provide critical training and technical advice in support of civic action but only limited amounts of materiel. In terms of end-use, 8.1 percent of the total program for Latin America in fiscal year 1969 is earmarked for civic action purposes.

Although our objectives are similar for each of the countries for which a materiel program is planned, the individual country programs are tailored to the specific needs of each country, and take into account the varying internal security threats faced. The emphasis is on vehicles and helicopters for internal mobility, communications equipment for better coordination of in-country security efforts, spare parts and equipment for maintenance of existing inventories and, of course, training. Within the $26 million area total $13.4 million is programed for grant defense articles and services, other than training. This distribution is fully consistent not only with all provisions of the law, but also with the intent of the Congress.

EUROPE REGION

Military assistance to Western Europe and the NATO area, exclusive of Greece and Turkey, has undergone a transition from grants to sales as European economies have recovered and U.S. grants are no longer required. Generally speaking, European nations are now capable of meeting their military needs from their own productive capability, supplemented by military purchases outside their own borders, and by participation in bilateral and multilateral cooperative development and coproduction programs. European military pur-

chases and many of the cooperative endeavors are oriented toward the United States and can be attributed to the ties established through the military assistance program. We again propose grant aid programs in fiscal year 1969 for Spain and Portugal. ———.

——— our modest military assistance has helped to foster close working relationships with the Portuguese military ———. Although the proposed fiscal year 1969 program for Portugal in the amount of ——— million provides for a modest amount of training, limited materiel and supply operations, ———.

With respect to Spain the ——— million in grant aid programed for fiscal year 1969 consists of training and supply operations associated with the completion of the 1963 ——— commitment entered into at the time of the 1963 extension of the defense agreement ———.

In addition to the programs proposed for these two ——— the European area program provides for a small amount of training in the United States and for a few military personnel from ——— Austria and ———.

Almost half of the $54.5 million set aside for nonregional and administrative expenses in fiscal year 1969 is required to fund the U.S. share of the costs for support of NATO, SEATO, and CENTO international military headquarters and related agencies, in accordance with international agreements. The balance is made up of administrative and other costs which cannot be related directly to country programs. They are essential to efficient operation and to the fully productive use of every dollar available for the military assistance program.

That program, even in its present streamlined and austere form, is still a key instrument of U.S. security and foreign policy which can and does promote its selective and special objectives with unique effectiveness.

The support of this committee, and of the Congress by authorizing and appropriating the full amount request, will insure its continuing contribution to the protection of the important national interests it is designed to serve.

Mr. PASSMAN. Thank you very much for an excellent statement. We do have some questions to ask on your statement, Admiral.

INCREASE IN TOTAL FISCAL YEAR 1969 FOREIGN AID REQUEST

Admiral Heinz, before getting into the detailed questioning, you may have heard me make the statement earlier today that the total request for foreign aid and assistance, all spigots, this year exceeds by $2 billion the request made to the several committees last year. Subject to upward revision—and we prefer it to be a downward revision—the request for 1969 is approximately $11,273,609,000. In my candid opinion the President does not realize that this proram has been so fragmentized by his subordinates that the aggregate has reached this staggering total.

I am not placing myself in the position of criticizing the entire foreign assistance program; some of it is good. The Export-Import Bank, until we started diluting it, had a marvelous record of profit and repayment.

Some of these programs are good, and I don't want to imply that every bit of this $11.2 billion is bad, but nevertheless, it does call for a payout of American dollars that we are going to have to borrow.

REDUCTION OF EXPENDITURES

Inasmuch as the President, and I am sure the Vice President, Mr. Mahon, Mr. Mills, Members of both bodies of the Congress, and the leaders of both bodies, feel that the time has come that we must reduce expenditures, I want to make some small contribution. Therefore, during our deliberations we are not trying to indicate a great knowledge of all of these programs, but we are going to be trying, with your help, to find a few soft spots, where some adjustments can be made, without butchering your part of the bill. These questions are intended to help you, Admiral Heinz, as a taxpayer, and to help the American taxpayer, who eventually will have to bear the burden.

Before I proceed with my questioning I will yield to Dr. Long.

TOTAL FOREIGN AID REQUEST FOR FISCAL YEAR 1969

Mr. LONG. My question was to you, Mr. Chairman. You were speaking of foreign aid and "all spigots." I wonder if you will tell me what that figure is.

Mr. PASSMAN. I will tell you exactly. It is, at the moment, $11,273,039,508.

Mr. LONG. Does that include any hard loans, or is this merely the soft loan?

Mr. PASSMAN. We are in hopes that much of it would be in hard loans. But I contend when you are making a loan that is to be paid back in 25, 30, or 40 years, that it is assistance to a foreign nation. I amply qualified my statement by saying that I am not criticizing all of these various programs. I am only trying to put together the aggregate and to establish the figure for the record.

I use as my criteria the description contained in the AID publication of last year.

Mr. LONG. I just wanted to get this nailed down for my information. The chairman said $11.5 billion——

Mr. PASSMAN. $11,273,039,508.

Mr. LONG (continuing). Was the total amount for foreign aid, "all spigots." This is $2 billion higher than last year, and this would be for fiscal 1969?

Mr. PASSMAN. Let me tell you what it amounted to last year: $9,206,154,000. It is an increase of over $2 billion.

Mr. LONG. Foreign aid, in all spigots, for fiscal 1969 will be $11,273,039,508, approximately 28 percent greater than for fiscal 1968.

Mr. PASSMAN. Yes.

Mrs. HANSEN. Of that amount, how much is unliquidated?

UNLIQUIDATED BALANCES

Mr. PASSMAN. This is for new requests. Now, if you add the unliquidated funds for these items of $17 billion and if the Congress were

to allow the new money request, it will be dangerously close to $30 billion. I don't believe the President or anybody else down the line has any idea how far afield this program has gone.

I'm a defender of the Export-Import Bank, but when you prepare to dilute that operation by saying, "Go out and make a half billion dollars in loans and when they default take $100 million out of your profits, and then go down to the Treasury and pick up the balance," it is time for all of us to take another look at it and see what we can do about it.

COST OF ROK FORCES IN VIETNAM

I notice on page 7 of the justifications that the performance of the 50,000-plus Korean troops in South Vietnam is testimony as to the accomplishments of the military assistance program in Korea. I certainly would support any program that if we had to provide troops ———. Let me put it this way: What special compensation does the Korean Government receive for the 50,000 troops in South Vietnam? Now answer that off the record.

(Discussion off the record.)

Mr. RIEGLE. Would you yield for a moment. I think it is time people found out about this. I want to get at the bottom of this.

Mr. PASSMAN. Personally I believe it is one of the biggest bargains we have ever received in the program. If you can get a Korean soldier who will perform and will render the same type of performance as an American soldier, and the aggregate cost is not any more than it is for an American soldier, then I am willing to pay the fiddler.

Mr. RIEGLE. I want to make one other comment. The problem is I think Korean participation tends to get misrepresented to the American people, and the American people are led to believe the Koreans are just overjoyed to come in and help us.

Mr. PASSMAN. It will be continued to be put on that basis. As I stated earlier, ——— I don't think there is any question about that.

But if our objectives are being met it is not costing any more to keep them there than it is to put American soldiers in Vietnam.

Mr. LONG. I might point out they are one of the people who are really doing a good fighting job; one of the best fighters we have over there are the Koreans.

Mr. RIEGLE. There is no question about that. The issue is whether they would be there if we didn't have 50,000 American troops stationed in South Korea and if we were not paying the cost of Korean participation in Vietnam. It is a very relative question.

Mr. LONG. If we expect gratitude in this business we might as well forget about the whole thing. Foreign aid is then completely wasted if you are expecting gratitude.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Let me ask my question altogether differently if I may.

Admiral HEINZ. I was coming to that question. I don't want to dodge it but I do want to put in that one figure.

Mr. PASSMAN. I could ask it much better if you will permit me.

Admiral HEINZ. The arrangements we have with Korea as to their troops in Vietnam—do you want this on the record or off the record?

Mr. PASSMAN. Put it on the record.

Admiral HEINZ. It is classified as secret. We can put it on now and take it off later if we need to.

Mr. PASSMAN. The cost per soldier.

Admiral HEINZ. Going back to the first part of my answer, the pay and allowance for an American soldier in Vietnam is about $7,500 per year, whereas the cost for a Korean soldier in Vietnam is about ——— a year.

Mr. PASSMAN. Let's get the other information.

Admiral HEINZ. Yes.

Mr. PASSMAN. Let me ask you the question differently. What does an American private in Vietnam get per month? I just want his pay; what he puts in his jeans.

Admiral HEINZ. I don't know. I'll have to supply that information.

Mr. PASSMAN. And what does a Korean private get in Korea and in Vietnam per month. We were told $2 one time. We want to pin it down now.

Admiral HEINZ. I will have to get this figure.

Mr. PASSMAN. Let's get first the American soldier's pay.

Admiral HEINZ. I don't know what the privates get paid.

Mr. RIEGLE. That's why we have a phone here, so we can get this sort of information.

Mr. PASSMAN. Let's get away from these big figures of divisions, and get down to one soldier. What does the American soldier get for himself; his pay in Vietnam? What pay a Korean soldier gets in Vietnam for his own pocket?

Admiral HEINZ. I will supply that for the record.

(The information follows:)

BASIC MONTHLY PAY AND ALLOWANCES

[U.S. dollars]

	Base pay	Allowances	Total
Republic of Korea private in Korea	$1.25	[1] $13.70	$14.95
Republic of Korea private in Vietnam	1.25	[2] ———	———
U.S. private (E–2) in United States	106.20	[3] 150.40	256.60
U.S. private (E–2) in Vietnam	106.20	[4] 223.40	329.60

[1] Includes $6.30 subsistence pay and $7.40 family allowance (for a family of 4 including self; maximum amount a soldier may receive).

[2] ———.

[3] Includes $5.40 clothing allowance and $145 family allowance (for a family of 4 including self; maximum amount a soldier may receive).

[4] Includes allowances received in United States plus $65 hostile fire pay and $8 foreign-duty pay. All pay and allowances while in Vietnam are tax exempt. Soldiers of rank E–4 and above receive an additional $1 a day family separation allowance.

Note: Republic of Korea won converted to U.S. dollars at 270 won to $1

Mr. PASSMAN. Good. We are going to pin this down if you get those figures, because you don't get any special rates to haul a Korean soldier over, than you do an American soldier. We want to find out. We'll go off the record when we get this. That is, the Korean private's pay and the American private's pay.

PAYMENT OF ROK FORCES IN VIETNAM

Now, if you want to, put this off the record. We have 50,000 Korean soldiers in Vietnam. Are the Korean soldiers in South Vietnam paid by their Government or by our Government?

Admiral HEINZ. Their base pay is paid by the Korean Government; this base pay is credited to each soldier's account in Korea.

Mr. PASSMAN. They have a disbursement officer who takes care of that?

Admiral HEINZ. They do, and ———.

Mr. PASSMAN. Let's see what your figure will be because we may save a long deliberation. What do you show that ———? Just give us the figure.

Admiral HEINZ. The figures that I have here are the costs—you want the cost to the Korean Government?

Mr. PASSMAN. The total cost to the Korean Government; ———.

Admiral HEINZ. The amount shown here is ———.

Mr. PASSMAN. How much is that?

Admiral HEINZ. There is a different set of arrangements for each deployment. It is estimated that the total cost to the United States in fiscal year 1968, ——— of troops in Vietnam ———, totals ——— million.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TOTAL COST OF DEPLOYING ROK FORCES TO VIETNAM

Mr. PASSMAN. It is our understanding the Korean Government pays the Korean soldier for his own benefit his regular pay as a private, around $2 a month. It used to be $1.50, but I think he got a raise. ———.

Now, let's throw that out for some research.

Admiral HEINZ. Now I see what you are getting at.

Mr. PASSMAN. Do you mean I'm just now getting through?

Admiral HEINZ. Yes. I haven't been able to complete an answer yet.

Mr. PASSMAN. But the way you are giving me an answer, we'll never pin it down, but go ahead.

Admiral HEINZ. The total cost in fiscal year 1968 for ———.

Mr. PASSMAN. That's for what?

Admiral HEINZ. Direct costs for support Korean troops in Vietnam.

Mr. PASSMAN. How much would that be per person, per man. And while you are getting that I want the record to show I am not opposed to ——— them if they are actually doing the same job, but I think Mr. and Mrs. America should know what they are doing, and not have it hidden under a rock.

Mr. RIEGLE. As I understand it then, we are paying in excess of $——— million for the 50,000 Korean Troops.

Mr. PASSMAN. Yes.

Mr. WOLF. This committee or the previous committee requested that information before. There were no funds paid to the Korean Government, although the charge had been made earlier.

Admiral HEINZ. It is a question of ———.

Mr. PASSMAN. I think we can figure this thing out just by mathematical formula. ——— million for 50,000 troops. How much is that per man?

Admiral HEINZ. This would work out to about ——— thousand per man.

Mr. PASSMAN. ——— thousand per man.

Admiral HEINZ. If you divide ——— million by 50,000, I come up to about ——— thousand per man.

Mr. PASSMAN. Now we are getting what we want. It is costing us in the neighborhood of———thousand per man per year to maintain the Korean soldier in Vietnam.

Admiral HEINZ. Yes.

ITEMIZATION OF PAY AND OTHER DEPLOYMENT COSTS

Mr. PASSMAN. Now, if you would kindly place in the record what the———thousand represents, and at this point, if you could, tell us what a Korean soldier's pay is per month.

Admiral HEINZ. The cost of transportation, equipment——

Mr. PASSMAN. You are missing my point now. What I want to know is how much a Korean soldier in Vietnam gets in his pay envelope. That's what I'm trying to find out. We understood at one time they were paid $1.50 plus their food and lodging allowances, then I understand it was raised to $2. Now I'm trying to find out what they get, in Vietnam.

Admiral HEINZ. I will have to provide that figure.

Mr. REIGLE. Somebody has to have it. You have indicated that the U.S. cost per Korean soldier exceeds $——— thousand per year. Can't somebody call downtown and verify this figure?

Admiral HEINZ. We will try to get it for you.

Mr. WOLF. We are trying right now. There is somebody on the phone.

Mr. PASSMAN. All right.

Admiral HEINZ. You also asked me what this———thousand was for.

Mr. PASSMAN. If you have it, all right. How much per man for transportation?

Admiral HEINZ. That I don't know.

Mr. PASSMAN. That's the way we want it. Let's take one man now and pin the cost down and get away from the big figure, what I want is———breakdown in this———detail: transportation, food, shelter, and finally get down to what the soldier gets for himself, in his pay envelope. Wouldn't it be a little bit surprising if we found out this man just got about——— out of———? If this is not true let's get the truth. So you do your best and we'll get it back on Monday.

Admiral HEINZ. I'll do what I can to get that breakdown for you.

(The information follows:)

U.S. SUPPORT COSTS IN VIETNAM FOR ONE ROK SOLDIER

The total estimated fiscal year 1968 cost to the United States related to the deployment of ROK forces in Vietnam is ——— million. Direct support costs in Vietnam which are identifiable are estimated at ——— million. This does not include costs for maintaining the logistics organization necessary to provide support, nor the costs of providing combat support, such as air strikes, helo lift, et cetera.

There are currently about 49,000 ROK forces in Vietnam. By dividing this number into ——— million one can say that it costs the United States an average of approximately ——— in direct support costs to maintain one ROK soldier in Vietnam for 1 year.

The ——— million is divided into certain appropriation categories. By applying the ratio of that division, one can apportion this ——— per Korean per year into the following categories:

———.

Mr. PASSMAN. I want to know how much the Korean Government is making on this deal.

UNITED STATES-KOREAN COOPERATION AND RESPECTIVE GAIN

Mr. REIGLE. I don't think it is relevant to compare the cost to sustain a division of American troops in Vietnam versus a division of Korean troops. If we are picking up the tab for both sides, what is really relevant, what we are going to come to when I get a crack at it is the gut question of what it is worth to the Koreans if they are a domino and they feel threatened by this situation there, to haul themselves into this fight and put some of their own resources in. Not how willing they are to participate if we pick up the tab, but rather how important it is to them, just from their own point of view. What would be their participation in Vietnam if they had to pay their own bills? We'll get to that, I assume, later.

Mr. PASSMAN. The only way you could establish patriotism is when you get on the battlefield with this Korean soldier. This proposition is just as commercial as anything you know about until they get him up to the front line. Korea is putting in very little money. You can call them our allies if you want to. I would say they are U.S.-supported allies. If it is that way, let's establish it for the record. If it is not that way, let's put that in the record. I don't think it is fair to the taxpayer, for the American people, to be sold on the great contribution of Korea in this conflict when they are putting so little money into it. They are on the receiving end, from the time they get up in the morning until they go to bed at night. I'm talking about the government now, not the soldier, because I am told they are very good soldiers.

———.

AMOUNTS OF MILITARY ASSISTANCE PROVIDED KOREA

Of course, we have had a very substantial military assistance program for Korea. When did the Koreans commit or send their first soldiers to Vietnam? What year?

Admiral HEINZ. In September 1964.

Mr. PASSMAN. What was the amount of miliary assistance to the Korean Government in fiscal year 1965.

Admiral HEINZ. $129.7 million.

Mr. PASSMAN. Now, let's skip along in the interest of time. What is the assistance in fiscal year 1968?

Admiral HEINZ. In fiscal year 1968, we have a military assistance program of $160 million for Korea.

Mr. PASSMAN. So it has gone up $30.3 in 3 years.

Admiral HEINZ. Yes, but it also has gone down $200 million in 1963.

Mr. PASSMAN. Fiscal year 1965 was $129.7 million. Fiscal year 1966 is $157.5 million. Fiscal year 1967 is $162.9 million. Fiscal year 1968 is $160 million, with a supplemental of $100 million pending; is that right?

Admiral HEINZ. That is correct.

Mr. PASSMAN. I think that indicates something. Under our arrangement with the Korean Government, ——— troops. Is that under our military assistance program for Korea, or does that come under some other category?

DEFENSE FUNDED ASSISTANCE TO KOREA

Admiral HEINZ. The pay for Korean troops is paid for by the Korean Government. Our Defense budget ——— in Vietnam.

Mr. PASSMAN. That clears it up. In other words the Defense appropriation pays ——— the military assistance program is separate from the other consideration, is that right, sir; as far as money is concerned?

Admiral HEINZ. As far as money is concerned, ———.

Mr. PASSMAN. Thank you very much. That's exactly the question I asked you. Your answer is concise. Thank you.

ASSESSMENT OF PACIFICATION PROGRAM IN VIETNAM

Last year, on page 515 of the hearings, Secretary McNamara stated:

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.

What is your assessment or reassessment of the pacification program at this time? This is 1 year later.

Admiral HEINZ. May I give you an assessment for the record?

Mr. PASSMAN. Thank you very much.

(The information follows:)

PACIFICATION ASSESSMENT

Pacification is a very slow and painstaking process. Progress is slow and uneven, with gains in some areas and setbacks in others. Although the revolutionary development (RD) program registered definite net progress in 1967, achievements fell short of the goals. In addition to the security problem, village and hamlet elections in the spring and national elections in September and October preoccupied GVN authorities and diverted security forces from purely pacification objectives. Although this diversion of effort contributed importantly to long-term nation-building objectives, it slowed the momentum of the RD program. Furthermore, even under optimum conditions, pacification progress is not going to be rapid, since pacification involves nothing less than the restructuring of Vietnamese society.

While pacification unquestionably received a setback from the enemy Tet attacks, this now appears less than initially feared. U.S. advisers assess serious impact in 13 provinces, moderate in 16 provinces, and only slight in 15 provinces. The chief pacification problems resulting from the enemy offensive have been a loss of momentum, a defensive attitude on the part of the pacifiers, and a popular fear of the VC. The bulk of the pacification forces and assets are intact and being increasingly employed to resecure the countryside and regain pacification momentum.

IMPORTANCE AND MAGNITUDE OF TRAINING PROGRAMS

Mr. PASSMAN. The last paragraph on page 17 states, in part, "training is the most lasting and valuable portion of the military assistance program." How much of the fiscal 1969 budget is for training and how does that estimate compare with the training program during the past 2 fiscal years.

Admiral HEINZ. It is approximately $48 million. I will have to furnish the comparisons for the record.

Mr. PASSMAN. Thank you.

(The information follows:)

COMPARISON OF MAP TRAINING COSTS

Following is a comparison of MAP grant-aid training costs for fiscal years 1967, 1968 and 1969:

Fiscal Year	*Costs (thousands)*
1967	$52,662
1968	45,797
1969	48,269

COMPARISON OF CURRENT AND PRIOR YEAR AUTHORIZATIONS AND APPROPRIATIONS

Mr. PASSMAN. Now the 1969 estimate, or the small part of the military assistance program that has not yet been transferred out of the mutual security program, is $420 million. That is, I believe, $20 million over the appropriation for fiscal 1968; is that correct?

Admiral HEINZ. That is correct, it is $20 million over the fiscal year 1968 appropriation, sir.

Mr. PASSMAN. This fiscal year 1969 estimate does not include funds for Vietnam, Laos, Thailand, infrastructure, and the credit sales fund?

Admiral HEINZ. That's correct.

Mr. PASSMAN. I believe those items were previously carried in the military assistance appropriation bill.

Admiral HEINZ. That is correct.

Mr. PASSMAN. So the aggregate total, when we put the pieces together to have something to compare the request by, this is not too much more than the request in previous years, is it?

Admiral HEINZ. The——

Mr. PASSMAN. Or not much less. I'll take it either way. I'm talking about recent history. It used to be far in excess of this. I'm talking about recent years. This is in the neighborhood of the request, I believe, made annually.

Admiral HEINZ. The request is made annually.

Mr. PASSMAN. I think in 1955—well, let's take 1954, the year before it became my privilege to chair this committee—there was about $3,200,000,000; is that correct?

Admiral HEINZ. In 1954, the appropriation was about $3.2 billion. That did not include provision for any combat conditions.

Mr. PASSMAN. In 1961 you had about $1.9 billion did you not?

Admiral HEINZ. The appropriation for 1961 was $1.8 billion.

Mr. PASSMAN. I believe in 1962 and 1963 it was about $1.7 billion or $1.8 billion, if I read this chart correctly—authorization I'm talking about. And that's what we are considering now.

Admiral HEINZ. The authorization for 1962 was $1.7 billion.

Mr. PASSMAN. We are discussing authorization now.

Admiral HEINZ. Yes.

STEPS IN APPROPRIATION PROCEDURES

Mr. PASSMAN. Now, to be able to pin this down, we have to show for the record at this point that you have three steps; authorization level, budget request level, appropriation level; is that correct, sir?

Admiral HEINZ. Yes.

Mr. PASSMAN. The figures just read into the record deal with legislation whereby appropriations had been authorized.

Admiral HEINZ. Yes.

Mr. PASSMAN. It may have been even higher than you are requesting this year, during all those years. We will have to let the record speak for itself. But we are talking about a budget request, aren't we?

We are talking about the highest level; is that right, sir?

Admiral HEINZ. The highest level——

Mr. PASSMAN. The original budget request is the highest level, and then the next lower level is authorization, and the next level is appropriation. Do I understand that correctly?

Admiral HEINZ. Yes, that is usual.

CIVIC ACTION

Mr. PASSMAN. Would you furnish for the record an updated table of your civic action program; a table similar to the one on page 571 of the hearings last year?

Admiral HEINZ. I will.

(The information follows:)

U.S. MILITARY ASSISTANCE FUNDS FOR CIVIC ACTION PROGRAMS, FISCAL YEAR 1962 THROUGH FISCAL YEAR 1968 [1]

[In thousands of dollars]

	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
Latin America:							
Argentina			298	1,253	286	67	28
Bolivia		1,817	397	239	118	305	86
Brazil	2,200	2,156	2,097	2,386	1,901	204	
Chile	860	2,019	1,279	391	715	655	103
Colombia		1,488	1,655	550	639	1,023	427
Costa Rica			222	13	1		
Dom Rep		596	59	64	111	194	141
Ecuador	1,500	323	709	476	81	192	18
El Salvador		534	145	99	64	23	20
Guatemala		863	567	133	341	398	275
Honduras		84	20	240	38	63	188
Mexico				8	17		
Nicaragua		59		3	1	1	8
Panama			2	44	39	33	3
Paraguay		840	1,111	596	1,064	528	270
Peru	1,135	2,794	1,271	2,411	3,130	401	44
Uruguay		546	431	286	77	65	39
Venezuela			23	47	41	29	16
Region					1	4	7
Area total	5,695	14,119	10,286	9,239	8,665	4,185	1,676
East Asia:							
Cambodia		792					
Indonesia		2,887		69		2,300	4,616
Korea	3,140	385	1,084		45	237	276
Laos							
Philippines		930	22	32	19	2,562	4,519
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	——	——	——	——	9,412
Near East, south Asia, and Africa:							
Congo (Kinshasa)				[2]			
Ethiopia			167	6	5	10	21
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	2
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		
Region							45
Area total	1,419	2,333	1,164	1,458	834	141	68
World total	14,904	60,406	——	——	——	——	11,155

1. Fiscal year 1962 was the first year that civic action assistance was so identified in MAP. Fiscal year 1969 worldwide total is estimated at $7,800,000. MAP civic action assistance to Vietnam was terminated beginning in fiscal year 1966 and to Thailand and Laos in fiscal year 1968; such assistance is now service funded.
2. $500 or less.

Mr. PASSMAN. Is there any money in the budget for ship-loan legislation?

Admiral HEINZ. There is not.

MAP TRAINING CONDUCTED IN U.S. CIVILIAN COLLEGES

Mr. PASSMAN. I note on page 16 under the training program that one method is "military-related civilian courses—both graduate and undergraduate—in U.S. colleges and universities;" is that correct, sir?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What is the number of students in such a category; the country, the type of training, and the cost in fiscal 1968, and the proposed cost in fiscal 1969.

Admiral HEINZ. I will provide that for the record.

Mr. PASSMAN. Thank you.

(The information follows:)

MAP TRAINING CONDUCTED IN U.S. CIVILIAN COLLEGES AND UNIVERSITIES, FISCAL YEAR 1968

Country	Number of students	Category
Argentina	2	Engineering sciences.
Bolivia	1	Meteorology.
Ethiopia	8	Engineering, management and social sciences.
India	1	Meteorology.
Iran	2	Engineering sciences.
Korea	13	Engineering and social sciences and meteorology.
Liberia	2	Social sciences.
Nicaragua	3	Medical sciences.
Nigeria	[1] 7	Engineering sciences.
Pakistan	3	Engineering and management sciences.
Philippines	4	Do.
Portugal	2	Engineering sciences.
Saudi Arabia	1	Management sciences.
Turkey	2	Do.
Venezuela	4	Engineering sciences.
Total cost for fiscal year 1968	$381,400	

[1] Entered training prior to fiscal year 1968.

MAP TRAINING PLANNED IN U.S. CIVILIAN COLLEGES AND UNIVERSITIES, FISCAL YEAR 1969

Country	Number of students	Category
Deleted	1	Management sciences.
	1	Meteorology.
	2	Management sciences.
	10	Engineering, management, and sciences.
	6	Engineering sciences and meteorology.
	4	Engineering and social sciences.
	13	Engineering, medical, and social sciences and meteorology.
	2	Social sciences.
	3	Medical sciences.
	[1] 5	Engineering sciences.
	2	Management sciences.
	6	Engineering and management sciences.
	3	Engineering and management sciences.
Total cost for fiscal year 1969, $538,140.[2]		

[1] Entered training prior to fiscal year 1968.
[2] The increased cost of this training in fiscal year 1969 results generally from the fact that a greater number of the courses required are higher cost courses and to general cost increases.

ORIENTATION TRAINING OF AFRICAN MILITARY LEADERS

Mr. PASSMAN. Last year you requested $100,000 for orientation training for distinguished personnel in the military forces of emerging African countries. Is that correct?

Admiral HEINZ. That's correct.

Mr. PASSMAN. How much did you program for this purpose in fiscal 1968?

Admiral HEINZ. That program was cut to $88,000; but we have not spent, nor will we spend, that much.

Mr. PASSMAN. How much did you program for this purpose this year? We'll ask it that way.

Admiral HEINZ. $100,000.

Mr. PASSMAN. So you have some unobligated funds. If you program a hundred thousand dollars and you are only going to obligate $88,000, you will have $12,000 unobligated.

REPROGRAMING OF FUNDS

Admiral HEINZ. In any case, we can only program up to what we have in the training funds. If they are not going to be fully used, the unused portion is applied elsewhere in the program. I am not therefore, going to have funds left over.

Mr. PASSMAN. If you asked for $100,000 and we gave you a hundred thousand and you allocate $88,000, there is $12,000 loose somewhere.

Admiral HEINZ. You didn't give me the $12,000. You gave me $400 million for the total program, which was less then what we had requested——

Mr. PASSMAN. I'm talking about this 100,000 that you requested for orientation of distinguished personnel. You only obligated 88,000 or allocated 88,000. So the 12,000 would move over to some other part of the program; would it not?

Admiral HEINZ. The 12,000 was never obligated.

Mr. PASSMAN. In making the cut, did we earmark——

Admiral HEINZ. You did not. I had to allocate the cuts among all the programs.

Mr. PASSMAN. Putting it another way then, you only had need for, or obligated, 88,000 out of the original request, and the reason being there was a reduction in the appropriation.

Admiral HEINZ. The reason being that we did not need a hundred thousand for that program.

Mr. PASSMAN. Thank you. How much are you asking for fiscal 1969?

Admiral HEINZ. A hundred thousand.

Mr. PASSMAN. To take care of the distinguished people.

Admiral HEINZ. 100,000.

Mr. PASSMAN. Do you anticipate disbursement of the 88,000 that you allocated?

Admiral HEINZ. At this point of time, I do not anticipate disbursement of that total figure.

IDENTIFICATION OF AFRICAN MILITARY PERSONNEL

Mr. PASSMAN. Who are these distinguished people?

Admiral HEINZ. These are chiefs of staff, other military leaders and potential military leaders.

Mr. PASSMAN. What is a potential military leader?

Admiral HEINZ. A potential military leader is one who shows promise, shows ability.

Mr. PASSMAN. Does he come out of that distinguished category if he flunks your orientation training course?

Admiral HEINZ. He is expected to become one of the senior men in the military establishment.

Mr. PASSMAN. Why don't we say it?

Admiral HEINZ. These people come here on less than the full protocol basis that would apply in the case of a visit by the Chief of Staff of the Army of a large country.

Mr. PASSMAN. I know. You said a potential leader. You bring him over clothed as a distinguished visitor, then when he flunks this course, do you return him as a distinguished person or does he go back on a little lower down on the totem pole? When does he lose that distinction?

Admiral HEINZ. He doesn't flunk out of this course.

Mr. PASSMAN. You said potential. All potentials don't make the grade do they? I'm trying to find out when he is unclothed from this "distinguished" label.

Admiral HEINZ. It's the same phrase we used last year.

Mr. PASSMAN. I'm trying to understand who these people are. They are just military people coming to get a little training, right?

Admiral HEINZ. They are senior military people.

Mr. PASSMAN. What's the rank of a senior military person?

RELATIVE RANK AND STATUS OF PERSONNEL SELECTED

Admiral HEINZ. It may depend upon the country. He may be a lieutentant colonel for all we know. It depends on the country. He may be a colonel, he may be a brigadier general. It depends upon the country.

Mr. PASSMAN. Everybody's distinguished to some extent, no doubt. Then it depends on just who we are looking for, whether it's military

personnel or whether it's civilian personnel, that we are arranging a champagne party for. We really are talking about military people exclusively.

Admiral HEINZ. Primarily, yes. However, for example, we have had a minister of defense.

Mr. PASSMAN. Is he a military man?

Admiral HEINZ. In many countries, the minister of defense is military.

Mr. PASSMAN. I can understand that. The reason I asked that question is that before we were talking about two types of training programs. We wanted to find out if there were two different types of persons. They are of two categories. Now, how long do you keep them here? How many do you propose to bring over in fiscal 1968 that would be paid out of this appropriation?

NUMBER AND NATURE OF VISITS AND COST PER PERSON

Admiral HEINZ. The total number is 17.

Mr. PASSMAN. How long do they stay?

Admiral HEINZ. They stay here approximately 2 weeks.

Mr. PASSMAN. What do we train them to do?

Admiral HEINZ. This is not training, it is an exposure to familiarize them with the United States, its facilities, industrial management, and some other areas of interest. They go to training establishments and schools. They visit Washington.

Mr. PASSMAN. I guess there is a lot of competition for these tours. In other words, it's really just a high-falooting, sweet-smelling vacation at the American taxpayers' expense. Couldn't we define it that way and be fairly accurate? At least we would be safe enough to say it and it would take an expert to disprove it.

Admiral HEINZ. I don't believe it could or should be considered that way.

Mr. PASSMAN. They visit in Washington for 2 weeks and it costs how much for each individual? They are not all soldiers, some are civilians. They are coming here for military training?

Admiral HEINZ. They are military leaders.

Mr. PASSMAN. They don't come here for military training.

Admiral HEINZ. It's an orientation tour. The cost per person, I do not have. I'll have to furnish that for the record.

Mr. PASSMAN. We have a total now. We have the number. You must know the cost per person. Somebody had to have that figure.

Admiral HEINZ. At the time——

Mr. PASSMAN. You have $12,000 remaining. Have you sent any of them back yet, that came over for 2 weeks?

Admiral HEINZ. I'll ascertain the exact costs.

Mr. PASSMAN. Does each one get a representation allowance? I'm being honest about it.

Admiral HEINZ. Does he get a representation allowance—no.

Mr. PASSMAN. The per diem rate, how much is that per day?

Admiral HEINZ. I don't know.

Mr. REIGLE. Can we also ask their agenda of what they did and where they went?

ITINERARY AND COSTS OF VISITS UNDER THE DAML PROGRAM

Mr. PASSMAN. Yes.

(The information follows:)

DISTINGUISHED MILITARY LEADER AND ORIENTATION/TRAINING VISITS

The disinguished African military leader program which is presented on page 72, military assistance program, fiscal year 1969 estimates, includes visits in two categories. Distinguished leader (DAML) visits are provided for ranking members of the defense establishments of selected African countries, including individuals occupying high positions in defense ministries and in the armed forces such as the chief of staff or commander of forces. Orientation/training visits are provided for less senior military officers who are staff officers or commanders of principal units of the country's armed forces and who have demonstrated the potential for advancement to positions of even greater stature. The objectives of the two categories of visits are similar. These defense leaders are acquainted with training principles and techniques which will be useful to them in the context of the internal security and civic action needs of their countries. They also are given an insight into the functioning of the American Government, industrial management in the United States, and the political and social structure in this country ———. These visits help to improve the recipient countries' security situation by increasing the professionalism of their senior defense leaders. ———.

The two categories of visits differ principally in emphasis. The distinguished leader (DAML) visit of about 2–3 weeks' duration focuses less specifically on the observation of military training than does the 3- to 4-week orientation visit for less senior personnel.

A typical itinerary for a distinguished leader (DAML) visit of 2 to 3 weeks duration includes a brief stay in Washington with calls upon officials of the Departments of State and Defense and Members of the Congress, visits to one or more of the services academies, opportunities to observe major industrial facilities, and visits to two or three military installations at which counterinsurgency and civic action training is observed. Throughout the visit, there are frequent and repeated contacts wtih prominent civic leaders and senior representatives of Government, the military, business, and industry.

The total cost per individual participating in this program on a visit of 2–3 weeks' duration would average about ——— including about $1,400 for transportation to and from the United States and about ——— for travel in the United States. Included also is a total of approximately ——— allocated to U.S. installations visited for official functions and ——— representing a pro rata share of the cost of travel within the United States and other expenses of the escort officer who accompanies the party during the visit. Participants in this type of visit are not given a per diem allowance. All transportation and other accommodations are arranged by U.S. officials and all necessary disbursements are made by the escort officer accompanying the visiting personnel during their stay in the United States. Actual costs will vary, depending on the number participating in the visit, the duration of the visit, and the specific itinerary followed.

A typical itinerary for an orientation/training visit for the less senior military officers, of 3 to 4 weeks' duration, will include a brief visit to Washington during which the participants meet with officials of the Departments of State and Defense, and visits to a service academy, service schools such as signal, civil affairs, military police, and engineer, and to military training installations such as Fort Bragg, Fort Benning, and Fort Carson, where counterinsurgency and civic action are observed. The average cost per participant for a 4-week visit is approximately ——— including $1,000 for travel to and from the United States and $450 for travel within the United States. Included in the total cost is a per diem allowance of $12 for each visitor. Also included is about ——— per participant representing a pro rata share of all the expenses and travel of the escort officer who accompanies the group while in the United States.

DISTINGUISHED MILITARY LEADER AND ORIENTATION/TRAINING VISITS—FISCAL YEAR 1968 PROGRAM

The distinguished African military leaders program includes visits of two categories.

DISTINGUISHED MILITARY LEADER VISITS PLANNED

Ivory Coast—Minister of Armed Force, Ivory Coast M'Bahia Ble (accompanied by the Deputy Chief of Staff, Ivory Coast Armed Forces and a senior staff assistant of the Ministry of Armed Forces).

Other visits initially planned for fiscal year 1968 have been deferred. Planning for senior personnel is necessarily tentative. The high stature of these individuals in their governments makes difficult a forecast of the periods when they are able to absent themselves from their duties at home to participate in the planned visit to the United States.

ORIENTATION/TRAINING VISITS

Upper Volta—Captain Triande, Deputy Commanding Officer, Republican Guard and three officers of the Upper Voltan Armed Forces.

Ivory Coast—Captain Sangore (Chief G–4 Section), Captain Koni (Chief G–3 Section), and two unit commanders of the Ivory Coast Armed Forces.

Niger—Major Kountake, Deputy Chief of Staff Niger Army and three unit commanders of the Niger Armed Forces.

SCREENING OF AFRICAN MILITARY LEADERS

Mr. PASSMAN. Admiral, we are going to nickel and dime this country into bankruptcy. I'm wondering what good it would do a military man from country "Z" to go sightseeing in America so as to expose him to our way of life. He's not over here for military purposes. He's over here to have fun. I bet there is a lot of competition. Who screens them?

Admiral HEINZ. The U.S. Ambassador in the country.

Mr. PASSMAN. The Ambassador doesn't have to accompany each one over does he?

Admiral HEINZ. No sir; he does not.

Mr. PASSMAN. So if one of these individuals gets in good with the Ambassador, he could be one of the distinguished visitors under this category?

Admiral HEINZ. We always have the recommendation of the Ambassador and the attaché.

PROVISION OF EXCESS EQUIPMENT

Mr. PASSMAN. Admiral Heinz, page 23 indicates 33 countries have received approximately $90,315,000 in excess military stock in fiscal year 1968. Is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. The $90,315,000 represents the original acquisition costs?

Admiral HEINZ. That is the original acquisition costs. All excess figures are at the original acquisition costs.

Mr. PASSMAN. This serves the same purpose does it not, in most instances and if not all, that new equipment would serve?

Admiral HEINZ. In many instances it does.

Mr. PASSMAN. In many instances it's new equipment that is becoming obsolete and excess to our needs and we give it away.

Admiral HEINZ. It is excess to our needs, and therefore we give it to the countries.

Mr. PASSMAN. Subject to correction, I think in this one instance, we are talking about new equipment but it has to be checked over and checked out before it's shipped. That's usually where the rehab cost comes.

M–41 TANKS RECONDITIONED BY CHINA

Admiral HEINZ. Very seldom is it new equipment. For example, the fiscal year 1968 figure for China, approximately 25 million, includes M–41 tanks, which certainly are not new equipment.

Mr. PASSMAN. They are reconditioned. They serve the same purpose.

Admiral HEINZ. In this case, they are not. China is reconditioning them at her own expense.

Mr. PASSMAN. That's an exception to the rule.

Admiral HEINZ. There are other exceptions.

Mr. PASSMAN. This type of arrangement really would be the exception to the general rule.

Admiral HEINZ. That's correct.

VALUE OF EXCESS EQUIPMENT IN FOREIGN AID TOTAL

Mr. PASSMAN. And if we were to take into account the actual amount of military assistance we are making available, and so as to be completely accurate, we would have to add to the grand total the excess equipment cost, too, or its actual value at the time it's shipped.

Admiral HEINZ. We would add the value at the time it is shipped.

OBSERVATION AIRCRAFT PROVIDED TO NORWAY

Mr. PASSMAN. Now, what type of excess stocks are we giving to Norway?

Admiral HEINZ. It is 10 O–1E observation aircraft.

Mr. PASSMAN. What is the acquisition cost?

Admiral HEINZ. $235,000 is the acquisition cost.

BUDGET ESTIMATES, APPROPRIATIONS, AND UNOBLIGATED BALANCES

Mr. PASSMAN. Would you update the table on page 575 of last year's hearings, which relates to the budget estimates, the appropriations, and the unobligated balances continued available in the subsequent year?

Admiral HEINZ. Yes.

(The information follows:)

BUDGET ESTIMATES, APPROPRIATIONS, AND UNOBLIGATED BALANCES CONTINUED AVAILABLE

[In 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	1,600.0	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	11.9
1968	596.0	400.0	[2] 10.0
Total	42,662.1	37,634.7	6,838.9

[1] Appropriation to liquidate sec. 510 authority utilized in fiscal year 1965 ($75,000,000) and fiscal year 1966 ($300,000,000).

[2] Estimated.

FUNDING FOR MAAG PERSONNEL

Mr. PASSMAN. Admiral, looking at some of the detail in the defense budget request, it would appear that the defense appropriation bill finances all of the pay and allowances, or most all of the pay and allowances of military personnel assigned to the military assistance programs in the several countries; is that correct?

Admiral HEINZ. The military departments, fund pay and allowances. Military assistance does fund overseas cost of living and housing differentials.

Mr. PASSMAN. These personnel are administering—in those countries where you have a program—the military assistance program contained in this bill. Their pay and allowances are paid out of the Defense Department appropriation?

Admiral HEINZ. That's correct.

Mr. PASSMAN. What's the grand total for fiscal 1968?

Admiral HEINZ. I'll provide it for the record. It's going to be difficult to figure.

Mr. PASSMAN. We want something accurate.

Admiral HEINZ. If I may give you a bit of the background on this——

Mr. PASSMAN. I don't need the background. You know what I want.

REDUCTION OF OVERSEA PERSONNEL

Admiral HEINZ. The reason I said what I did is that we cut overseas personnel by 700 the first of the year. Personnel strengths are being cut again right now. When you ask me for an fiscal year 1968 figure, it means that I'll have to make an estimate as between the beginning and the end of the year.

TOTAL COST FOR FISCAL YEAR 1967 FOR MAAG PERSONNEL

Mr. PASSMAN. Could you give us the amount for fiscal 1967?

Admiral HEINZ. We'll have to furnish that for the record.

(The information follows:)

COSTS PAID FROM MILITARY DEPARTMENT APPROPRIATIONS FOR MILITARY PAY AND ALLOWANCES

No separate accounting is currently maintained as to the value of pay and allowances for U.S. military assigned to MAAG's paid from military department appropriations. During the period of fiscal years 1967–69, these costs are estimated as follows:

[In millions]

For military pay and basic allowances:	
Fiscal year 1967	$40
Fiscal year 1968	32
Fiscal year 1969	27

MILITARY PERSONNEL COSTS IN FOREIGN AID TOTAL

Mr. PASSMAN. Is this a fair statement—and let me preface my remarks by saying this—that in all probability we would still have the military personnel deployed somewhere, if you didn't have them in the military assistance program? But if we want to be completely accurate

as to what foreign aid is costing us, we have to include the cost of these people who conceivably could be used elsewhere. We deprive the Services of their service. We assign them over to the grant military assistance program under the mutual security program; therefore, shouldn't we take that cost and add it to the cost of foreign aid to get the grand total?

Admiral HEINZ. You have used this in your total.

Mr. PASSMAN. I just asked you if that isn't completely good, proper, and appropriate.

Admiral HEINZ. This is a proper cost. Now I find that the estimate we gave you last year for pay and allowances from the military Department appropriations was $42 million. I believe you used that in your computations last year.

Mr. PASSMAN. We used whatever you people gave us. If you underestimate these things, we are going to use whatever figures you gave us.

(A short recess was taken.)

ESTIMATED COSTS FOR FISCAL YEARS 1968 AND 1969

Mr. PASSMAN. What is the estimate for this purpose for fiscal 1968?

Admiral HEINZ. The estimate for 1968 is $36,000,000.

Mr. PASSMAN. What is the estimate for fiscal 1969?

Admiral HEINZ. I'm sorry. The estimate for fiscal 1968 was originally $42,000,000. The original fiscal year 1969 estimate was $36,000,000, but I believe this is high because we are currently reducing personnel overseas.

Mr. PASSMAN. Admiral, whatever estimate you give us, we'll use it. So far as you are concerned, it will be as accurate as you can make it. Is that fair enough?

Admiral HEINZ. Yes.

PERUVIAN PURCHASE OF JET AIRCRAFT FROM FRANCE

Mr. PASSMAN. There have been numerous reports in the past several months relating to the purchase of jet aircraft by Peru from France. Could you tell us the number of aircraft and the total cost of the orders of aircraft Peru purchased from France?

Admiral HEINZ. The best estimate I have is that the total purchase is ——— aircraft.

Mr. PASSMAN. The cost?

Admiral HEINZ. One estimate that we had was for ——— aircraft at a package cost of about ——— million. We do not know what this package consists of. That is, how long the services will be provided.

Mr. PASSMAN. I know, but you used the number ———.

Admiral HEINZ. That first report we had was ———. There is another report as to the possibility of ———.

Mr. PASSMAN. You mean by increasing the original order by ———. Whatever any information is there, put it in the record.

(The information follows:)

The Government of Peru has not publicly confirmed that Mirage fighters have been purchased. There have been U.S. press reports that Peru has contracted for a total of 12 Mirages. ———.

POSSIBLE BRAZILIAN PURCHASE OF MIRAGES

Mr. PASSMAN. What is the order that Brazil placed?

Admiral HEINZ. There is no order that I know of.

Mr. PASSMAN. It was recorded in the press, if I remember correctly.

Admiral HEINZ. The Brazilians are considering buying Mirages. They are also considering F–5's. To my knowledge, they have made no decision, nor have they signed any contract.

Mr. PASSMAN. But Peru is final?

Admiral HEINZ. As far as I know, Peru has contracted for delivery of Mirage aircraft.

AMX TANKS PURCHASED BY ARGENTINA FROM FRANCE

Mr. PASSMAN. Could you tell us the aggregate in dollars of French AMX–30 tanks that Argentina purchased from the French?

Admiral HEINZ. I don't have the information available on that. I will have to place it in the record.

PERU PURCHASE OF MIRAGE AIRCRAFT

Mr. PASSMAN. You are familiar with the tank order; are you not?

Admiral HEINZ. I have had reports that they are buying them. I'm not sure that they have bought them.

Mr. PASSMAN. Would you give us some data?

Admiral HEINZ. I'll give you what information I have.

(Classified information was submitted to the committee.)

Mr. PASSMAN. Give us the date for the record at this time, if you have it, that Peru placed her order for this Mirage ——— million package.

Admiral HEINZ. I'll give you as much information as we have; but I do not have a date available on this. As a matter of fact, much of our information is rather imprecise.

Mr. PASSMAN. They keep it as much of a secret as they can, because they are getting a lot of aid, you understand. It's pouring out of about fifteen spigots. They keep it covered up as long as they can. Whatever you have uncovered so far, furnish it to the committee when you come back next time.

INDIAN PURCHASES OF FIGHTER BOMBERS FROM THE U.S.S.R.

Now, another exciting, frustrating, disgusting, disappointing article appeared January 21, indicating that India recently received delivery of 127 SU–7's, the sophisticated Russian fighter bomber. This frightening, frustrating, disappointing article indicated India kept this purchase a secret from the United States and at the same time, India was receiving 16 million tons of wheat and 1 million tons or rice from the United States, to avert widespread starvation. What information do you have Admiral, on this purchase that I just referred to?

Admiral HEINZ. ———.

Mr. PASSMAN. This article could be accurate?

Admiral HEINZ. ———.

Mr. PASSMAN. I wonder how much those people love us. We have given them about $7 billion. We can't blame you gentlemen for this

but I'll tell you the truth, we are in a mess all over the world. Admiral, whatever information you can get on it, furnish it to the committee.

(Classified information was submitted to the committee.)

NEED TO PROTECT THE DOLLAR

Mr. PASSMAN. Admiral, some of this materiel you can put in the record. This certainly is not chargeable to your housekeeping. You just can't keep up with a lot of these deals, but I'm not too sure that we shouldn't have some pretty strict legislation this year because we are in a deplorable mess.

I'm talking about the dollar now. It could go down the drain. We're working under an ultimatum, I think, and we'll make a mistake if we do not recognize it. I'm talking about Uncle Sam.

ESTIMATED FISCAL YEAR 1968 RECOUPMENT OF FUNDS

Admiral Heinz, you estimated $65 million in recoupments in fiscal 1968. I believe your present estimate is $84 million, is that correct?

Admiral HEINZ. The estimate in the presentation document is $84 million. I don't know whether we will attain this or not.

Mr. PASSMAN. Do you have any additional information as to whether it would be up or down?

Admiral HEINZ. I believe it will be down.

SUPPORT OF CHINA

Mr. PASSMAN. Admiral, I want to thank you for the courtesies that you have extended to me. This committee went out recently on an inspection trip and talked to your very able MAAG chief in Taiwan. I believe he is a courageous man, rather frank, but military all the way. He was somewhat concerned about the military assistance program for China. He has a terrific military team, and if I know how to read character just a little bit, ———. We subsequently discussed this matter with the Ambassador.

Subsequently we discussed this matter with Admiral Sharp in Honolulu. We felt that Admiral Sharp supported the views of your MAAG chief and in discussing it with you, I think you did juggle some figures, but have another close look to see if you could do better. I am pretty much pro-Nationalist China, and I think those people are profoundly honest. I think they're running a good government and I don't think I have ever visited a country where I could come back and actually say they are completely pro-America, and support America's policies. I think they would say, if you have to go down the drain, we're going to be going down right on top of you.

I seldom speak for any foreign aid program or for any foreign country, but those people really seem to be very appreciative and I want to thank you for having another look. I didn't know any of my recommendations would ever be considered. You surprise me.

Unless there are, some strong protests, we will recess now until Monday at 1 p.m.

MONDAY, APRIL 8, 1968.

FOREIGN MILITARY SALES ACT OF 1968

WITNESSES

HON. PAUL C. WARNKE, ASSISTANT SECRETARY OF DEFENSE (ISA)
HENRY J. KUSS, DEPUTY ASSISTANT SECRETARY OF DEFENSE (ISA) FOR INTERNATIONAL LOGISTICS NEGOTIATIONS
PHILIP J. FARLEY, DEPUTY ASSISTANT SECRETARY OF STATE, POLITICO-MILITARY AFFAIRS
VICE ADM. L. C. HEINZ, DIRECTOR OF MILITARY ASSISTANCE, OASD (ISA)
ADM. U. S. G. GRANT, U.S. NAVY, COMMANDER IN CHIEF, PACIFIC
JOSEPH J. WOLF, OFFICE OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE
BENJAMIN FORMAN, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE
PETER R. KNAUR, ASSISTANT FOR CONGRESSIONAL AND SPECIAL PROJECTS, ODMA, OASD (ISA)
CAPT. JIMMIE "B" ALLRED, U.S. NAVY, ODMA, OASD (ISA)
ROBERT G. RATH, MILITARY ASSISTANCE COMPTROLLER, OASD (ISA)
FREDERIC D. SHARP, CHIEF, SECURITY PROGRAM DIVISION, OFFICE OF REGIONAL POLICY PROGRAMS, DEPARTMENT OF STATE
LT. COMDR. STEWART A. RING, U.S. NAVY, EAST ASIA AND PACIFIC REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. Before we get into the worldwide military assistance program, Mrs. Reid would like to ask some questions on the general statement of Admiral Heinz.

IMPACT OF TERMINATION OF VIETNAM WAR ON APPROPRIATIONS

Mrs. REID. I have just a few questions, Admiral Heinz.

If by some set of happy circumstances the war in Vietnam should terminate, would this reduce the urgency of these appropriations in any way? Could we conceivably cut back on them?

Admiral HEINZ. The general appropriation?

Mrs. REID. Yes.

Admiral HEINZ. I think the same threat would exist, for example, against NATO and other allies. I think the internal security problem in Latin America would still remain the same, with Castro promoting insurgency. I think that there would be little chance of decreasing the worldwide program. Certainly you could decrease the Defense-funded programs for Southeast Asia, but there is no MAP for Southeast Asia now.

Mrs. REID. You feel this would not decrease the military assistance program appropriations?

Admiral HEINZ. On a worldwide basis, I would say no. For example, our support of South Korea could not be decreased without a matching deescalation, if I may call it that, on the part of the North Koreans.

EFFECT OF INTERNATIONAL DEVELOPMENTS ON MILITARY ASSISTANCE PROGRAM

Mrs. REID. On page 2 you mention the possibility of international developments which could upset the balance you sought to establish in this budget. Now, I realize that you must always be prepared for such contingencies. Of the possible international developments now on the horizon, which ones could, if they worsened, upset the balance you are talking about here? Can you be a little more specific?

Admiral HEINZ. Yes. The situation would change if Communist China took a different attitude, became more aggressive and started to invade South Vietnam, to attack the Republic of China, to get into the North Korean area of operations; if the Warsaw Pact countries decided to adopt a new attitude; ———.

REACTION OF ALLIES TO NECESSITY OF TIGHTER U.S. BUDGET CONTROLS

Mrs. REID. Do you feel that there is an awareness in various recipient countries of our own fiscal problems here in the United States? Do you feel that they understand the necessity for more stringent budget control? Do you feel that they are sympathetic to this? What is their reaction?

Admiral HEINZ. I think they are becoming fully aware of the problems that we are having because, in each country that we have told "Your economic and military assistance has been cut," they seem to understand the reasons therefor. Are they sympathetic? This varies from country to country.

Mr. WARNKE. May I supplement that? Two of the countries which had to absorb cuts during this past year—cuts that brought the military assistance down well below the expected program levels—were Turkey and the Republic of China. I think that the reception of these cuts by both countries is a very understanding one. They were totally sympathetic with the reasons why the military assistance program had to be cut back, and recognized that it is certainly in the interest of the free world to maintain a strong American economy and a strong American dollar. I think there has been this recognition.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Secretary, I understand you have a statement to present to the committee concerning the Foreign Military Sales Act. We would be pleased to hear you at this time.

GENERAL STATEMENT OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. WARNKE. Thank you, Mr. Chairman. This is the first presentation to the Congress on military export sales in connection with the administration's proposed Foreign Military Sales Act. It is intended to respond to the requirements suggested in the new legislation for information on past and future sales to the extent that the latter can be reasonably foreseen.

LEGISLATIVE BACKGROUND

In accordance with the national policy reflected in the Mutual Defense Assistance Act of 1949 and reaffirmed in the legislation which succeeded it—the Mutual Security Act of 1954, as amended, and the

Foreign Assistance Act of 1961, as amended—the United States has been a major armament supplier to the free world since 1949. During the decade of the 1950's, the United States met many of the legitimate armament needs of its friends through a large grant aid program. Of the $22 billion of U.S. military exports programed as grant aid or ordered on a reimbursable basis during the 1950's, $17 billion were financed by grant military aid appropriations. By the latter part of the decade, however, many countries had become more prosperous and were able to produce more of their own arms or buy them abroad. By fiscal year 1962, grant aid appropriations under the Foreign Assistance Act had declined from an average annual level of $2.4 billion during the 1950's to $1.6 billion. Since fiscal year 1962, this downward trend has accelerated, with grant aid appropriations declining to $400 million for fiscal year 1968. Further, whereas in fiscal year 1962 grant aid appropriations were about $100 million more than governmental and commercial military sales orders, by fiscal year 1967 governmental and commercial military sales orders were nearly three times as large as grant aid appropriations. In terms of total value of items delivered, grant aid and sales, U.S. military exports in the 10-year period, fiscal years 1962–71, are not expected to be measurably higher than in the decade 1952–61; the big change is the shift in the way these exports are financed—from grant aid in the 1950's to military sales in the 1960's.

In recognition of this expanding role of reimbursable military exports, the Foreign Assistance Act of 1967 reorganized the provisions of part II of the Foreign Assistance Act of 1961, as amended, to consolidate and delineate those provisions relating to grant aid and those relating to foreign military sales. This action was taken as a forward step in clarifying these operations. However, in the course of congressional considerations, concern was expressed by some Members of the Congress and of the public about the volume and character of sales of U.S. arms abroad, particularly sales to economically less-developed countries. It was thought desirable, therefore, to clarify further the goals, authorizations, restraints and control governing the administration of foreign military sales. To this end, the Secretary of State, on February 28, 1968, submitted to Congress a proposal to revise foreign assistance legislation by consolidating in a separate "Foreign Military Sales Act" legislation relating to reimbursable military exports.

GENERAL OBJECTIVE

Our foreign policy goal is to assist in the development of a stable world community of free and independent nations. This legislation is needed to support that goal. It will permit the financially independent countries of the free world to buy from the United States equipment needed to bear their share of the common defense burden. It will permit us to help the people of the developing countries attain the minimum security and stability necessary for development. The objective of U.S. foreign military sales is thus to promote the defensive strength of our friends and our allies. Foreign military sales also enable us to promote the concept of cooperative logistics. They also have the beneficial result of offsetting in part the unfavorable balance of payments resulting from essential U.S. military deployment board.

RESTRAINTS AND CONTROLS ON FOREIGN MILITARY SALES

1. General policy: Every sale of military equipment must be consonant with overall U.S. foreign policy established by the Department of State. Considerations to be taken into account include:

(*a*) The threat to the internal or external security of the country making the request:

(*b*) The imbalance caused by Communist arms provided to neighboring countries;

(*c*) The need to channel resources into constructive economic and social development and to avoid their wasteful diversion to unnecessary or excessive military investment;

(*d*) The effect on possible regional arms limitations arrangements or arms competitions;

(*e*) The ability of the purchasing country to pay without excessive fiscal and budgetary strain;

(*f*) The risk of improper use of the equipment by the recipient country;

(*g*) The risks that would result from U.S. refusel to approve the request, including the risk to bilateral political relations; the risk to internal and regional stability; and the risk that the economy may be harmed if the country is forced to turn to a third country for the purchase at a higher cost;

In bringing these considerations to bear in the conduct of our overall military sales program, three basic standards have been applied:

(*a*) We will not sell equipment to a foreign country which we believe it cannot afford or should not have.

(*b*) We do not wish a potential foreign customer to buy anything not truly needed its own forces.

(*c*) We do not expect any foreign country to purchase anything from the United States which it can buy cheaper or better elsewhere in the free world.

2. Continued existing restraints and controls: The following restraints and controls in the Foreign Assistance Act of 1961, as amended, are retained:

(*a*) A regional combined ceiling of $75 million excluding training is established on grant aid and sales for Latin America.

(*b*) A regional combined ceiling of $40 million excluding training is established on grant aid and sales for Africa.

(*c*) The Secretary of State is responsible for continuous supervision and general direction of sales under the bill, including determination whether there shall be a sale to a country and the amount thereof.

(*d*) The U.S. Ambassador is responsible for coordinating sales activities in each country.

(*e*) Conditions of eligibility are imposed:

(1) The President must make a finding that furnishing defense articles and defense services to a country will strengthen U.S. security and promote world peace.

(2) The purchasing country must agree not to transfer purchased items without U.S. consent; prompt report must be made to Congress on the implementation of each such agreement.

(*f*) Sales may be made only for the following purposes: internal security; self-defense; regional or collective arrangements consistent with the U.N. Charter; collective measures requested by the U.N.; and civic action.

(*g*) Semiannual reports must be made by Secretary of State of all exports of significant items on the munitions list—commercial and governmental—grant and sales.

(*h*) All sales—cash and credit—must be for U.S. dollars.

(*i*) Off-shore procurements require Presidential determinations.

(*j*) The provisions of the Atomic Energy Act and 10 U.S.C. 7307 (requirement for separate authorizing legislation for vessel loans and sales) are not in any way changed by the proposed act.

(*k*) The munitions control licensing provision continues in force (section 414 of Mutual Security Act of 1954).

3. New restraints and controls: The following new restraints and controls are added by the proposed Foreign Military Sales Act:

(*a*) No revolving fund—funds for financing credits and guaranties extended under the new act will be subject to annual congressional authorizations and appropriations.

(*b*) Guaranty authority will be limited to transactions with private banks and exporters. Since guaranty authority cannot be used with the Export-Import Bank, there will be no more so-called country-X loans.

(*c*) Direct credits by the Export-Import Bank for military purchases by the less developed countries are prohibited.

(*d*) An annual ceiling is imposed on all credits and guaranties extended under the act; accordingly, the 4-to-1 multiplier effect of the guaranty authority no longer exists.

(*e*) The President is required to establish standards and criteria for credit and commercial bank guaranty transactions.

(*f*) The provision of section 620(s) of the FAA, as amended, is made more restrictive; that is, violation will result in the cutoff of credit financing as well as development assistance and Public Law 480 sales.

(*g*) There are new requirements to report to the Congress:

(1) Semiannually on past credits and guaranties to less developed countries.

(2) Semiannually on forecasts of credits and guaranties to less developed countries.

(3) Annually on the dollar value—cash and credit—of all foreign military sales orders, commitments to order, and estimated orders, and of estimated commercial orders and commitments to order.

(*h*) A policy statement is included in the act citing the sense of the Congress that sales be approved only when they are consistent with—

(1) The foreign policy of the United States;

(2) The purposes of foreign aid programs as set forth in FAA;

(3) The extent and character of valid military requirements;

(4) The economic and financial capability of the purchaser. Particular regard is given, where appropriate, to

(a) Proper balance among sales, MAP, and economic aid,

(b) The impact of sales on programs of social and economic development, and

(c) The impact of sales on existing or incipient arms races.

(*i*) Authority for cash sales from stock is made more limited in that payment is required within 120 days after delivery instead of 3 years as authorized by existing law.

(*j*) Credit sales authority is made more limited in that payment is required within 10 years; existing law imposes no time limit.

(*k*) Any funds in the guaranty reserve which are deobligated from time to time as being in excess of statutory requirements may not be reobligated but must be transferred to the Treasury.

CHARACTER OF U.S. MILITARY SALES ESTIMATES

Military sales cannot be "programed" in the way characteristic of grant aid unilaterally directed by the United States. A sales transaction reflects the agreement of two sovereign parties. The actions of both the buyer and the seller determine the hardware desired, the quantity, and the timing.

Any estimate of military sales, therefore, is essentially a citation of potential negotiations—an illustrative outline of sales transactions that may occur in some designated future period.

Of course, some projections are more reliable than others; in some cases, a pattern of procurement has been established that is likely to continue, or preliminary information already has been obtained from the buyer as to the type, and possibly, the quantity and timing, of a future purchase request. In general, however, a discussion of future military sales is a discussion of estimates rather than plans.

FISCAL YEAR 1969 MILITARY EXPORT SALES

We contemplate fiscal year 1969 governmental sales under this act of some $1.1 billion within a total estimate to amount to $1.5 billion when commercial sales are included. Commercial sales data are the best available at the present time, but are not complete in all respects. For example, shipments under $20,000 are not included.

1. Industrialized countries: Sales valued at about $1 billion are projected for the industrialized countries of Western Europe, Canada, Japan, Australia and New Zealand, of which approximately $165 million would be on terms of credit provided by the Export-Import Bank or private banks. We estimate that about one-third of the sales to the industrialized countries would move through commercial channels.

2. Other countries: Sales to other countries involve proportionately larger extension of U.S. Government credit. These sales can best be described by countries and areas:

(*a*) Near East and South Asia: The strategically important countries of Greece, Iran, and to a lesser extent Turkey, are in-

creasingly able to purchase from the United States, but they still need credit assistance from the U.S. Government. India and Pakistan are governed by the special considerations of our arms policy for these two countries. Saudi Arabia, Israel, and Jordan comprise another group of countries where it is important that Western sources of supply be available.

(*b*) East Asia: The Government of the Republic of China is now in a position to assume an increasing amount of the burden previously borne by U.S. grant aid, and the new Government of Malaysia is in need of developing its own security forces. Both of these governments still need U.S. Government credit assistance.

(*c*) Africa: Morocco and Libya, both strategically important to the United States, wish to purchase certain items supporting prior programs. These moderate Arab States constitute a constructive influence in the North African-Mediterranean-Near East area, of particular importance in light of the increased Soviet presence and activity there. Other African sales will probably be very small.

(*d*) Latin America: The sales proposed here are a carefully considered effort to satisfy reasonable Latin-American requirements and to offset the elimination of U.S. grant aid for Latin American countries which are economically capable of sustaining their forces without such assistance. They also provide modest support in cooperation with small grant aid programs for our other hemispheric allies. As these countries move from grant programs to sales programs, the extension of credit is a necessary adjunct.

THE LEVEL OF U.S. MILITARY EXPORTS

The following chart shows military export programs, grant aid and sales in 5-year averages for the period fiscal years 1952–67. These pro-



grams, grant aid, and sales combined, are not significantly larger now than in the 1950's and early 1960's. However, there have been significant increases in sales and corresponding reductions in grant aid starting in fiscal year 1962, reflecting the increasing capability of many free world countries to pay for their own requirements.

Sales orders for the period fiscal years 1962–67 totaled approximately $9.7 billion. Orders placed by foreign countries directly with U.S. industry and cash orders placed with the Department of Defense account for 76 percent of this total. Orders financed by the Export-Import Bank without any DOD guaranty account for 13 percent, and the remaining 11 percent represents orders financed or guaranteed by the DOD credit sales account. About 88 percent of all orders and commitments to order for the period fiscal years 1962–67 are from countries defined by the U.S. Department of the Treasury as being economically developed for interest equalization tax purposes.

FINANCING OF CREDIT SALES

1. With DOD credit sales account—fiscal year 1968: This account will terminate on June 30, 1968. With the account country repayments are reused to extend additional credit, the assets of the account "revolving" in this fashion and reducing the amount of new funds required from the Congress each year.

The authority of the Department of Defense to guarantee military loans made by the Export-Import Bank (Eximbank) would permit the following estimated maximum credit sales for fiscal year 1968 (in millions of dollars):

NOA from MAP appropriations	$20
Funds from country repayments	55
Recoupments and adjustments	45
Total funds available to DOD	120
Funds used for new direct financing	72.3
Funds used to guarantee Eximbank (and private banks)	47.7
Total funds used	120
Military sales financed directly by DOD	72.3
Military sales facilitated by DOD guarantees (4x47.7)	190.0
Military sales financed by Eximbank W/O DOD guarantee	292.4
Potential total military credit sales—fiscal year 1968	554.7

2. Without DOD credit sales account—fiscal year 1969: Under the proposed Foreign Military Sales Act, there is no "revolving" fund and no authority for DOD to guarantee Eximbank loans (although there is authority for DOD to guarantee private bank loans). It will be necessary to have new obligational authority from new appropriations each year for the full value of credit sales to those countries that are unable to obtain credit from the Eximbank. For fiscal year 1969, we expect such countries to have valid military and credit requirements totaling $296 million (See section IX). An additional $168 million is estimated to be required of the Eximbank by developed countries.

In summary for fiscal year 1969 (in millions of dollars):

NOA from new appropriations	$296
Military sales financed by Eximbank	168
Potential total military credit sales	464

In the event the authority to guarantee private bank loans is used, the new act provides that the figure of $296 million shall also serve as a ceiling on the total of credits and the face value of any guaranties. For example, if a private bank loan of $20 million is guaranteed by DOD, $5 million of the $296 million NOA would be used as a guaranty reserve and $15 million of the $296 million NOA would expire, unless reappropriated by Congress for the succeeding fiscal year.

3. Comparison of fiscal years 1968–1969 credit sales: The following compares estimated fiscal year 1968 and proposed fiscal year 1969 military credit sales:

	Fiscal year 1968	Fiscal year 1969
Credit sales with DOD financing or guarantee	262.3	296
Military sales financed by Eximbank without DOD guarantee	292.4	168
Total	554.7	464

COSTS AND BUDGET DATA

As currently submitted, the President's budget for fiscal year 1969 requests new obligational authority of $120 million for military sales under new legislation separate from the Foreign Assistance Act of 1961, as amended, to finance $296 million of sales made after June 30, 1968, through the extension of direct credits and through guaranties of Eximbank and privately financed credits. Accordingly, $190 million for indirect financing of military sales is contained in the fiscal year 1969 budget request for the Eximbank.

In accordance with a revised budget estimate, which will be transmitted separately, this bill would instead authorize $296 million to be appropriated for fiscal year 1969 for direct financing of military sales, an increase in requested new obligational authority of $176 million. It would prohibit the Export-Import Bank from making loans in connection with military sales to economically less developed countries after June 30, 1968; the Export-Import Bank limits on program activity will be reduced by $190 million to reflect this prohibition. This legislation will thus change the method of financing military sales to less developed countries, but will not increase the program level over that included in the President's budget.

Mr. PASSMAN. Thank you, Mr. Secretary, for your rather comprehensive statement dealing with the request for funds for the 1968 Foreign Military Sales Act. There will be many questions subsequently about this program as we continue hearings by area. We will ask questions dealing with that particular part of the program.

I want to thank you for a very excellent presentation of the program. I know the committee members will want to restudy this statement with an open mind, as we always have open minds on this committee.

Now, since we have concluded the general questioning of Admiral Heinz, the request for the military sales program, and the supplemental for Korea, we will examine the country program by areas. We will go around the world before we complete this program.

Off the record.

(Discussion off the record.)

Military Assistance Program for East Asia

Mr. Passman. Admiral Heinz, as we start our examination for the budget request for military assistance program by area and by country, we will first take up the request for the military assistance program for East Asia.

If I recall correctly, and I believe that the record so shows, the 1968 program is $233,844,000. Is that correct, sir?

Admiral Heinz. Yes.

Mr. Passman. Your 1969 estimate is $219,217,000; is the correct, sir?

Admiral Heinz. That is correct.

Mr. Passman. That is a decrease of $14,570,000 below the program for fiscal 1968; is that correct, sir?

Admiral Heinz. Yes.

Mr. Passman. But if the Congress should subsequently appropriate the supplemental request of $100 million, this would change the program figure for fiscal year 1968?

Admiral Heinz. Yes, sir.

Mr. Passman. I believe in World War II we had what was known as the lend-lease program. Are you familiar with that?

Admiral Heinz. Yes; to a certain degree.

Mr. Passman. Do you see any indication that this situation may reverse and some of these nations that we have been helping will now start helping us because of our huge budget deficit, our continuing increase in the public debt, our loss of gold, and our deficit balance-of-payments situation?

Admiral Heinz. No one has asked to donate money to us yet.

Mr. Passman. Up until this date there has been no request and no one has volunteered?

Admiral Heinz. No, sir.

TOTAL AID TO EAST ASIAN COUNTRIES

Mr. Passman. Would you place in the record at this point the total aid furnished to all of the nations in the East Asian area, both economic and military, and the grand total?

Admiral Heinz. I will provide that for the record.

Mr. Passman. And will you also place in the record the unliquidated, undisbursed totals available from all spigots to this part of the world?

Admiral Heinz. I can provide those for AID and MAP. I do not know about the others.

(The information follows:)

Overseas loans and grants to countries in East Asia and Vietnam from inception to June 30, 1967 [1]

[In millions of dollars]

Burma	99.3
Cambodia	342.3
China	4,994.4
Hong Kong	42.6
Indochina [2]	1,535.2
Indonesia	879.1
Japan	4,065.0
Korea	7,002.2
Laos [3]	656.8
Malaysia	101.3
Philippines	1,983.8
Ryukyu Islands	366.6
Thailand	1,109.8
East Asia regional	737.9
Total, East Asia	23,916.3
Vietnam [4]	5,111.1
Total, East Asia and Vietnam	29,027.4

[1] Includes AID and predecessor agencies, Food for Freedom, Export-Import Bank long-term loans, other U.S. economic programs and the military assistance program.
[2] Aid after partition is included in the Vietnam, Cambodia, and Laos amounts.
[3] 1963–67 military included in East Asia regional.
[4] For military assistance includes cumulative program through 1966 after which military assistance under the Foreign Assistance Act was transferred to the regular Department of Defense funding.

Unliquidated balances East Asia and Vietnam—June 30, 1967

[In thousands of dollars]

Foreign Assistance Act:	
Economic assistance	925,720
Military assistance	390,141
Total	1,315,861
Food for peace (Public Law 480) (Unshipped agreements):	
Title I—Sales	226,103
Title II—Donations	86,645
Total	312,748
International Development Association	(1)
Peace Corps	7,461

[1] All loans have been fully disbursed.

AID TO LAOS

Mr. PASSMAN. Admiral Heinz, what is the amount of funds included in the defense budget for Laos?

Admiral HEINZ. For fiscal year 1968 or fiscal year 1969?

Mr. PASSMAN. Fiscal year 1969.

Admiral HEINZ. The amount in the defense budget for fiscal year 1969 is ——— million.

Mr. PASSMAN. How much in economic aid? You might put that in the record.

(The information follows:)

ECONOMIC AID FOR LAOS IN FISCAL YEAR 1969

The proposed economic program for Laos in fiscal year 1969 under the Foreign Assistance Act is $51,800,000.

Mr. PASSMAN. Laos is somewhat smaller in population than the United States; is it not?

Admiral HEINZ. It is.

Mr. PASSMAN. What is the population of Laos?

Admiral HEINZ. Approximately 2.8 million.

Mr. PASSMAN. What is the land area of Laos?

Admiral HEINZ. Approximately 91,000 square miles.

Mr. PASSMAN. Unless we gave them this money in large denominations, it could cover the country and you would have to push the money aside to get through, would you not?

Admiral HEINZ. The fiscal year 1969 AID figure is $51.8 million.

Mr. PASSMAN. My goodness alive. Now if you pick up the other 16 spigots——

Admiral HEINZ. The military assistance figure represents equipment and training. There is no money involved.

Mr. PASSMAN. I know what it is. The land area is somewhat smaller than my own congressional district. It is larger in population, of course.

What has been our total aid to this little country since the inception of the AID program?

Admiral HEINZ. Economic and military?

Mr. PASSMAN. The total aid since the inception of the program.

Admiral HEINZ. The total of economic aid?

Mr. PASSMAN. All spigots. It is in the green book.

Admiral HEINZ. ——— million.

Mr. PASSMAN. Through what year?

Admiral HEINZ. Through fiscal year 1967.

Mr. PASSMAN. So the total amount now exceeds ——— billion; does it not?

(The information follows:)

U.S. Aid to Laos from all sources

[In millions of dollars]

1. Foreign assistance:	
Economic assistance	522.9
Military assistance	———
2. Food for freedom (Public Law 480), (all title II—donations)	5.4
Total	———

Mr. PASSMAN. This has been an off again, on again program. We have suspended aid and started it in again; haven't we?

Admiral HEINZ. During the period of my own experience, we have had a military assistance program for Laos.

Mr. PASSMAN. How about AID in the overall—didn't we suspend the program at one time?

Admiral HEINZ. I cannot answer as to AID.

Mr. PASSMAN. Put something on it in the record. I think they had a Communist, a non-Communist and a first cousin or a half brother in between. You had three partners out there at one time. One of them has been eliminated now, I believe. Is that right?

Admiral HEINZ. That is correct.

(The information follows:)

STATEMENT ON WHETHER ECONOMIC ASSISTANCE PROGRAM TO LAOS WAS EVER SUSPENDED

Many of the U.S. economic assistance activities were disrupted following the coup d'etat of Capt. Kong Le in August 1960 and the resulting increase in hostilities between the rightist forces and the neutralist-Pathet Lao forces. A cease-fire was established in May 1961 and a 14-nation conference was opened shortly thereafter in Geneva to negotiate a new agreement providing for the neutralization of Laos. U.S. economic assistance was suspended in January 1962, but was resumed after the signing of the second Geneva agreement on Laos in June 1962.

The Geneva agreement on Laos provided for the neutral status of Laos. Agreement among the three Lao factions had already resulted in the formation of a coalition government: Prince Souvanna Phouma (neutralist) became Prime Minister, Prince Souphanouvong (his pro-Communist half brother) became a Deputy Prime Minister, and Gen. Phoumi Nosavan (conservative) became the second Deputy Prime Minister following the assassination of the neutralist Minister of Foreign Affairs in April 1963, Souphanouvong and the other leftist minister left Vientiane on the pretext of the lack of security. Although Souphanouvong has not participated in the Government since that time, his position of Deputy Prime Minister and Minister of Economy and Plan is being retained for him in the Lao cabinet on the "empty chair" model. General Phoumi fled into exile after an abortive coup d'etat in February 1965 and his place as leader of the conservatives has been taken by Leuam Insisiengmay. Prince Souvanna Phouma has continued as Prime Minister. The Lao chief of state continues to be King Savang Vatthana.

AID TO THAILAND AND VIETNAM

Mr. PASSMAN. You can put this in the record. I think we asked for the amount of funds included in the Defense budget for Laos. You may also insert in the record the amount for Thailand, Vietnam, and other so-called free world forces in Vietnam.

(The information follows:)

Estimated amounts included in the defense budget for Laos, Thailand, and for free world forces in Vietnam are:

[In millions]

Fiscal year 1969:	
Laos	[Deleted.]
Thailand	
Vietnam	
Korea	
Philippines	
Total	

———.

Mr. PASSMAN. Now as we examine the country progams, I believe the ——— for which your estimate is for ——— for training only; is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. ———.

I think ——— at one time had a small AID program.

Do you remember that, Admiral Heinz?

Admiral HEINZ. I believe so.

Mr. PASSMAN. What a performance. Thank you for remembering it.

———.

Admiral HEINZ. I do not recall those transactions.

Mr. PASSMAN. I thought we would make a good record. We are going to have to get a word to substitute for "stupidity" or we will never be able to describe our gullibility.

I don't know of anything that will better describe it than "stupidity."

In view of the fulfillment of our military assistance agreement to ———, why are you programing a military strength in 1969 of ——— personnel to conduct a training-only program, Admiral?

Admiral HEINZ. We feel that it is important to maintain——

Mr. PASSMAN. How deeply do you feel it?

Admiral HEINZ. Our military assistance program has served a purpose——

Mr. PASSMAN. It has done what, Admiral?

Admiral HEINZ. ——— has not turned to the Communists; they do not have Communist military personnel in their country. We feel that a strong military training program——

Mr. PASSMAN. Who feels that way? I wish you would give us some names.

Admiral HEINZ. The administration does.

Mr. PASSMAN. Who are they? Let's get some names in the record. This is the very same way that we got involved in South Vietnam. We started with an economic pact; we gave them a few military advisers with the positive assurance that it was to train them for internal security and look what a mess we are in now.

Shouldn't this thing actually be thought out? Shouldn't the committee be told when this came into being and under what persuasion?

Admiral HEINZ. I believe the committee was told, when the material program was started, that it would go on for a period of time——

Mr. PASSMAN. It has not gone on. We cited the facts for the record.

Admiral HEINZ. You were talking about the AID program.

Mr. PASSMAN. No, I am talking about the military program and this gentleman over here has all the facts about the pricing of it, and subsequently they ———.

How long have we been in ——— with a military program?

Admiral HEINZ. We have had a military assistance program in ——— ———.

Mr. KNAUR. The economic aid program at one time——

Mr. PASSMAN. This military assistance program now——

Admiral HEINZ. Since at least——

Mr. PASSMAN. Let's get it by years. You are asking for ——— thousand only for this fiscal year 1969, aren't you?

Admiral HEINZ. That is correct.

Mr. PASSMAN. ———.

Mr. WARNKE. The Chairman is absolutely right. ———.

Mr. PASSMAN. They participated in a joint statement, Mr. Secretary. If we work with these people in these skin-game agreements, what can we expect? How much did we spend in ——— last year?

Admiral HEINZ. ——— million in fiscal year 1968.

Mr. PASSMAN. It goes back to that original agreement, doesn't it?

Admiral HEINZ. It goes back to that original agreement——

Mr. PASSMAN. In what year did we enter into that agreement?

Mr. WARNKE. That was in ———, Mr. Chairman.

Mr. PASSMAN. Gentlemen, I am not an expert on anything.

Admiral HEINZ. ———. We had——

Mr. PASSMAN. Let's don't create another Vietnam there.

If you didn't give them the ——— thousand do you think the world would come to an end—militarily?

Admiral HEINZ. Obviously the world would not come to an end. I think——

Mr. PASSMAN. What would happen?

Admiral HEINZ. I think it is in our interest——

Mr. PASSMAN. I know you think that, but you haven't answered my question. How many people do they have fighting over in Vietnam now?

Admiral HEINZ. They don't have any people in Vietnam.

Mr. PASSMAN. Not a one, do they?

Admiral HEINZ. No.

Mr. PASSMAN. Aren't they ———.

Admiral HEINZ. They are not.

Mr. PASSMAN. ———.

Mrs. REID. Is ——— accepting any economic aid from the Communist bloc?

Mr. KNAUR. We can supply an answer for the record.

(Classified information was submitted to the committee.)

Mrs. REID. The reason I ask is that it has been cited that American aid is the major factor in the ——— decision not to accept Communist military assistance.

Mr. PASSMAN. We were told, and it is in the hearings—I wish you would verify this, if it is confidential information—that there was ——— million Communist economic assistance in calendar year 1966. It could just as easily have been hard loans. ——— is quite wealthy in many respects and they are able to give aid rather than receive aid.

We will now recess until tomorrow at 1 p.m.

TUESDAY, APRIL 9, 1968.

Mr. PASSMAN. ———.

When the curtain fell on our hearings last evening, we were just pulling out of ———. There is $217,000 for the continuation of a training program in ———. I will ask this question before going to the next nation, Admiral Heinz: The military equipment funding in previous years was a part of that original package that I referred to on yesterday?

Admiral HEINZ. That is correct.

Mr. PASSMAN ———.

This is a phasing-out estimate and there have been no new allocations since this one "big bargain" a few years ago, is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. We are just making deliveries against that "bargain."

Admiral HEINZ. That is correct.

Mr. PASSMAN. I guess about all we can do is live up to that very foolish agreement we entered into. I just hope that this will be the phaseout. Do you expect this to be the final year of funds for ———?

Admiral HEINZ. I cannot foresee——

Mr. PASSMAN. Do you foresee any additional need for equipment funds for ———?

Admiral HEINZ. No.

Mr. PASSMAN. We certainly hope it will also apply to personnel.

REPUBLIC OF CHINA

The next country is the Republic of China for which the fiscal year 1969 estimate is ——— million, a decrease of ——— million below the current fiscal year 1968 program—prior to the increase in the original allocation; is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. I believe after some consultation with your associates it was determined that there should be an increase for China over and above the original allocation?

Admiral HEINZ. That is correct.

Mr. PASSMAN. By what amount did you increase the allocation?

Admiral HEINZ. ——— million.

Mr. PASSMAN. Bringing the total up to——

Admiral HEINZ. ——— million.

Mr. PASSMAN. I do not know why I should be any more pro-Nationalist China than I should be pro any other nation, but I feel that when the chips are down, they would support our position. But as it would apply to China, if we read the record correctly, we were told that it was necessary to furnish both economic aid and military aid to China until they had reached the point where they could take care of their own economic needs but that it would be necessary to continue the military assistance program.

Do I read the record correctly?

Admiral HEINZ.That was the intent.

Mr. PASSMAN. We have gotten them to the point where they were weaned of economic aid, is that correct?

Admiral HEINZ. That is correct. Economic aid has been terminated.

Mr. PASSMAN. We know a lot of little things we could tell you about, but for all practical purposes we have ceased economic aid in China because we felt they had reached the point where they would be self-sufficient as far as their own economic needs are concerned, other than military; is that correct, sir?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. There was some talk about a ——— million annual military assistance program to the Republic of China through fiscal year 1968, ——— until we had gotten out altogether; is that correct?

Admiral HEINZ. That was the original plan.

Mr. PASSMAN. If they have just reached the point to where we could wean them from economic aid, is it really the proper thing to do to drastically reduce the military assistance program, and suggest to them they either borrow the money or take out of their own earnings sufficient money to fill the vacuum created by the drastic military assistance reduction?

EFFECT OF REDUCTION IN CHINA PROGRAM

Admiral HEINZ. It is a reduction——

Mr. PASSMAN. Do you think they can, without defeating the purpose of our economic aid, take out of their own earnings this very substantial sum with which they would be able to move forward in the field of agriculture, roads and railroads, and education? What effect is it going to have now if we ask them to take the money they had

just begun to earn to do these things and use it for military expenditures? Are we going to upset and offset what we had accomplished through our economic aid program?

Admiral HEINZ. I don't believe that we will upset it.

Mr. PASSMAN. Then you asked for too much money last year for China. I thought that is what we would get around to. You didn't need ——— million last year then, did you?

We were told last year it was necessary to give them ——— million because they could not afford to finance their military forces that our MAAG team thought was necessary.

I am willing to write a line-item bill and cut them to $25 million if you think that is sufficient. Last year you said ——— million was the minimum.

On your own initiative, without any specific recommendation of this committee, you cut it ———. Some of the other countries you funded in full. We don't question how you allocate the money, but it would appear to me, if the record means anything, and if these people mean what they say, if we go down the drain they are willing to go down with us.

Since they are willing to jeopardize their economic program by borrowing money—and prior testimony said it is important to have a strong Nationalist China—they may be willing to do it, but is it wise to permit them to do it?

Admiral Sharp, during this committee's recent trip to the Far East, we returned via Honolulu and during our brief meeting you discussed the situation militarily in Nationalist China and the need for continuing a military assistance program to that country ——— until they could make the necessary adjustments and support their military forces from their own economy.

Do you have any feelings on that at all, Admiral Sharp, that you would like to discuss with the committee? We would like to have your views on whether it is necessary to have a military assistance program there and, if so, at what level?

Admiral SHARP. I think it is necessary to have a military assistance program because this country, while it is developing economically quite rapidly, still has a pretty small gross national product and they do support a rather large armed force which ——— and, therefore, since they can't support it by themselves, we should help them.

Of course, we have helped them over a lot of years and to discontinue this assistance would be, I think, throwing away money we have already spent. I think we have to continue to help them. Of course, we had a program, as you have mentioned, that did run at ——— million a year and it was intended to phase down gradually and it was cut back last year and is further cut back in the fiscal year 1969 proposal and, of course, it is cut back further than I recommended, naturally.

I recommended, I guess, ——— million.

It seems to me, I think the ——— million was a logical amount under normal conditions, but these are not normal conditions and the United States is faced with an important monetary crisis and, therefore, it was necessary to reduce the military assistance program of those countries that were not in the engagement in Vietnam.

Now, of course, the Chinese, the Nationalist Chinese appropriation was ———.

Mr. PASSMAN. ———.

Admiral HEINZ. Of the large-country programs, yes.

Mr. PASSMAN. If you gentlemen know what you are doing—and I do not question your wisdom—then we will not belabor this matter, but you were either wrong last year or you are wrong this year. If ———million was the minimum at which we should continue this program—and the admiral asked for ——— million for fiscal year 1969, then it is almost ripe for a crisis.

But we recommended to Nationalist China that they change what had been recommended, that: "You take ——— million out of your own earnings to support your military" and asked them, I believe, ——— million. Did I state that correctly?

In other words, we moved them from a ——— million position—that is what we recommended; our people working with them out there—to ——— million—borrowing ——— million and taking the other ——— million out of their own earnings.

Have I quoted those figures correctly?

Admiral HEINZ. These are the figures given to you by the chief MAAG, and I am confident he has given you the best he had available. Actually, the military credit sales program at ——— million this year would not cost them ——— million at the present time. It would cost them ——— million over a period of years.

Mr. PASSMAN. We were told categorically that we asked them to provide ——— million in cash sales and to apply for a loan of ——— million immediately, and that would offset the cuts made in our program in fiscal year 1968. The total cash outlay, picking up the ——— million previously scheduled, would bring the total cash—the current cash outlay to ——— million.

If you feel there has been such a major change between last year and this year in the economic growth of China—and I think the record is clear that they are determined to take out of their own resources approximately the amount that we cut so as to continue at the same level—I wonder if you would have another look at your figures and find maybe they can finance themselves entirely. If you missed it that much in one year, maybe another look would find there is that much more available.

Admiral HEINZ. If only so much money is available for military assistance, it has to be allocated among the countries. ———.

Mr. PASSMAN. In how many other countries in that part of the world did you make a similar percentage cut? ———.

Admiral HEINZ. ———.

Mr. PASSMAN. ———. If you can put something in the record, we would be very pleased to have it.

(The information follows:)

REPUBLIC OF CHINA'S ASSISTANCE TO VIETNAM

———.

In noncombat fields, however, the Republic of China is making an increasingly important contribution in direct-aid assistance to South Vietnam which will exceed $1 million this year. It is also extending valuable assistance to the

South Vietnamese in agriculture, electric power, and light industry development. In addition, the Chinese have contributed some 500,000 school textbooks, sent a 10-man medical team, and, in Taiwan, trained Vietnamese in agricultural and industrial relations.

Mr. PASSMAN. So that we won't continue in a state of confusion, if you felt ——— million last year was the minimum needed to keep an effective program in China, and that you couldn't afford to ask China to take any more than the ——— million, out of their economy, furnish this committee some information as to what changes have developed in their own economy that would permit them to take out ——— million rather than ——— million, and if it is a fact that the money they are taking out of their own economy is to offset the drastic reductions we made—would you put something in the record on that?

Admiral HEINZ. I will be glad to do so.

Mr. PASSMAN. Find out if the economic experts knew what they were talking about in the past when they said it was necessary to fund China at this level and not permit them to take any more out of their economy for military purposes than they had been taking, the reason being they needed that money to continue developing their economy so they could have the things that would make an even stronger economy. Ask some of those so-called experts to work up an opinion as to whether they have their figures mixed up, whether they were guessing, or whether they are willing to admit they are wrong. Will you supply something on that?

Admiral HEINZ. Yes, sir.

(The information follows:)

The reduction in grant MAP for the Republic of China (GRC) in fiscal year 1968 and fiscal year 1969 was not predicated on a judgment that the GRC economy could carry a substantially larger self-financed defense budget without an adverse impact on economic growth. Given the reduction in overall military assistance appropriation and in the light of other priority requirements, however, it was felt that a reduction in GRC grant MAP to the level of approximately $50 million in fiscal year 1968 and ——— million in fiscal year 1969, combined with an increased credit sales program of ——— million and ———, respectively, would not place an unacceptable strain on the GRC economy.

GRC defense spending probably will increase since it is unlikely that force levels will be cut to offset the immediate impact of grant MAP reduction. The pressure to increase defense expenditures in the short term, however, will be relieved by the fact that approximately $140 million of equipment is in the MAP pipeline and by the greater availability of credit permitting the GRC to spread out the costs of increased self-financed procurement. Studies already are underway within the GRC and USG on means to effect economies through increased local procurement and coproduction projects. It also is possible that the GRC will permit inventories to be reduced below normal levels and may risk some reduction in the combat readiness capabilities of a part of its total force.

Latest information on the GRC budget shows defense expenditures for fiscal year 1968 as approximately ——— of the combined budget. By fiscal year 1969, it is possible that GRC defense expenditures will approach 11 percent of GNP.

Although such a level of defense expenditures is not likely to have series economic consequences over the short term, continuation beyond fiscal year 1969 at that level or higher, as a result of further reductions in grant MAP, could place strains on the economy and slow the growth rate. Perhaps the most effective way of avoiding that situation would be for the GRC to reduce forces along the lines we already have recommended. Other countermeasures which the GRC might take include tax increases and measures to reduce the growth in private consumption (about 8.5 percent in real terms over the past 6 to 7 years), stretch out Government expenditures for education, transportation, and other social and economic infrastructure improvements, and increase Government debt, for example, through bond sales. These measures, however, would be politically difficult.

Mr. PASSMAN. We were told last year that the minimum for China should be ——— million for fiscal year 1968, and they could only afford to take ——— million out of their economy to finance the type equipment in support of their own forces with their own money. When it was suggested they could possibly finance a larger portion, it was vetoed by the giveaway boys who felt if the AID program we had in China was so successful as to do what we anticipated it would and should do, then they could not afford to take any more out of their own economy. We bought that argument.

Just a few weeks after we passed this appropriation bill—I don't mean months, just a few weeks after we passed this bill—we were told in Taipei that we could now recommend that the Republic of China take ——— million out of their own economy to offset a major part of the reduced military assistance program.

I don't see that they have such a thriving economy that in about 7 or 8 weeks they had generated this much additional income that could be spent for military purchases.

Admiral HEINZ. The request for ——— million was based on the total appropriation request——

Mr. PASSMAN. I am not talking about that. I am talking about permitting them to fill this vacuum by our reduction. Why didn't you make that recommendation last year, Admiral, when you came before the committee? Why didn't you ask for a lower amount and say they can afford to finance more? About 22 months ago we were told us that China could only come up with ——— million in purchases in the future.

Give us some reason why you requested ——— million and subsequently reduced it and why you recommended China provide her own resources to offset the reduction. That is what we are trying to find out. It may be that some of these other nations, Admiral Sharp, could likewise use some of their own resources rather than ours in financing their military forces.

Admiral Sharp, we are very grateful that you could take the time to come by. We want to thank you again for the courtesy extended to this subcommittee during our brief visit with you in Honolulu. Your recommendations will be weighed very heavily when the committee considers the $100 million supplemental for Korea.

Is there anything else you would like to say for the record, Admiral Sharp?

Admiral SHARP. No, sir.

VALUE OF EXCESS STOCKS TO CHINA

Mr. PASSMAN. Admiral Heinz, in addition to our regular military assistance grant aid program for Nationalist China, what is the estimated value of the excess stocks that we will give to China during the fiscal year 1968?

Admiral HEINZ. The estimated value is ——— million for fiscal year 1968.

Mr. PASSMAN. That is acquisition cost?

Admiral HEINZ. That is acquisition cost.

Mr. PASSMAN. What will that ——— million cost the China program?

Admiral HEINZ. It will cost about ——— million in rehabilitation costs.

Mr. PASSMAN. As we analyze the facts, the military assistance program for Nationalist China is much more than the figure we have previously discussed because you would add to it the excess stocks that we are giving to Nationalist China, charging the program allocation only for the reconditioned cost. That equipment serves the same purpose as new equipment, does it not?

Admiral HEINZ. Yes, it does.

Mr. PASSMAN. What do you estimate your need for Nationalist China will be for fiscal year 1969?

Admiral HEINZ. We estimate it will be ——— million.

Mr. PASSMAN. What will be the excess stock that we will give to Nationalist China in fiscal year 1969?

Admiral HEINZ. The estimate is ——— million.

Mr. PASSMAN. Part of that is a substitute for the reduced military assistance grant aid, is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Would that also apply to fiscal 1968?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How much did you increase the excess stock allocation on acount of the reduction in the grant aid?

Admiral HEINZ. I will provide that for the record.

(The information follows:)

MAP 1968 WORLDWIDE EXCESS STOCK PROGRAM

Programing of excess stocks worldwide was increased by $9.8 million.

For the Republic of China, excess stocks programed in fiscal year 1968 were increased by $20.2 million.

EFFORTS OF AIRCRAFT MANUFACTURERS TO INCREASE SALES

Mr. PASSMAN. I preface my next question by this statement: The manufacture of military aircraft is by commercial firms in America. The manufacture of military planes, fighters, bombers, et cetera, comes out of the free enterprise sector?

Admiral HEINZ. That is right.

Mr. PASSMAN. And they sell those planes at a profit?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. And are they very helpful in helping you establish high goals? Would you say they are very cooperative in that direction?

Admiral HEINZ. They would like us to establish high goals.

Mr. PASSMAN. I mean they don't fight you when you try to increase them?

What I am trying to get at is that you don't have any help by the manufacturers in reducing the number that you feel that you need?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Thank you, sir.

Admiral HEINZ. However, I do not consult the manufacturers.

Mr. PASSMAN. Somebody has to consult them. They have to consult you or somebody, don't they? You don't handle these things over TV or radio. There has to be some contact.

Admiral HEINZ. Only when orders are placed.

Mr. PASSMAN. How do you know what they have to offer if you haven't contacted them? How would you know what they manufacture if you don't have some contact? The Steve Merrill Aircraft Corp. would have to submit to Defense what they made and what it would do, production-wise. They even have inspectors in the plants while they are being produced, don't they?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. I think we better straighten out the record on that.

COMPARISON OF GRC AND CHICOM AIR FORCES

During my recent visit and also several prior visits to Taiwan, and during and prior to last year's testimony I gained the impression from the testimony of witnesses and information obtained from the field MAAG Chief, that one of the greatest needs, ——— was the modernization of the Air Force in China. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What is the status of Communist China's Air Force and what is the status of the Taiwan Air Force—the number and type of jet aircraft in each country?

Admiral HEINZ. May I provide that for the record, please?

Mr. PASSMAN. Yes, sir.

(Classified information was submitted to the committee.)

MODERNIZATION OF GRC AIR FORCE

Mr. PASSMAN. How much of the budget request for Nationalist China represents funds for modernization of the Nationalist China Air Force?

Admiral HEINZ. Approximately ——— thousand.

Mr. PASSMAN. If you are going to modernize it for ——— thousand, you must have picked up some bargains somewhere. How many aircraft can you buy with ——— thousand?

Admiral HEINZ. That amount will provide for minor modifications and some ground support items for aircraft. It does not include any aircraft.

Mr. PASSMAN. What do you get, one minor modification for one plane? I am being realistic about this. If you fool with aircraft, you sure don't get much for ———.

Admiral HEINZ. That does not include the aircraft. The program does include transport aircraft ———.

Mr. PASSMAN. I thought I used it in that context: "Aircraft for Nationalist China."

Admiral HEINZ. Part of the excess stocks which are ——— aircraft, will assist in the modernization of the Air Force.

Mr. PASSMAN. You are giving them excess stocks to modernize their Air Force?

Admiral HEINZ. The ——— will give them better airlift ability.

Mr. PASSMAN. I am talking of the Nationalist China Air Force. Of the total ——— million—not the excess; you are mixing the two up—how much of the ——— million would go toward modernizing the Nationalist China Air Force?

Admiral HEINZ. There are no aircraft included in ———.

Mr. PASSMAN. The ——— thousand; shall we accept that as an answer and move on?

Admiral HEINZ. Yes.

Mr. PASSMAN. What are you going to get for ——— thousand?

Admiral HEINZ. Aircraft modifications.

Mr. PASSMAN. What kind of modification? You will have one shipment of spare parts that will eat that up. Is it paint or possibly metal polish? I know something about the cost of aircraft. What does one fighter plane cost?

Admiral HEINZ. An F–5 aircraft costs about $750,000. That is for the F–5A.

Mr. PASSMAN. How many F–5's do they have in their Air Force?

Admiral HEINZ. ——— F–5's have been delivered so far and ——— are yet to be delivered from fiscal year 1966 and fiscal year 1967 programs.

Mr. PASSMAN. When you talk about modernizing the Air Force, you are talking about all types of planes used in the Air Force?

Admiral HEINZ. Yes.

Mr. PASSMAN. What is the grand total?

Admiral HEINZ. May I supply that for the record, please?

Mr. PASSMAN. If you are going to use ——— thousand to modernize or help modernize the Air Force, I wish you would put a little bit more in the record as to how far ——— thousand would go.

(Classified information was submitted to the committee.)

Mr. PASSMAN. Modernizing the air force in any country, as we have understood it in the past, had to do with providing modern equipment. Is that right?

Admiral HEINZ. Yes.

Mr. PASSMAN. I can imagine we will have some kind of air force out there when you are going to start modernizing it with ——— thousand. I want to see that show when I go back out there.

INDONESIA

We will move along to Indonesia. Fiscal 1969 estimate for Indonesia, $——— the current fiscal 1968 program. Is that correct, sir?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. For what will this money be spent?

Admiral HEINZ. This money will be spent for assistance to their armed forces civic action program.

Mr. PASSMAN. Could you itemize it for us?

Admiral HEINZ. Yes, I could do so for the record.

Mr. PASSMAN. It will be put in the record.

(A classified table was furnished to the committee.)

Mr. PASSMAN. This is the country that borrowed on short-term, high-interest rates about $1 billion from Russia for military equipment several years ago, is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What are they doing about paying Russia on this loan?

Mr. WOLF. There have been negotiations from time to time, Mr. Chairman, but I think the details of the latest information I would prefer to provide for the record.

Mr. PASSMAN. It will be provided for the record.

(The information follows:)

Indonesian debt to the U.S.S.R.

	Million
Short-term	$13.9
Long-term	785.0

An Indonesian presidential decision issued on March 13, 1968, ratified the rescheduling agreement signed with the Soviet Union in Moscow on November 22, 1966. Up to this time the protocol had not been ratified by either party. If the U.S.S.R. ratifies, Indonesia's debt will be officially rescheduled.

Mr. PASSMAN. We are back in there with an economic aid program—and from little acorns big trees grow—and it looks as if we are starting back now with a military program. Unless these people can settle that account with Russia on long terms with some reduction in interest rate, it is going to tax the economy, is it not, to pay off that huge debt?

Mr. WOLF. Yes, Mr. Chairman. It is my recollection that Indonesia is not rushing to pay that debt.

Mr. PASSMAN. I didn't suggest rushing to pay it, but sometimes people you owe rush to collect their money. If they don't negotiate a reasonable settlement to reduce that tremendous interest burden and have longer terms, and if they are forced to meet the demands, it would tax their economy, would it not?

Mr. WOLF. Yes, sir.

Mr. PASSMAN. I believe they owe us some $800 million, or at least they owe us a good part of the $800 million that we have given them under different spigots of foreign aid. Have we suspended payments on those huge sums or are we negotiating to have them start paying us some of that money while we are negotiating in another room to give them more aid?

Mr. WOLF. I could provide that for the record, sir.

Mr. PASSMAN. Provide it for the record.

(The information follows:)

Total U.S. loans and grants to Indonesia

	Million
Total* economic and military loans and grants 1946–67	$879.1
Repayment and interest 1946–67	192.7
Total less repayment and interest	686.4

*Includes AID and predecessor agencies, food for peace, Eximbank, other U.S. economic programs, and MAP.

U.S. rescheduling on all loans including Eximbank

	Million
Total rescheduled by United States through 1967	$51.3
($31.8 million Eximbank)	
Total rescheduled by United States in 1968	22.1

Cumulative U.S. loans and grants to Indonesia to date in fiscal year 1968 is over $900 million. Of this, close to $400 million was grant aid, and over $200 million in local currency repayable Public Law 480. At the present time, Indonesia's total dollar debt, including principal and interest, is $305 million. Last year, the United States, together with the other major non-Communist creditor countries (United Kingdom, France, Germany, Italy, the Netherlands, and Japan) postponed debt service of about $250 million due them through 1967. The U.S. share was $51.3 million. This postponed debt service will be repaid from 1971 through 1978 and carries an interest charge of 3 to 4 percent. The same creditor countries have agreed to postpone Indonesian debt service due to them in 1968 of almost $100 million on the same terms. The U.S. share is $23 million. Payments on this deferral will commence in 1972 and end in 1979.

UTILITY AIRCRAFT FOR INDONESIA

Mr. PASSMAN. Why are you requesting ——— utility aircraft for Indonesia?

Admiral HEINZ. Our program for Indonesia——

Mr. PASSMAN. I'm sorry that I don't ask my questions clearly. I am talking about this aircraft only.

Admiral HEINZ. This program is limited to assisting the civic action and rehabilitation efforts of the armed forces. The aircraft is a utility aircraft which the air force can use for transport. The amount involved is the rehabilitation cost of the aircraft.

Mr. PASSMAN. What did this aircraft cost to procure originally?

Admiral HEINZ. I will provide that for the record.

Mr. PASSMAN. It will be provided for the record.

(The information follows:)

PROCUREMENT COST ——— UTILITY AIRCRAFT

The original acquisition value of the ——— aircraft included in the fiscal year 1969 Indonesia MAP is ———.

Mr. PASSMAN. Is this the type of aircraft that executives, including military personnel, use to go fishing, or sightseeing, or visiting in one part of the country or another? I believe it carries 10 passengers, doesn't it?

Admiral HEINZ. It can carry 10 passengers. Its main use is for air-sea rescue operations.

Mr. PASSMAN. Isn't it a general utility aircraft?

Admiral HEINZ. It is a utility aircraft which is very useful for passenger work, cargo work——

Mr. PASSMAN. Could it be used for the purposes I just described? Kind of a family vacation trip where you needed an aircraft? It is a little two-engine aircraft, is it not?

Admiral HEINZ. It is a two-engine aircraft.

Mr. PASSMAN. It is not used in fighting, is it?

Admiral HEINZ. Any transport aircraft could be used to carry passengers.

Mr. PASSMAN. I do not think you could take any transport aircraft and land it in on a grass strip, could you? If so, they sure must have some pretty hard grass fields.

I am kind of surprised to get that kind of an answer but it is your answer and not mine. I did not know any kind of aircraft could be used for that purpose.

Admiral HEINZ. A transport aircraft could be used to carry executives if one wanted to do so.

Mr. PASSMAN. For transport aircraft, sometimes you have to have a 7,000-foot runway to take care of them, do you not?

Admiral HEINZ. For some of the large ones, yes.

Mr. PASSMAN. And this could land on a grass strip, could it not?

(Discussion off the record.)

REPAYMENT OF BORROWED MONEY BY INDONESIA

Mr. PASSMAN. I believe you said you would supply for the record information on how Indonesia would expect to pay some of the borrowed

money from us, especially the Export-Import Bank, where we have given them the rollover treatment—you know what that is: It is keeping it up to date without any payments, just ballooning the note for them. I hope there will be some serious attempt to finally get some of this money.

We have aready covered the supplemental estimate for Korea and we will now discuss the program for fiscal year 1969.

KOREA

The first question will be, What did you allocate to Korea for fiscal year 1968?

Admiral HEINZ. The allocation for fiscal year 1968 is $160 million.

Mr. PASSMAN. That was what you requested last year?

Admiral HEINZ. Yes.

Mr. PASSMAN. You reduced China about ——— percent; you did not reduce the Korean program and yet you are asking for a supplemental of $100 million for Korea.

Now your fiscal 1969 request for Korea is about ——— the fiscal year 1968 allocation.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. That is not a typographical error, it is just ——— thousand, is that right? We thought that was millions when we staggered upon it.

Admiral HEINZ. ——— thousand.

Mr. PASSMAN. Was that put in to round out some figures, or just to make it appear less?

Admiral HEINZ. No, it——

Mr. PASSMAN. For whatever the reason, if the committee furnishes this and the supplemental, it will mean that the funds that will be allocated in fiscal 1969 would be in the neighborhood of ———? You know and I know that you cannot get this supplemental request through the Congress and get it on the books in time to start buying, can you? So for all practical purposes, if the committee recommends it, it would have to be applicable to fiscal year 1969, would it not?

PROPOSED PROGRAM ADJUSTMENTS

Admiral HEINZ. In general, that is so.

Mr. PASSMAN. Would you furnish the committee a table showing the specific items that you plan to eliminate and the items that you plan to add to the fiscal year 1968 program that you justified to the committee and the Congress last year?

Admiral HEINZ. I am not sure I understand what you want.

Mr. PASSMAN. A table showing the specific items that you eliminated and the ones that you added, and a third column listing the items that you plan to procure if the $100 million supplemental is approved.

Admiral HEINZ. Yes, sir.

(A classified table was furnished to the committee.)

PHILIPPINES

Mr. PASSMAN. As it would apply to the military assistance program for the Philippines, you are requesting ——— million for fiscal year 1969.

This in an ——— the currently planned 1968 program?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. How does the ——— million allocated compare with what you asked for the Philippines last year?

Admiral HEINZ. Last year, we requested ——— million for the Philippines.

Mr. PASSMAN. You actually gave the Philippines more, then, than you asked for originally?

Admiral HEINZ. No, sir. We asked for ——— million. The allocation is $20,975,000.

Mr. PASSMAN. Which is a reduction of about ——— percent.

Admiral HEINZ. About that.

Mr. PASSMAN. I think after much persuasion and visitations between top dignitaries, we finally prevailed upon our good friends in the Philippines to provide a 2,000-man civic action group for Vietnam; is that correct?

Admiral HEINZ. The Government of the Philippines has been providing a civic action group in Vietnam for about 18 months.

Mr. PASSMAN. As long as you have verified the correctness of the figure and the correctness of the civic action group, then I shall not ask you to comment on the striped-pants dignitaries who worked this out, but I did describe the outfit as being 2,000 men correctly, did I not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. And a civic action group?

Admiral HEINZ. Yes.

INADEQUACY OF ALLIED CONTRIBUTION IN VIETNAM

Mr. PASSMAN. Has there been any change in the testimony submitted a few hours ago, that of the 130-plus countries on the the face of the earth we have helped, 80 of which we gave military aid, 105 of which we gave economic aid, that there are only five actually assisting us in Vietnam and they are Korea, Australia, New Zealand, Thailand, and the Philippines?

I wonder if sometime we can get up enough courage to say to the world: "We are in Vietnam just about all alone. We have some 46,000 men from Korea but we have 50,000 in Korea; we have 4,000 from Australia, 2,000 from the Philippines, and 400 from New Zealand, and all of our other allies have let us down and we are going it alone."

I wonder what would happen in we let Mr. and Mrs. America know the facts of these things. I hear these people get up and talk about "our allies." I think it is a gross exaggeration when we let the American people think we have allies.

COST OF PHILIPPINE CIVIC ACTION BATTALION IN VIETNAM

Admiral Heinz, what is the cost to the United States to maintain the 2,000 civic-action Philippine force in Vietnam?

Admiral HEINZ. For fiscal year 1968, we estimate the total cost to be ———.

Mr. SHRIVER. Are we paying for the expenses of the Filipinos in South Vietnam?

Admiral HEINZ. We are furnishing equipment, logistics support ———.

Mr. SHRIVER. And it comes to how much?

Admiral HEINZ. ———.

Mr. SHRIVER. That is included in the Philippines——

Admiral HEINZ. In the Defense budget.

Mr. SHRIVER. It is not in this budget.

Admiral HEINZ. It is not in here.

Mr. PASSMAN. Now what other expenses—what we sometimes refer to as invisibles—may be attached to this?

Admiral HEINZ. I know of none.

Mr. PASSMAN. Since they are not combat soldiers, none of them would get shot, would they?

Admiral HEINZ. They have been quite active. The 2,000 men includes their own security forces.

CONCERN OF OTHER COUNTRIES IN "STOPPING COMMUNISM"

Mr. PASSMAN. Why is it we cannot get other people around the world as excited as we are about what we refer to as "stopping communism in Asia"? We are not addicted to some kind of propaganda package that gets us mixed up?

I have not talked to anyone in that part of the world who is excited about communism. That is pretty well demonstrated by what you see these other countries doing.

Do you want to comment on that, Mr. Secretary?

Mr. WOLF. I think if you are talking about the people in Asia, Mr. Chairman——.

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

Mr. WOLF. You do have Korea making a contribution in the area.

PHILIPPINE CONCERN TOWARD COMBATING COMMUNISM

Mr. PASSMAN. And a very expensive one. Let's go back to the Philippines. Why can't we get them all exercised over this thing?

Mr. WOLF. I think they are concerned about the internal-security situation in their own land as a first priority.

Mr. PASSMAN. Aren't we concerned about the internal security in our own land, beginning not too long ago?

Mr. WOLF. Yes, sir. This partly comes down to a question as to whether a highly industrialized and organized and large society can afford to do more in these circumstances than a small society.

Mr. PASSMAN. They just do not buy this propaganda out there, do they?

Most of the Asians do not buy the threat of communism?

Mr. WOLF. With deference, Mr. Chairman, I would not say that the United States has put forth a propaganda campaign about combating communism in the Far East.

Mr. PASSMAN. That is not what I said at all. I said these people out there do not buy what we are telling them about communism, do they? They do not get excited, do they? Which ones are excited about it? Is it not for their security as well as ours that we are out there?

Mr. WOLF. We are certainly out there for our own security interests.

Mr. PASSMAN. You have to stretch your imagination a long way to see that, but that is your privilege.

How about the Philippines? How far are they from Vietnam?

Mr. WOLF. Much closer than we are.

Mr. PASSMAN. Very close to them, are they not?

Mr. WOLF. Yes, sir.

Mr. PASSMAN. I am a realist. We have given away to foreign nations $172 billion of our wealth since the end of World War II, including the interest on what we borrowed to give away, and we cannot get those people in that part of the world in any great numbers to support us in our effort. With all the billions we have given to Europe, there is not a single European combat soldier in Vietnam. It is really alarming.

Off the record.

(Discussion off the record.)

PROGRAM CHANGES AFTER CONGRESSIONAL PRESENTATION

Mr. PASSMAN. Admiral, I have noted a substantial variation between the content of the program you justified last year and the current program. Do you just put these items in the justification, and, after you get your appropriation, then decide on what items will be programed for the particular country?

Admiral HEINZ. No, we do not. The program which has to be made up a year and a half ahead of time is the best program that we can present to you during the annual hearings. Sometimes it must change thereafter because of the changing conditions in a country or countries. Changes also occur because of nonavailability, and still other changes occur because of the need to keep the programs responsive to the current situation.

Mr. PASSMAN. Thank you. I do not think we can get a better explanation.

Admiral HEINZ. We give you the best defined program that we can at the time.

Mr. PASSMAN. If this committee, or the Congress, in its wisdom, should decide to line item this bill with a certain amount of latitude, percentagewise, could you administer the program successfully?

Admiral HEINZ. Surely.

Mr. PASSMAN. Thank you very much.

Admiral HEINZ. It depends on what you mean by line item.

Mr. PASSMAN. Exactly what I said. We would spell out the amount of money for each country. The President has under section 506 of the authorization act the right to borrow equipment and services from Defense. He also gets a contingency fund every year.

I appreciate your direct answer on that question because I think the time is coming that we had better have something to say about how much goes to each country and not just let you people cover the waterfront.

When I say "you people," I am talking about the thousands of people who get in on this deal.

Admiral HEINZ. You also mentioned a degree of flexibility. Some flexibility is needed.

Mr. PASSMAN. That is right. The flexibility I mentioned had reference to the President's contingency fund and section 506.

AIRCRAFT FOR THE PHILIPPINES

Was the programing of ——— T–41 trainer aircraft for the Philippines in fiscal year 1968 a prelude to a program of F–5's or a similar type plane for this country.

Admiral HEINZ. ———.

Mr. PASSMAN. Does the record indicate fairly substantially that this has been the pattern in the past?

Admiral HEINZ. No, sir. ———.

Mr. PASSMAN. Could you tell us where you justified the ——— T–41 trainer aircraft last year—before what committee of the Congress?

Mr. KNAUR. Are you speaking about the fiscal year 1968 program?

Mr. PASSMAN. Yes. We cannot find where you justified it.

Admiral HEINZ. We did not. They were added to the program, and C–47 aircraft were taken out.

Mr. PASSMAN. That is exactly why I asked the previous question about a substantial variation between the content of the program you justified last year and the current program.

These aircraft come out of our excess stock, or are they being procured?

Admiral HEINZ. They will come from procurement.

Mr. PASSMAN. Is this a part of a larger order?

Admiral HEINZ. Yes, because the T–41 is an aircraft used in common by all the services. I cannot estimate what the Air Force procurement of T–41 aircraft is.

Mr. PASSMAN. What are they going to do with these T–41 trainer aircraft? What are your training them to be?

Admiral HEINZ. The T–41 is a primary trainer aircraft.

Mr. PASSMAN. It trains them for what?

Admiral HEINZ. Primarily pilot training. It costs $11,000.

Mr. PASSMAN. Previously I asked if this was a prelude to entering into a more expensive program and you said no, but I notice this specification: The ——— an off-the-shelf version of the ———. ———-—you notice off-the-shelf—is used by the Air Training Command to train Air Force pilots before their entry into jet training.

Admiral HEINZ. The Philippine Air Force already has jet aircraft. They have ——— F–5's; they have F–86 aircraft. This is a primary trainer which they use to train their pilots.

Mr. PASSMAN. You may quarrel with the composition of my question but you couldn't quarrel with the accuracy of it. This is to train them so they can move on to the F–5 or similar type of aircraft?

Admiral HEINZ. Yes, it is.

EAST ASIA AREA PROGRAM, FISCAL YEAR 1968

Mr. PASSMAN. For the East Asia area program, the fiscal year 1969 estimate is $478,000, an increase of $8,000 above the current program; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What did you request for the East Asia area program for fiscal year 1968?

Admiral HEINZ. $470,000.

Mr. PASSMAN. You allocated the total amount of your request?

Admiral HEINZ. Yes.

Mr. PASSMAN. Why is it some of these countries and programs take cuts and others do not?

Admiral HEINZ. This is primarily training, and the training program took the least cuts worldwide in 1968.

Mr. PASSMAN. Would you please furnish for the record a breakdown of how the $470,000 allocated for fiscal year 1968 is presently allocated?

Admiral HEINZ. I will do that.

(The information follows:)

Fiscal year 1968 East Asia area program

Following is a breakdown of the fiscal year 1968 East Asia area program:

Presently allocated:	
Command training support	$100,585
Counterinsurgency and intelligence schools in Okinawa	166,841
Malaysia CONUS only training program	163,860
Total allocated	431,286
Not allocated:	
To be allocated, if required	38,970
Total unallocated	38,970
Total East Asia area program	470,256

MILITARY ASSISTANCE TO MALAYSIA

Mr. PASSMAN. Do you recall 2 or 3 years ago that, in an exchange between the chairman and Secretary McNamara, we stated for the record that ordinarily training-only programs lead to equipment programs, and he answered "No," but we did establish for the record that there were many countries where training did lead to equipment programs.

We want to rehash that subject very briefly.

Malaysia is known as a sovereign country, is it not?

Admiral HEINZ. It is.

Mr. PASSMAN. It is in the Far East?

Admiral HEINZ. It is.

Mr. PASSMAN. Does it border on South Vietnam?

Admiral HEINZ. No. It borders Thailand and Burma.

Mr. PASSMAN. How many troops do they have in South Vietnam?

Admiral HEINZ. To my knowledge, they have none.

Mr. PASSMAN. Then why should we be planning any military equipment for them until this conflict is over?

Admiral HEINZ. We are not planning any military equipment for them.

Mr. PASSMAN. Well, let's say military training and/or equipment. Aren't we actually starting a training program in Malaysia?

Admiral HEINZ. The training we are speaking of is CONUS training only.

Mr. PASSMAN. It is what?

Admiral HEINZ. Training in the United States only.

Mr. PASSMAN. You are training Malaysian officers, are you not?

Admiral HEINZ. We do not propose to provide any training in Malaysia.

Mr. PASSMAN. What is the difference, whether you train them there, or bring the Malaysians to the United States and train them? You are still training them in the use of military equipment, are you not?

Admiral HEINZ. There is professional training——

Mr. PASSMAN. You miss my question. I am trying, first, to establish for the record that we are now embarking on some type of a military program for Malaysia. It is training at this time and it is presently limited to training them in the United States, is that correct? Is this a new program?

Admiral HEINZ. No, it is not.

Mr. PASSMAN. How long has it been operating?

Admiral HEINZ. It was instituted in 1965.

Mr. PASSMAN. When did Malaysia become an independent country?

Admiral HEINZ. In 1957, as Malaya.

Mr. PASSMAN. I am talking about Malaysia now.

Admiral HEINZ. It became Malaysia in 1963.

Mr. PASSMAN. So we got in there with this type of a military program 2 years after the nation came into being?

Admiral HEINZ. No. Two years after it expanded and changed its name to Malaysia.

Mr. PASSMAN. Why did we have to start a military program, limited though it maye be, for this country?

Admiral HEINZ. The main reason was to show U.S. support for Malaysia against ———.

Mr. PASSMAN. Is that conducive to peace or war when we familiarize them with guns, tanks, and planes and teach them how to shoot and kill? Will we ever have peace in the world if we continue promoting the manufacture and sale of military equipment? If we go out to these little nations and enter into these agreements, and if we don't train them in their country, we bring them over to our country and show them how war is made, how to shoot, and how to use equipment, is that conducive to peace?

I will tell you the truth: The biggest disappointment I have, and it is a big one, is to recognize that I may have as much sense as some of the people formulating these programs. It almost runs me crazy when I see what some of the bureaucrats do. We are in Malaysia. Instead of leaving those people alone, the chances are we are going to teach them what war is all about and how to use guns. The first thing you know, they will be fighting against us.

TOKEN U.N. ASSISTANCE TO KOREA

Mr. SHRIVER. Is any country giving military assistance to Korea besides the United States?

Admiral HEINZ. Not that I know of.

Mr. SHRIVER. Is there any assistance going from the United Nations to Korea?

Admiral HEINZ. I don't believe the United Nations is giving military assistance to Korea. There are token United Nations forces in Korea.

Mr. SHRIVER. What does that amount to?

Admiral HEINZ. There are about 54 people in liaison groups, plus a Thai company of 157.

Mr. SHRIVER. Are those from the United Nations in connection with the peace mission or are they in the military?

Admiral HEINZ. They are military people.

Mrs. HANSEN. How many for Korea?

Admiral HEINZ. 54 in Korea.

Mrs. HANSEN. 54 people?

Admiral HEINZ. 54 people.

Mrs. HANSEN. Thailand?

Admiral HEINZ. It is a company of 157.

Mr. SHRIVER. This is Korea now.

Mrs. HANSEN. Excuse me for interrupting. I didn't think I heard correctly.

Mr. SHRIVER. Are we supporting those Thai troops?

Admiral HEINZ. We provide logistic support.

Mr. SHRIVER. How much money is involved in that?

Admiral HEINZ. May I provide for the record the total amount?

Mr. SHRIVER. Yes.

(The information follows:)

U.S. SUPPORT FOR U.N. FORCES IN KOREA AND JAPAN

While serving under the United Nations Command in Korea and Japan, the forces of only four countries—the ——— are eligible to receive grant logistic support from the United States. Other countries' forces receive logistical support on a reimbursable basis. The forces maintained in Korea and Japan by the grant recipients are:

	Liaison groups and honor guards		Operational units		Total
	Korea	Japan	Korea	Japan	
	[Deleted]		[Deleted]		[Deleted]

In fiscal year 1968, the funds programed for their support were ———. The logistic support provided by the United States for U.N. forces serving in Korea and Japan is maintained at a level not to exceed that provided U.S. forces with comparable missions.

TOTAL MILITARY ASSISTANCE BUDGET REQUESTS FOR FISCAL YEAR 1969

Mr. SHRIVER. I would like to know how much of the total military assistance requests are for not only that which is before this committee, but also before the Defense Subcommittee of Appropriations.

(The information follows:)

Budget requests for fiscal year 1969

Regular defense budget:	*In millions*
Laos	———
Thailand	———
Vietnam	———
NATO infrastructure	55.0
Foreign military sales	296.0
Total non-MAP	2,001.3
Military assistance program	420.0
Grand total	2,421.3

Mr. SHRIVER. The other day I pointed out that although the request before this committee is for an appropriation of $420 million as com-

pared with $400 million last year which, together with a reappropriation of $10 million, recoupments of $62 million, and reimbursements of $8 million, will provide a grant program of $500 million compared with the 1968 program of $484 million.

In addition to this appropriation, there is a request for ——— million for Laos, and this would be in the Defense budget. ——— million for Thailand and ——— billion for Vietnam, and then a military sales program, according to my figures, of $1,112,500,000, and that total comes to $3.322 billion.

Admiral HEINZ. I would eliminate the sales figure. I think that sales figure may be the total of all sales including cash sales. The other figures you quoted are correct.

Mr. SHRIVER. Then there is $55 million to be added for infrastructure.

Admiral HEINZ. That is the U.S. contribution to the NATO infrastructure program.

Mr. SHRIVER. Have I named all of the items?

Admiral HEINZ. As far as I know, you have.

U.S. SUPPORT OF FREE WORLD FORCES IN VIETNAM

Mr. SHRIVER. Is there any supporting assistance that would be used by a country for them to support troops, say in Vietnam?

Admiral HEINZ. There is supporting assistance for Korea and for Vietnam.

Mr. SHRIVER. You mentioned a little while ago, I think, supporting assistance, as far as the Philippines is concerned, that would be in the Defense Budget and not here. Is that included?

Admiral HEINZ. The amount I mentioned for the Philippines is included in the ———.

Mr. SHRIVER. It is included?

Admiral HEINZ. It is included.

Mr. SHRIVER. That is for the 2,000 Philippine troops in the civic action program?

Admiral HEINZ. Yes.

Mr. SHRIVER. And we are paying for their support?

Admiral HEINZ. Yes, in Vietnam.

Mr. SHRIVER. How about Thailand? Is everything included in the figures I just read to you?

Admiral HEINZ. Yes. The figure for Thailand includes support of about 10,000 additional Thai forces in Vietnam. They are training right now to go to Vietnam.

Mr. SHRIVER. The grand total of military assistance included in this budget, the Defense budget and wherever else it might be, would amount to how much?

Admiral HEINZ. If you include all the figures for Southeast Asia, it is $2.185 billion. That, of course, includes the war costs in Vietnam which makes up the major part of the total.

Mr. SHRIVER. I see figures of war costs in Vietnam of about $2.5 billion a month, or $25 billion a year. I am not talking about that. I am talking about the military assistance as we have known it in the past. I can see why it is in the Defense budget but I am just trying to straighten it out in my own mind how much military assistance as we have known it in the past is in this budget request that is before the Congress and whatever Appropriations Subcommittee it might be.

FUNDS REQUESTED IN SALES FOR CREDIT BILL

Admiral HEINZ. There is one other figure which I think should be included in the total.

Mr. SHRIVER. All right. What is that?

Admiral HEINZ. It is the figure in the sales bill which requires an NOA of $296 million.

Mr. SHRIVER. If you would add that to the figures you just gave me what is the grand total?

Admiral HEINZ. However, the sales money would all be repaid. The other figures would be expenditures.

Mr. SHRIVER. Providing it is repaid, and no one has reneged yet. Is that what you say?

Admiral HEINZ. As far as sales are concerned, the record of repayment is good.

CONTINUATION OF PHILIPPINE CIVIC ACTION GROUP IN VIETNAM

Mr. SHRIVER. The Philippines have this 2,000-man civic action group. After the recent Tet offensive there were television reports that this group was demoralized and somewhat bitter about their role in the conflict. Could you tell us something about this situation?

Admiral HEINZ. I am not aware of that report.

Mr. SHRIVER. Is there a possibility this group might be recalled by the Philippine Government? There was such a report that came over television.

Admiral HEINZ. I heard no reports of it being demoralized but I do know that continuation of the civil action group is being debated in the Philippines. ———.

Mr. SHRIVER. At this time?

Admiral HEINZ. Yes.

COSTS FOR MAINTAINING KOREAN TROOPS IN VIETNAM

Mr. SHRIVER. At page 27 of the justification you say that military assistance for Korea has been kept at a comparatively high level in order that the Korean defense capability will not be reduced while South Korean forces are fighting in Vietnam.

Would you provide the costs of maintaining the Korean troops now in Vietnam and the resulting additional costs to the United States in Korea that would be attributable to maintaining Korean troops in Vietnam? You can do that for the record if you like.

Admiral HEINZ. Yes.

(The information follows:)

REPUBLIC OF KOREA FORCES IN VIETNAM

In fiscal year 1968, the total cost in the regular defense budget related to the deployment of Korean forces in Vietnam is estimated to be ——— million. Of this amount, ——— million represents the cost of direct support in Vietnam and includes ———. The remaining ——— million represents related costs in Korea attributable to the deployment of Republic of Korea troops in Vietnam ———.

FISCAL YEAR 1968–69 PROGRAMS FOR CHINA

Mr. SHIVER. You are requesting ——— million in grant assistance to the Republic of China plus ——— million in credit sales for a total of ——— million.

How does this fiscal year 1969 program compare with fiscal year 1968?

Admiral HEINZ. The fiscal year 1969 grant aid program amounts to ——— million and there is ——— million in the fiscal year 1968 sales program. ———.

UNDELIVERED BALANCE

Mr. SHRIVER. You will have over $183 million in undelivered materiel for Korea at the end of fiscal year 1968. What is the reason for not delivering this materiel?

Admiral HEINZ. There will always be an undelivered balance for each country because of the leadtime involved in the case of many of the items, particularly aircraft, which come from production. For example, F–5 aircraft come from production with a 2-year leadtime. Therefore, if you order them this year, they will be delivered approximately 2 years from now. Items which come from the shelf can be delivered within the year; but, as long as you have other items involving a leadtime, then you will have an undelivered balance.

Mr. SHRIVER. The additional ——— million, including the supplemental, would be delivered in maybe 2 years?

Admiral HEINZ. We would try to get a great deal of the equipment delivered immediately. Some of the items are short leadtime, others long leadtime.

For example, where there is a supply of spare parts on hand, they can be delivered within the year. Where long production time is required, then it might take up to 2 years for delivery. It depends on the specific item.

MILITARY ASSISTANCE TO THE PHILIPPINES

Mr. SHRIVER. You are requesting ——— million in new funds for your program in the Philippines and yet the Philippines themselves are spending only 1.5 percent of their gross national product for defense purposes. My question is, why should we assist them militarily when they are not assuming more of their share of the gross national product?

Admiral HEINZ. There are several reasons. We have a long-standing relationship with the Philippines. We know that they have a big economic problem. We feel that progress in economic improvement is necessary. ———. The Government of the Philippines recently increased their defense budget to start buying equipment ———.

The equipment we propose to provide to the Philippines will be used to improve their capability for internal security, for civic action, to support their group in Vietnam and to improve coastal surveillance. Through our military assistance, we are gradually improving the capability of the Philippines to maintain both law and order and a limited military capability.

CONTROL OF SMUGGLING

Mr. SHRIVER. At page 7 of your statement you say that part of your fiscal year 1969 program for the Philippines will be used to improve coastal surveillance. What progress has been made by

President Marcos in his efforts to control the high rate of smuggling which has hampered the economic development of the Islands?

Mr. WOLF. I recall seeing some reports indicating some degree of progress, but it is still a major problem.

Mr. SHRIVER. Is it better than it was at this time last year?

Mr. WOLF. I will try to get you an evaluation for the record of that, sir.

Mr. SHRIVER. All right.

(The information follows:)

PHILIPPINE ANTISMUGGLING EFFORTS

The Philippine Government has taken several steps over the past year to deal more effectively with smuggling along its coasts and technical "smuggling," through false invoices, in its ports.

In June 1967, the Philippine Congress approved the Marcos government's proposal to create a separate Coast Guard within the Navy specifically to carry out antismuggling operations. The United States, through its military assistance program, has provided 10 Swingcraft high speed patrol boats to the Philippines, enabling the Government to increase the effectiveness of these operations. In part through increased imports, but also due to greater efficiency and improved administration of the Customs Bureau, Philippine customs revenues increased by 37 percent in fiscal year 1967.

In an effort to deal more effectively with cigarette smuggling, the Philippine Government signed an antismuggling agreement with Malaysia effective December 1, 1967. The agreement provides procedures for supervision of trade and travelers between the southern Philippines and Malaysia.

SOVIET AID TO BURMA

Mr. SHRIVER. Is Burma receiving any aid from the Soviet Union?

Admiral HEINZ. She is receiving no military assistance.

Mr. SHRIVER. Any economic?

(Classified information was submitted to the committee.)

TREATY MILITARY COMMITMENTS

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

Mrs. HANSEN. Can you tell me the number of total treaty military commitments we have at present?

Admiral HEINZ. I would prefer to provide that for the record.

Mrs. HANSEN. The total number of commitments that we have by treaty agreements.

Admiral HEINZ. They have been supplied by the Secretary of State to the Senate Foreign Relations Committee and I will provide you with a copy of that report too.

Mrs. HANSEN. The House prides itself on exact equality with the Senate.

Admiral HEINZ. Agreed.

(The information was furnished to the committee.)

SEATO CONTRIBUTIONS TO DEFENSE OF SOUTH VIETNAM

Mrs. HANSEN. On page 2 you have listed the Southeast Asia Treaty nations. Now, reference is made very often by the Secretary of State to the "sacrosanct" nature of the commitment by the United States under the SEATO Treaty. You list the following countries: The

United States, United Kingdom, France, New Zealand, Australia, the Philippines, Pakistan, and Thailand.

Will you please place in the record the amounts of money being spent by each of these countries in defense of South Vietnam? The number of troops that are committed by each of the SEATO countries in defense of South Vietnam, and the amount of economic aid being given to South Vietnam by the SEATO countries?

Mr. WOLF. We will.

Mrs. HANSEN. I want to know who signed that treaty besides the United States; at least signed it and meant it.

(The information follows:)

SIGNATORIES TO THE SOUTHEAST ASIA COLLECTIVE DEFENSE TREATY

Australia	Republic of the Philippines
France	Kingdom of Thailand
New Zealand	United Kingdom
Pakistan	United States

ASSISTANCE TO SOUTH VIETNAM BY SEATO ALLIES

Rough estimates are available of the economic, technical and humanitarian assistance that has been donated to South Vietnam by our SEATO allies. These estimates do not always include the value of scholarships and some other types of donations which have not been given a dollar value. There is no estimate available of the incremental costs to our SEATO allies of their troop commitments to the defense of South Vietnam. Australia and New Zealand provide complete support for their troops in South Vietnam; while the Philippines and Thailand provide partial support.

Additionally, there is no practical way to estimate amounts of money being spent by such countries as Thailand on other contributions it makes in support of our efforts in Vietnam such as the bases it has made available to the USAF for bombing missions against North Vietnam and Communist supply routes. Nor are there estimates available for the efforts certain SEATO member nations such as Thailand are making to combat externally supported Communist insurgency within their own borders; these efforts are directly related to the collective defense of Southeast Asia. The following table shows the number of troops committed by each of our SEATO allies to serve in South Vietnam and the estimated value of nonmilitary assistance given by our SEATO allies to South Vietnam since the Government of Vietnam launched a formal appeal in July 1964 through December 1967; a narrative description follows:

SEATO ALLIES	Troop commitment (in thousands of men)	Nonmilitary assistance (In thousands of dollars)
Australia	8.0	12,383
France		[1] 15,976
New Zealand	.5	1,765
Pakistan		[1] 5
Philippines	2.0	51
Thailand	11.5	94
United Kingdom		3,743

[1] France and Pakistan have made donations but their help is not considered to be a part of the free world assistance program.

Australia

Military aid consists of approximately 7,500 combat troops now in Vietnam and an additional 500 expected in the near future. This includes a brigade and support; a squadron of eight Canberra bombers; naval assistance; a guided missile destroyer; 100 combat advisers (primarily specialists in jungle warfare); and a 73-man air force unit at Vung Tau with six Australian Caribou planes which fly daily logistical transport missions in support of Vietnamese military forces.

Economic aid since 1964 is valued at more than $10.5 million. About 50 civilian technicians are serving in Vietnam, including: three experts in dairy and crop practices and radio techniques; a group of civil engineers working on water supply and road construction projects; and three surgical teams, totaling 42 personnel, in three provincial hospitals. These teams, in addition to performing major operations, have established a blood bank and are giving lessons in nursing. There are currently 130 Vietnamese students studying in Australia. Goods and materials provided include: 1,250,000 textbooks in Vietnamese for rural schools; 3,300 tons of corrugated roofing for Vietnamese military dependents housing; six large community windmills; 15,750 sets of hand tools; 400 radio sets and 2,400 loudspeakers; 16,000 blankets and 14,000 cases of condensed milk; a 50-kilowatt broadcasting station at Ban Me Thout; and approximately $386,000 in emergency assistance in 1968.

France

Since 1956, France has contributed about $115 million in assistance to South Vietnam. Present aid is running at a rate of about $4 million per year, largely in the cultural field.

Most French personnel now in Vietnam are serving in its overseas cultural program; they staff some secondary schools in Saigon. There are also professors on university staffs. France provided in 1965 for Vietnamese to study in France, 55 fellowships for technical training and 85 academic fellowships. These programs are continuing on a somewhat reduced scale.

France has provided low-interest credits of 100 million francs ($20 million) for financing imports of French equipment for Vietnamese industry, a grant of 500,000 francs ($100,000) for equipment for L'Ecole Nationale d'Ingenieurs des Arts Industriels.

In 1960 France extended a low-interest credit of 70 million francs ($14 million) to aid construction of the major coal and chemical complex at An Hoa-Nong Son south of Da Nang. It also provides a low-interest, 5-year credit of 60 million francs ($12 million) for construction of Vietnam's largest cement-producing complex with plants at Hatien and Thu Duc. In 1964, France provided a 930,000 francs ($186,000) grant for the installation of a training center for electrical technicians and in 1965 a gift of 1.25 million francs ($250,000) for teaching equipment, primarily in the medical field.

New Zealand

New Zealand has sent an artillery battery, two infantry companies, and a 25-man army engineer detachment, totaling about 545 men.

In nonmilitary aid, New Zealand assistance has averaged NZ 250,000 dollars (U.S. $347,500) annually. Civilian aid expenditures this year are expected to exceed NZ 300,000 dollars. This has financed a 15-man surgical team at Qui Nhon, scholarships for 80 Vietnamese in New Zealand, medical and teaching equipment for Hue University, equipment for a technical high school, and a contribution toward the construction of a science building at the University of Saigon. In early 1968, $22,640 of food and other supplies were given by private and government donors.

Pakistan

Pakistan made a financial contribution for assistance to flood victims and donated clothing for them.

Philippines

The Philippine Government has sent a 2,000-man military/engineering unit with security support personnel, a station hospital, and rural health and civic action teams.

In nonmilitary aid, the Philippines has financed a 12-man medical team and donated clothing, food, and medical supplies. Recently, supplies worth $28,700 were donated.

Thailand

Thailand has sent a total of approximately 2,450 men including a recently arrived combat brigade. A 150-man Thai naval group manning an LST and PGM patrol craft arrived in Vietnam in December 1966. A 35-man air force contingent has been flying operational transport missions for the Vietnamese forces. The Thais have also been providing jet training for Vietnamese pilots in Thailand. The Thai Government has announced it will increase its troop strength in Vietnam to a light division of about 11,500 men.

In nonmilitary aid, the Thais have provided 100 tons of rice for refugees and 100 tons of cement and 10,000 sheets of corrugated iron roofing materials. At the Manila conference the Thais offered the Vietnamese a $20 million rice credit. Thailand donated $242,170 worth of cement, corrugated iron, and vaccines in early 1968.

United Kingdom

The United Kingdom has supplied economic aid valued at $2.4 million in the past 3 years. In the current fiscal year (beginning April 1) British plan an expenditure of £414,000 (210,000 pediatric team; 104,000 police team; 100,000 unspecified). It has provided seven police advisers, a professor of english at Hue University, and technical experts. Twenty-one Vietnamese are receiving training in the United Kingdom. A pediatric team of five British doctors and six nurses went to Saigon in August 1966 to remain for 5 years; the team will be expanded to 18 members and X-ray and other equipment is being supplied for a new hospital block.

In 1963–64, the United Kingdom provided the following goods and materials: laboratory equipment for Saigon University; a typesetting machine for the government printing office; a cobalt deep-ray therapy unit for the National Cancer Institute; various equipment for the faculties of medicine, science, and pharmacy at Saigon University, the meteorologic service and the agriculture school at Saigon, the atomic research establishment at Dalat, and the faculty of education at Hue.

In early 1968 the United Kingdom donated $1,294,400 including a $600,000 Government contribution. The pediatric team has also been expanded to 26 members.

IMPACT OF BRITISH WITHDRAWAL EAST OF SUEZ

Mrs. HANSEN. How much of your military commitment is related to the removal of British troops from east of Suez?

What I want to know is, has it been necessary for us to increase our troop commitments and our military assistance to nations, which were once protected by the British, east of Suez?

Admiral HEINZ. To my knowledge, no.

Mrs. HANSEN. No? They wouldn't have been interested in Malaysia or Indonesia or any of those countries?

You say in your own statement ———.

Admiral HEINZ. You asked me how much we had to increase our effort. The ——— program has actually decreased.

Mrs. HANSEN. This is just one indication, is it not?

Now, as the British military moves out of the area east of Suez, then are we moving in to fill that gap?

Admiral HEINZ. No. The importance to us of interests in the ——— is increasing, but this does not mean that either our military assistance or our military presence is increasing.

Mrs. HANSEN. Well, it certainly isn't decreasing any place.

Admiral HEINZ. Our military assistance program is decreasing.

CUMULATIVE WORLDWIDE TOTAL OF MILITARY ASSISTANCE

Mrs. HANSEN. What was it before you started to decrease it?

I want you to put in the record at this point how much military assistance have we spent in the world since 1945, the total.

I am sure these expenditure figures are not classified. Please give me the total.

(The information follows:)

Military Assistance Deliveries/Expenditures Since 1945	*Million*
Postwar relief period (1946–48)	$481
Marshall plan period (1949–52)	324
MAP grant aid (1950–67)	32,550
Total	33,335

U.S. ROLE IN SUB-SAHARAN AFRICA

Mrs. HANSEN. On page 3 you have in your fourth paragraph, "In Sub-Sahara Africa, leaders struggling to build, et cetera."

Why should not England, Belgium, and France have been the ones solely responsible for the military needs of their own colonial empires when they were dissolved?

Mr. WOLF. In great part the problem lay in the attitude of the ex-colonial countries who did not wish to continue ties with the colonial powers and to be totally dependent on them.

Mrs. HANSEN. Are we going to become a "colonial power" by connotation, too?

Mr. WOLF. I don't think the record shows we have taken over the role of those people.

Mrs. HANSEN. No; but as we begin here and here and here, then what will the record show in 5 or 10 years?

Mr. WOLF. ———.

ATTITUDE OF ALLIES TOWARD U.S. EXPENDITURES

Mrs. HANSEN. If it is our security that is at stake, as witnessed by the apparent lack of interest by our allies, wouldn't you suppose that we should be spending the major part of our money in building the U.S. Navy and Air Force?

Mr. WOLF. I don't believe that the small percentage of U.S. expenditures which goes into military assistance has been at the expense of defense.

Mrs. HANSEN. When I see the total amount you have spent, I wonder.

We will get to the table on Europe pretty soon, where all our critics are enjoying themselves with a field day about "our expenditures and our gold." I don't think it makes any American feel very good to have France and the central European bankers say to us, "cut your expenditures and get yourselves on a nice, solvent base."

Mr. SHRIVER. "And raise your taxes."

Mrs. HANSEN. "And raise your taxes."

I don't think Americans have a very warm spot in their hearts right now for this kind of advice.

Criticism coming from people who would not be on their feet today had it not been for the expenditure of U.S. money. Isn't this true?

Mr. WOLF. That is certainly true.

ETHIOPIAN AND UNITED STATES INTERNAL SECURITY

Mrs. HANSEN. Then are we to spend ourselves into the place where we will have to be applying for foreign aid?

For example, I was reading something with very great interest about Africa, where you have a little justification for Ethiopia. I wonder if I could take the name out and put the United States in? I will read you just a couple of lines.

"The primary internal security threats are those posed by three dissident factions."

What in the name of time is going on on our doorsteps today? Shall we take the name "Ethiopia" off and put "United States of America?"

Admiral HEINZ. On the Ethiopian program——

Mrs. HANSEN. I don't want to talk about the program. I just want to know whether we should take the name "Ethiopia" out and put in "United States of America."

Admiral HEINZ. ———.

PHILIPPINE CIVIC ACTION EFFORTS

Mrs. HANSEN. Let me have it again. Was it 1,800 Philippine civic action people?

Admiral HEINZ. There are over 2,000 in the entire group which includes their own security forces.

Mrs. HANSEN. And what are they doing over there?

Admiral HEINZ. They are doing construction work in Vietnam.

Mrs. HANSEN. Such as——

Admiral HEINZ. All types of engineering work, the same as all engineering troops in Vietnam.

Mrs. HANSEN. How much engineering are they doing in their own country?

Admiral HEINZ. They have also done quite a bit in their own country.

Mrs. HANSEN. I am sure they need it.

PHILIPPINE NEEDS FOR BOOKS AND CLOTHES

Not too many years ago I received, from a principal of a school in one of the outlying provinces of the Philippines, an appeal for schoolbooks. The Peace Corps was coming to the Philippines and he wondered if they could have books. The Government couldn't afford to buy books.

We gathered up a number of books—a great many thousands as a matter of fact, and sent them. They were very pleased.

This indicated to me at that time, and it does again, that a nation that couldn't afford to provide schoolbooks for its young people, and later when they had a very disastrous hurricane, the same group appealed for clothes—I wonder if they should even be taking 2,000 people away from solving the desperate needs of their own country.

Now we get to China. Pretty soon I am going to cover your friend, Korea, again. I doubt you can give me all the answers on that country.

MOVEMENT OF GRC TROOPS

Did I or did I not see in the paper one day that someone in the policymaking department had proposed moving the troops from the Islands facing the mainland China?

Admiral HEINZ. Yes; there was such a report in the paper.

Mrs. HANSEN. I thought you or the Secretary told me 2 years ago that we had to keep those troops facing China so that this was a deterrent as it kept x number of divisions of their people tied up.

Now what was the justification and the commonsense of removing that military force from across mainland China?

Admiral HEINZ. The article was not correct.

Mrs. HANSEN. Am I to understand that in the United States, in the press of the United States, anything can be printed, regardless of the truth? Yes or no?

Admiral HEINZ. I suppose it can be.

Mrs. HANSEN. Let me ask you another question: A great many reports have come in from mainland Asia, and on varying defense problems, aid problems. How much authenticity is there to any part of those reports? Did somebody just make a tour and come back and write an "Alice in Wonderland" adventure story?

May I say that part of the policy of the United States in the people's minds is being framed by this kind of story. You should be deeply concerned.

I dare say that a major part of the dissatisfaction, a major part of the criticism of our own Government—where everything we do is wrong—doesn't come out of their imaginations, but can be from misinformation. What attempt is made to correct these statements? Do you make rebuttals, do you make replies? What about it?

Admiral HEINZ. I am sure that the public relations offices in both State and Defense——

RESPONSES TO CONGRESSIONAL INQUIRIES

Mrs. HANSEN. The public relations offices of the State Department couldn't explain how they got to a cocktail party. I have sent letters to the State Department for a reply and it takes 3 weeks for them to answer a plain, ordinary question that does not involve anything more to do with security than that water pitcher. This would be the Department where one would think they needed some factual, precise people.

The Defense Department does a better job; however, when I asked about the expense of the sheep-killing venture, nobody knows the answer.

I am concerned about quotations that are printed day after day and day after day as to precision and accuracy.

If there are no replies, there is a credibility gap.

GOVERNMENT CORRECTION OR REBUTTAL OF INACCURATE REPORTING

Mr. WOLF. I think the question is not one of putting out the facts, but the problem is that news that is read the first day always has a greater public impact than any correction or withdrawal or correction of the story.

Mrs. HANSEN. Why doesn't your office speak up first with the facts, and I mean the fullest facts?

Mr. WOLF. Fundamentally because we are not supposed to engage in a public information campaign within the United States.

Mr. HANSEN. Your enemies do it.

Admiral HEINZ. There are public information conferences every day on Vietnam.

Mrs. HANSEN. Will you tell me why the Defense Department, for example, cannot explain their role?

Admiral HEINZ. We attempt to.
Mrs. HANSEN. The attempts are feeble.

GRC PARTICIPATION IN VIETNAM

Now, for instance, I have letters that come in wondering why Nationalist China is not permitted to march into North Vietnam. We have discussed that reason up here, but there has been no attempt to explain the essential facts of the role of the rest of the world with the United States.

Mr. SHRIVER. I think the question I have asked of me more than any other is, Why is not the Republic of China substantially involved in helping us in connection with the problems of Vietnam?

Admiral HEINZ. The situation between the Republic of China and Communist China is quite a bit different than it is between South Korea and the Communist Chinese. ———

Mr. SHRIVER. There is ill feeling and bad blood between the Vietnamese and the Chinese of the Republic of China, is that it?

Admiral HEINZ. I know of no ill feeling——

Mrs. HANSEN. Have you read their history?

Admiral HEINZ. The Vietnamese and the Republic of China?

Mrs. HANSEN. No, the Vietnamese and the Chinese.

Admiral HEINZ. The Vietnamese and the Chinese——

Mrs. HANSEN. Yes.

Admiral HEINZ. ———

Mr. SHRIVER. What is?

Admiral HEINZ. The fact that——

IMPACT OF PRESS REPORTS

Mrs. HANSEN. A story comes out and it undoes all the careful work that has gone on for a long time to advise the American public of why the troops are there on the islands, why they are kept there and so on.

Now your article of correction never appeared on a front page, did it?

Mr. KNAUR. Neither did the Drew Pearson item. We do not control the press.

Mrs. HANSEN. No one wants to control the press, but don't you think the press is just as interested in a free America and a safe America as anyone else? Don't you think truth is obligatory for all?

Mr. KNAUR. Yes, but the press is also interested in selling newspapers to support their advertising.

Mrs. HANSEN. You have read Barbara Tuchman's book, "The Proud Tower," and the reply to the question asked as to what sold newspapers, and the answer, "War."

Admiral HEINZ. I think the reason for not having Chinese troops in Vietnam now is the same as it has been for the past 2 or 3 years. It has not changed at all.

AID TO KOREA SINCE INCEPTION OF PROGRAM

Mrs. HANSEN. Now we will come back to Korea.

From 1954 to 1968 you said military assistance to Korea was $2,655,625,000.

Now, will you give me the economic assistance to Korea during the same time, and, were we putting economic assistance into Korea prior to the war?

You add that all up and put it in the record.

Admiral HEINZ. Total economic assistance, 1946 to 1967, is $4,449,900,000.

This year, we propose a program of ——— million in regular military assistance.

Mrs. HANSEN. And $100 million ———?

Admiral HEINZ. The supplemental military assistance request.

Mrs. HANSEN. Do you remember the country that said they needed aid and the only way they could get it was to declare war on the United States and get beaten?

Mr. KNAUR. "The Mouse That Roared."

Mrs. HANSEN. We have how many American troops in Korea at the present time?

Mr. KNAUR. Approximately 50,000.

COST OF U.S. FORCES IN KOREA

Mrs. HANSEN. How much does that cost us?

Mr. KNAUR. I will have to supply that.

(The information follows:)

ESTIMATED COST OF MAINTAINING U.S. FORCES IN KOREA

Accounting records are not maintained to reflect total costs on an area basis. Therefore, cost estimates are necessarily based upon the use of factors where accounting records do not exist. Utilizing available data, it is estimated that the direct budgetary cost of maintaining U.S. Forces in Korea during 1 fiscal year is approximately $.5 billion. This includes the direct costs of military personnel, operation and maintenance, and military construction in Korea. Indirect logistic and administrative costs for support from sources outside Korea, and major procurement costs which cannot be reasonably identified with support of forces in Korea are not included in the $0.5 billion estimate.

Mrs. HANSEN. I am trying to get the total costs.

NUMBER AND COST OF U.N. FORCES IN KOREA

Of the United Nations troops that participate in Korea, will you place in the record the total amount of troops by each country that fought there?

Mr. KNAUR. During the war?

Mrs. HANSEN. During the war. And also give me the list of how many are there now from these same nations.

(The information follows:)

UNITED NATIONS GROUND FORCES IN KOREA

(Less United States and Republic of Korea)

The peak of United Nations ground forces in Korea was during July-August 1953. Contributions from countries other than the United States and the Republic of Korea at that time were:

United Kingdom	14,198
Canada	6,146
Turkey	5,455
Australia	2,282
Philippines	1,496
New Zealand	1,389
Thailand	1,294
Ethiopia	1,271
Greece	1,263
France	1,119
Colombia	1,068
Belgium	900
Netherlands	819
Sweden	154
Norway	105
Italy	72
India	70
Luxemboug	44
South Africa	3
	39,148

The number of United Nations personnel currently in Korea (other than those of the United States and the Republic of Korea) is as follows:

Liaison groups and honor guards

Australia	2
Canada	2
Ethiopia	3
New Zealand	1
Philippines	2
Thailand	6
Turkey	14
United Kingdom	24
Subtotal:	54
Combat units	
Thailand	157
Grand total:	211

IMPORTANCE OF KOREAN SECURITY TO THE WORLD

Mrs. HANSEN. The only United Nations force in Korea today amounts to 157 people from Thailand.

Mr. KNAUR. In addition to Thailand, Australia, Canada, Ethiopia, New Zealand, the Philippines, Turkey, and the United Kingdom contribute men to the United Nations Command Liaison Groups and Honor Guards.

Mrs. HANSEN. Will you kindly tell me what happened to everyone else who belongs to the United Nations?

How many nations belong to the United Nations?

Mr. WOLF. I think it is 123 nations.

Mrs. HANSEN. Not one of those 123 nations feels that the security of South Korea is important to the freedom of their nation or their organization, or the world? Is that what I am to infer? Yes, or no?

JAPANESE INTEREST IN AND CONTRIBUTION TO KOREA

Admiral HEINZ. I do not think so. I think Japan has a great interest in Korea. Japan is providing economic assistance.

Mrs. HANSEN. How much economic assistance is she furnishing?

Admiral HEINZ. It is a combination of reparations and economic aid.

Mrs. HANSEN. For damage in Korea?

Admiral HEINZ. Yes. It is a combination of the two. I do not have the full amount.

Mrs. HANSEN. Please put it in the record.

(The information follows:)

JAPAN ECONOMIC ASSISTANCE TO REPUBLIC OF KOREA

Japan is giving major economic aid to Korea, with commitments totaling $1 billion since normalization of relations in 1965. The initial commitment of $800 million over a 10-year period included a $300 million package, which was referred to as "grant aid in lieu of reparations." The remainder of the $1 billion total consists of grants, credits, and investments.

KOREAN TRADE

Mrs. HANSEN. Doesn't Korea trade a great deal with Japan?

Admiral HEINZ. It is increasing, yes.

Mrs. HANSEN. By the way, what is our total trade with Korea? How much are we exporting to Korea?

Mr. WOLF. I would have to provide that for the record.

Mrs. HANSEN. All right, and how much do we import from Korea, and where is her main trade going? Don't give me AID financed. I want independent trade.

(The information follows:)

U.S. TRADE WITH KOREA

[In millions of dollars]

	Exports	Imports[1]
1964	35.6	38.8
1965	61.1	28.8
1966	95.8	57.4
1967 (January-November)	118.7	112.3

[1] Financed by Korean foreign exchange.

COUNTRIES WITH WHICH KOREA HAS ITS MAIN IMPORT-EXPORT RELATIONSHIPS (1966 FIGURES)

	Exports	Imports
Japan	66,293,000	293,794,000
West Germany	6,975,000	20,250,000
Philippines	789,000	20,949,000
Iran	1,101,000	17,089,000
Italy	1,243,000	16,082,000
South Vietnam	13,843,000	3,000

U.N. FISCAL CONTRIBUTIONS TO KOREA

Mrs. HANSEN. I would like the total amount of money that was spent by the United Nations in Korea, or by the component member nations that were there. Please try and dig it out.

Admiral HEINZ. This is during the war.

Mrs. HANSEN. Yes. Of course, I want listings of what the United Nations has spent over there since the war. That will be harder to find, I realize.

(The information follows:)

The total spent by U.N. members other than the United States in Korea during and since the Korean War is $27.6 million. This total reflects the combined activities of IDA, UNEPTA, UNTA, UN Special Fund, and UNICEF during the period 1953–1966 (there were no U.N. assistance activities during the Korea War).

The monetary cost to the United States for the Korean War was discussed by the Assistant Secretary of Defense (comptroller) W. J. McNeill, at a hearing on Mutual Security Appropriations for 1956 before the Senate Committee on Appropriations on July 14, 1955 (hearing book p. 140) as follows:

"While it is impossible precisely to compute the money cost of a war, particularly a restrictive war in which only a portion of the country's resources is employed, it has been estimated that the U.S. military expenditures in the Korean area alone were in the neighborhood of $18 billion."

Mrs. HANSEN. While we were spending this $7,055 million, we also spent $18 billion in the Korean war. We can add that.

FEDERAL EXPENDITURES FOR U.S. EDUCATION

At the same time, I want to point out what the United States has spent on its own education. In the years since 1945 to 1967, we have spent a total of $14 billion for education. We have also spent $448 million on libraries.

This is Federal assistance.

Mr. KNAUR. Not private.

Mrs. HANSEN. You find a lot of people who are concerned with the fact that we have not spent more on our own elementary and secondary education, that we have not spent enough money to update vocational education; however, we have been able to spend money in education programs around the world.

PERCENTAGE OF U.S. AND KOREAN EXPENDITURES FOR DEFENSE

I have Korea's budget. It says $787 million. Of that, the self-financed defense expenditures are $92 million. That is 10 percent, is it not, that they are spending, of their budget, for their own defense? The other $91 million is ours. That figures out to 10 percent.

Admiral HEINZ. It is over 10 percent of their budget.

Mrs. HANSEN. It is not much over, because I just divided it out myself.

The United States, with a total budget of $140 billion, taking out $40 billion of trust accounts which are not within the flexible design, spends 56 percent for its defense budget. This does not include the military assistance category, except what is in Mr. Mahon's defense budget. And it is not taking into account any economic assistance.

There have been already mentioned figures which indicate more to go to South Vietnam. Adding that, you then have the budget share for defense in the category of 58 percent. I look here at Korea, with 10 percent being spent on her own national defense and then she wants an additional $100 million.

RESULTS OF U.S. AID TO KOREA

Admiral HEINZ. Our programs for Korea over past years are responsible for the fact that it is now a country which has recovered from the war, which is recovering economically and is becoming increasingly viable. This is quite an achievement.

Mrs. HANSEN. I am glad to see that Korea is improving because I do not think the domestic problems of the United States have improved with that rapidity.

You talk about leadtime. I am talking to you about leadtime. I wish I had my hearing record here. By cutting the U.S. Forest Service roads this year, I am saying to the people who are going to buy timber—they also need leadtime, because you have to provide the roads before selling timber—and it is usually about a 2-year leadtime, just about like your airplanes and everything else. Therefore, when we curtail U.S. Forest Service budget items in the road category—I will just use the road category and eliminate timber cruising, sale techniques, and so forth, that are also part of sales—you say two things. First, you are going to limit the type of bidders. You say to the small operator, "You cannot bid for the timber, because you do not have the capital to build that road."

The second thing, you say to the States who are receiving forest revenues, in the counties, and using them as component parts of their educational financing structures, "You are getting less revenue for two reasons: (1) When the road factor is build into timber sales, there is less Forest Service revenue going to those counties and (2) you are limiting the timber cut in years ahead because the less roads, the less timber cut."

And you are going to say in the years 1970 and 1971, "This forest economy is going to be in trouble financially."

You are also going to say to certain communities, "You who depend on Forest Service timber for your economic life can no longer exist." I am also afraid the Defense Department is not going to establish defense establishments in those areas, because they are not in Alabama, Mississippi, or South Carolina. In our district, we had bases shut down.

I am just telling you why I am concerned. I think it is fine to give bows and arrows around the world, if we can afford it.

Admiral HEINZ. I do think the United States has achieved a great deal in Korea by its economic and military assistance.

Mrs. HANSEN. Mrs. Reid, do you have any questions on East Asia?

Mrs. REID. I note you cite American aid as a major factor in the Burmese decision not to accept Communist military assistance. Is Burma accepting any economic aid from the Communist bloc? We discussed this before, but could you be more specific?

Admiral HEINZ. I would like to provide that for the record.

(Classified information was submitted to the committee.)

DEFICIENCIES IN THE EQUIPMENT OF ROK FORCES

Mrs. REID. In the Republic of Korea, you refer to "Deficiencies in the equipment of the ROK forces. "What kinds of deficiencies are there?

Admiral HEINZ. There are deficiencies in the equipment for ROK forces which MAP has not been able to provide in the past years. Among these shortages are ———.

GUERRILLA ACTIVITIES IN SOUTH KOREA

Mrs. REID. Admiral, you commented about the guerrilla activities in South Korea. How extensive are these activities? Are they increassing, or decreasing? Just how effective are they?

Admiral HEINZ. During 1967, there were 566 incidents, in contrast to 50 incidents in 1966, resulting from the infiltration into the Republic of Korea of teams of North Korean armed agents for the purpose of setting ambushes, laying mines, and performing raids near the demilitarized zone and engaging in other subversive activities in the interior of the Republic of Korea. As a consequence of these incidents, 131 military members of the U.N. Command and 22 ROK national police and other civilians were killed. Constant references to these incidents by the North Korean Government indicate that this type of porous war has been planned and directed from the highest level of that regime, and that it will continue.

One of the most frequently employed infiltration routes is across the demilitarized zone. North Korean armed raiders and reconnaissance teams—ranging from small groups of six to nine men up to a group of about 60, in one case—have entered the Republic of Korea by this route to attack UNC military and ROK police units and installations, and to conduct sabotage operations. It was one such group which attempted to assassinate the ROK President in January of this year.

During 1967, in addition to overland infiltration, numerous North Korean armed bands were landed from the sea in several areas in the southern part of the Republic of Korea. Once ashore, they attempted unsuccessfully to organize guerrilla activity. Nearly all of these infiltrators were captured, killed, or dispersed by the effective action of the Republic of Korea military forces, and most importantly, by the effective cooperation of the civilian population.

There is every indication that North Korean infiltration and activity in the Republic of Korea will continue in 1968. I would like to insert a table showing the number of incidents and casualties in the Republic of Korea.

(The table follows:)

	1966	1967
Significant incidents:		
DMZ area	37	445
Interior of ROK	13	121
Exchanges of fire:		
DMZ area	19	122
Interior of ROK	11	96
North Koreans killed within ROK	43	228
North Koreans captured within ROK	19	57
UNC personnel killed within ROK	35	131
UNC personnel wounded within ROK	29	294
ROK National Police and other civilians killed	4	22
ROK National Police and other civilians wounded	5	53

INTERNAL SECURITY PROBLEM IN THE PHILIPPINES

Mrs. REID. One of our objectives with respect to the Philippines is to help maintain internal security. What is the principal internal security problem in the Philippines today?

Admiral HEINZ. I would like to provide that for the record.

(The information follows:)

BACKGROUND

During the period 1950 to 1953, the armed insurgent element of the Communist Party of the Philippines (the Huks) launched a massive campaign to overthrow the Government of the Philippines. These efforts met with substantial results initially.

By 1953, the GOP began to regain balance and assume the offensive, and for the next 5 years, the Huks reverted to an inactive status.

By 1958, seeing that they were losing support, the Huks resumed para-military activities and embarked on a campaign of terror.

Through an intensive campaign, the Philippine Government was able to reduce the Huk armed dissidents to a strength of approximately 66 by 1960.

CURRENT SITUATION

In February 1967, it became apparent that Huk activities had once again assumed troublesome proportions in Central Luzon.

Current estimates of strength show 150 Huk regulars backed by some 900 active support elements and a mass base of 26,000 sympathizers.

Following overwhelming victory by his political party during the off-year elections in November 1967, President Marcos directed an all-out attack against the Huk insurgency.

This anti-Huk campaign appears to be progressing slowly but is showing results in the continued capturing or killing of known Huk leaders.

MAP

The current MAP program is designed to provide equipment and training suited to the maintaining of internal security.

Mrs. HANSEN. On page 41 it states. ———.

Admiral HEINZ. May I go off the record at this point?

Mrs. HANSEN. Yes.

(Discussion off the record.)

Admiral HEINZ. On the record. We have ——— in Greece; and we have access to ports and airfields in that country which we used during the Middle East crisis. We have about ——— personnel in Turkey as part of the NATO forces, as well as our own personnel and U.S. facilities. We have overflight privileges which would be very important ———.

OVERFLIGHT RIGHTS FOR ATOMIC WEAPONS

Mrs. HANSEN. On that point, how many overflight rights have we lost on account of atomic weapons? I know we have lost some.

Admiral HEINZ. ———.

Mrs. HANSEN. Do we have overflight rights in France?

Mr. WOLF. At the present time the French are authorizing overflights of France on a monthly basis.

Mr. HANSEN. That is a very "iffy" kind of business, is it not?

Mr. WOLF. There has been no major reduction in the general overflights.

Mrs. HANSEN. Has the problem been straightened out with Denmark, because of Greenland?

Mr. WOLF. I would like to provide that for the record.
Mrs. HANSEN. Please do.
(Classified information was submitted to the committee.)
(A recess was taken.)
Mr. PASSMAN. The committee will come to order.

ORIGIN AND OBJECTIVES OF PROGRAM FOR MALAYSIA

Admiral Heinz, yesterday we had a brief exchange about Malaysia. It is a new country out in the Far East, and it was born as Malaysia as such, in 1963. Is that correct?

Admiral HEINZ. It became independent in 1957 as Malaysia.

Mr. PASSMAN. Upon what basis did we go into that country with this military training program? Did they request that we provide training at our expense or did we ask them to permit us to do so?

Admiral HEINZ. Insofar as I know, they requested training and equipment to help defend their country against Indonesian attacks.

Mr. PASSMAN. Is it against any law that you know of to turn such requests down?

Admiral HEINZ. No, we do turn down requests such as this; and we did refuse the equipment.

Mr. PASSMAN. I'm talking about this program. Would there be any law violated if you said no?

Admiral HEINZ. No law would have been violated, but it was in our political interest to agree to training.

Mr. PASSMAN. That's what gets us into these messes all over the world. It looks as though we're determined to fool with everybody's business everywhere. What is the status of this country, are they Communists, neutral, pro-America, anti-America or what?

Admiral HEINZ. The government is pro-west, anti-Communist.

Mr. PASSMAN. Why do you say they are pro-West? What indications do you have? What alliances do they have?

Admiral HEINZ. Malaysia is a member of the Commonwealth. It has defense arrangements with the United Kingdom, Australia and New Zealand.

Mr. PASSMAN. Do we have to get into these——

Admiral HEINZ. We felt it was in our interest to give them a small training program, which has been limited to training in the continental United States. There is no intention of doing any more than that, nor has there ever been. We have no commitments to Malaysia.

Mr. PASSMAN. You don't think this implies a subsequent commitment if we invite them over for a military training program? You don't think that invites a followup?

Admiral HEINZ. It does not.

Mr. PASSMAN. You can't prove it. I'll say that to you, because Mr. McNamara made the same statement in previous years. It was a stock answer. He said that we could not establish for the record that it did lead to equipping nations. But if I were to take the time I could cut the page of the hearings and put it in the record. If they do not need the equipment and are not going to use it, then why train the men?

Admiral HEINZ. The training program is more than just training personnel in the use of equipment. It is a means of establishing relationships with the military of the various countries for which we have

training programs. It is a means whereby they come to understand the United States better.

Mr. PASSMAN. Couldn't you do that also through the clergy or the Salvation Army? Couldn't you do that through some other program rather than to get them into the military assistance program and familiarizing them with how easy it is to make war if they know how to use weapons?

Admiral HEINZ. It is the means of maintaining contacts with the military.

CONTACTS WITH NONMILITARY SEGMENTS OF MALAYSIAN SOCIETY

Mr. PASSMAN. Wouldn't we be better off to maintain contacts with some other segment of their society?

Admiral HEINZ. There are other contacts with different segments of the society, but these are not within my purview. The State Department has cognizance over this.

Mr. PASSMAN. What contacts does the State Department have, Mr. Wolf?

Mr. WOLF. I would have to provide that for the record.

(The information follows:)

The U.S. Government has a relatively small but effective mission in Malaysia under the direction of an ambassador. Official contacts with the Government of Malaysia are conducted by the Ambassador, the DCM and the political and economic officers. USIA officers and one agricultural attaché are in contact with other segments of Malaysian society and 513 Peace Corps volunteers are also working throughout that country. The commercial attaché keeps in close contact with U.S. businessmen in Malaysia and with the Malaysian business sector.

Mr. PASSMAN. What else do you know about them that is pro-West other than they are getting this free ride? Is there anything else you know that you can give them credit for?

Admiral HEINZ. They certainly have maintained a strong anti-Communist stance. Australia, New Zealand, and U.K. forces have been stationed in Malaysia.

Mr. PASSMAN. Let's talk about the United States.

Admiral HEINZ. The United States.

TENDENCY OF TRAINING TO LEAD TO MATERIEL PROGRAMS

Mr. PASSMAN. I am talking about pro-United States. Some of the countries you named are shipping stuff to Hanoi today, either directly or indirectly. They have not broken off trade relations. It was so established earlier. I could name a lot of countries that give us lip service but only five nations are assisting us in Vietnam. I want to find out who our friends are and find out why it's necessary for my country to get involved in these military entanglements because the record will show that training only programs develop into equipment programs in a great many instances. Don't you remember the exchange between the chairman and Secretary McNamara when he said "no," and do you remember 2 days later when we listed in the record the seven nations that had gone from training only to military equipment.

Admiral HEINZ. Yes.

LINE ITEM APPROPRIATION BILL

Mr. PASSMAN. Admiral, I'm sorry we had to get into this line of interrogation but I am pleased that you agreed a couple of days ago that you could live with a line-item bill.

Admiral HEINZ. With certain flexibility.

Mr. PASSMAN. We are going to give you a line item bill and whether the State Department likes it or not, or whether the military likes it or not, this program has to be brought under control. We are letting these little nations nickel and dime this country to death. If we don't do it in the economic program, we do it in the military program.

Admiral HEINZ. I indicated that we could live with a line item bill, but it was also mentioned that there would be a certain flexibility. We would need some flexibility.

Mr. PASSMAN. We could give the President a contingency fund and I'm going to recommend we include a certain percentage limitation to transfer it in and out, but there will be no military assistance programs starting in new nations unless they are first justified to the Congress.

Admiral HEINZ. The record will show that, over the past 5 years, we have been terminating military aid programs.

INITIATION OF AID TO MALAYSIA

Mr. PASSMAN. But starting it in others. The Malaysia program is only 3 years old. You have been in 80 nations with this military assistance program. How many countries are in the program this year?

Admiral HEINZ. The first aid to Malaysia was training provided in 1965.

Mr. PASSMAN. The same year they gained their present independence.

Admiral HEINZ. They were granted independence in 1957.

Mr. PASSMAN. That was a different nation, a different regime, and a different name. Let's talk about Malaysia.

Admiral HEINZ. As Malaya. It became Malaysia in 1963.

Mr. PASSMAN. I'm not interested in that. I'm interested in the nation that we are talking about today. You said 1965?

Admiral HEINZ. It was 1963, but the nation of Malaysia has been independent since 1957.

Mr. PASSMAN. Twenty-four months later you had a military program going.

Admiral HEINZ. We started a training program in 1965, and it is sttill a training-only program.

NEGOTIATION OF NEW PROGRAMS

Mr. PASSMAN. How long does it take to negotiate one of these deals where we solicit them or they solicit us for military assistance? How long does it usually require from the time the application is received until it is finally approved?

Admiral HEINZ. That would be impossible to estimate because it varies from country to country. It depends on the circumstances.

Mr. PASSMAN. Could you give us an approximate timespan from the time negotiations start until they're finalized—would you have anything to say on that, Mr. Secretary?

Mr. WOLF. I don't know the details.

Admiral HEINZ. I couldn't give you an estimate on that.

Mr. PASSMAN. Do you think it would be 2 weeks, 2 months, or 2 years?

Admiral HEINZ. It might take 6 months. It might take a year if we were to grant the request. It might take a shorter period of time, depending upon the circumstances.

Mr. PASSMAN. There must be some feelers put out first.

Admiral HEINZ. Yes, there always are negotiations.

Mr. PASSMAN. You move until you finally negotiate on agreement to provide certain aid. There is no way you can tell us approximately the time required?

Admiral HEINZ. I have no idea how much time elapses from when a training program is first mentioned until it is approved.

Mr. PASSMAN. It could have been the following day after they became Malaysia?

Admiral HEINZ. It was not the following day. It was 2 years after they became Malaysia.

Mr. PASSMAN. Couldn't you give us some more information? In some instances we already had people there and when the gavel fell we were right in line to make a commitment to the newly independent nation. Of course, sometimes we succeeded in getting ahead of other countries in the aid field and received permission from the mother country to give aid to their territory. Then when they become a nation we could say we were the first in with aid.

Admiral HEINZ. Are you implying that it is not a military assistance program?

Mr. PASSMAN. I wouldn't be a bit surprised. This program isn't any holier than other programs. If you think so, you had better go back and read the record, Admiral.

I don't think I'm pleasing any of you today with my type of interrogation but we are on the brink of a financial disaster in America, and it's one big mess, Admiral Heinz. I think the military contributed their full share to it but they are always the untouchable part of the budget. Unless I misread the record, if they need three, they buy five and later declare two excess. Either give it away or sell it for 4 percent on the dollar. I'm talking a little bit from experience.

I know how they operate, and I think you know that I know and I can be pretty critical about the military. Now that we are in a bit of trouble, I don't think my point is missing it's goal though, is it?

Admiral HEINZ. I recognize that you know what you are talking about.

Mr. PASSMAN. Thank you, Admiral. I salute you for that confirmation. I am going to make a statement off the record.

(Discussion off the record.)

NEAR EAST AND SOUTH ASIA AREA

RESTRICTED FUNDS

Mr. PASSMAN. Admiral Heinz, page 41 of the justifications also states that the cuts planned for fiscal 1968 in the military program for Greece and Turkey and anticipated funding stringencies may necessitate adjustments in MAP-supported forces in those countries.

Admiral HEINZ. That is correct. What we mean is——

Mr. PASSMAN. Let me get this in the record. You speak of anticipated funding stringencies may necessitate adjustments in MAP-supported forces for these countries. Now I don't think I have ever heard that word used before by the military before this committee. Have you used it before?

Admiral HEINZ. We could have. Which word is that?

Mr. PASSMAN. Stringencies. I understand contingencies, but what does stringency mean?

Admiral HEINZ. We institute common planning with Greece and Turkey——

Mr. PASSMAN. What would this word be the equivalent to so I could understand it?

Admiral HEINZ. Restrictions is another word, or tightness or lack of money.

Mr. PASSMAN. Anticipating a lack of money. Is that the way it would read?

Admiral HEINZ. May I explain? In 1966, we instituted joint planning.

Mr. PASSMAN. I'm talking about the wording of this statement. I understand what you are doing. I'm just trying to find out who thinks up these words. About two-thirds of those who read the record won't know what you are talking about. Let's use it in everyday language. What does that mean? You are going to have a shortage of funds?

Admiral HEINZ. Restricted funds.

Mr. PASSMAN. That sounds better. Now everybody can understand it. What are the anticipated fund restrictions?

JOINT PLANNING WITH GREECE AND TURKEY

Admiral HEINZ. About 3 years ago, 1966, we instituted joint planning with Greece and with Turkey in an attempt to have them take a very practical view of anticipated resources—their own and those the United States could apply—both ———. We anticipated at the time—for planning purposes only—that larger amounts would be available for future military assistance.

Mr. PASSMAN. For what countries?

Admiral HEINZ. Greece and Turkey. These are the countries to which this note applies.

Mr. PASSMAN. Last year the Congress made about a 33⅓-percent reduction in the military assistance program budget estimate. You applied, approximately, a ——— cut to Turkey?

Admiral HEINZ. We did.

Mr. PASSMAN. You had been anticipating cuts, is that right? You had been anticipating cuts and planned for realinement of the programs?

Admiral HEINZ. Are you talking about realinement in 1969?

Mr. PASSMAN. You missed the point, but you had previously given some thought to making adjustments in the military assistance program joint planning for Turkey and Greece?

Admiral HEINZ. In 1966.

Mr. PASSMAN. Yes; you anticipated some reduction, so when Congress made its reductions you then, based on the format you had previously established, reduced them ———.

Admiral HEINZ. No, that is not what I intended to indicate.

Mr. PASSMAN. That's what you get for putting these big words in here.

Admiral HEINZ. We anticipated, at the time, that certain MAP resources would be available over the planning period. The statement to which you refer deals with fiscal year 1969. At the time of the joint planning we did not anticipate cuts.

Mr. PASSMAN. I'm talking about fiscal 1968.

Admiral HEINZ. We had cuts in fiscal year 1968. In 1966, we were certainly not anticipating cuts of this magnitude in 1968.

Mr. PASSMAN. But you had previous discussions about the possible limitation of funds?

Admiral HEINZ. We did.

Mr. PASSMAN. That's the question I asked. Then when Congress finally made a one-third reduction, you applied ——— to the program request for Turkey?

Admiral HEINZ. Yes, that is correct.

Mr. PASSMAN. And Greece?

Admiral HEINZ. That is correct.

Mr. PASSMAN. In other countries you cut much deeper, and, in some you didn't cut at all.

Admiral HEINZ. That's correct.

MILITARY ASSISTANCE TO IRAN

Mr. PASSMAN. Admiral, the ——— million estimate for Iran should complete our military grant aid commitment, does it not, to that country?

Admiral HEINZ. That is the basis of the request.

Mr. PASSMAN. What has been the total amount of military assistance to Iran?

Admiral HEINZ. Including 1968, it is $811.6 million.

SOVIET-IRANIAN BARTER ARRANGEMENT

Mr. PASSMAN. Last year we disscussed in some detail the Iran-U.S.S.R. military sales agreement of approximately $110 million. What has been the effect of this agreement on our relationship with Iran, especially in the military assistance field?

Admiral HEINZ. It has had no effect in our relationship with Iran.

Mr. PASSMAN.———. Do you find him that way?

Admiral HEINZ. He has accepted no Soviet advisers with this equipment.

Mr. PASSMAN. Why did he buy his equipment from the Soviets if he doesn't have advisers?

Admiral HEINZ. The equipment was limited to vehicles, antiaircraft guns, and armored personnel carriers.

Mr. PASSMAN. That's the kind of equipment you make war with, isn't it?

Admiral HEINZ. It is, of course, military equipment.

Mr. PASSMAN. It's worth $110 million.

Admiral HEINZ. 110. It is a barter arrangement.

Mr. PASSMAN. What do you mean?

Mr. WOLF. If I may, Mr. Chairman. The Shah had natural gas flaring off of his oil wells, which was burnt off and wasted. He struck an agreement with the Soviets whereby he paid for this $110 million worth of relatively unsophisticated equipment with natural gas, which otherwise would have been flared off.

Mr. PASSMAN. Let's not let it appear any worse or better than it is. Regardless of whether it was gas or anything else, he placed an order with the Soviet Union for $110 million worth of military equipment.

Mr. WOLF. That's clear, sir.

SOVIET EQUIPMENT PROVIDED UNDER AGREEMENT

Mr. PASSMAN. That's all we want—to have the record clear. He wouldn't have purchased this equipment without some understanding about how it was to be used, would he? Do the Russians have such perfect equipment that Iran could use it without instruction?

Mr. KNAUR. Yes. It is very unsophisticated equipment like trucks and other types of vehicles for which no instruction was needed.

Mr. PASSMAN. And antiaircraft guns. That's pretty sophisticated isn't it? ———

Admiral HEINZ. He is not——

Mr. WOLF. We haven't ———.

Mr. PASSMAN. Not yet.

Admiral HEINZ. The Shah is still concerned about Russian expansionism.

TOTAL U.S. AID TO IRAN

Mr. PASSMAN. Evidently, he's very favorable to it, to start spending this amount of money with them. I guess we cannot do anything about it. What has been the total aid altogether, economic and military?

Admiral HEINZ. I'll provide it for the record.

(The information follows:)

LOANS AND GRANTS [1] TO IRAN

Cumulative U.S. loans and grants to Iran (net) through fiscal year 1967 are as follows:

[In millions of dollars]

Economic	761.1
Military	1,087.3
Total	1,848.4

[1] Includes AID and predecessor agencies, Food for Freedom, Export-Import Bank long-term loans, other U.S. economic programs, and the military assistance program.

DISTANCE BETWEEN TEHRAN AND MOSCOW

Mr. PASSMAN. What is the distance between the Soviet Union and Iran?

Admiral HEINZ. Iran has a common border with the Soviet Union.

Mr. PASSMAN. What is the distance between the capitals, from Tehran to Moscow?

Admiral HEINZ. We'll provide that for the record.

(The information follows:)

The distance between Tehran and Moscow: 1,335 nautical miles.

Mr. PASSMAN. Off the record.
(Discussion off the record.)

LEASED JAPANESE VEHICLES IN VIETNAM

Mr. SHRIVER. Is there any use by our troops in Vietnam of leased buses or leased equipment, not of American origin, such as buses made in Japan? Is there any such arrangements in Vietnam for the leasing of buses or trucks or four-wheeled vehicles?

Admiral HEINZ. I can't answer that, I don't know. We will find out and provide it for the record.

(The information follows:)

LEASING OF BUSES OF FOREIGN ORIGIN FOR USE IN VIETNAM

Off-base bus service for all U.S. Forces in Vietnam has been provided by the U.S. Army under leasing arrangements with foreign contractors. These leasing arrangements were considered to be the most economical method of providing service.

Competitive proposals for the leasing of buses for Vietnam for fiscal year 1969 are currently being evaluated. Requests for proposals were sent to 17 U.S. firms and many foreign firms located in the Western Pacific area.

In addition to the above, there has been occasional leasing of vehicles of foreign origin in Vietnam for special purposes.

Mr. SHRIVER. A member of the House asked that question of me and I said I would make inquiries here. There is a prohibition against the purchase of new cars and other equipment of that kind in this bill.

Admiral HEINZ. Yes, for the funds appropriated under the Foreign Assistance Act.

Mr. SHRIVER. I was wondering if there was any effort on the part of anyone in getting around that restriction?

Admiral HEINZ. I really don't know.

Mr. PASSMAN. Admiral Heinz, page 42 indicates that of the $176,390,000 estimate for the Middle Eastern area, investment costs are proposed at a level of $91,520,000, or approximately 52 percent. Is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. In addition to the three countries, in this area, how many countries receive military training only and in what amount?

Admiral HEINZ. Seven countries which are included in the area program receive training in the continental U.S. only and the amount is $901,000. In addition, Saudi Arabia has a training program, including overseas training totaling ——— thousands.

Mr. PASSMAN. Are any of the countries new in the program?

AID TO JORDAN

Admiral HEINZ. Jordan is new as a training only country. We have heretofore also been providing materiel to Jordan.

Mr. PASSMAN. We're still back in with materiel, aren't we?

Admiral HEINZ. We have had a suspension of deliveries of sales equipment to Jordan as well as programed but undelivered grant-aid materials.

Mr. PASSMAN. What is the difference? You are permitting shipments to be made into Jordan, are you not?

Admiral HEINZ. We are. That has just been accomplished.

Mr. PASSMAN. I think we have a very substantial economic aid program for Jordan, do we not?

Admiral HEINZ. We have had an economic program.

Mr. PASSMAN. I believe that is the country that they say is not self-sufficient and will not be self-sufficient in the foreseeable future. Is that correct?

Admiral HEINZ. I would have to refer to the AID presentation for an answer to that question.

Mr. WOLF. If I may make a comment, Mr. Chairman. The arms purchases——

Mr. PASSMAN. Let me get my answer first, Mr. Secretary. I asked if it is not true that it has been said before many times that Jordan is not self-sufficient and will not be in the foreseeable future and they can only survive with outside aid? Is that your understanding?

Mr. WOLF. That will be so for some time. If I may go on sir. The Jordanian purchases of military equipment from the United States are being funded by loans made to Jordan, or grants made to Jordan by other Arab countries. It has not been coming from Jordan's own resources.

Mr. PASSMAN. Let's put into the record at this point the total aid we have given to Jordan. Do you have that information?

Mr. WOLF. We will provide it.

Admiral HEINZ. Total aid is $622 million.

Mr. PASSMAN. Is that military, or total?

Admiral HEINZ. Total.

Mr. PASSMAN. Through what year?

Admiral HEINZ. Through 1967.

Mr. PASSMAN. And you would have to add fiscal 1968 to get the grand total. Wouldn't you?

Admiral HEINZ. That is correct.

NESA AREA COUNTRY ASSISTANCE TO UNITED STATES EFFORT IN VIETNAM

Mr. PASSMAN. How many of the 11 countries in this area, that are programed to receive some type of military grant assistance from us, are giving us any assistance in South Vietnam?

Admiral HEINZ. None of them have any troops in Vietnam.

Mr. PASSMAN. The answer is "No." There are no countries making any cash contribution toward our effort in South Vietnam; is that correct?

Admiral HEINZ. I'll have to check on the cash contributions.

Mr. PASSMAN. None of these countries have a single troop in South Vietnam, is that correct?

Mr. KNAUR. Yes.

Admiral HEINZ. Iran has a 20-man medical team working in South Vietnam. Greece, Iran, and Turkey have all provided some types of supplies to Vietnam.

Mr. PASSMAN. There is no military personnel from any of these countries functioning with our frontline forces in Vietnam?

Admiral HEINZ. That is correct.

Mr. PASSMAN. It may be there is conceivably a 20-man medical team out of Iran and they are civilians, are they not?

Admiral HEINZ. I'll have to find out.

Mr. PASSMAN. You don't know of even one military man?

Admiral HEINZ. The medical team could be military.

(The information follows:)

IRAN'S MEDICAL TEAM IN SOUTH VIETNAM

Iran has a 20-man medical team in South Vietnam, sponsored by the Iranian Red Cross. It is basically civilian, although some Iranian military doctors have served a tour with it.

Mr. PASSMAN. This record is just as good for you as it is for the Congress and the country to show how stupid we have been. The chips are down and we just don't get any help. That has been established time, and time again, since we started these hearings.

PROGRAM FOR GREECE

The first country is Greece, for which ——— millions is requested for fiscal 1969, which is ——— the current program, correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. That makes a percentage ——— of what? You can put that in the record.

(Classified information was submitted to the committee.)

TERMINATION OF ECONOMIC AID FACILITATED BY MILITARY ASSISTANCE

Mr. PASSMAN. So many times your counterparts in the economic giveaway section will shore up their position by pointing out that we no longer give economic aid to certain countries. Then we look on the other side of the ledger and we find that we are giving military assistance to that same country. Do I understand the procedures in these countries well enough to say, and have you confirm, that almost all countries contribute a percentage of their receipts to their military forces?

Admiral HEINZ. To their own defense; yes.

Mr. PASSMAN. So it only follows that if a country could pick up the cost of their military forces on a grant aid basis, that would release to that country their own resources to do what they want to with them, would it not?

Mr. KNAUR. Yes, sir.

Admiral HEINZ. Where there is military assistance——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

Admiral HEINZ. When they receive military assistance they have additional resources to spend in their own economic sector.

Mr. PASSMAN. And to make a point, and I won't cite any particular country at this time, if—and I want to be sure that "if" is in there—the economic aid section wanted to show how successful their program had been by concluding it, and we go right over and increase the military assistance they then can use their own resources for economic development. It would look good on the record, would it not?

Admiral HEINZ. If that were the case it would look good for AID; however, we are not increasing our program.

Mr. PASSMAN. Thank you. You answered my question.

The AID agency points out that this has been one of the successful countries of the AID program and that she no longer receives economic assistance. That is a good statement but Greece is still a recipient of a substantial amount of military assistance, is she not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. And if we provide military assistance, as you confirmed, that would release their own resources to do more of the things that they want to do in the economic sector. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. That's a very factual, informative, and intelligent answer. Thank you. We have known that all along, but to have a man of your knowledge, experience, and stature affirm it, helps the committee.

U.S. REACTION TO MILITARY COUPS

Are we, more or less, just handling Greece like we have handled all other countries in the world where they have had a coup? You know there have been times where we supported a certain government and there would be a coup and it would take us only until 10 o'clock the following day to recognize the new government. I think one time we may have moved a little quicker and got to it just a little after midnight after the head of state had been assassinated. In this country we have been a little slower. We let the military regime take over; but we have suspended deliveries, have we not?

Admiral HEINZ. Yes; we did.

Mr. PASSMAN. You still have the same regime running the country?

SUSPENSION OF DELIVERIES TO GREECE

Admiral HEINZ. We suspended delivery of some major items of equipment, but not all deliveries. I want to make that clear.

Mr. PASSMAN. What is a major item?

Admiral HEINZ. The major items suspended include such materiel as tanks, ships, and aircraft.

Mr. PASSMAN. For all purposes and intent, and to impress Mr. and Mrs. America.

Admiral HEINZ. A delivery——

Mr. PASSMAN. I'm not sure you are answering the question, unless you want to get down to the number of shotguns you sent there?

Admiral HEINZ. We suspended delivery of selected major items.

Mr. PASSMAN. What did you program? That might be a shorter list.

Admiral HEINZ. The program includes the items suspended, as well as other——

Mr. PASSMAN. I know that. What are the items?

Admiral HEINZ. Communications equipment, vehicles, small weapons, individual weapons, engineering equipment, spare parts and training. These are examples.

Mr. PASSMAN. You've had a tight fiscal year 1968 military assistance program?

Admiral HEINZ. Yes.

Mr. PASSMAN. We suspended major items of equipment deliveries to Greece.

Admiral HEINZ. Yes; for selected major items.

VALUE OF CURRENTLY SUSPENDED ITEMS

Mr. PASSMAN. At the same time you programed out of this appropriation major military items for Greece, did you not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What is the dollar value of those items in the fiscal year 1968 and prior year programs for Greece that are currently suspended?

Admiral HEINZ. I will have to supply that for the record.

(A classified listing was submitted to the committee.)

PRESENT GREEK REGIME

Mr. PASSMAN. This is not an absolute fair shake to Mr. and Mrs. America. We cut back on the program and you say it is tight and we are no longer shipping major items to Greece. But you turn around and take the reduced appropriation and reduce it even further by programing major items to Greece. The regime operating now is the same one that overthrew the civilian government. I believe we finally recognized them, did we not?

Mr. WOLF. We are in diplomatic contact with the government.

Mr. PASSMAN. At what level?

Mr. WOLF. Our Ambassador and the ruling authorities.

Mr. PASSMAN. I want to commend you for taking a little longer to accept that regime that overthrew a civilian government than we did others.

Mr. WOLF. If I may, Mr. Chairman, our purpose and policy has been to press them to restore constitutionalism and democratic freedoms, since the day of the coup.

Mr. PASSMAN. Is that the way they do things, take a perfectly legitimate civilian government and overthrow it. We reprimand them, then we accept them and say, all right, let's make some reforms. That doesn't erase the intent and purpose in the beginning, does it?

PURPOSE OF PARTIAL SUSPENSION OF DELIVERIES

Mr. WOLF. We demonstrated our concern by suspending the delivery of major military assistance items.

Mr. PASSMAN. Then we started right back funding the same regime, didn't we?

Mr. WOLF. We continued funding for them but we had told them that closer relations on the military side, the resumption of major items, will depend upon them making further progress toward restoring constitutionalism and democratic progress.

Mr. PASSMAN. Are we making deliveries now?

Mr. WOLF. Not of major items of equipment.

Mr. PASSMAN. But we are making deliveries of a type of equipment previously referred to by, I believe, Admiral Heinz. We are continuing to deliver certain items to Greece?

Admiral HEINZ. We are doing that.

UNEXPENDED BALANCE IN PROGRAM FOR GREECE

Mr. PASSMAN. What is the unexpended balance to the credit of Greece? Give it to us as of June 30, 1967.

Admiral HEINZ. $126.9 million. Deliveries in 1968 will depend upon the action taken with respect to lifting of the suspension.

Mr. PASSMAN. If you are funding a country program, you take it out of the appropriated funds, do you not? If you were programing major military items for Greece, you have to debit the allocation in the same amount, do you not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. On that basis what do you anticipate?

Admiral HEINZ. If suspension of deliveries is lifted?

FISCAL YEAR 1968 GREECE PROGRAM

Mr. PASSMAN. I am asking about how much you will have allocated and will be available to their credit if you continue to operate as you are now?

Admiral HEINZ. If we fund all the items contained in the program, the amount will be ——— million for fiscal year 1968.

Mr. PASSMAN. Is there some uncertainty about whether or not you are going to start making deliveries?

RESTORATION OF CONSTITUTIONAL GOVERNMENT

Mr. WOLF. This would depend upon the progress they make toward restoring constitutionalism and democratic freedoms. They have set a plebiscite on the constitution for September 1 of this year.

Mr. PASSMAN. Was it a nondemocratic act on their part to start with, to overthrow this friendly, pro-Western government?

Mr. WOLF. This was not in accordance with their own constitution.

Mr. PASSMAN. Was it in accordance with our policy of helping governments?

Mr. WOLF. No, sir.

Mr. PASSMAN. In other words, you are taking ——— ambitious military people and your program would be to reform them enough to accept constitutional government. They didn't believe in it at the time they overthrew the constitutional government. Is that a pretty good evaluation of it?

Mr. WOLF. We think the main interest of the United States lies in getting that constitutionalism, restore it.

Mr. PASSMAN. I agree with you on that but you ducked the question. Our policy is to try to reform these people and teach them the meaning of a constitutional government. It that right?

Mr. WOLF. Sure.

Mr. PASSMAN. After we have taught them this lesson they are going to return this military government to the original constitutional government they overthrew.

Mr. WOLF. We will have to see.

Mr. PASSMAN. If you can reform them so that they will accept their own constitution or meaning of a constitutional government, if they have been reformed and actually believe that way, shouldn't they be

the first one to return the military government to the constitutional government they wrested it from?

Mr. WOLF. The proposal is that a new constitution could well be democratic in its nature and an improvement over the old constitution. I am not a fit person to judge that. That is for the Greek people to judge, Mr. Chairman.

Mr. PASSMAN. You said earlier we are trying to teach them the meaning of constitutional government. If you are going to let them come up with something that fits their way of thinking, to fit their own purposes, then it simply means that we have accepted their regime and there will be an effort made to return to the constitutional government which we praised so long, so loud, and so highly.

FULL RESUMPTION OF DELIVERIES

Mr. WOLF. The final judgment will be ours as to whether or not we restore shipments.

Mr. PASSMAN. I can only say this. We are fairly easy to satisfy. We may hold up deliveries temporarily but we are anxious to give this stuff away. And we really are pretty blind to some of the facts of life. Now, of the ——— million that you have allocated for major equipment to Greece, you don't know that there will be any deliveries made before the end of the fiscal year?

Admiral HEINZ. Deliveries are being made at the present time, Mr. Chairman.

Mr. PASSMAN. You said not on major equipment.

Admiral HEINZ. Not on major equipment.

PURPOSE OF CONTINUING GREEK PROGRAM

Mr. PASSMAN. That is what I am talking about, the ——— million, how much of that is major equipment?

Admiral HEINZ. I will provide that for the record.

Mr. PASSMAN. How much of it is minor equipment? Couldn't we, during that period of tension and uncertainty, when were were chatising the military regime for overthrowing what we thought was a model government headed by this young king and queen, have dispensed with programing major equipment in fiscal year 1968 until this thing had been straightened out?

Admiral HEINZ. We could have followed that policy.

Mr. PASSMAN. And given it to some nation that we know very well is going to stick. Why wouldn't we give it to a nation like Nationalist China that we know very well is going to stick with us in the pinches?

Admiral HEINZ. Greece is still a very solid member of NATO and it is in our interest to have a NATO defense.

Mr. PASSMAN. Didn't we condemn these people for overthrowing the constitutional government and did we not break off diplomatic relations with these people?

Mr. WOLF. We did not break relations, sir. We suspended them.

Mr. PASSMAN. What is the difference between suspending diplomatic relations and breaking them? It is still the same government we are trying to reform, is that right?

Mr. WOLF. That is the same government.

Mr. PASSMAN. Thank you, very much. It appears to me that if you just had to give this money away you might as well have given it to the countries that have proven or may prove to be our friends if we give them an opportunity.

SUSPENDED ITEMS, FISCAL YEAR 1969 AND PRIOR YEARS

We suspended delivery of major equipment which you have not yet resumed. I believe that is a correct statement. Let's put in the record the total to their credit at the time we suspended deliveries of major items and the amount that you allocated, and then under that breakdown and furnish the amount of the major undelivered items and the allocated major items that you are putting in the pipeline for delivery, if we decide to resume deliveries.

(Unclassified information follows and additional classified material was submitted to the committee.)

SUSPENSION POLICY FOR GREECE MAP

The "selective suspension" policy for Greek MAP, initiated shortly after the April 21, 1967, coup, suspended delivery of six general categories of major items. These were: aircraft, ships, missiles, tanks, armored personnel carriers, and tank recovery vehicles. The policy also stated that items in these categories, plus weapons and ammunition, would be considered on a case-by-case basis when ready for shipment. Subsequent decisions have led to suspension of additional items, as they become ready for delivery, including: tank ammunition, heavy artillery weapons, and antiaircraft guns. The general aircraft suspension policy has led to suspension of training and transport aircraft, as well as combat aircraft, as they became ready for delivery. Deliveries of items not initially suspended, or added to the suspended list on a case-by-case basis, have continued.

Some major items, which are currently on the suspended list, are included in the fiscal year 1969 Greek MAP plan. These are long leadtime items which require 18 to 24 months to procure after they are in effect "ordered" with MAP funds. All are items needed for the continuing program of modernization of Greek forces. Greece is maintaining her NATO commitments, and her geographical position in the eastern Mediterranean makes her strategically important ———. In addition to strengthening Greek forces in support of NATO, ———. The long leadtime items are included in the fiscal year 1969 program in order for procurement to proceed in an orderly manner. They would normally be ready for delivery 1½ to 2 years from now.

The major items undelivered on June 30, 1967, and in the fiscal year 1968 and fiscal year 1969 programs, which have been or would be suspended from delivery to Greece if the current suspension policy does not change, are annotated in the attached summaries of the program.

Mr. PASSMAN. We are getting the grand total of the amount on hand at the time we suspended deliveries and the new allocation, what part represented minor items and what represented major items in which we are not making deliveries on. Is it clear enough?

Admiral HEINZ. Yes; to include the 1968 program.

EXCESS STOCKS IN GREEK PROGRAM

Mr. PASSMAN. Yes. Now, this country in the past received a very substantial amount of excess stock equipment, did it not?

Admiral HEINZ. Yes.

Mr. PASSMAN. Would you put the total in the record, as well as the amount to their credit at the time you suspended deliveries of major items, and the anticipated amount that you are going to build up to their credit when we start deliveries? You have an estimate on that,

don't you? Excess stock usually goes along with military equipment. We give them so much excess, isn't that the program?

Admiral HEINZ. Yes. That is correct.

Mr. PASSMAN. In some cases, the excess is part of the breakup pattern. Put it in if you will.

(The information follows:)

EXCESS STOCKS FOR GREECE

At the time of the Greek suspension, excesses at the acquisition value of $153,194,000 had already been delivered to Greece. The undelivered excesses at the time of suspension were valued at ——— million.

PURCHASE OF U.S. MILITARY EQUIPMENT BY IRAN

Mr. PASSMAN. You have testified to, or I read, that Iran would purchase, I believe, in the neighborhood of ——— million of military equipment from us by 1970.

Admiral HEINZ. It could be higher than that, Mr. Chairman, if you go to 1970. We have not yet reached an agreement——

Mr. PASSMAN. In other words, this is in the negotiation stage. They may buy this much or more or may not buy anything?

Admiral HEINZ. We don't know——

Mr. PASSMAN. Is that a fair statement? They may buy this or more or may not buy anything. Is that right?

Admiral HEINZ. ———. I don't know whether the statement as to ——— million is correct or not.

Mr. PASSMAN. I have accepted that. But I want the record to show it may be ——— million, it may be more, it may be less and it may not be even anything. They may change their minds.

Admiral HEINZ. We know that they have purchased from us in the past.

Mr. PASSMAN. I know they have, too.

Admiral HEINZ. Your question was directed to the period through 1970, is that correct?

Mr. PASSMAN. Let's read in the record what your own justification is. This is from your own justifications of last year. The agreement as amended ——— also provides for Iranian purchases from the United States of up to ——— in military equipment between ———. May I say I hope they don't go through with it. Our experience in this Nation, like a lot of the others, is they are pretty small on buying, pretty quick on accepting, and pretty slow on paying.

Mr. WOLF. If I may, Mr. Chairman, on the sales program.

Mr. PASSMAN. Did I read that into the record correctly, verbatim, right from the justifications?

Admiral HEINZ. Yes; you did.

Mr. PASSMAN. Thank you.

Mr. WOLF. I think Mr. Nitze testified the other day there had been no real defaults on the sales program.

AGE OF MILITARY CREDIT SALES PROGRAM

Mr. PASSMAN. How old is this military sales program?

Admiral HEINZ. Section 408(e) of the Mutual Defense Assistance Act of 1949 provided for sales for cash to eligible foreign govern-

ments. The military credit sales program as we know it today stems from the Mutual Security Act of 1954, as amended.

Mr. PASSMAN. What has been the credit sales per year since its inception? Would you put that into the record?

Admiral HEINZ. We'll put that in the record.

(The information follows:)

Credit sales by fiscal year since inception

[In millions of dollars]

Fiscal year	*Credit sales*
Actual:	
1955	15.0
1956	0.8
1957	53.2
1958	91.2
1959	12.4
1960	21.5
1961	17.8
1962	97.1
1963	109.5
1964	76.3
1965	124.3
1966	320.0
1967	341.3
Estimate:	
1968	262.3
1969	296.0

TENDENCY OF LOAN RECIPIENTS TO DEFAULT

Mr. PASSMAN. I can only say, please give them time to default. It has to come due before there can be a default. I don't know all the details of your program. In the economic assistance program we give them a 10-year grace period before they even start paying. Then if they get delinquent we do what we call the "rollover." That means bringing them up to date. Even if they are past due the account is then current. They've got more gadgets for keeping these loan accounts current than Carter has pills.

AID TO SAUDI ARABIA

Now, at the expense of being repetitious, and to verify it again, I believe that for Saudi Arabia you have an ——— thousand training program scheduled for fiscal 1969, is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Don't you think they ought to be giving us some aid rather than this country giving them aid on account of all the oil they have out there?

Admiral HEINZ. The major portion of this program is devoted to support of our training mission.

Mr. PASSMAN. Why don't we let them pay for them? These people are waxing in wealth from oil.

Admiral HEINZ. They assist in supporting the training mission.

Mr. PASSMAN. I am talking about this ——— thousand. Why don't they pay for it? This is almost ——— million. To me, that is money. Those people are almost floating in oil.

Admiral HEINZ. They do have quite a bit of oil.

Mr. PASSMAN. Why belabor it; we just seem to try to find some way to give our money away. Do you foresee any increase in this program in the foreseeable future, Admiral?

Admiral HEINZ. On the contrary, I see a decrease.

FISCAL YEAR 1969 PROGRAM FOR TURKEY

Mr. PASSMAN. Now the next country in this area is Turkey, for which the fiscal 1969 estimate is ——— million, is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. An increase of $——— million above the current budget, is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Would you place a table in the record showing how much of the 1969 estimate is for investment and how much is for operating costs?

Admiral HEINZ. I will.

(The table follows:)

FISCAL YEAR 1969 TURKEY MAP

The fiscal year 1969 MAP for Turkey is distributed as follows:

	Dollars in thousands
Investment costs	Deleted
Operating costs	Deleted
Supply operations costs	Deleted
Total fiscal year 1969 program	Deleted

Mr. PASSMAN. Also the amount of excess stocks we propose to furnish to Turkey in fiscal year 1969 and the acquisition costs.

(Classified information was submitted to the committee.)

Admiral HEINZ. These will be at acquisition costs.

MAJOR AND MINOR ITEMS

Mr. PASSMAN. And it would include all of what you refer to as major items. We are trying now to separate major and minor, but it takes all types to make war or set up a defense, does it not? And when the chips are down one is just about as important as the other.

Admiral HEINZ. Both are important.

Mr. PASSMAN. You couldn't do much with one without the other.

Admiral HEINZ. You can't do without spare parts.

Mr. PASSMAN. I am not talking just about spare parts. You included trucks awhile ago. In one country where you did not deliver major items you said you delivered trucks. I don't want the record to show they are only spare parts. Minor items are more than just spare parts.

Admiral HEINZ. All major items were not suspended. I said we suspended delivery of selected major items.

Mr. PASSMAN. You are throwing in another tentacle. And that is selected major items. On each country we have examined let's include the value of nonselected major items, especially Greece. We want three tables: Selected major items, Nonselected major items, and minor items.

Admiral HEINZ. Certainly.

(Classified tables were submitted to the committee.)

Mr. PASSMAN. Are those the only three categories?

Admiral HEINZ. The only place where we have suspended deliveries on a selective basis is Greece.

Mr. PASSMAN. You have selected, nonselected, and minor items.

SUSPENDED AND NONSUSPENDED ITEMS

Admiral HEINZ. We have suspended delivery of selected major items to Greece. We are continuing delivery of all other items.

Mr. PASSMAN. What are the other items?

Admiral HEINZ. I mentioned categories of equipment.

Mr. PASSMAN. Put them in the record. I think you are delivering major items and you call them nonselect. Does that mean if you roll up about three together it would be nonselect, and select if you separate them?

Admiral HEINZ. I gave you a list of the types of items we had suspended delivery on, and also a list of the items on which we have not suspended delivery.

SELECT AND NONSELECT ITEMS

Mr. PASSMAN. But you brought in this nonselect category. I don't see how you could have two categories of major items—select and nonselect. You deliver the nonselect and you don't deliver the select. Who decides what is select or nonselect, and whether they could use nonselect items without the select items, or whether they need minor to go with nonselect to make a complete unit?

Admiral HEINZ. The suspension was a suspension of selected major items.

Mr. PASSMAN. I was getting ready to move on to another country when you brought in this nonselect items that you were delivering.

Admiral HEINZ. I didn't want the record to show nor did I mean to imply, that none of the items being delivered could be considered major items or that we were delivering only minor items.

Mr. PASSMAN. What are you delivering—major items, select or nonselect? We agreed earlier that you are delivering to Greece minor items. Then we got into two other categories of major items, nonselect and select. Are we delivering the select or the nonselect to Greece against this allocation?

Admiral HEINZ. Delivery of selected major items of equipment is still suspended. We are continuing to deliver other items.

Mr. PASSMAN. Nonselect major items?

Admiral HEINZ. All other items.

Mr. PASSMAN. Does that include nonselect major items?

Admiral HEINZ. It includes major items the delivery of which was not suspended. I would consider it ——

Mr. PASSMAN. You did not suspend delivery of all major items?

Adimarl HEINZ. We had a selective suspension.

Mr. PASSMAN. That's what I am trying to find out. There is a category of major items, some of which you have suspended delivery and some you didn't. Is that a fair statement?

Admiral HEINZ. That is correct.

Mr. PASSMAN. That further confuses it.

AIRCRAFT FOR TURKEY

Now, Admiral Heinz, I note from the data in the committee files that the Turkish MAAG was concerned that the effect of the reduced fiscal year 1968 program would allow the procurement of only ——— aircraft instead of the ——— requested last year. However, I note you have in the fiscal year 1968 program ——— aircraft that you did not justify last year. Have I stated that correctly?

Admiral HEINZ. You have.

Mr. PASSMAN. You also did not justify last year, two additional ——— aircraft, is that right?

Admiral HEINZ. There is a ——— aircraft which includes ——— aircraft.

Mr. PASSMAN. That means Defense procured more aircraft than they needed. They declared them excess and you allocated these to the Turkey program? It is part of the total you need for the future?

Admiral HEINZ. It means that these aircraft became excess and available for delivery to Turkey. We could therefore include in the decreased program a ——— are a part.

Mr. PASSMAN. Did you establish a need for these aircraft subsequent to the justification last year?

Admiral HEINZ. The need was established subsequent to the justification last year; and, in continuing negotiations as to what aircraft could be provided, we found that the ——— aircraft were becoming available. They were made available from excess.

Mr. PASSMAN. Even though they were becoming available as excess stocks, you debited the allocation at the acquisition cost, did you not?

Admiral HEINZ. The acquisition cost of the aircraft is listed as the value of excess materiel.

Mr. PASSMAN. I know that, but did you actually take the excess aircraft and fund them out of the allocation?

Admiral HEINZ. We funded the repair and rehabilitation out of the allocation.

OBSERVATION AIRCRAFT IN FISCAL YEAR 1969 PROGRAM

Mr. PASSMAN. I notice from the section 634(d) report that you deleted ——— observation aircraft from the fiscal 1968 program but programed 52. How many observation aircraft do you have in the 1969 budget?

Admiral HEINZ. ———.

Mr. PASSMAN. So you deleted ———, programed ———, and then added ——— for 1969. Is that correct? Supply it for the record.

(The information follows.)

GENERAL AIRCRAFT FOR TURKEY IN FISCAL YEAR 1968 MAP

The fiscal year 1968 program for Turkey originally included ——— observation aircraft but this number had to be cut to ——— as a result of reduced appropriations for fiscal year 1968. ———. The program content of the fiscal year 1969 program was established before final action on the fiscal year 1968 appropriations.

Mr. PASSMAN. On page 52 of the justification, it indicates the fiscal 1969 program includes a program for———. Is that correct?

Admiral HEINZ. Yes; it is.

Mr. PASSMAN. Where is this indicated on page 53 and what is our share of the total cost?

Admiral HEINZ. It is included in the item of———million for ships, including spare parts.

ARMS SHIPMENTS TO INDIA AND PAKISTAN

Mr. PASSMAN. I believe under legislation enacted last year, we do not ship lethal arms to India and Pakistan. Is that correct?

Admiral HEINZ. No; that is not right.

Mr. PASSMAN. Is it accomplished by a directive of the Executive that we wouldn't? Is that policy still in effect?

Admiral HEINZ. Policy concerning the shipment of arms to India and Pakistan was changed last April. The question that comes up is whether we supply lethal equipment or spares for lethal equipment.

Mr. PASSMAN. Do you mean to imply that the policy has been changed so that you can now ship lethal arms to Pakistan and India, or is the policy still in effect?

Mr. WOLF. Mr. Chairman, we have not sold any lethal arms to India or Pakistan.

Mr. PASSMAN. I did ask you for policy. I didn't ask you whether you did or didn't. I asked you if the policy is still in effect that you cannot.

Mr. WOLF. We can ship spare parts.

Mr. PASSMAN. How about lethal weapons as such.

Mr. WOLF. No, sir.

Mr. PASSMAN. Is that you understanding?

Admiral HEINZ. Yes, sir.

ITALIAN SALE OF TANKS TO PAKISTAN

Mr. PASSMAN. Let's see how we can get around this thing. This is from the Military Export Reporter, dated April 4, 1968: "Fiat receives United States Approval To Sell Tanks."

> Fiat of Italy has received U.S. permission to sell 100 reconditioned M–47 Patton tanks of U.S. origin to Pakistan (Reporter, p. 79). The M–47 will replace Pakistan's M–24 Chaffee armored cars and replenish its tank fleet which had been substantially reduced during the India-Pakistan war of August 1965.
>
> Although this sale represents the first shipment of lethal U.S. arms to Pakistan since the American ban of August of 1965 on such shipments to India and Pakistan . . .

If that isn't actually getting around the directive, then I don't know.

Mr. WOLF. If I may speak to that, if I heard the report correctly——

Mr. PASSMAN. Look at it.

Mr. WOLF. ———.

Mr. PASSMAN. That's what you call after the fact and not before.

Mr. WOLF. Excuse me. There was consultation, I believe, with both the appropriate subcommittees of the Senate Foreign Relations Committee and the House Foreign Affairs Committee on this point. The policy which we had, while it does not permit us to sell additional arms to India or Pakistan, does not forbid us on a selective basis to agree to the shipment of arms of U.S. origin on which we have kept a string, which have been in the hands of other countries, provided that the provision of those weapons would, in our judgment, hold down the economic impact and act as a restrainer in the arms race and the general area.

Mr. PASSMAN. Mr. Secretary, I am not quarreling, even if you put gold chains on them. I am just indicating for the record that we never mean what we say. We just established for the record that the policy was still in effect that we would not ship lethal arms to Pakistan and India; then we read an excerpt from the Military Export Reporter, dated April 4, page 103, that we were doing indirectly what our policy directive said we would not do. That's what I want the record to show.

I bet you could put 45 pages of policy in the record as to why we are doing it. I only want to say for the record, without intending to be critical but only to be factual, that we never mean what we say. We make a decision that looks good to Mr. and Mrs. America, and then turn around and either find some way to violate it or let some other nation find a way to violate it and ship our equipment in, which is just as good as if it were brand new.

That's all I want to show for the record.

Let's read the last paragraph, too. On page 103 of April 4, 1968, "Military Export Reporter":

The U.S. raised no objections to the sale since India had been procuring arms from the Soviet Union for some time and the balance of arms in Southeast Asia could stand some adjustment in Pakistan's favor.

Mrs. REID. I have only one question in connection with two countries in this area; namely, Greece and Turkey.

You say that we have ——— in Greece and Turkey. With what other countries covered by the MAP do we have ———.

Admiral HEINZ. I would like to provide that for the record.

(Classified information was submitted to the committee.)

MILITARY ASSISTANCE TO AFRICA

Mr. PASSMAN. All right. Admiral, we will now consider the military assistance program for Africa. I believe for this area the fiscal 1969 estimate is $23,691,000, an increase of $3,071,000 over the 1968 program. Is that correct?

Admiral HEINZ. $3.1 million is correct.

Mr. PASSMAN. I have $3,071,000.

Admiral HEINZ. Yes.

Mr. PASSMAN. Which of the 10 countries in this area, to whom we are giving assistance, are programed to receive military assistance in fiscal 1969 that is greater than the current program for fiscal 1968? Do you have that or would you like to put it in the record?

Admiral HEINZ. I have it, but I would like to put it in the record.

(The information follows:)

AFRICA MILITARY ASSISTANCE PROGRAMS, FISCAL YEAR 1968 AND FISCAL YEAR 1969

[In thousands of dollars]

Country	Fiscal year 1968 program	Fiscal year 1969 proposed program
Africa area (CONUS training)	287	473
Congo	----	----
Ethiopia	----	----
Morocco	----	----
Tunisia	----	----

Mr. PASSMAN. How many countries received training-only programs in fiscal 1969?

Admiral HEINZ. Five, plus those countries which may be represented in the African military leaders visits.

DISTINGUISHED AFRICAN MILITARY LEADERS (DAML) PROGRAM

Mr. PASSMAN. Last year, you requested $100,000 for orientation training for distinguished personnel in the military forces of emerging African nations, and that is the same amount you are requesting for fiscal 1969 for the same purpose; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. When you bring these VIP's or distinguished personnel to this country, what are they exposed to?

Admiral HEINZ. First of all, they are exposed to the United States.

Mr. PASSMAN. How long do you keep them here?

Admiral HEINZ. They are exposed to our schools. They meet many people of importance in the United States. They are here from 2 to 4 weeks.

Mr. PASSMAN. That's not my question at all. I asked you what you exposed them to—is it only military or is it our civilian free enterprise system?

Admiral HEINZ. We try to expose them to a broad segment of U.S. life, not just the miliary. It centers around the military, but their exposure is not restricted to military.

Mr. PASSMAN. Have you spent all this money just programing——.

Admiral HEINZ. We didn't spend it all last year.

Mr. PASSMAN. What type of important personnel did you bring over?

Admiral HEINZ. These personnel are selected by our Ambassador, whose choice is usually approved by the President of the country. They are people with whom it is important to us to have relationships——.

Mr. PASSMAN. I don't want policy. I want to know what the facts are. Who did you bring over here? Let's pick out a country now and find out who you brought over here.

Admiral HEINZ. The prospective chiefs of staff, the——.

Mr. PASSMAN. What we are trying to do is take one country and find out who you brought over, what it cost us, and the title of the man at the time he came over.

Admiral HEINZ. I'll put that in the record.

(The information follows:)

DISTINGUISHED MILITARY LEADER AND ORIENTATION/TRAINING VISITS

FISCAL YEAR 1968 PROGRAM

The distinguished African military leaders program includes visits of two categories.

Distinguished military leader visits—planned:

Ivory Coast—Minister of armed forces, Ivory Coast M'Bahia Ble (accompanied by the deputy chief of staff, Ivory Coast armed forces and a senior staff assistant of the ministry of armed forces).

Other visits initially planned for fiscal year 1968 have been deferred. Planning for senior personnel (DAML) is necessarily tentative. The high stature of these individuals in their governments makes difficult a forecast of the periods when they are able to absent themselves from their duties at home to participate in the planned visit to the United States.

Orientation/Training Visits:

Upper Volta—Captain Triande, deputy commanding officer, republican guard and three officers of the Upper Voltan armed forces.

Ivory Coast—Captain Sangore (chief, G–4 section), Captain Koni (chief, G–3) section) and two unit commanders of the Ivory Coast armed forces.

Niger—Major Kountake, deputy chief of staff Niger Army and three unit commanders of the Niger armed forces.

The total cost per individual participating in the DAML program on a visit of 2–3 weeks duration would average about ——— including about $1400 for transportation to and from the United States and about $600 for travel in the United States. Included also is a total of approximately ——— allocated to U.S. installations visited for official functions and ——— representing a pro rata share of the cost of travel within the United States and other expenses of the escort officer who accompanies the party during the visit. Participants in this type of visit are not given a per diem allowance. All transportation and other accommodations are arranged by U.S. officials and all necessary disbursements are made by the escort officer accompanying the visiting personnel during their stay in the United States. Actual costs will vary, depending on the number participating in the visit, the duration of the visit, and the specific itinerary followed.

The average cost per participant for a 4-week orientation/training visit is approximately ——— including $1,000 for travel to and from the United States and $450 for travel within the United States. Included in the total cost is a per diem allowance of $12 for each visitor. Also included is about ——— per participant representing a pro rata share of all the expenses and travel of the escort officer who accompanies the group while in the United States.

PURPOSE OF DAML PROGRAM

Admiral HEINZ. The point of the program is that the relatively small amounts expended for the trips made by these people to this country enable us to establish relationships which will be very worth while to the country.

Mr. PASSMAN. This is under the auspices of the military, is it not?

Admiral HEINZ. Yes.

Mr. PASSMAN. Why don't you bring them over some time, get them away from the military and talk to them about manufacturing refrigerators, TV's, and radios, and so on. Why do you have to expose them to the military side of the United States.

Admiral HEINZ. These are military people.

Mr. PASSMAN. You said prospective.

Admiral HEINZ. I said the person selected might be a prospective chief of staff.

Mr. PASSMAN. Some of these individuals may decide to be a congressman rather than a pistol-toting general or something. We want to know who you brought over and from what country. They are from Africa, aren't they?

Admiral HEINZ. Yes. I said we did not utilize the entire $100,000.

Mr. PASSMAN. Whatever amount you did utilize.

Admiral HEINZ. Yes.

DAML PERSONS FROM NIGERIA AND MOROCCO

Mr. PASSMAN. Did you bring any over from Nigeria or Morocco?

Admiral HEINZ. We have a training program for Morocco, but Moroccan military leaders are not included in the DAML program. We have military personnel from Nigeria already in country. They also are not included in this program. In addition, we have suspended students coming into this country for training from Nigeria.

Mr. PASSMAN. You do have military people in this country presently from Morocco and Nigeria being trained in this country.

Admiral HEINZ. We do.

NIGERIAN CIVIL WAR

Mr. PASSMAN. What is the status of the civil war in Nigeria at this time?

Admiral HEINZ. At the current time, hostilities, which are limited to Nigeria, are still going on between the Federal Government and the Biafra region. ———.

Mr. PASSMAN. Don't belabor it, Admiral. It's a very fine answer.

We did train the military leaders on both sides, did we not?

Admiral HEINZ. We have trained personnel from both sides including personnel from the Biafra area.

Mr. PASSMAN. Thank you.

REJECTION OF PEACE CORPS

We have noticed in many instances recently where these nations have asked the Peace Corps to get out. I believe Pakistan said, "We don't want children, we want adults," and asked us to withdraw the Peace Corps. Are you familiar with that, Mr. Secretary?

Mr. WOLF. Not personally.

Mr. PASSMAN. You have read that, haven't you?

Mr. KNAUR. No, sir. I'm not aware of it.

Mr. PASSMAN. Did you read that Admiral?

Admiral HEINZ. Yes, I read that; but I don't recall the name of the country.

Mr. PASSMAN. Is it not also true that Guinea asked us to get the Peace Corps out of their country?

Admiral HEINZ. I believe they did, but I am not sure.

Mr. PASSMAN. All right. I'm not going to ask you to elaborate.

I believe Gabon also asked us to get them out recently, didn't they? I think there have been a lot of countries who have said get those kids out, we want adults.

Admiral HEINZ. I'm not familiar with the operation of the Peace Corps.

Mr. PASSMAN. I appreciate that very frank statement. They must pass out awards for people downtown, both military and civilians, who thing up these high-falooting, sweet-smelling names that fool Mr. and Mrs. America. For example, the Peace Corps. They send youngsters out in some technical field. We don't expect them to do much good but conceivably they won't do any harm.

A lot of my constituents believe they are working out peace negotiations all over the world. You don't get that impression, do you?

Admiral HEINZ. No, sir.

Mr. PASSMAN. I don't know of any particular harm these kids are doing and it is a nice vacation for them.

(Off the record.)

TRAINING FOR SUDAN

Mr. PASSMAN. Last year, Sudan broke off diplomatic relations with us. Have they indicated a desire to renew diplomatic relations with us, Mr. Secretary?

Mr. WOLF. Not that I know of.

Mr. PASSMAN. If diplomatic relations are resumed, how much money do you propose to use for U.S. training for Sudanese personnel?

Admiral HEINZ. A program might be instituted if diplomatic relations were restored.

Mr. PASSMAN. We don't need too many friends like this. I'm not going to press you for an answer.

Admiral HEINZ. ———.

Mr. PASSMAN. Do you have any unliquidated funds to the the credit of Sudan?

Admiral HEINZ. I'll provide it for the record.

(The information follows.)

UNLIQUIDATED FUNDS TO THE CREDIT OF SUDAN

The unliquidated funds to cover outstanding expenses in the fical year 1967 Sudan training program amounts to $72,000.

Admiral HEINZ. We show an expected expenditure of $72,000 which had to be cleared up this year, from prior training programs completed in fiscal year 1967.

Mr. PASSMAN. When we break off diplomatic relations with a country like this, why don't you send those people home?

Admiral HEINZ. We did.

Mr. PASSMAN. What are you going to spend the $72,000 for?

Admiral HEINZ. I didn't say we were going to spend it.

Mr. PASSMAN. It's to the credit of this country, in an unliquidated status.

Admiral HEINZ. I said this shows as of June 30th, we had $72,000 in fiscal year 1967 expenditures which had not yet cleared through the fiscal accounting. We did send the people home. No 1968 funds were programed for Sudan, nor are any 1969 funds——

Mr. PASSMAN. I asked you the amount you had on hand since we broke off diplomatic relations. You said $72,000 will be spent and you will wind up with an unliquidated balance of zero on June 30th, will you?

Admiral HEINZ. Yes.

MOROCCO AND TUNISIA PROGRAM OBJECTIVES

Mr. PASSMAN. I note on page 55 that the military assistance program is designed to lessen tensions by improving the defense capabilities of Morocco and Tunisia against the ——— material superiority of the Soviet-supported Algerian buildup. Has the program succeeded in achieving these objectives?

Admiral HEINZ. No; it has not, because the program for Tunisia is relatively new. It will take time to achieve these objectives.

Mr. PASSMAN. Is it not true Morocco is presently buying military equipment from Czechoslovakia?

Admiral HEINZ. If such purchases help to achieve these objectives, they would not be inconsistent with our goals.

Mr. PASSMAN. I asked you if you had achieved our objectives; you said no.

Admiral HEINZ. We are still trying to achieve these objectives.

Mr. PASSMAN. Is it true that Morocco is buying military equipment from Czechoslovakia?

Admiral HEINZ. Yes, it is.

Mr. PASSMAN. And Czechoslovakia is a Communist nation, it it not?

Admiral HEINZ. Yes, it is.

Mr. PASSMAN. Thank you very much.

FISCAL YEAR 1968 MILITARY SALES TO AFRICA

On page 58, it indicates you anticipate $19.4 million of sales of military equipment and services in fiscal year 1968 in this area. Is that correct?

Admiral HEINZ. That's correct.

Mr. PASSMAN. Are they paying for the military equipment out of the economic aid that we are giving the same nations?

Admiral HEINZ. It is not paid out of the economic——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

(A recess was taken.)

Mr. PASSMAN. The committee will come to order.

FISCAL YEAR 1969 MILITARY SALES TO AFRICA

Admiral, at page 141, you are anticipating $9.5 million in DOD credit sales and $6.5 million in "Other." Would you comment on these two parts of the total?

Admiral HEINZ. Since the sales are covered by separate legislation, I do not have the——

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

Admiral HEINZ. Yes.

(Classified information was submitted to the committee.)

Mr. PASSMAN. What countries are included in the estimate of ——— million for the African region program? Do you want to put that in the record?

Admiral HEINZ. We'll put it in the record.

(Classified information was submitted to the committee.)

MILITARY ASSISTANCE TO THE CONGO

Mr. PASSMAN. For the Congo you are requesting ——— for fiscal 1969, are you not?

Admiral HEINZ. Yes.

Mr. PASSMAN. That's an increase of ——— thousand over fiscal 1968?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Is there any justification whatsoever for any increase in aid for the Congo?

Admiral HEINZ. Yes. The justification for military assistance to the Congo is that it is designed to assist them in maintaining internal security so they can develop their country within a framework of law and order. The assistance we provide to the Congolese Armed Forces has been very helpful in improving their capabilities for internal security.

Mr. PASSMAN. What did they do about that problem before we got there?

Admiral HEINZ. We have had a military assistance——

Mr. PASSMAN. You didn't answer my question. I asked you upon what basis did they maintain internal security before?

Admiral HEINZ. Prior to 1960, the Congo was a Belgian colony.

Mr. PASSMAN. They are a former colony of Belgium and they have close ties with their former mother country at this time, do they not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. And they have very profitable trade agreements, do they not, with Belgium?

Mr. WOLF. There is a big investment in trade there.

Mr. PASSMAN. You answered my question. Thank you.

RADICAL AND COMMUNIST AFRICAN COUNTRIES

Who are these certain radical African countries you referred to in the second paragraph on page 60, Admiral?

Admiral HEINZ. These would be surrounding countries.

Mr. PASSMAN. What countries are they?

Mr. WOLF. They are the couple across the river which are under Communist domination.

Mr. PASSMAN. You said Communist and other radical countries. I want to know the radical countries. Who are they?

Mr. WOLF. We'll provide that for the record.

Mr. PASSMAN. Let's discuss it a bit now.

Admiral HEINZ. If I had a map showing the surrounding countries——

Mr. PASSMAN. Name some of them.

Admiral HEINZ. There have been problems with the countries to the east of the Congo.

Mr. PASSMAN. Your justifications say radical countries; now name the radical countries.

Admiral HEINZ. The Sudan has been one.

Mr. PASSMAN. All right, the Sudan. Do we have an aid program of any kind going in Sudan?

Admiral HEINZ. We don't have a program now, but we had one.

Mr. PASSMAN. We have had an aid program going in this radical country. Now let's name some of the other radical countries.

Admiral HEINZ. ———

Mr. PASSMAN. Have we had any aid programs in ———

Admiral HEINZ. ——— is the——

Mr. PASSMAN. I want to know if there is an aid program going there.

Admiral HEINZ. We have no military aid program for that country. That's ———.

Mr. PASSMAN. We are discussing ——— now. Let's see if we ever had an aid program there. We are just trying to help establish what a messy program this is.

All right. Let's move on to some more radical countries.

Admiral HEINZ. There have been problems with——

Mr. PASSMAN. I didn't ask if there were problems. I wanted to know the names of the radical countries; and you have named two. You have established both of them as aid recipients. Are there any other radical countries?

Admiral HEINZ. Not among aid recipients.

Mr. PASSMAN. I will say for the record again that in the two countries you named as being radical, we did have an aid program and in all probability there are still unliquidated funds. I want to know if there are any more radical countries as cited in your justification.

Mr. WOLF. I wouldn't call Tanzania a radical country.

Mr. PASSMAN. Have we had an aid program in there?

Mr. KNAUR. Yes.

Mr. WOLF. I believe we did before aid——

Mr. PASSMAN. Name another radical country. Three up and three down.

Mr. WOLF. I think that about covers it.

Admiral HEINZ. I don't think there are any others.

Mr. PASSMAN. How long have these people been radical?

Admiral HEINZ. That would certainly be a matter of judgment.

Mr. PASSMAN. You wouldn't recommend giving military or any other type of grant aid to radical countries, would you?

Admiral HEINZ. I am not recommending any——

Mr. PASSMAN. As a taxpayer, a high-ranking military officer, and an intelligent man, you wouldn't recommend aid to any radical countries or to Communist countries, would you?

Admiral HEINZ. No. I——

Mr. PASSMAN. Thank you very much. Some of your counterparts in the AID program do, and that's why we wanted to make the record, to show, that we just have to get in everywhere with an aid program; whether they are radical or not, it just doesn't make any difference.

MAAG PERSONNEL AND GOVERNMENT POLICY

Now, Admiral, were you a MAAG officer?

Admiral HEINZ. No, sir.

Mr. PASSMAN. All the MAAG officers around the world are under you, are they not?

Admiral HEINZ. Not directly.

Mr. PASSMAN. You are head of the MAAG program, aren't you?

Admiral HEINZ. The chief of the MAAG reports to the theater commanders, through them——

Mr. PASSMAN. It's under your coordination.

Admiral HEINZ. MAAG activities are under my coordination.

Mr. PASSMAN. That's all the MAAG chiefs and their personnel?

Admiral HEINZ. Yes.

Mr. PASSMAN. Let me say for the record I do not know of one single individual in the MAAG program that is not completely loyal to America and its policies. I want that thoroughly understood. But if it should be brought to your attention that these people had an adverse opinion about our Government's policy at home and in Vietnam and they were to begin to express themselves too vocally, you would call them back or call them down, wouldn't you?

Admiral HEINZ. Certainly.

FOREIGN SERVICE OFFICERS AND GOVERNMENT POLICY

Mr. PASSMAN. Mr. Secretary, I don't believe you or Secretary Rusk or those connected with you would permit a Foreign Service Officer

of the State Department to remain out in the field as a representative of the U.S. Government if he did not support U.S. policies?

Mr. WOLF. Of course not, sir.

Mr. PASSMAN. I am very grateful for that direct answer.

It is extremely important, would you not think, that our personnel abroad representing America, creating the American image, should be loyal to the policies of our Government or else they should be brought home.

Admiral HEINZ. Yes, they should be.

Mr. PASSMAN. Do you feel that way Mr. Secretary?

Mr. WOLF. I think all American personnel abroad are under the general guidance of the ambassador who is the personal representative of the President and they have to support his policies.

Mr. PASSMAN. That is a good statement. Unless they support that policy, they should not be permitted to remain in the field as a representative of our Government—would you feel that's a fair statement?

Mr. WOLF. Right.

Mr. PASSMAN. Thank you, very much. Both of you are very high ranking members of our Government, both military and civilian with good reputations, and I want you to know that I appreciate your frankness. I am sure you entertain the same concern that I do about those who may be abroad that are not under such direction.

Off the record.

(Discussion off the record.)

MILITARY ASSISTANCE TO ETHIOPIA

Mr. PASSMAN. In Ethiopia, you are requesting ——— million for fiscal 1969. That is ——— the 1968 program. Is that correct, sir?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Have we reached the point in our deliberations that we can discuss these matters very factually, not worrying about what the recipient may think about what we say as long as it is the truth, in these examinations?

Admiral HEINZ. Yes.

Mr. PASSMAN. Do you remember at one time the Emperor of Ethiopia had seen some of our fighter planes and as they flew pretty fast he said "I want some of those planes." He couldn't establish any need for them. ———. Is he using these planes for the same purpose?

Admiral HEINZ. To my knowledge, they are using the F–5 for the armed forces, if these are the planes to which you are referring.

Mr. PASSMAN. How many F–5 aircraft have you supplied to Ethiopia to date?

Admiral HEINZ. ———.

Mr. PASSMAN. Did you program any for fiscal year 1968?

Admiral HEINZ. ———.

Mr. PASSMAN. Is the F–5 considered a sophisticated weapon?

Admiral HEINZ. It is in the category——

Mr. PASSMAN. I asked you if it was considered a sophisticated weapon. Just answer the question. I am not trying to do anything but to get a correct record. I believe you are trying to answer a question I haven't asked yet.

Admiral HEINZ. I am trying to give you the full answer.

"SOPHISTICATED WEAPON" AND THE F–5

Mr. PASSMAN. Is it considered a sophisticated weapon?

Admiral HEINZ. It is one of the weapons which are——

Mr. PASSMAN. I am only talking about one weapon, Admiral. I want to know if an F–5 aircraft is considered a sophisticated weapon.

Admiral HEINZ. For some countries, it is a sophisticated weapon.

Mr. PASSMAN. Put in the record at this point the countries where it would not be considered a sophisticated weapon.

(The information follows:)

COUNTRIES WHERE THE F–5 WOULD NOT BE CONSIDERED SOPHISTICATED

We have not developed in advance a list of countries where the F–5, or any weapons system, is or is not sophisticated. To date no case has yet arisen in which it has been determined in the context of a proposed grant or sale to a less developed country that the F–5 is not sophisticated.

Admiral HEINZ. I stated last year that it would be a sophisticated weapon for the ——— but not, for example, for Brazil or Spain.

Mr. PASSMAN. Is it to get around some technicality of the law that you don't consider it a sophisticated weapon?

Admiral HEINZ. No.

Mr. PASSMAN. What keeps it from being a sophisticated weapon for Brazil, if it is not sophisticated for some other country?

Admiral HEINZ. Whether or not a weapon is a sophisticated weapon depends on the capability of the country in which it would be used—the equipment they are accustomed to using.

Mr. PASSMAN. They don't subscribe to the theory that what is sauce for the goose is sauce for the gander. I never heard that before that a weapon is sophisticated when this country has it, but it is not sophisticated if another country has it. The next question is, would it be a sophisticated weapon for Ethiopia.

Mr. WOLF. I would like to speak to this, if I may Mr. Chairman.

Mr. PASSMAN. The admiral is the expert on sophisticated weapons. I want his answer first. I know you are going to have a good explanation as to why we had to do these things but I want to find out if it is a sophisticated weapon for Ethiopia.

Admiral HEINZ. We consider this a sophisticated weapon for Ethiopia.

Mr. PASSMAN. Thank you. Do you want to comment now, Mr. Secretary?

Mr. WOLF. No, that covered it.

CONTE-LONG AMENDMENT

Mr. PASSMAN. I note from the back of the book that you have programed a substantial number of pistols——

Admiral HEINZ. May I add one comment, Mr. Chairman, on the previous question? You asked whether we considered this a sophisticated weapon for Ethiopia and I said yes, we did; but if you will also refer to the book———

Mr. PASSMAN. In the light of the provision of the amendment, you have ——— of them or ———.

Admiral HEINZ. ———.

Mr. PASSMAN. You previously stated you had.

Admiral HEINZ. No, ———.

Mr. PASSMAN. Have you debited the military assistance program as to the cost?

Admiral HEINZ. No sir, not as yet.

Mr. PASSMAN. Do you expect to as long as this amendment is in effect?

Admiral HEINZ. That will depend upon a determination by the State Department which is in consultation with the Congress. I will not fund them until that determination is made.

Mr. PASSMAN. All I want to do is show for the record that you are considering programing them.

Admiral HEINZ. We show them in the program.

Mr. PASSMAN. Why did you include them in the program when this amendment is still in effect?

Admiral HEINZ. We did not want to try to hide ——— F–5 aircraft.

ITALIAN SALE OF TANKS TO PAKISTAN

Mr. PASSMAN. You are familiar with the gimmick that has been used to furnish a ——— tanks from Italy to Pakistan. We discussed that earlier. ——— reconditioned M–47 tanks.

Admiral HEINZ. There is no intention to engage in subterfuge.

Mr. PASSMAN. There may be no intention but we permitted Italy to sell ———.

Admiral HEINZ. They weren't ———.

Mr. PASSMAN. Who were they procured from?

Admiral HEINZ. ———.

Mr. PASSMAN. They were American tanks so it is the same thing. They went to ——— to do this without any objection on our part.

Admiral HEINZ. I did want to make clear the status of these ——— aircraft.

WEAPONS FOR ETHIOPIA IN FISCAL YEAR 1969

Mr. PASSMAN. All right. I noticed from the back-up book you have programed a substantial number of pistols, carbines, rifles, machine-guns, mortars, and bombs, most of which you did not justify last year. Is that correct?

Admiral HEINZ. We did increase the number of individual weapons for Ethiopia and, at the same time, decreased other items.

Mr. PASSMAN. The answer is "yes"?

Admiral HEINZ. Yes.

Mr. PASSMAN. Were these excess stocks?

Admiral HEINZ. In some cases they were excess.

Mr. PASSMAN. The line item bill that all of us agreed upon pretty much yesterday would cut out a lot of this monkey business, would it not?

Admiral HEINZ. I don't think it is monkey business.

Mr. PASSMAN. I guess I could find a more ridiculous definition, but for the time being let that suffice.

VESSEL HIMS "ETHIOPIA"

Last year I believe you requested ——— of funds for ——— the Emperor's yacht.

Have you programed ———?

Admiral HEINZ. No, sir.

(Discussion off the record.)

Admiral HEINZ. This, as you know, is a training vessel.

Mr. PASSMAN. I know exactly what is is. You can call it whatever you want to, and I don't blame you, but I believe I heard last year that ———. What is its status now?

Admiral HEINZ. It is a training vessel which——

Mr. PASSMAN. You keep calling it a training vessel. You don't install air conditioning for a training vessel, do you?

Admiral HEINZ. As far as I know at the present time the ship is in Ethiopia.

Mr. PASSMAN. Is it in mothballs or is it rusting away?

Admiral HEINZ. It is being used. It makes regular training cruises. It has been used regularly for training purposes.

Mr. PASSMAN. Who pays the Scandinavian crew?

Admiral HEINZ. It has an Ethiopian crew.

Mr. PASSMAN. It did have a Scandinavian crew, I believe. They were trying to train the Ethiopians to operate the ship. Aren't you familiar with that?

Admiral HEINZ. I believe that, at one time, there were a few Norwegian officers.

Mr. PASSMAN. At the time we gave the yacht to Ethiopia, we had to employ a Norwegian crew.

Admiral HEINZ. We trained an Ethiopian crew. There were Norwegian personnel on board.

Mr. PASSMAN. If you will have a look at prior testimony, you will find out and know what I am talking about. You had a Norwegian crew and we established the cost of it. Subsequently, you may have transferred it over to an Ethiopian crew, is that right?

Admiral HEINZ. I don't know.

Mr. PASSMAN. I'm getting a friendly nod back there.

Captain ALLRED. Yes, sir. The admiral is addressing the fact that it now has an Ethiopian crew.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I believe the Ethiopian Navy is smaller than our Navy, is it not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. How many ships do they have in their fleet? Please give the number of battleships, destroyers, and so on.

Admiral HEINZ. They have ——— patrol craft.

Mr. PASSMAN. Are they outboard or inboard?

Admiral HEINZ. They are larger than that.

Mr. PASSMAN. I won't press you for that answer. How many men are there in the Ethiopian Navy?

Admiral HEINZ. I will supply that information for the record.

(The information follows:)

Strength of the Ethiopian Navy

Officers	[deleted]
Seamen	[deleted]
Marines	[deleted]
Total	[deleted]

EXCESS STOCK TO ETHIOPIA

Mr. PASSMAN. What type of excess stock in the value of ——— thousand are you allocating for Ethiopia?

Admiral HEINZ. Small arms and ammunition.

Mr. PASSMAN. How many shotguns?

Admiral HEINZ. I don't show any. I don't have a figure on the shotguns.

Mr. PASSMAN. You don't know how many?

Admiral HEINZ. I don't have a figure on it.

Mr. PASSMAN. Put that in the record, and furnish us also the gage, and so forth.

(The information follows:)

EXCESS ITEMS IN FISCAL YEAR 1969 MAP FOR ETHIOPIA

There are no shotguns in the fiscal year 1969 MAP for Ethiopia. Items in the fiscal year 1969 programs to be provided from excess are as follows:

[Deleted.]

Mr. PASSMAN. What is the name of the main hunting game in Ethiopia?

Admiral HEINZ. I don't know. I couldn't tell you.

Mr. PASSMAN. Is this country engaged in war at this time?

Admiral HEINZ. No, it is not.

BOMBS AND ROCKETS FOR TRAINING

Mr. PASSMAN. Bombs are a storable item, are they not?

Admiral HEINZ. Yes, they are.

Mr. PASSMAN. Are they building up reserves for a war?

Admiral HEINZ. They are building up a war reserve of ammunition.

Mr. PASSMAN. Let's look at your program figures and look at bombs only. I believe in fiscal year 1967 you programed ——— bombs. In 1968 ——— bombs, in 1969 ——— bombs, and as to the numbers of rockets I will need an adding machine to figure out the total. But in your justification they are listed on page 63.

Admiral HEINZ. Many bombs are used annually in training exercises. A training bomb costs less than $25. It is a small bomb that makes a mark.

Mr. PASSMAN. You don't show what it is.

Admiral HEINZ. The categories are not broken down.

Mr. PASSMAN. How about rockets?

Admiral HEINZ. Rockets are also used annually in training.

Mr. PASSMAN. It must look like the Fourth of July there with all these bombs and rockets going off.

Admiral HEINZ. Practice bombs do not have any explosive other than a small marker. Many of these bombs are small practice bombs.

REDUCTION OF U.S. EXPENDITURES

Mr. PASSMAN. How many of them are not? I'll tell you the truth, I am getting prouder of this committee all the time. The other members and I respect you men more all the time because they are imposing these things on you.

We are wrecking the economy of this country and operating under an ultimatum, and calamity will come, if we don't cut out these wild expenditures. And when I see how far afield these military assistance programs have gone, I regret that I didn't try harder to get on top of this program 15 years ago, before it got to the point where the confusers are confusing themselves about it.

If this is conducive to peace—the selling and giving of military equipment to primitive nations all over the world, if that is the way to run a show, I just don't fit in. It frightens me.

Military Assistance to Liberia

Liberia, Admiral, I believe in fiscal 1969 you are asking ——— thousand. Is that correct?

Admiral Heinz. That's correct.

Mr. Passman. Why do we have any program at all for this country?

Admiral Heinz. We have had and still have a program——

Mr. Passman. I said, Why? You always answer my second question before I ask it, and many times we don't get the answer to the first one. Why do we have a military program in Liberia?

Admiral Heinz. We have a program there for two military reasons. One objective is to improve the quality of the military forces. ———.

Mr. Passman. I think we might as well get it in the record that we financed that airfield in Liberia out of the AID program, didn't we?

Admiral Heinz. I can't answer that question. I'll provide the information for the record.

(The information follows:)

Financing of Liberian Airfield (Roberts International Airport)

Roberts International Airport (RIA), located 32 miles southeast of Monrovia, is Liberia's only international airport. RIA was built in 1942 for the U.S. Armed Forces by a subsidiary of Pan American World Airways, Inc. (PAA). Most of the structures constructed at that time are still in use at the airport. Ownership of the airport was transferred to the Government of Liberia by a series of agreements signed in 1955 and 1956.

Since then, the only improvement project of major significance for RIA operations was carried out in 1962 under an AID grant of $1.8 million. Under this project, the main runway was strengthened to support the weight of jet aircraft and lengthened from 7,000 feet to 9,000 feet to accommodate medium-range jet operations. The apron and one taxiway were also strengthened. The project was completed in the spring of 1963.

In addition, AID has financed under a grant a technical study of equipment needs, particularly navigational aids needed to bring Robertsfield Airport up to modern international aviation standards, and made a loan for $300,000 to the Liberian Government in fiscal year 1967 for the engineering and final design of the needed improvements. AID's request for fiscal year 1969 contains provision for $2.5 million for the required equipment and construction.

Robertsfield is operated by Pan American World Airways under a private management contract from the Liberian Government.

Military Assistance to Libya

Mr. Passman. The next country is Libya for which the fiscal 1969 estimate is ——— thousand. Is that correct?

Admiral Heinz. That is correct.

Mr. PASSMAN. I believe this is for the time being a training only program, is it not?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How long have we had a training program going in Libya?

Admiral HEINZ. The best information I have, is since 1958.

Mr. PASSMAN. We started the training program in Libya in 1958?

Admiral HEINZ. It started as a material and training program in 1958.

Mr. PASSMAN. When did this nation come into being?

Admiral HEINZ. 1951.

Mr. PASSMAN. Did it take 7 years for us to get in there with this program or is Libya one of the former colonies of the United Kingdom?

Admiral HEINZ. It formerly had a relationship with Italy.

Mr. PASSMAN. We were in with a materiel and training program; now we have a training only program?

Admiral HEINZ. I said we started with a program which provided both materiel and training. That is different than starting with training only and then going on to include materiel.

Mr. PASSMAN. I said that we had a materiel and a training program and that we reduced it down to a training program. What happened to the equipment?

Admiral HEINZ. The equipment is still there.

Mr. PASSMAN. How much military assistance have we given to this country?

Admiral HEINZ. The cumulative value of military assistance programed through 1968 is $17.7 million.

MILITARY ASSISTANCE TO MOROCCO

Mr. PASSMAN. The next country I would like to ask about is Morocco. I believe for fiscal 1969 you are requesting ——— million for Morocco, and that's an increase of ——— above the current fiscal 1968. Is that correct?

Admiral HEINZ. That is correct.

U.S. AIR BASES IN MOROCCO

Mr. PASSMAN. There is some country in that part of the world with a similar name where we spent hundreds of millions of dollars on the finest airfields and then we were asked to get out. Could that be the same country?

Admiral HEINZ. You are referring to Morocco.

Mr. PASSMAN. I say that is the same country, isn't it?

Admiral HEINZ. You are referring to Morocco.

Mr. PASSMAN. How much did we spend on those bases in total?

Admiral HEINZ. I'll have to supply that for the record.

Mr. PASSMAN. I believe we might just say, until you supply it, several hundred million dollars, was it not?

Admiral HEINZ. I don't know that it was that much. I do not have the figure.

Mr. PASSMAN. Let me take a guess and say yes; then let's look it up and put it in the record. I know I have a hundred million to spare on my side.

Admiral HEINZ. It is probably in the record.

Mr. PASSMAN. While the clerk is looking that up, they did ask us to release those bases, did they not?

Admiral HEINZ. Yes, they did.

Mr. PASSMAN. And at a subsequent date they had Russian crews manning the communication towers, directing traffic, statisticians, and other personnel?

Admiral HEINZ. No, sir. I don't recall that.

Mr. PASSMAN. Let me say for the record again, while you research it, that the Russians did go in and had technicians in the towers directing traffic after we got out. I'm just trying to let the record show just what a stew we get in by having two generals, General Rusk, General McNamara, and some of the other less important generals and admirals.

Then I think after we built them at a cost of several hundred million dollars they told us to get out; then we made them either a grant or a loan to renovate one of them so it could be called a commercial airfield. Are you familiar with that?

Admiral HEINZ. No, I am not.

Mr. PASSMAN. If that's correct, it really would be good reading, wouldn't it?

Admiral HEINZ. ———.

Mr. PASSMAN. ———.

MOROCCAN PURCHASES FROM CZECHOSLOVAKIA

Mr. PASSMAN. You want to get away from this military question. This is the same Morocco that is presently buying equipment from Yugoslavia, is that correct?

Admiral HEINZ. Czechoslovakia.

Mr. PASSMAN. As we would say down in Louisiana, they are dealing with Russia. I didn't get any acknowledgment or nod. I want to apologize to you for understating the value of those bases.

TOTAL COST OF U.S. BASES IN MOROCCO

We built those bases at a cost of $413,400,000. At least we will admit to that much of it as the total cost.

Now, Algeria is being armed by Russia, I understand.

Admiral HEINZ. That's correct.

JUSTIFICATION FOR MILITARY ASSISTANCE TO MOROCCO

Mr. PASSMAN. That's our present justification for the military grant aid program in Morocco, I believe.

Admiral HEINZ. This is part of the justification. We say we want to lessen the military imbalance. However, we have a relatively small program in Morocco.

Mr. PASSMAN. Of course, your interpretation of small and my interpretation is altogether different. When you start spending hundreds of millions of dollars for construction of air bases, give them up and then go back in with more money to make one of the bases a commercial airport, you still end up spending millions of dollars, and to me that is a lot of money.

MILITARY ASSISTANCE TO TUNISIA

I believe in Tunisia you are requesting ——— million and this is an increase of ——— above the 1968 program. Is that correct.

Admiral HEINZ. That is correct.

NUMBER OF COUNTRIES AND RECIPIENTS OF AID IN AFRICA

Mr. PASSMAN. All in all, how many nations are in Africa?

Admiral HEINZ. Well over 30.

Mr. PASSMAN. I believe that most all of them were born in the past 20 years. Is that right?

Admiral HEINZ. Yes, I think that is correct.

Mr. PASSMAN. And one of those little nations, though it is not as big as a good-sized Louisiana farm, the total land area is less than West Virginia and the population less than 600,000. Isn't that right? And yet we have a military program. Which one is it?

Admiral HEINZ. The country we were speaking of was ———, but we have had no military assistance program in that country.

Mr. PASSMAN. I am talking about these smaller countries you mentioned.

Admiral HEINZ. The countries for which we have programs?

Mr. PASSMAN. Earlier today——

Admiral HEINZ. You were asking about AID programs—not military assistance.

Mr. PASSMAN. All right. How many African countries did you say?

Admiral HEINZ. I think it is well over 30.

Mr. PASSMAN. And we acted as a midwife, I believe, and brought most of them into the world, did we not?

Admiral HEINZ. I believe——

Mr. PASSMAN. There are at least 34 nations in Africa, and about 30 of them are just a few years old. Would that be a fair statement?

Admiral HEINZ. Yes.

NUMBER OF AFRICAN PROGRAMS

Mr. PASSMAN. How many military programs do we have in the African nations?

Admiral HEINZ. Ten, plus the countries that may be represented in the distinguished African military leaders program.

Mr. PASSMAN. It is pretty well scattered all over that part of the world, isn't it?

Admiral HEINZ. Three of the countries for which we have military assistance programs are located along the northern tier—Morocco, Tunisia, Libya, Ethiopia, Liberia, and the Congo—those are the major programs.

Mr. PASSMAN. There are 10 out of 34?

Admiral HEINZ. Then there are the training only countries.

Mr. PASSMAN. Here we go again getting into another category. I call it military training when you teach people how to shoot guns, to fight and kill. That is also a military program. Now if we pick up all the types of military training and materiel, materiel only, or training only, what is the total number of countries in which we have a program?

Admiral HEINZ. Regular country programs composed of training only are planned for Ghana, Guinea ——

Mr. PASSMAN. We have a military assistance program—either training or equipment—in 14, do we not?

Admiral HEINZ. There are 10 that have regular programs. That includes the training only programs. In addition, you will have those countries that may be represented in the African military leaders visits.

TRAINING ONLY COUNTRIES

Mr. PASSMAN. How many of them are military equipment and how many are training only?

Admiral HEINZ. Five regular country programs are training only.

Mr. PASSMAN. Do you think it is conducive to peace to continue military programs all over the world, mainly for the purpose of selling military equipment?

Admiral HEINZ. That is not the purpose of the program.

STATE DEPARTMENT ROLE IN MILITARY ASSISTANCE

Mr. PASSMAN. This program isn't run by the military—it's run by the civilian counterpart to the military, isn't it? Isn't this the Secretary of State's military arm? This is not under the Secretary of Defense. What we have been discussing is under the Secretary of State.

Admiral HEINZ. He has the final decision on the countries which receive military assistance.

Mr. PASSMAN. That's what I'm saying. This is General Rusk's area that we have been in ever since we started these hearings. He is like General Passman—chances are he wouldn't know a firecracker from a skyrocket—and I admire him very much in some respects.

Mr. WOLF. If I may, Mr. Chairman, the purpose of the military assistance program as viewed by the Department of State does not depend on the desire to sell weapons.

Mr. PASSMAN. That's what you say, but I just imagine these people who manufacture weapons for sale, have a pretty good reason as to why you need their weapons. But it follows nevertheless that this military assistance program is under the State Department and not under the Defense Department. Is that a fair statement?

Admiral HEINZ. No, sir.

Mr. PASSMAN. We've been told that in the past, that this is under the State Department.

Admiral HEINZ. The law requires that the Secretary of State shall be responsible for supervising military assistance programs——

U.S. AMBASSADOR'S ROLE

Mr. PASSMAN. That comes to him from the ambassadors of the various countries. Is that correct?

Admiral HEINZ. Yes, it does.

Mr. PASSMAN. After all, we are dealing primarily with the civilian arm in building up these military programs around the world and not the military arm.

Admiral HEINZ. The recommended programs are all approved by the ambassadors of the countries concerned.

Mr. PASSMAN. That's what I say. It comes all the way through the civilian side and until this year it was even coordinated by the Economic Aid Director. Is that right?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Thank you. I'd rather turn it over to the military, if I had my way. The ambassadors send a request in. It goes to the State Department, and Secretary Rusk says he wants it, then it comes over to you for an allocation. I imagine you have very little to say about what countries get it. Isn't that about right?

Admiral HEINZ. Actually, the program requests come in through theater commanders to the Department of Defense.

Mr. PASSMAN. When does it get over to Secretary Rusk? We were told earlier that the request went to our ambassador in that country.

Admiral HEINZ. I said the ambassador approves every program.

SECTION 622(C) OF FOREIGN ASSISTANCE ACT

Mr. PASSMAN. Let's read it into the record section 622(c): "Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance and military assistance and sales program, including but not limited to determining whether there shall be a military assistance (including civic action) or sales program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby."

It doesn't even show where a warrant officer is consulted. That is the law. The ambassadors and the State Department decide, but you have to appease these people.

Mr. WOLF. May I speak to that? The procedure by which programs are formulated starts with recommendations from the field where in each country——

Mr. PASSMAN. My apologies. I thought I said that. The ambassadors are in the field, aren't they?

Mr. WOLF. Yes.

Mr. PASSMAN. Isn't that the way I read it in the record?

Mr. WOLF. I'd like to add the second step.

Mr. PASSMAN. I don't want you to discount the accuracy of what I said. The request comes in from the ambassadors in the field. Is that correct?

Mr. WOLF. Yes.

Mr. PASSMAN. Thank you. Now proceed.

STATE-DEFENSE CONSULTATION

Mr. WOLF. It comes up the military side as Admiral Heinz indicated to the theater commanders, to the Department of Defense. It comes up through the State Department from the ambassadors to the Department itself. There are frequent and continuing consultations between our two departments. There are no decisions taken without consultation between the two departments. If there are issues between the two departments, they are settled at cabinet level or in the White House.

I want to emphasize the fact again that these decisions are taken in full consultation, cooperation, between the two departments. I think the admiral will agree with me.

Mr. PASSMAN. Did I read the legislation correctly?

Mr. WOLF. You did, sir.

RESPONSIBILITIES OF THE SECRETARY OF STATE

Mr. PASSMAN. And it states categorically that "the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance, and military assistance and sales programs, including but not limited to determining whether there should be a military assistance (including civic action) or sales program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby."

I believe foreign policy is under the Secretary of State, is it not?

Mr. WOLF. Under the direction of the President, yes, sir.

Mr. PASSMAN. That's understood. But our foreign policy is under the Secretary of State, is it not?

Mr. WOLF. Yes, sir.

Mr. PASSMAN. If the Secretary of State said he wanted certain type of military equipment and/or training for a certain country, and the President supports them, do you have a veto over those two men?

Mr. WOLF. Who?

Mr. PASSMAN. You people who are testifying today.

Mr. WOLF. Of course not.

Mr. PASSMAN. I thought not. The law didn't say anything about any military personnel. I stand on the law and what has been testified to in previous years, that this is an arm of the military under the Secretary of State.

They may talk to you people after they made up their minds, but if they decide they are going to have a military assistance program they discuss with you what may be available. This has been testified to, Admiral, year in and year out. If you want to change it, change the law. There is no mention of a general, a warrant officer, seaman, or buck private included in that section that I read from the law.

TUNISIAN MILITARY CAPABILITIES

I note from page 59 that we have programed $24,078,000 in grant aid to Tunisia since the inception of the program. However, I am astounded to read on page 70 that the ———. Have I stated that correctly?

Admiral HEINZ. You have stated it correctly.

Mr. PASSMAN. Then I'm ready to go to the next question.

CIVIC ACTION IN TUNISIA

How much of the fiscal year 1969 estimate is for civic action programs?

Admiral HEINZ. I don't have any allocation for civic action.

TRAINING IN TUNISIAN PROGRAM

Mr. PASSMAN. Admiral, I note on page 71 that the emphasis for the 1969 program is on training. However, I note that you have allocated only ——— for training, out of the very large total of ——— million. Have I read the record correctly?

The emphasis doesn't necessarily apply to just training then, does it?

Admiral HEINZ. It does not.

Mr. PASSMAN. That's what the justifications stated. I'm glad you agreed with my conclusions.

Now, Mr. Shriver, you have been——

Mr. KNAUR. May I return to your discussion of section 622(c), concerning responsibilities of the Secretary of State, and invite your attention, if I may, sir, to section 623.

Mr. PASSMAN. After the President and the Secretary of State have determined what they want, when they want it, how much they want, where they want it, then of course they instruct the Secretary of Defense to carry out their instructions and accept the responsibility of determination for the item requested. I know I read that correctly. And you can put anything you want in the record, but you can't get away from the basic legislation that the program is under the President and the Secretary of State. You agree to that, don't you?

Admiral HEINZ. Yes.

Mr. PASSMAN. After they decide what they want to have, then they tell you what to do. Have I assessed that about right?

Adm. HEINZ. Yes.

Mr. PASSMAN. Gentlemen, thank you for your contribution. It has been testified to for too many years about the authority of these civilians for me to have you possibly discredit, unintentionally, my accurate statement.

Mr. Shriver, it is all yours now, on the Far East, the Near East, the Middle East, and Africa.

UNDELIVERED BALANCES AVAILABLE TO NESA COUNTRIES IN FISCAL YEAR 1969

Mr. SHRIVER. How much of the unexpended, undelivered assistance which will be available at the end of fiscal year 1968 will be expended and delivered in fiscal year 1969?

I'm referring to the Near East and South Asia. Perhaps you could put in the record a breakdown of the individual country programs.

Admiral HEINZ. Yes.

Mr. SHRIVER. Especially the three primary recipient countries.

(The information follows:)

EXPENDITURES/DELIVERIES IN FY 1969 OF UNEXPENDED/UNDELIVERED BALANCE AS OF THE END OF FY 1968

The estimated expenditures/deliveries for the Near East and South Asia countries during the fiscal year 1969 of the unexpended/undelivered assistance available at the end of fiscal year 1968 is as follows:

Country:	*Thousands*
Greece	[Deleted]
India	[Deleted]
Iran	[Deleted]
Jordan	[Deleted]
Nepal	[Deleted]
Saudi Arabia	[Deleted]
Turkey	[Deleted]

ARAB TERRORISTS

Mr. SHRIVER. Much of the unrest in the Near East and South Asian area at this time is reportedly being caused by Arab terrorist groups operating against Israel from bases in Jordan. Where are these terrorists obtaining their weapons and ammunition?

Admiral HEINZ. ———.

Mr. SHRIVER. Are they operating with the cooperation of the Government of Jordan?

Admiral HEINZ. No.

JORDANIAN TRAINING

Mr. WOLF. The Jordanian Government has tried to restrain them, sir, but has been unable.

Mr. SHRIVER. How much is specifically programed for the training of Jordanian military personnel in fiscal year 1969?

Admiral HEINZ. ——— thousand.

U.S. POLICY TOWARD PRESENT GREEK GOVERNMENT

Mr. SHRIVER. In regard to Greece, on page 46 of the justifications it states that the military assistance program is responsible for the relative effectiveness its armed forces now enjoy. On the same page it stated the current military dictatorship has imposed harsh measures on the people of Greece and the democratic processes have not yet been resumed. Do you feel it is wise for our Government to continue to support military dictatorships around the world?

Mr. WOLF. Our policy has been, since the date of the coup, to press the regime in power to install constitutionalism and democratic freedom shortly after the coup. We demonstrated our interest in that sort of activity by suspending the delivery of major military assistance items to Greece. We told the Greeks that closer relations and resumption of supplies would depend upon their making further progress toward restoring constitutionalism and democratic procedures. ———.

They have now indicated for example the constitution would be the subject of a plebescite in September. They have released from their prisons some two-thirds of the people they had in prison as a result of the coup. We hope to see further progress. We intend to stay with this to serve our purpose, to the coming of the restoration of constitutionalism.

MILITARY RATIONALE FOR FISCAL YEAR 1969 GREEK PROGRAM

Mr. SHRIVER. There will be ——— million in undelivered military assistance at the end of fiscal year 1968; more than ——— the amount

requested for fiscal year 1969. Wouldn't it be more prudent for us to deny this request for additional assistance until the military government in Greece delivers their long overdue promise for resumption of democratic processes and rely on the backlog of undelivered assistance, if any, for NATO purposes?

Admiral HEINZ. First may I give the military rationale? Our interest is in maintaining a strong force in Greece for NATO defense. It is correct that there is a large undelivered balance for Greece, but a continuing program of materiel is necessary so we can improve the military forces. Greece is still a staunch member of NATO. It is true we have taken political measures against Greece, and the suspension of certain deliveries is one of them. If we do not program the equipment proposed for Greece, there will be a deterioration in its overall military capabilities. As we go on with these programs, we hope that, in time, we will have provided Greek forces with the capability we feel is necessary in order for Greece to assume responsibility for its own defense.

Mr. SHRIVER. When do you think that will be? It has been going on a long time.

Admiral HEINZ. It has been going on a long time, but the program has been decreasing. In 1961 and 1962, the program amounted to over $100,000 million.

COMMUNIST THREAT TO GREECE AND TURKEY

Mr. SHRIVER. You say Bulgaria is a primary military threat to Greece. How realistic is that threat?

Admiral HEINZ. The Communist threat to Greece and to Turkey is still substantial. The Communist forces have been modernized and, to our knowledge, the capabilities of the Communist forces have increased. This is still the same military threat that has existed all along, and the deterrent to Communist expansion is the fact that the NATO forces are strong.

AIRCRAFT FOR GREECE

Mr. SHRIVER. You are requesting ——— aircraft and ——— helicopters in fiscal 1969. There are already ——— aircraft and ——— helicopters undelivered. Are these items intended for the support of transport squadrons?

Admiral HEINZ. The ——— is a larger aircraft and will replace the old ——— aircraft, principally ——— that Greece is now using.

Mr. SHRIVER. There are ——— in being, I notice, and the force objective called for ———. My question is, why are these items needed?

Admiral HEINZ. The MAP supported ——— need ——— aircraft to increase their transport capability over that the type of aircraft that are needed for which they now have with their ———.

The ——— is being provided as excess aircraft. We have provided only ——— to date.

TRAINING PROGRAM FOR SAUDI ARABIA

Mr. SHRIVER. You are requesting an ——— thousand training program for Saudi Arabia in fiscal year 1969. That country, according

to press reports is participating in the $100 million grant to Jordan for military purchases. It would seem that Saudi Arabia can afford to pay for any military assistance. Looking at this and other U.S. training programs, is there any way that this training can be provided on a reimbursable basis? Do you feel that there is any danger to our military security in providing training to this Arab nation?

Admiral HEINZ. It is possible that this training could be provided on a reimbursable basis and, as a matter of fact, Saudi Arabia is already purchasing most of its training from the United States on a reimbursable basis, either by sending its students to the United States or by purchasing training instructors and services under contract in Saudi Arabia. Most of the funds ——— thousand reflected in our grant training program for Saudi Arabia, are however, used to defray the cost of maintaining the U.S. military training mission in Saudi Arabia. We believe this mission is important in maintaining friendly ties with this Arab state in which the United States has important interests. Saudi Arabia's strong ties with the West help to maintain its moderate stand in Arab affairs, and its ———. Less than ——— thousand of our program is planned for training Saudi Armed Forces personnel in the United States, primarily in professional military career courses which we believe serves directly these same interests. As to the question of whether there is a danger to our military security in providing training to this Arab nation, we feel to the country that our training program contributes directly to our friendly relations and to the moderate role played by Saudi Arabia in the Arab world, thereby enhancing instead of endangering our military security.

While Saudi Arabia can now afford to pay for its military training and for the most part is doing so, the cost of ——— thousand planned for fiscal year 1969 contains less than ——— thousand for Saudi Arabia student training—the balance is for the support of our training mission in Saudi Arabia.

This training mission is important, not only from the standpoint of its basic purpose of assisting and advising the Saudi Arabia Armed Forces but also as a moderating influence toward their expenditures for military materiel. ———.

The modest MAP training program is used primarily for professional military career training. It is but a small part of the training being purchased by Saudi Arabia in connection with its military procurements in the United States. For example, the SAG is currently purchasing $12.3 million of training (excluding school facilities and related training materiel and services) under U.S. contract in connection with a 5-year military vehicle modernization program.

JET AIRCRAFT FOR IRAN

Mr. SHRIVER. You have programed ——— F–5 fighters for Iran in fiscal year 1969 and there will be ——— such aircraft undelivered at the end of fiscal year 1968. Iran will purchase an estimated ——— million in military items in fiscal year 1969. How much of this ——— million is for jet fiighters? In all, how many supersonic jets will Iran obtain from this country?

Admiral HEINZ. None of the ——— million is being used to purchase jet fighters. The ——— F–5 aircraft which are programed for fiscal year 1969 are being provided under grant MAP.

It is difficult to predict the future sale of supersonic jet aircraft to Iran. The sale of such aircraft will depend on agreed future requirements which cannot definitively be determined at this time.

FUTURE PLANS FOR MAP IN IRAN

Mr. SHRIVER. The ——— million requested for fiscal year 1969 will complete our commitment under the 1964 memorandum of understanding with Iran. Will this mark the end of any grant programs in Iran, or will there be a new memorandum to cover future years?

Admiral HEINZ. Assuming the ——— million requested for fiscal year 1969 is authorized, our grant materiel program will be terminated. However, we do envisage the need for modest grant funds in the future to provide for the support of the MAAG and training of Iranians both in Iran and in U.S. service schools.

Mr. SHRIVER. In the Turkey program, you are requesting ——— million, an increase of ——— million, or ——— percent, over the 1968 program. At the end of 1968 there will be $204.9 million in unexpended/undelivered assistance for this country. Also, in 1967, Turkey itself increased its defense expenditures by nearly $70 million. Can you provide a stronger basis for increasing our program there than is evident in the justifications?

Admiral HEINZ. I would like to provide that for the record.

(The information follows:)

JUSTIFICATION FOR TURKEY PROGRAM FOR FISCAL YEAR 1969

In 1966 we estimated that Turkey would require ——— million in grant military assistance annually for ——— in order to achieve the modernization and mechanization we felt was needed in existing forces in order for Turkey to carry out its NATO responsibilities.

We did provide ——— million of MAP in fiscal year 1967. We requested the same amount for Turkey in fiscal year 1968, but by the time the reduced fiscal year 1968 worldwide MAP appropriation was divided up, only ——— million was available. We thus have ——— million less than we felt was required for fiscal year 1968.

The ——— million requested for Turkey in fiscal year 1969 is still short of our original planning for ——— million by ——— million. Although the ——— million requested in fiscal years 1969 is ——— million more than finally approved in fiscal year 1968, it in no way makes up for the severe cuts imposed in fiscal year 1968. The ——— million represents a compromise between our original planning and the MAP level approved in fiscal year 1968.

If we continue to cut deeply into the Turkish MAP program we will cause a creeping obsolescence in existing Turkish forces, or tempt the Turks to expend their scarce resources and foreign exchange to make up the difference. Should the Turks do this, they must use some of the funds needed to continue their steady economic development.

Since we hope to phase out our economic assistance to Turkey ———, it would appear counterproductive to impose additional military costs on the Turks faster than they are ready to absorb them. The Turks are steadily increasing their military budget, which was ——— million in ———, while maintaining their percentage of GNP devoted to military expenditures nearly constant at 5.5 percent.

SPECIAL ACTIVITIES IN TURKEY

Mr. SHRIVER. In regard to Turkey, on page 52 of the justifications it is stated that one of the reasons for our increased military assistance to that country is to enable us to continue U.S. special activities there

which are essential to our security. Would you, off the record if necessary, explain to us what these activities are?

Admiral HEINZ. ———.

SOVIET ECONOMIC AND MILITARY AGREEMENTS WITH IRAN

Mr. SHRIVER. On page 48 of the justifications it is stated that recent Soviet economic and military agreements with Iran represent a new tactic aimed at achieving the old objective of bringing Iran into the Soviet sphere of influence. It takes two to make an agreement. What is the nature of these agreements? What types of military assistance and/or purchases is Iran obtaining from the Soviets?

Admiral HEINZ. I would like to provide that for the record.

(Classified information was submitted to the committee.)

NIGERIAN AND SUDANESE TRAINING

Mr. SHRIVER. It is somewhat disturbing to see on page 55 of the justifications that you are already considering training programs ——— this would seem to indicate that these training programs are not instituted as a result of request from the host countries but are initiated by you or the State Department. Are these observations correct?

Admiral HEINZ. A program for ——— will be undertaken only if the government requests it.

Mr. SHRIVER. The host country?

Admiral HEINZ. Yes, and also if we thought it in our interest to provide such training ———. The Ambassador has strongly recommended that we make provision for training in the future. Therefore, we have made such provision.

Mr. SHRIVER. In other words you are ———.

Admiral HEINZ. It is strongly recommended we do, and that we maintain our contacts with the Government of ———.

Mr. SHRIVER. Why?

Admiral HEINZ. Because this is an important African country, and we should like to provide training which we feel would be helpful in our relationship with ———. Providing them training, particularly along internal security lines ———.

Mr. SHRIVER. Let me ask this question: How many individuals have received training from ——— in this country, over the course of the past several years?

Admiral HEINZ. 307.

Mr. SHRIVER. I don't suppose any of them have been engaged in the civil war.

Admiral HEINZ. Undoubtedly, many have been.

UNDELIVERED BALANCES AVAILABLE IN FISCAL YEAR 1969, AFRICAN COUNTRIES

Mr. SHRIVER. How much of the undelivered assistance which will be available at the end of 1968 will be delivered in fiscal 1969, by country. You can put this in the record?

(The information follows:)

EXPENDITURES/DELIVERIES IN FISCAL YEAR 1969 OF UNEXPENDED/UNDELIVERED BALANCE AS OF THE END OF FISCAL YEAR 1968

The estimated expenditures/deliveries for the African countries during fiscal year 1969 of the unexpended/undelivered assistance available at the end of fiscal year 1968 is as follows:

Country:	*Thousands*
Congo	[Deleted.]
Ethiopia	
Liberia	
Libya	
Morocco	
Tunisia	

Mr. SHRIVER. In the Congo——

Admiral HEINZ. May I make one observation on that? We'll give you the best predictions we can for 1969. Ordinarily, we would not have this estimate until the end of the year; but we will make the best estimate we can at this time.

MILITARY ASSISTANCE TO THE CONGO

Mr. SHRIVER. In the Congo, the Government of the Congo decreased its total defense expenditures in 1967 and there will be almost $4 million in undelivered assistance beginning fiscal year 1969 ———.

Admiral HEINZ. We originally proposed a ——— for the Congo in fiscal 1968. We hoped we could provide in 1969 some of the equipment———.

OTHER COUNTRY ASSISTANCE TO THE CONGO

Mr. SHRIVER. Are other countries contributing any military assistance to the Congo?

Admiral HEINZ. Belgium has provided military assistance, and so has Israel.

Mr. SHRIVER. How much?

Admiral HEINZ. The best information I have on Belgium is that there are now 140 Belgian military personnel in the Congo. Belgium also trains Congolese personnel in Belgian military schools, and makes an annual contribution of about $2 million for materiel.

Italian personnel are in the Congo providing aircraft pilot and maintenance training, and Congolese personnel receive training in Italy. Israeli personnel are now in the Congo providing training. This program has expanded slightly in the past years.

Mr. SHRIVER. What are their interests—Belgium, Israel, and Italy—in that country?

Admiral HEINZ. Belgian interests stem from former colonial relationships.

Mr. SHRIVER. With trade?

Admiral HEINZ. Yes, with trade. Israel has trade with Belgium. Italy has provided training units and some assistance to several African countries. They have interests in Africa.

U.S. INTEREST IN THE CONGO

Mr. SHRIVER. What is our interest?

Admiral HEINZ. Our interest is based on the Congo's importance as one of the major African countries. We feel that as it acquires stability, the Congo will become an even more important African country. We also have trade with the Congo; and, above all, we want to see that it attains the internal security it must have to advance and develop.

Mr. SHRIVER. Is the United Nations still contributing militarily.

Admiral HEINZ. No.

Mr. WOLF. They got out several years ago, sir.

Mr. SHRIVER. On page 62 of the justifications you said that Ethiopia ———. Your proposed training assistance to Sudan and the visits by the Somali leader brought much praise. Isn't there a conflict there?

Admiral HEINZ. There is no real conflict there. We have had no training or other military assistance for Somali, and our program for the Sudan has been cancelled since the Mideast crisis in June 1967. Ethiopia's relations with both Sudan and Somali have improved recently. Ethiopian dissidence is in three major areas: Eritrea in the north, where there is the Eritrean Liberation Force (ELF); the Ogaden in the south and east, which is next to Somali; and the western part bordering on the Sudan. Lawlessness in the north is perhaps the biggest source of concern. Both Ethiopia and Somali have stated that they would like to see the dissidence in the Ogaden decrease.

MILITARY ASSISTANCE TO LIBERIA

Mr. SHRIVER. You are requesting continuance of your program in Liberia, but your justifications show no internal threat. Liberia spends only 1.3 percent of her gross national product for defense purposes, and it indicates the government of that country neither wants nor needs a stronger military establishment. Why are we continuing our aid, in view of the situation I just described?

Admiral HEINZ. We are not trying to build a larger military establishment there.

Mr. SHRIVER. Why are we continuing our aid?

Admiral HEINZ. We are continuing because we would like to see the effectiveness of their forces improve so that they can serve as a protection against any internal threats which may develop, and also because of our longstanding relationship with Liberia. ———.

MILITARY ASSISTANCE FOR LIBYA

Mr. SHRIVER. The justifications for a modest training program in Libya notes a threat to that country from ———. If this should become a reality, would the United States ———.

Admiral HEINZ. ———.

Mr. SHRIVER. ——— these African countries?

Admiral HEINZ. No.

MILITARY ASSISTANCE FOR TUNISIA

Mr. SHRIVER. You are requesting ——— in the program for Tunisia of ——— for fiscal 1969, due to a threat to that country from Algeria. At the same time Tunisia is only spending 1.8 percent of her gross na-

tional product for that purpose which indicates to me their government is not too concerned about the threat from Algeria.

Why should we increase our aid?

Admiral HEINZ. We cut the program originally proposed for 1968.

Mr. SHRIVER. Because of the reductions made by the Congress?

Admiral HEINZ. Yes, and also because the program for 1967 was late getting started. There was a major reduction in 1968, but we would like to have a limited program for the improvement of Tunisian forces because we would like to see them capable of being more of a deterrent to aggression than they are now.

Mr. SHRIVER. Do we have any military obligation to Tunisia in event of attack?

Admiral HEINZ. No.

The per capita GNP of Tunisia is very small, and they are devoting the larger part of their own money to the economic sector.

Mr. PASSMAN. That is the same thing we want to do in this country if we can get the money.

Admiral HEINZ. I think we would like to; yes.

DAML PROGRAM

Mr. SHRIVER. Page 72 of your justifications, you are requesting $100,000 for program orientation training for "Distinguished African Military Leaders." What is that program?

Admiral HEINZ. It is a program which provides orientation tours in this country for selected African military personnel, often at the Chief of Staff level, to familiarize them with the United States and to establish relations with them. It gives them at least a small chance to understand what the United States is doing, and what America is all about. It takes about 2 to 4 weeks to tour this country; and, during that time, relationships are established with them which we feel are helpful.

SELECTION OF DAML PARTICIPANTS

It is up to the Ambassador to select and approve the participants; and the President of the country too, is usually very much concerned as to who might come to the United States.

Mr. SHRIVER. It is public relations?

Admiral HEINZ. It is public relations, yes; but it is also helpful to our people in the country to have these personnel visit here. The countries involved are small and would neither have a regular assistance program nor qualify for continuing help. We therefore feel this is a worthwhile expenditure.

USE OF COUNTERPART FUNDS

Mr. SHRIVER. In those countries, do we have counterpart funds from commodity sales under Public Law 480?

Admiral HEINZ. We may have.

Mr. SHRIVER. Are those funds used for such a purpose?

Admiral HEINZ. Where counterpart funds are available, they are used. Counterpart funds are not available for use in this country.

Mr. SHRIVER. No, but they could be used for air travel.

Admiral HEINZ. Yes, that is possible.

Mr. SHRIVER. How much of the expense of this would be air travel?

Mr. PASSMAN. I must say this for the record. That Mr. Shriver usually has such penetrating questions—I believe he can get more in 5 minutes than I can get sometimes in a day. I want to thank him for yielding.

Mr. SHRIVER. I want to thank you for your comment you just made.

CIVILIAN RESPONSIBILITIES REGARDING DAML SELECTEES

Mr. PASSMAN. It is true. He has a legal mind. He is well trained. But you mentioned these distinguished personnel. Again you stuck right to the line and section of the law that I quoted twice awhile ago, that it is the Ambassador and civilians all the way through who approve the people who come to this country. I believe you said sometimes the President of the country and the Ambassador; he approves them, and it is over in the civilian sector again; isn't that right?

Admiral HEINZ. Yes.

PER DIEM COMPARISON

Mr. PASSMAN. If the gentleman would yield further. Let's take this program that Mr. Shriver mentioned—or any other program you start and compute what it cost per day to maintain these people in this country. Our country pays all of the expense, does it not?

Admiral HEINZ. Not all the expense.

Mrs. REID. How do you assess the Algerian situation and the Soviet influence there? How serious is it?

Admiral HEINZ. (Off the record.)

FORMER MILITARY ASSISTANCE RECIPIENTS NOW UNDER DOD

Mr. PASSMAN. Just one further question for the record at this point. I may have asked the question earlier, but I think it may be good to repeat it several times for the record.

You are requesting military assistance funds this year, training and/or military—or a combination of the two—for 48 nations. Now there are three other nations receiving Department of Defense funded military assistance—namely Thailand, Laos, and South Vietnam—which were previously included in the military assistance program and therefore received funds from this committee, and there are still more countries where we have U.S. combat forces stationed. Let's get a list of them right now. Heretofore, we have only been picking up one side of the ledger.

Admiral HEINZ. It comes to a total of about 59 countries, including the 48 for which we propose regular military assistance programs in fiscal year 1969. I will submit a list for the record of the number of countries in each category.

(The information follows:)

Map programs:	
Materiel countries	25
Training only countries	23
Subtotal	48
Transfer programs:	
Laos	1
Thailand	1
Vietnam	1
Subtotal	3
Other countries where U.S. combat forces are stationed abroad. (These forces have no training responsibilities with host country forces and no MAP responsibilities):	
Belgium	1
Canada	1
Denmark	1
Germany	1
Iceland	1
Italy	1
Japan	1
Netherlands	1
United Kingdom	1
Subtotal	9
Total	60

Mr. PASSMAN. We will adjourn until 10:00 a.m. tomorrow.

THURSDAY, APRIL 11, 1968.

Mrs. HANSEN. The meeting will come to order.

We want to express our appreciation, Mr. Secretary, for your return appearance here this morning. We recognize how busy you are.

At this time I am going to yield to Mr. Shriver. Do you have any questions of the Secretary, Mr. Shriver? Off the record.

(Discussion off the record.)

Mr. SHRIVER. Thank you, Mrs. Hansen.

UNEXPENDED/UNDELIVERED BALANCE AVAILABLE FOR FISCAL YEAR 1969

According to the estimates in the justifications, you will have a total of $918.7 million unexpended, undelivered, at the beginning of fiscal year 1969. That is over twice the amount you are requesting in the new appropriation. Why do you need any new obligational authority?

Mrs. HANSEN. Will you repeat that figure again?

Mr. SHRIVER. $918.7 million unexpended, undelivered, at the beginning of fiscal year 1969.

Mr. NITZE. Would you answer that, Admiral Heinz?

Admiral HEINZ. The answer on that, Mr. Shriver, is that this consists mainly of long leadtime items which we must continue to program. We cannot deliver in the same year the items that we program. Programing is a continuing process whereby we program and fund for long leadtime items which are delivered at a later date. In addition, there are always items that have been delivered for which payment has yet to be made to complete the transactions. Undelivered

balances will always exist so long as we have to program long leadtime items.

Mr. SHRIVER. If you receive no new money this year, how long would it take you to exhaust the materiels which are now undelivered?

Admiral HEINZ. It would probably be at least 2 years before all the items were delivered.

Mr. SHRIVER. How much of this undelivered category will you deliver in the fiscal year 1969?

Admiral HEINZ. I will supply that for the record.

(The information follows:)

ESTIMATED CARRYOVER BALANCE AS OF 30 JUNE 1968 AND EXPENDITURES THEREFROM

Of the $918.7 million unpaid obligations/reservations carryover on June 30, 1968, $62 million is planned to be recouped for reuse against the $500 million fiscal year 1969 program. From this balance of $856.7 million plus fiscal year 1969 program, we expect to spend $527 million exclusive of any expenditures from a fiscal year 1968 supplemental. Expenditures in fiscal year 1969 from prior year programs is estimated to be $394 million.

Mrs. HANSEN. Will the gentleman yield?

Mr. SHRIVER. Yes.

REDUCTION OF CARRYOVER

Mrs. HANSEN. On this $918.7 million that you have as a carryover, I think it would be proper for you to show what your carryover has been in 1965, 1966, and 1967, to see what you are doing on these lead time items, and then we will get a better appraisal of what you are doing.

(The information follows:)

CARRYOVER BALANCES AS OF END FISCAL YEAR 1965, FISCAL YEAR 1966 AND FISCAL YEAR 1967

The end fiscal year carryover balances for fiscal year 1965 was $1,765.5 million; for fiscal year 1966 was $1,513.5 million; and for fiscal year 1967 was $1,086.7 million.

Mr. NITZE. There has been a reduction in the carryover.

Mrs. HANSEN. I would hope so. If you are delivering items, you are expending, and obviously there should be a continuing reduction, but I think you should supply for the committee what this carryover of unexpended funds has been because there is no more rhyme or reason for you to have tremendous carryovers than it is for my Indian schools to not have it. We take leadtime on items, such as building forest roads. We are not allowed to have any large carryover of funds because it is impounded by that other Congress on Pennsylvania Avenue, the Budget Bureau.

Admiral HEINZ. We estimate that gross expenditures will be $527 million in 1969. The balance continued available at the end of 1961 was $2.5 billion, whereas it is now estimated at only $900 million. As the program has decreased, the unexpended balance has decreased.

TOTAL MILITARY ASSISTANCE FOR FISCAL YEAR 1969

Mr. SHRIVER. What was the figure you came up with as to the total military assistance in all categories?

Admiral HEINZ. Since the inception of the program?

Mr. SHRIVER. No. I mean for the coming year, the 1969 request, the total. It is $2.3 billion, I think.

Admiral HEINZ. Including the Southeast Asia and infrastructure programs in the regular Defense budget it is $2.2 billion.

Mr. SHRIVER. The request here is for $420 million, reappropriation of $10 million, recoupments of $62 million, and reimbursements of $8 million, which would make a total of $500 million.

Admiral HEINZ. Yes.

TRANSFER OF MILITARY ASSISTANCE TO DEFENSE BUDGET

Mr. SHRIVER. Why wouldn't it be advisable to have it all over in the Defense budget? I ask this of the Secretary or of you, sir.

Mr. WARNKE. I might answer that.

Mr. SHRIVER. Off the record.

(Discussion off the record.)

Mr. WARNKE. This is something, as you know, Mr. Shriver, that has been suggested and has been considered over a period of time. We feel that there is a distinction between the grant aid programs presently in the military assistance program and the kind of programs which we have in Southeast Asia. The Southeast Asia programs are, at the present time, combat related. They are directly related to a shooting war; and, under these circumstances, the additional flexibility provided by Defense funding is desirable, if not essential.

You could also argue that it would be legitimate to finance all of the forward defense countries, for example, as part of the Defense budget appropriation—that as far as Korea, Turkey, Greece, Iran, and the Republic of China are concerned, what you have, in effect, is a trade-off of indigenous military capability in exchange for having to maintain greater capability on the part of the American forces. Since there is that trade-off, you could rationally say that these programs, too, should be financed under the Defense budget. Traditionally, they never have been.

One of the reasons arguing against the transfer at this time is that it would change the jurisdiction of the committees—it would mean moving them from the Foreign Affairs and Foreign Relations Committees to the Armed Services Committees. This would cause, I think, a certain amount of friction.

Not only that, but the military assistance program, of course, is under the overall supervision of the Secretary of State. He determines what programs there should be for what countries. Military assistance is a part of the foreign policy of the United States. Under these circumstances, it is certainly desirable to have jurisdiction remain in the Foreign Affairs and Foreign Relations Committees.

MILITARY ASSISTANCE RECIPIENTS' CONTRIBUTIONS IN VIETNAM

Mr. SHRIVER. I think this was brought out yesterday in the chairman's questioning of Admiral Heinz. How many of the countries which are receiving military assistance from us are participating in the free world efforts in South Vietnam and what is the nature of their participation?

Mr. NITZE. The answer is Korea, Thailand, and the Philippines. As I recall, we went into this in our last session, Mr. Shriver.

Mr. SHRIVER. Doesn't Iran have some participation, a medical team?

Mr. NITZE. A medical team, but not a military contribution—not a combat-type contribution.

Mr. SHRIVER. Neither do the Philippines have a combat-type contribution.

Mr. NITZE. They have an engineer group.

Mrs. HANSEN. What is the size of the Thailand force?

Mr. NITZE. Approximately 2,500 now. It will be built up to——

Mr. WARNKE. 11,000 by the end of January 1969.

ITALIAN SALE OF TANKS TO PAKISTAN

Mr. SHRIVER. On March 29, the Washington Post reported that we had given Italy approval to resell 100 reconditioned Patton tanks to Pakistan, the first U.S.-approved sale of lethal hardware to Pakistan since our military aid was suspended during the Indian-Pakistani war in 1965.

Is this report correct which I read in the paper?

Mr. NITZE. Mr. Warnke is in a better position than I to testify on that.

Mr. WARNKE. We have approved the sale by Italy to Pakistan of ——— M–47 tanks. This, of course, is subject to agreement being reached between the Government of Italy and the Government of Pakistan. That agreement has not been completed at the present time.

Mr. SHRIVER. How does this affect our national interests?

Mr. WARNKE. We feel that it is in our national interest to have Pakistan in a position where it can defend itself. As you point out, there was a suspension of any type of military sales by the United States to both Pakistan and India as a result of the hostilities that broke out between the two countries back in 1965. That did not mean, however, that we weren't still quite conscious of the fact that India should remain militarily in a position to deter any aggression by Communist China.

Similarly, we feel Pakistan has to be in the same sort of a position. We therefore try to preserve a balance between any kind of activity on our part that might possibly support hostilities between India and Pakistan and any kind of restrictive policy that would diminish their military capability to defend themselves.

I think that this is necessarily a compromise which you have to make. In connection with this sale, I might point out that certain restrictions are involved. ——— That, of course, would be the alternative.

Then finally, although we are in a position at the present time in which our controls over the tanks which would be made available from Italy are exactly the same, legally, as if we were selling them ourselves, ———

Mr. SHRIVER. Does this come under the purview of the Conte-Long amendment of last year?

Mr. WARNKE. I don't believe that it does now.

Mr. SHRIVER. There will not be a Presidential determination?

Mr. WARNKE. That is correct.

PAKISTAN ACQUISITIONS FROM COMMUNIST CHINA

Mr. SHRIVER. Did I understand you to say that Pakistan had been acquiring material from Red China?

Mr. WARNKE. They have acquired about ——— tanks from the Communist Chinese.

Mr. SHRIVER. Have they bought them or have they been given to them?

Mr. WARNKE. We are not aware of the details. ———

RATIONALE FOR TRAINING PROGRAMS

Mr. SHRIVER. The total number of students programed for military training in 1969 is lower than in 1968. Yet you show substantial increases in several countries. What are the reasons for the large increases in training programs in ———.

Admiral HEINZ. May I cover them in order? For Saudi Arabia, the total number is ———. What happens in the training program is that it is very difficult to predict how many students will finally participate because of the scheduling of courses and the actual availability of students for particular courses. We feel, however, that it is in our interest to provide training for those available and qualified, and these numbers, therefore, always have to be adjusted as the year goes on.

As for Bolivia, we feel that they need training. The number represents mainly ——— in students in the Canal Zone. One of the bigger deficiencies in Latin-America forces is the lack of people trained in proper usage of equipment which they already have.

Mrs. HANSEN. One area had a firetruck sitting in the station because nobody knew how to run it.

Admiral HEINZ. The ——— number of students from Portugal reflects the fact that with the small program we have for Portugal, we are concentrating more and more on providing training, and less and less on providing equipment. We feel that it is in our interest to train military personnel as part of the NATO forces. It is important that they be able to work with all the other NATO troops and U.S. troops in NATO defense, should the occasion arise.

If, for some reason, the number of students scheduled is not actually available or qualified, then the training program is decreased. It is very difficult to predict a year and a half ahead of time an exact match between students and courses.

U.S. SCHOOLS IN PANAMA

The schools in the Canal Zone are a great asset in training Latin American students because, there, the students from the different countries get together and have an unsurpassed opportunity to discuss their common problems.

Mr. SHRIVER. I was curious, inasmuch as the number of students programed for training in 1969 is lower than in 1968. ——— Did you mention Iran?

TRAINING FOR IRAN

Admiral HEINZ. I did not mention Iran.

Iran wants more training than it has had heretofore, to accompany the material acquired under both grant aid and foreign military sales. Training is part of our commitment to Iran, ———

Mr. NITZE. I might add just one point.

Mr. SHRIVER. Yes.

Mr. NITZE. With respect to Iran, ———. The Soviets are supplying certain other types of weapons to Iran. We think it in our interest to have their pilots and technicians trained in the United States rather than elsewhere.

Mr. SHRIVER. I certainly wasn't intending to be critical of it. I merely wanted to know why the programs for these particular countries———.

Mr. NITZE. ——— the training program for pilots and associated personnel in Iran.

REDUCTION IN MILITARY ASSISTANCE PROGRAM

Mr. SHRIVER. Last year we heard testimony that any cutback in your requested appropriation of $596 million would make the effective pursuit of your objectives difficult, or impossible. But Congress did cut the appropriation to $400 million and you seem to have survived.

Mrs. HANSEN. With $915 million unexpended you should have survived.

MOST SERIOUS THREATS OF ACTIVE COMMUNIST AGGRESSION OR INTERNAL SUBVERSION

Mrs. REID. On page 5 of your statement, Mr. Secretary, you refer to the statement of policy in last year's Foreign Assistance Act regarding priority to be given to those countries in danger of becoming victims of active Communist aggression or threatened by Communist-supported internal subversion. Where are the most serious threats today in both categories?

Mr. NITZE. A justifiable concern about nuclear war has apparently induced the present Soviet leaders to exercise caution in situations which might lead to direct military confrontation with the United States and its major allies. But regardless of present intentions, a government with such great military power at its disposal can become hostile and dangerous overnight. Thus, the most serious threat of active Communist aggression is against those countries within the direct reach of Soviet military power. I would like to provide that for the record.

The most serious threat of internal subversion is in those developing countries where the insurgents can obtain materiel and manpower resources from Communist or Communist-supported states. In this connection, the Soviet Union has increased its assistance to North Vietnam, has expanded its arms programs to a number of the Arab countries, has continued its military support programs to its Warsaw Pact allies and to North Korea, has continued arms aid to Cuba, and has initiated new arms programs for several African states. Communist China is continuing to provide external support to insurgent groups in neighboring Southeast Asian countries. Cuba is providing guerrilla cadres and limited arms and financial support to insurgent groups in Latin America.

REDUCTION IN MILITARY ASSISTANCE PROGRAM

Mr. SHRIVER. We have been asked by the chairman of the Committee on Appropriations, as we survey all of these budgets to look for places

for reductions because of the difficult financial position of our Government. I am wondering if there are places where this $400 million, or $500 million in reality, might be reduced some.

Mr. WARNKE. I would like to respond to that.

First of all, there is no question of the fact that the Union would survive if we had no military assistance program. I think it would be hyperbolic to say that it would not. We could survive the complete elimination of the program.

Secondly, I think Secretary McNamara put it well last year when he said these are dollars very well spent, that they represent a good buy for us. We think that the fat has been eliminated completely from the military assistance program. As far as the request last year was concerned, it was, at that time, what we regarded a reasonable request. We think that the request this year represents a recognition of the fact that there are competing demands for the budget dollar and that, recognizing those competing demands, we have trimmed the program to what we regard as being very bare bones.

For example, the Joint Chiefs recommended a program which would have amounted to approximately twice as much. In other words, what they regarded as being a reasonable military assistance program totaled, I believe, something like $780 million. We reduced the proposed request to $420 million. It is difficult for us to see where additional cuts could be made without virtually abandoning military assistance to some very key countries.

As I pointed out in my statement, ——— million of that $420 million goes to Korea where there is a present and very clear threat. Any reduction in that program would substantially reduce the rate at which the Korean forces can be modernized.

ALLOCATION TO FORWARD DEFENSE COUNTRIES

The other large country programs, similarly, are for key areas that represent the forward defense against the Communist threat. Thus, something like 85 percent of the total program is concentrated in five Forward Defense countries. If there were to be any substantial reduction, that is the only place where the reductions could be applied. It could not be made, we think, without significantly affecting our collective security policy, and without significantly reducing and degrading the ability of these key allies to defend themselves and, hence, to defend us.

Mr. SHRIVER. Of course, you are talking about money in the Defense budget and not before this subcommittee where the reductions could be effected.

Mr. WARNKE. I am not sure I follow you.

Mr. SHRIVER. You mentioned Korea.

Mr. WARNKE. Yes.

Mr. SHRIVER. I presume you mean Vietnam and Laos and Thailand. Those countries are not in this budget.

Mr. WARNKE. Those are the Vietnam-related expenses which, as you say, are funded separately out of the Department of Defense budget. What I was talking about is the ——— million military assistance program for 1969 for Korea which would go toward improving the ability of the forces in Korea——

Mr. SHRIVER. Is that in this budget?

Mr. WARNKE. Yes, that is correct.

Mr. SHRIVER. Why shouldn't that program be over in the Defense budget? You were discussing this a little while ago. Isn't this war-related?

Mr. WARNKE. It is not related directly to the Vietnam war, but it is related instead to the ability of South Korea to deter and defend against the North Korean threat.

UNDELIVERED BALANCE TO FORWARD DEFENSE COUNTRIES

Mr. SHRIVER. What is the undelivered balance for the five forward defense countries?

Mr. WARNKE. I believe Admiral Heinz can provide that total.

Again, I would like to point out what Admiral Heinz emphasized, that the undelivered balances, for the most part, are attributable to long leadtime items. For example, the production lines for aircraft are so crowded at the present time so that we are not going to be able to get the aircraft off the lines in less than a year or a year-and-a-half.

In addition, there are very short leadtime items as well as items of a continuing nature which must be funded currently out of each fiscal year appropriation.

Mrs. HANSEN. Such as?

Mr. WARNKE. Ammunition for example, and the costs of support and transportation.

In many instances, a significant proportion of the military assistance program for a particular country during any one year goes for these immediate support items which require immediate expenditures.

Admiral HEINZ. We estimate that as of 30 June 1967, about $790 million will be undelivered or unexpended for those five countries.

MAJOR ITEMS UNDELIVERED TO FORWARD DEFENSE COUNTRIES

Mr. SHRIVER. Now, how much, if you have it there, is for major items such as aircraft about which you were speaking? Can you break that down for the record?

Mr. WARNKE. May we furnish that for the record? We will give you a complete paper on it.

Mr. SHRIVER. That will be fine.

(The information follows:)

VALUE OF LONG LEADTIME ITEMS

The estimated value of the long leadtime items included in the $790 million unexpended/undelivered balance for the five forward defense countries is $461 million.

[In millions of dollars]

	Total
Aircraft: (146 F5) (6 UH 19B) (30 T41) (10 T33) (3 C–119G) (64 OH13)	106.5
Missiles: (Bullpup) (Sidewinder) (Hawk)	6.8
Ships: (8 Minesweep) (2 LCM) (2 Patrol craft) (1 Frigate) (5 Gunboats) (5 Landing craft)	37.7
Combat vehicles	40.0
Tactical support vehicles	49.0
Weapons	5.7
Communication	77.0
Support equip	114.7
Maintenance	23.6
Total	461.0

USE OF EXCESS STOCKS

Mr. SHRIVER. I notice many of the cutbacks in the proposed programs of last year have been offset by an increase of excess stocks, which is a very commendable adjustment. Can further emphasis be put on this approach during the year 1969 to enable additional savings?

Mr. WARNKE. I think it will have to be.

Mr. SHRIVER. You are using a little over $90 million in excess stock in fiscal year 1968.

Admiral HEINZ. We are placing emphasis on this, Mr. Shriver.

Mr. SHRIVER. What would be your estimated level?

Admiral HEINZ. As excesses become available we are trying to make sure that we distribute them to countries where they can best be used to benefit the Military Assistance program. We have reemphasized this recently, and we would hope to make maximum use of excess stocks.

Mr. SHRIVER. Very good.

Admiral HEINZ. In many cases, as excess stocks become available—and their availability is not always predictable ahead of time—we substitute them for programed items which would have required funding. We can then recoup those funds.

Mr. SHRIVER. I have one other question. Off the record.

(Discussion off the record.)

MILITARY PERSONNEL ENGAGED IN MILITARY ASSISTANCE

Mrs. REID. In last year's hearing Secretary McNamara indicated that the number of military personnel engaged in military assistance was approximately 11,000. Has this number increased or decreased? Exclusive of Vietnam, where do we have the greatest number?

Mr. NITZE. I would like to provide that for the record.

(The information follows:)

MILITARY PERSONNEL ENGAGED IN MILITARY ASSISTANCE

The figure of 11,000 to which Mr. McNamara referred, included:

Slightly over 6,000 military personnel involved in military assistance in South Vietnam.

5,041 other military personnel assigned MAP duties worldwide including personnel in the MilGroups in Latin America (which are not MAP-funded but perform MAP duties). This number was reduced to 4,277 on April 1, 1968, a 15 percent reduction.

Exclusive of Vietnam, the greatest number of military personnel engaged in MAP is in Korea (1,187). We also have relatively large numbers of MAP personnel in Taiwan (499), Thailand (470), Iran (354) and Turkey (217).

BREAKOUT OF PROGRAM CONTENT

Mrs. HANSEN. I think it might be well to have the total amount of money spent in training placed in the record. You show it country by country and the number of countries in which training is done.

Mr. NITZE. Isn't that already contained in the presentation document?

Admiral HEINZ. Yes, on page 19.

Mrs. HANSEN. That is right, but we do not put these pages into the record. What I am about to ask you is the three component parts of your military assistance, your training, your materiel, and the weaponry that is not in this category. Now, you figure it out.

Admiral HEINZ. Weaponry not in the category of materiel?

Mrs. HANSEN. Yes, talking about ammunition.

Admiral HEINZ. We consider this materiel.

Mrs. HANSEN. You consider airplanes materiel?

Admiral HEINZ. Yes.

Mrs. HANSEN. All right. It all goes into materiel?

Admiral HEINZ. Materiel and training.

Mrs. HANSEN. If you have any sophisticated weapons put those down, sophisticated weapons by the designation of this committee which you know very well. Anyway, the total amounts in the three brackets. Then we will have a better picture of what the financing means, because all justifications, unlike other committees, do not go into this record, so that there is not a breakout of money amounts. In your total training, show the number of countries, the training that is going on, and indicate if the training is done upon their request, and by what device within their government. Is it through their Parliament, their Prime Minister, their Defense Department, or what have you? And who approves it? If they do not request it, and if we go to them and paddle around and ask them if they want some training, indicate those countries.

Admiral HEINZ. In no case do we supply either materiel or training that the country does not request.

Mrs. HANSEN. But, it is awfully easy to make a psychological suggestion.

Admiral HEINZ. No, it is not a psychological suggestion.

Mrs. HANSEN. Then who gives the approval?

Admiral HEINZ. Candidates for training are approved both by the country and by our representatives in the country.

Mrs. HANSEN. Who determines it here? Is it the State Department, is it a combination of the State Department and the Defense Department? What is it? Just give the indication when you put these tables in, because that way we have a better idea of what is training and what is materiel.

(Unclassified information follows and classified material was submitted to the committee:)

FISCAL YEAR 1969 MAP GRANT AID PROGRAM

Following presentation of MAP grant aid programs provides a breakout of training:

Explanatory notes:

1. Student training includes course costs and/or transportation and living allowances for the training of personnel from the military forces of MAP grant aid recipient countries. This training is accomplished principally at U.S. military installations in the United States and overseas, but also includes training in U.S. civilian institutions, underway training in U.S. naval craft, orientation tours to U.S. facilities, and DOD informational program activities.

2. Major categories of training are:

a. *Flying.*—Flying training includes various phases of pilot training in jet, conventional, and rotary-wing aircraft, instruction pilot, instrument flight examiner, and test pilot. Also includes navigator and flight-mechanic training.

b. *Operations.*—In this category are the courses necessary to the support of the roles and missions of Armed Forces. Typical courses are: Combat operations, weapons and tactics, weapons controller, mine warware/ASW, ship crew training, air and amphibious reconnaissance, mapping, photographic, counterinsurgency, psychological operations, air traffic control, flying safety, survival, crash rescue firefighting and other specialized courses peculiar to military operational requirements.

c. *Communications and electronics.*—Courses in this category are designed to develop requisite skills on complex communications and electronics equipment. Included are courses in basic and advanced courses in communications and electronics and training on maintenance of all ground, seaborne, and airborne communications and radar systems, fire control systems, ASW/ECM equipment and precision measuring equipment.

d. *Maintenance.*—Training courses related to the maintenance of equipments utilized by the Armed Forces. Includes minor/major maintenance, overhaul and inspections of aircraft, aircraft engines, armament, general and special purpose vehicles, ships, boats and all related support equipment. Also includes specialized courses in munitions/ordnance maintenance, handling, and safety.

e. *Logistics.*—Courses in this category includes logistic management, supply, warehousing, transportation and distribution, POL, procurement, comptroller and statistical, finance and data processing.

f. *Administration.*—Includes courses on personnel and manpower management, food services, information and education programs, clerical and other training related to administrative duties.

g. *Professional/specialist.*—Special career-type training to meet military requirements, i.e., law enforcement, quartermaster, medical, infantry, artillery, civil affairs, construction, intelligence, and international relations. Also includes courses at U.S. military professional schools and civilian institutions.

h. *Orientation/observer.*—Orientation and observer visits to familiarize foreign military personnel with weapon systems, facilities, industry, management, and other areas of interest. This category also includes special informational programs designed to enhance the foreign students understanding and appreciation of the United States.

i. *Missile.*—In this category are courses related to the operations, maintenance and employment of the Nike and Hawk surface-to-air weapon systems.

j. *Mobile training teams.*—Training in this category is provided where a specific requirement for training arises in country which is beyond the capability of the MAAG/mission to perform and for which, under the circumstances, it is more expenditious, practical and economical to bring the instruction to the trainees.

k. *Field training service personnel.*—Includes requirements for services in highly technical fields to train instructor cadres and/or establish courses of instruction in maintenance and operation with respect to specific items of equipment and/or systems. Also includes English language educational personnel. Personnel are from U.S. Civil Service resources, except that such services are obtained by contract with private industry when requisite skills are not otherwise available.

l. *MAAG/command training support.*—Requirements in this category are to provide support for MAAG/mission and unified command personnel whose primary duty is the training and advising of host country personnel.

m. *Other training support.*—This category includes:

(1) Student medical and burial expenses.
(2) Escort officers for orientation/observer training.
(3) Training exercises.
(4) Training of MAAG personnel—counterinsurgency, qualification/refresher training in aircraft and in country language training.
(5) Military Assistance Institute (MAI) contract costs and per diem/travel for U.S. personnel attending the institute.
(6) Supplies and materials to support training requirements.
(7) Support of the Defense Language Institute.

n. *Training aids and publications.*—This category includes requirements for training aids and publications. The requirement is included under training in accordance with Amendment to section 644(f) of the Foreign Assistance Act of 1961, as amended. (Public Law 90-137, 90th Congress, November 14, 1967.)

3. With reference to the breakout of training: a. In those cases where zero students are indicated against a number of courses, students are attending consecutively more than one course and the student count is applied against the first course attended. b. Variance in course costs per student within a category is due

to differing course content and duration, differences in location of training facilities and differences in travel and living allowance costs. c. Overseas travel costs are applied to the initial course of entry. Where the student attends more than one course this may present a distorted picture of costs directly related to a specific category.

4. Training courses are provided only where initially requested by the country. Specific courses tailored to the country needs are approved by the MAAG/mission and Ambassador, reviewed by the Unified Command and finally approved for implementation by Department of State and Defense.

5. Excluding the countries which are exempt from the determination of "Sophisticated weapon systems" under the Conte-Long Amendments, none of the remaining fiscal year 1969 military assistance programs contain weapons systems that are considered to be "sophisticated."

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
East Asia:		
[Deleted]	[Deleted]	[Deleted]
China, Republic of:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Indonesia:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Korea:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other service		
Total country program		
Phillippines:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
East Asia—Continued		
Area program:[1]	[Deleted]	[Deleted]
Flying		
Operations		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Command training support		
Other training support		
Total training		
Total materiel and other services		
Total area program		
Area summary:		
East Asia:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional/specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG/command training support		
Other training support		
Training aids and publication		
Total training		
Total materiel and other services		
Total East Asia program		
Near East and south Asia:		
Greece:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Iran:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other serivces		
Total country program		
Saudi Arabia:		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
MAAG training support		
Other training support		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Near East and south Asia—Continued		
Turkey:	[Deleted]	[Deleted
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Area program: [2]		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
Field training service personnel		
Other training support		
Total training		
Total materiel and other services		
Total area program		
Area summary:		
Near East and south Asia:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional/specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG/command training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total NESA program		
Africa:		
Congo:		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Ethiopia:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Africa—Continued		
Liberia:	[Deleted]	[Deleted]
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Field training service personnel		
MAAG training support		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Libya:		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Field training service personnel		
MAAG training support		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Morocco:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Field training service personnel		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Tunisia:		
Operations		
Communications/electronics		
Mainetnance		
Logistics		
Professional specialist		
Orientation		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Area program: [3]		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Other training support		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Area summary:		
Africa:		
Flying	[Deleted]	[Deleted]
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
MAAG/command training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total Africa program		
Argentina:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Bolivia:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Brazil:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Chile:		
Flying		
Operations		
Communications/electronics		
Maintencnce		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Area summary—Continued		
Colombia:	[Deleted]	[Deleted]
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Dominican Republic:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
MAAG training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Ecuador:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
El Salvador:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Guatemala:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Area summary—Continued		
Honduras:	[Deleted]	[Deleted]
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Nicaragua:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Panama:		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Total training		
Total materiel and other services		
Total country program		
Paraguay:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Peru:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Field training service personnel		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Uruguay:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Area summary—Continued	[Deleted]	[Deleted]
Venezuela:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Area program: [4]		
Flying		
Operations		
Maintenance		
Logistics		
Professional specialist		
Orientation		
Command training support		
Other training support		
Total training		
Total materiel and other services		
Total area program		
Area summary:		
Latin America:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Mobile training teams		
Field training service personnel		
MAAG/command training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other selvices		
Total Latin America program		
Europe:		
Portugal:		
Operations		
Communications/electronics		
Maintenance		
Administrative		
Professional specialist		
Orientation		
Missiles		
Mobile training teams		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total country program		
Spain:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Professional specialist		
Orientation		
Mobile training teams		
MAAG training support		
Other training support		
Total training		
Total materiel and other services		
Total country program		
Area program: [5]		
Maintenance		
Professional specialist		
Orientation		
Command training support		
Total training		
Total material and other services		
Total country program		

See footnotes at end of table, p. 589.

[Dollar amounts in thousands]

Area/country and category of training	Number of students/ courses	Cost
Area summary:	[Deleted]	[Deleted]
Europe:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Administrative		
Professional/specialist		
Orientation		
Missile		
Mobile training teams		
MAAG/command training support		
Other training support		
Training aids and publications		
Total training		
Total materiel and other services		
Total Europe program		
Department of Defense:		
DOD informational program [6]		
Department of State support [7]		
Command training support [8]		
Other training support [9]		
Total training		
Total materiel and other services		
Total country program		
Worldwide summary:		
Flying		
Operations		
Communications/electronics		
Maintenance		
Logistics		
Administrative		
Professional specialist		
Orientation		
Missile		
Mobile training teams		
Field training service personnel		
MAAG/command training support		
Other training support		
Training aids and publications		
Total worldwide training		
Total worldwide materiel and other services, less MAP assets		
Total military assistance grant aid		

[1] Includes CONUS only training for Malaysia.
[2] Includes CONUS only training for Afghanistan, Ceylon, India, Jordan, Lebanon, Nepal, and Pakistan.
[3] Includes CONUS only training for Ghana, Guinea, Nigeria, and Senegal. Also includes training for distinguished African military leaders (DAML), for brief U.S. tours for selected personnel from other African countries.
[4] Includes CONUS only training for Mexico.
[5] Includes CONUS only training for Austria ——.
[6] DOD informational program for foreign military personnel supported on a total cost basis.
[7] Reimbursement to State Department for administrative support of training functions overseas.
[8] Costs of training services provided by military departments training commands.
[9] Includes requirements such as Military Assistance Institute (MAI), per diem/travel for U.S. personnel attending MAI, special training of U.S. personnel prior to MAAG duties, and support of Defense Language Institute.

TRANSFER OF MILITARY ASSISTANCE ITEMS TO DEFENSE BUDGET

Mrs. HANSEN. You and Mr. Shriver had a discussion some time ago about the defense budget. Isn't it true that if the military assistance program was carried in the defense budget, it could no longer be stated as a part of our foreign policy at all but would have to go purely in the Defense category of our national interest?

Mr. NITZE. I would like to have Mr. Warnke answer that?

Mr. WARNKE. I don't think that that would necessarily follow.

Mrs. HANSEN. Why not?

Mr. WARNKE. Because, under those circumstances, there could still be a provision in the legislation which required the approval of the Secretary of State for any military assistance program for any country.

Mrs. HANSEN. Don't you think you would have some great difficulty, though, in explaining this around the world, and particularly in Congress?

Mr. WARNKE. Yes, I think it would make the explanation more difficult. I think that is an argument against such transfer.

Mr. SHRIVER. Off the record.

(Discussion off the record.)

DOMESTIC NEEDS AND ASSISTANCE TO SOUTHEAST ASIA

Mrs. HANSEN. The other day, Mr. Secretary, I asked witnesses to supply for the record—and I merely bring it out here so you will know why I asked for it, because we hear a great deal about our SEATO commitment and I spied quite a few members of SEATO who apparently have no commitment, as far as financial assistance or anything else, in Vietnam. I have asked for that so that we have some presentation of facts.

On the matter of Korea, I am still curious, Admiral Heinz. I still cannot feel that since they have received $2,655,625,000 in assistance since 1954, why they couldn't have been updating their military, trucks, planes and so on, instead of having to have $100 million in a supplemental request. I tell you quite frankly that I have been sitting in my committee trying to find $115 million to cut out of the heart of the United States.

When one has to cut literally the number of kids in Indian schools and when you have to say to the American people "We can't spend anything for your education, we can't spend anything for your development, your well being," when we have to cut down programs that are as vital as saline water is to some of the water problems that exist in this Nation, I want to know what really good justification there is for this $100 million. I have had to eliminate many things such as the construction of schools. Choctaw Indians, for instance, cannot go to school because they have to work with their family on farms in order to help that family earn their part of the sharecrops.

These are the things that concern me. I know it is easy to get $100 million out of Congress for anything that even smells like a gun. But we had better begin to be afraid of what is going to happen to our own country if we fail with education and job and manpower training.

This year, as we look at priorities, as I mentioned the other day, we have $30 plus billion of controllable items, so-called, in the budget. These exist in the field of domestic programs. That $30 plus billion is going to equate exactly with what is going into Southeast Asia. Now, to chop every penny of that $30 billion is going to have to take some belt-tightening that would be more than belt-tightening, but a developer of further problems.

I still can't see why Korea couldn't have been updating military equipment out of the sizable amount of money that they have been receiving.

Mr. NITZE. Might I comment?

Mrs. HANSEN. Yes, Mr. Secretary.

NATIONAL DEFENSE AND GNP

Mr. NITZE. I think it is pertinent that the percentage of our gross national product which has been going to defense has been less, by and large, during the 1960's than it was during the 1950's.

Mrs. HANSEN. That is why we have this pile-up because during the 1950's a large amount of our gross national product went into the defense dollar.

Mr. NITZE. There is no doubt about the fact there is a burden on the economy. In the early 1950's, it went up as high as 14 percent of our gross national product. In the 1960's it has never gone above 9 percent of our gross national product. The costs of providing defense for the country, either directly through the Defense budget or through the military assistance program, are obviously high. We have done our very best to keep those expenditures down, to increase our controls, and to cut out everything that is not absolutely necessary.

GERM WARFARE

Mrs. HANSEN. Do you think it essential, Mr. Secretary, to have a sheep-killing program? Do you think that is real essential to our defense?

Mr. NITZE. Madam chairman, may I say I think that is an unfair comment.

Mrs. HANSEN. But we are trying to spend millions of dollars in other kinds of programs to save lives and to save animals' lives, and so on, and then along comes something like this. I have a dismal view of the development of germ warfare. I mean, where does civilization begin and end? Where are we going in this world? I speak as a human being.

Mr. NITZE. I really think it is important for us to know everything we can know about this form of warfare because of the very great effort that the other side has made in this field in the past. I would hate to see us uninformed.

Mrs. HANSEN. Don't you think our routine scientific laboratories would be developing this thing?

Mr. NITZE. You haven't really let me ———

DOMESTIC EXPENDITURES COMPARED WITH DEFENSE AND FOREIGN AID EXPENDITURES

Mrs. HANSEN. We haven't been a bit concerned about whether we save the water resources of the United States. Right now this Nation faces a serious problem in the matter of water resources and you well know it. Every American who is thoughtful recognizes this as one of the increasingly critical areas in our own effort just to keep us alive, that is, the sources and the saving of water, and also the exploration for water sources. What can we do? How many watersheds do we have to begin to rehabilitate, and so on? Yet this money has to be cut out.

What are we going to defend eventually if within our own country there lie the seeds of destruction?

Mr. NITZE. The point I was trying to make was that we do have a burden in trying to provide for the defense of the country and the cost is high. We have been doing our level best to keep it down; and I think that, considering the fact that there is a war going on in Vietnam, we have kept the cost down to a percentage of the gross national product which, with a tax increase, would be a tolerable burden.

Mrs. HANSEN. The defense budget is 56 percent of our national budget this year and it does not include foreign assistance.

We are going to try to start kindergarten for the Indians. Why? Within the boundaries of the United States there are young people who don't speak the English language. The only way to keep them from dropping out of the social structure is by giving them an opportunity to have an education. The processes in that education have to be updated. This is merely one small item. Other corresponding items in my budget affecting these same people have to be curtailed.

The best defense of our country is that we have an intelligent electorate, an intelligent citizenry. The makers of our Constitution never contemplated that we would become a nation with illiteracy and ignorance as major problems.

When I see that estimate of $100 million for Korea, I have to go into my subcommittee and say, "You have to cut enough to give Korea $100 million." The $100 million comes right smack out of the American budget and I do not have a luxury budget. For example, there is no construction in the Bureau of Commercial Fisheries and yet I discovered, with the imbalance we have in the gold situation that the United States at the present time is importing 71 percent of the total domestic fish consumption.

The heavy metals program, so essential to the exploration and development of new sources of gold, both in our offshore areas and within the country has to be slowed down. These are some of the very grave problems I can't help but bring to your attention. Each department should not retire into its little telephone booth and prepare its budget without considering the Nation as a whole.

We have problems in the United States, problems of housing, et cetera. From 1945 to 1967 we have spent $985.7 billion on defense. In those same years we spent $122 billion in foreign aid. In those same years we have spent $14 billion on education in the United States at the Federal level. In those same years we spent $448 million for libraries in the United States.

These are rather spectacular contrasts. If I had my folder here, I could give you what we spent in housing and in all other domestic areas of our Nation. They are appallingly low figures. These are some of the things that concern us, Mr. Secretary.

ALLIED NATIONS SUPPORT IN SOUTHEAST ASIA

They especially concern us when we see the Southeast Asia treaty countries, all of the SEATO signatories, and yet actually the only spectacularly high contributor to that war is the United States.

The United Kingdom has no troops there. France certainly has nobody there. In fact, she spends all her time wandering around collecting enemies for us. We have New Zealand with a minimum amount.

Australia with a rather minimum amount. The Philippines with a minimum amount. Thailand, a nation close to Vietnam, with a minimum amount. Pakistan, with a very small amount. There you are.

I also see listed on page 2 all other treaty countries. I asked the other day how any of these carry military commitments that an outburst or a crisis can cause us to have to use troops, money and so on as a part of another commitment.

UNITED NATIONS INEFFECTIVENESS

The United Nations receives a substantial budget and I understood in the beginning the United Nations was established to help keep the peace of the world; that it was something more than a debating society. I can't see that they are particularly anxious to function effectively in several areas.

Are we doing anything to make the United Nations a more practical, functioning body to keep the peace of the world? If not, why not? Can you answer that for me, Mr. Secretary?

Mr. NITZE. At the time the United Nations was created, it was recognized that it would be difficult for the United Nations to take a definitive role in keeping the peace on issues which affected the great powers, and this was why the veto right was included in the provisions with respect to the Security Council. In those instances where there was a substantial difference of interest between the Soviet Union, for instance, on one side, and the United States on the other side, it would be difficult, if not impossible, for the United Nations effectively to arbitrate and control the issue.

Subsequently, at the time of the Korean war, it was hoped that the General Assembly could play a greater role, even though the veto power existed in the Security Council.

I think the fundamental situation is one under which it is extremely difficult for the United Nations to act decisively in a situation in which the Soviet Union and the United States take different positions, and we are not on the same side.

It is possible that the United Nations could be helpful later on in the situation. ———.

Mrs. HANSEN. Once more, what are we doing to try to make the United Nations more effective? If the goal of the world is peace, if everyone means what they say—which I sometimes seriously doubt—then shouldn't all the nations who belong to the United Nations go into some very serious discussions about what can be done to make it a more meaningful organization and to make it a more effective organization?

True, there have always been problems among nations, but with mankind, faced with the atomic problems of today, if we can't face up to this, do you think humanity or civilization has gone very far? This being the Easter season, it seems appropriate we look and see how far we have moved. If we are just as bad as we were 2,000 years ago and are now faced with an atomic holocaust, what is the use of defense? Shall the world proceed to blow itself up and get it over with instead of undergoing the expensive discomfort of waiting?

Mr. NITZE. Of course, these are crucial issues which have been subjects of the most intense consideration by the State Department for years and years and years.

Mrs. HANSEN. They ought to be the responsibility of all mankind and all humanity of the world. It shouldn't rest on the U.S. State Department alone to find world peace.

It should be as much a responsibility of the Soviet Union and China, Japan, France, and every country in the world, to look down the alternative roads to find some better answers, than ending in a holocaust and graveyard. Apparently, however, it has become a question of how much you spend on the way to the graveyard—not exactly a cheerful picture in this civilized world of this Easter season of 1968.

Mr. NITZE. It is a very difficult picture, indeed.

Mrs. HANSEN. I think the United Nations has to be mankind's last best hope, or something developed from it. Somewhere along the line, at least, mankind and humanity must decide the road they want to travel.

TOTAL COMMUNIST MILITARY ASSISTANCE TO SATELLITES

Now, put in the record your best estimate of what the total Russian military assistance is around the world to their satellites and to how many countries, and what the total Chinese military assistance is.

Mr. WARNKE. We will be happy to supply that for the record.

(Classified information was submitted to the committee.)

RAILWAY THEFT IN SOUTH VIETNAM

Mrs. HANSEN. I have an April 10 newspaper which says, "Viet Troops, Officials Tied to Railway Theft. South Vietnamese soldiers, aided by police and some Government officials in the northern provinces, have stolen more than 12.6 miles of railroad tracks and equipment valued at $1.5 million."

Did that end up with the Vietcong or North Vietnam?

Mr. NITZE. May I supply the answer for the record?

Mrs. HANSEN. Yes, sir, you can.

(The information requested follows:)

FACTS REGARDING RAILS TAKEN UP IN NORTHERN PROVINCES OF SOUTH VIETNAM

During February 1968 several miles of rail and metal crossties were taken up from the railroad in the vicinity of Quang Tri. The railroad was inoperable, and certain ARVN units removed the material as an emergency measure to provide reinforcement in their bunkers built during the height of the NVA/VN winter-spring offensive in the Khe Sanh-Quang Tri-Hue area. These rails are being recovered from the bunkers and returned to the railroad where possible. The figures cited in the newspaper account are believed to be about four times as great as the amount of rail actually removed. MACV has taken this matter up with the Government of Vietnam. In any event, the material did not go to the Vietcong or to North Vietnam.

SOUTH VIETNAMESE PEASANT INFORMANTS

Mrs. HANSEN. This was brought up by the Chairman of the National Committee on the Humanities. He said before my committee that we can develop the most sophisticated weapons in the world but we fail

to understand the basic problems within our own Nation and we also have failed perhaps to understand some of the basic problems within the heart of the peasant in Vietnam.

It has always seemed a very strange thing to me that when a village was infiltrated, we didn't have some one friend in that village who would alert us to the presence of the Viet Cong or the North Vietnamese. I can't quite understand an American village that knew a tribe on the warpath were coming in 1805 not having anybody in that village who would tell someone that they were coming. I can't quite understand why we have failed here to have a system of loyalty to us after our tremendous expenditures and the tremendous amounts of our American blood shed in the defense of the principle of freedom in Vietnam. Why can't they recognize the deep sense of our great offering in bloodshed alone, forgetting money and materials. Why can't they alert us that there is an enemy within the village?

Mr. NITZE. In many instances, we are informed.

Mrs. HANSEN. And in many we aren't.

VIET CONG ASSASSINATIONS AND TERRORISM

Mr. NITZE. In many we are not; and, in those instances where we are not, it is because those villages have been subject to the terror of the Viet Cong for a long period of time. We can supply for the record the number of village chiefs who have been assassinated by the Viet Cong. This has been a continuous process over many, many years.

Mrs. HANSEN. We have had a lot of people wiped out in our own country defending our rights as various times in the history of our Nation.

Mr. NITZE. This terror has been effective. Terror has an effect upon the people in these hamlets who have been subject to the presence of the Viet Cong for this period.

Mrs. HANSEN. Is it terror or is it a human desire to be on the right side at the right time?

Mr. NITZE. My personal view is that it is basically the first.

INTERPRETATION-APPLICATION OF CONTE-LONG AMENDMENT

Mr. LONG. Mr. Nitze, last week I asked whether the Defense Department was trying to, in a sense, weasel out of the Conte-Long amendments, and you said you did not believe this was so and that you had from the very beginning attempted to apply a strict construction of them.

Mr. NITZE. I might expand on that for a minute and say that I believe the military assistance program proposed for fiscal year 1969 is wholly consistent with the Conte-Long amendment.

Mr. LONG. Let me read now from a memorandum from the Comptroller General of the United States quoting the Assistant Secretary of Defense, Comptroller. This is a very long memo and perhaps you haven't seen it.

Mr. NITZE. Mr. Warnke is familiar with the memorandum.

Mr. LONG. This is the Comptroller. It says here:

> On the basis of the legislative history of the amendments, the Assistant Secretary is of the view that there can be no doubt that it was not the grant aid program, but the foreign military sales program and the role of the United States as a competitive supplier which troubled the Congress.

Then on page 5:

For the foregoing reasons, we have concluded that the Conte-Long Amendments do not apply to grant military aid.

Fortunately, the Comptroller General did not accept this version of the Defense Department and stated categorically that this applied to grant aid, both military and economic, and I want to tell you that that is exactly what Congress intended.

Mr. NITZE. That has been my understanding of it right along.

Mr. LONG. Apparently your Comptroller did attempt to weasel out of it. I think that is unmistakable from reading this.

Mr. WARNKE. I would challenge that interpretation, Mr. Long. I don't regard it as an attempt to weasel out of the Conte-Long amendment at all. There was a reasonable difference on the language of the amendment, as to whether or not it did apply to grant aid, and what the Comptroller did was to seek a clarification which he received from the General Accounting Office.

Mr. LONG. He put it in such a leading way and bolstered it with such arguments as to clearly try to get out from under the construction that Congress intended.

Mr. WARNKE. He asked for an interpretation and received one.

Mr. LONG. Well, he didn't do it in that way. He didn't ask for an interpretation. He stated his interpretation of it which was, I think, a totally wrong interpretation, and tried to get the Comptroller General to buy that.

Mr. WARNKE. I think, sir, as a matter of principle, that you cannot ask the Comptroller General for an opinion without giving him your opinion.

This happened to be the opinion which was held by the Defense Department as a matter of construction of the Conte-Long amendment. It was not accepted by the Comptroller General.

Mr. LONG. I will accept your position on that.

Mr. WARNKE. Thank you, sir.

Mrs. HANSEN. By the way, they are not the only one who pays no attention to Congress.

Mr. LONG. I don't think it really matters very much if the Defense Department now intends to comply, or if they are going to try to get out from under them.

Mr. WARNKE. I think if we had any intent to get out from under the amendments we would have applied our interpretation and not have sought the ruling of the Comptroller General. Obviously we regard the ruling of the Comptroller General as binding on the Department of Defense.

Mr. LONG. Isn't it true that the budget for 1969, proposes the deletion of the Conte-Long amendments?

Mr. WARNKE. That is correct, sir.

Mr. LONG. Well, it is pretty clear you people don't like the Conte-Long amendments and you are going to find one way or another to get out of them. Isn't that really the truth?

Mr. WARNKE. No, sir, as long as they are the law of the land, I can assure you we will abide by them.

Mr. LONG. Let me ask you what you have done to abide by them so far?

Mr. WARNKE. What we have done, sir, is to refrain from selling sophisticated weapons to any underdeveloped country except in the case of Jordan for which a Presidential determination was issued on the 8th of March.

Mr. LONG. What about Ethiopia? What about Morocco?

Mr. WARNKE. There have been no sales of sophisticated weapons since the effective date of the Conte-Long amendment.

Mr. LONG. Don't you contemplate selling them nevertheless?

Mr. WARNKE. Not without a Presidential determination under the amendment, sir.

Mr. LONG. It is my understanding you are not going to seek a Presidential determination in the case of ———.

Mr. WARNKE. We would have to if there were going to be a sale of sophisticated weapons to that country.

Mr. LONG. I think they are going to try to do it under a previous budget.

Admiral HEINZ. May I reply to that, Mr. Long? ———

Mr. LONG. That is right, and I am not inclined to interpose strong objections, but I am going to be increasingly distressed if we find one loophole after another to get around these amendments. I think there are instances in which it is justifiable. I am not happy about those particular cases, but I am not going to raise strong objections to them.

AID TO LATIN AMERICAN COUNTRIES

I am more interested in what the Defense Department proposes to do about Latin American countries.

Now, you say you haven't sold any, but what have you done now to cut down on economic aid to the countries that have proposed to go ahead and buy them anyway? Those contracts have been made, I believe, and signed in the case of Peru and a number of other countries to do this. What measures are you taking to cut our economic aid?

Mr. WARNKE. I am sorry, sir, that doesn't come under our jurisdiction so there is nothing that the Department of Defense can do.

Mr. LONG. How about military aid? Other military aid? Your regular military aid?

Mr. WARNKE. The Conte-Long amendment does not require a cut in military aid.

Mr. LONG. I believe the amendments apply to all. We propose to cut down on all aid if the country goes out and buys sophisticated weapons notwithstanding.

Mr. WARNKE. I might point out, Mr. Long, that in our foreign military sales bill this year we propose that in the event a country does divert economic assistance, such action will be a basis for the President to conclude that no further credit sales of military equipment or guarantees will be made. In other words, we have applied the same principle to the sale of military equipment, but I think that the existing amendments require only a reduction of economic assistance.

Mr. LONG. You are, in your future military assistance programs, going to take into account any purchases that these countries make of sophisticated weapons systems?

Mr. WARNKE. That is correct, sir.

Mr. LONG. I want to applaud you for that.

APPICABILITY TO M–47 TANKS FOR PAKISTAN

I have a copy of the Military Export Reporter dated April 4 and it states:

Fiat of Italy has received U.S. permission to sell 100 reconditioned M–47 Patton tanks of U.S. origin to Pakistan. The M–47 will replace Pakistan's M–24 Chaffee armored cars.

How does this square with the Conte-Long amendments in your view?

Mr. WARNKE. I would not regard M–47 tanks as sophisticated weapons insofar as a country like Pakistan is concerned, Mr. Long.

Mr. LONG. Admiral, do you regard these as sophisticated weapons?

Admiral HEINZ. I think the M–47 tank is not a sophisticated weapon for Pakistan. ———.

RELATIVE SOPHISTICATION CONCEPT

Mr. LONG. I don't believe the Conte-Long amendment stated the sophistication as a relative concept. I think in the legislative history these were listed as examples of sophisticated weapons systems.

Now, the idea that this is a relative thing is something that you people have added on to this, isn't it?

Admiral HEINZ. I believe that you cannot consider all tanks to be sophisticated any more than all aircraft are sophisticated. The M–47 tank is not a new tank. The M–60 is, and it is quite a different article. The fact that they have had tanks of this nature for many years, that they are capable of using them, the fact that this is not an expensive item or a difficult one to operate, puts it, I think, in the category of being subject to a determination as to whether or not it is sophisticated.

Mr. LONG. You are really taking the sophistication as a relative rather than an absolute concept, is that right?

Admiral HEINZ. What we are doing is reviewing all items proposed for any particular country and then making a determination as to whether or not they are, in our opinion, sophisticated.

USE OF MAP EQUIPMENT IN INDIA/PAKISTAN HOSTILITIES

Mr. LONG. I think my first interest in this whole problem, my first objection to our military assistance program came when I was in India and Pakistan. I talked to our military advisers there at that time who were both probably the most frustrated and demoralized men that I have ever talked to. Both had been completely excluded from giving any advice to the countries to which they were attached. A general had his first view of fighting and the front when I came to India and he tagged along. He said, "This is the first time I have ever had a chance to see anything. They never let me near anything."

We went up to the Lahore sector and saw that area that had been fought over and I got my first glimpse there of the futility of the American AID program. We had given aid to India to protect her against China—I suppose—I am sure—I have no other idea—and, instead, I saw, acres of tanks, which we had given Pakistan, destroyed by guns and tank weapons we had given India. And our aid, instead of going to fight the Communists and to repel Communist aggres-

sion, had gone to finance a very bloody battle between two countries which were friendly to us and which we were attempting to help.

Since it has become fairly clear that the interests of both India and Pakistan are far greater in defending themselves against each other and that one country's security, really, is the other country's insecurity, so that the more secure you make India, the more insecure you make Pakistan, and the more secure you make Pakistan, the more insecure you make India, I would like to know why it is we are putting more fuel on the fires there by putting in more stuff, quite aside from the question of whether these are covered by the Conte-Long amendments.

THREAT TO SECURITY OF INDIA AND PAKISTAN

Mr. WARNKE. May I respond to that? Nobody can regard the conflict between Pakistan and India with anything like equanimity. It could be construed to represent a failure in American military assistance, I would say, but you have to consider what the alternatives are in an admittedly imperfect world. You have a situation in which the security of India and the security of Pakistan against Communist aggression are important ———. We can't afford to have them become so weak militarily that they might be invaded and taken over by the Communist Chinese.

Mr. LONG. Mr. Secretary, when I was there I couldn't find anybody who really believed that China intended to invade India, that anybody in India really believed that. I talked to their top officials and so on. There were a great many who felt that Pakistan was a menace to India, and in Pakistan you felt the same way, but I couldn't find anybody who believed that China was really intending to conduct a full-scale military invasion into India.

Do you really believe that?

Mr. WARNKE. ——— we have interested ourselves in keeping India ——— strong, and the Communist Chinese recognize our interest in India's security.

Mr. LONG. Are you primarily a military man?

Mr. WARNKE. No, sir; I am not.

SOCIO-ECONOMIC PROBLEMS OF INDIA AND PAKISTAN

Mr. LONG. I am wondering whether you don't have enough sophistication to realize that if India ever collapses it will not be because of aggression from without. It will be because you have 500 million people who are living in unbelievable misery and that sitting on top of this caldron is a small, well-meaning upper-class group that aren't particularly representative of the masses that they are ruling. In fact, they are almost completely unrepresentative of them.

If India is to be kept from going Communist, it is going to be by economic and social measures which make India a reasonably decent place for the masses to live in. Yet we are allowing to be diverted—and this is true of Pakistan also—very large sums of money from the true battle against communism to what I think any really sophisticated person would have to admit is a phony battle against communism.

Mr. WARNKE. There is no question as to the fact that India's basic problems are economic and social, and I would say that American

aid programs recognize that fact. We do not have a military assistance materiel program for India, nor are we encouraging them to divert the resources they badly need for their own economy to the purchase of weapons from the United States or any place else; but, at the same, we recognize that time they do have certain military needs.

Now, let's consider what the alternatives are——

Mr. LONG. I question whether that is true. I think that is a statement. In the first place, when you allow tanks to be sold by Italy to Pakistan, you are creating political pressures in India which are absolutely irresistible for a greater diversion of economic to military aid. This is absolutely certain and I am sure you know that.

Mr. WARNKE. Consider the alternatives, Mr. Long. Would we be better off denying a sale by Italy to Pakistan of M–47 tanks which are relatively simple to maintain, and relatively inexpensive? Would we be better off if we were to deny any sort of military assistance to India and allow India to rely completely on Soviet Russia, and Pakistan to rely completely on Communist China?

It seems to us that as long as you maintain some degree of interest in their military programs,———

Mr. LONG. It seems to me that experience has demonstrated that this hasn't worked that way at all. Am I correct in saying we were the principal suppliers of military equipment to India up until the India-Pakistan war?

Mr. WARNKE. No, and I would say that———

Mr. LONG. And when we closed down on the military equipment because of the war, they promptly went out and got them from the Communists. India from the Russians and I believe Pakistan from the Chinese.

Mr. WARNKE. The fact is hostilities did cease.

Mr. LONG. The fact we were there with an advisory presence did us no good at all.

Mr. WARNKE. I think it did us some good. I think it helped put an end to the hostilities.

Mr. LONG. I question whether that is so. I think it is a theory. I certainly know this, that when we went up there we weren't allowed to see any weapons at all. I was rather impressed with the cordiality we got. When I went away the military advisor said, "Do you know, we haven't seen one single weapon all day."

Not one single weapon did we see with the exception of a sidearm on the hip of one of the soldiers.

Now, the conclusion he drew from it, and which I had to draw from it, was they had great quantities of Russian weapons they didn't want us to see and that is why you couldn't get up there.

In Pakistan a general told me, "I am the most demoralized man, I suppose, in the whole U.S Army." And he told me an even sorrier tale.

I don't think our military program had the slightest effect. We didn't prevent the war and we weren't able to prevent their going out and buying Communist weapons. I think your argument that if we don't give it to them somebody else will is like a father saying, "I am going to give my son drugs because, if he is going to use them, it is much better for him to get them from me. I keep a little influence over him. I can at least withhold them if the thing gets out of hand."

To me that is basically what you are saying.

Mr. WARNKE. I would certainly reject the analogy, Mr. Long, as I am sure you recognize. I think there is no question about the fact that countries the size of Pakistan and India, and countries in the geographical location of Pakistan and India, are going to have to have military establishments of some size. They can't be totally devoid of military capability.

Mr. LONG. I think they can be largely devoid. I don't think either country has any business with enough arms to do anything, really. What you are doing, when you say that each country is entitled to security, what you are really saying is that that country is entitled to enough security to create insecurity in the country next door. As fast as you give one country security, you are giving the country next door insecurity.

COMPARISON OF LATIN AMERICA WITH SOUTH ASIA

This is true in Latin America. I think whatever argument you might have for military aid in southern Asia vanishes almost completely when you get to Latin America where you have, I believe, by the ——— claims, not more than a thousand guerrillas on the whole continent—less than that, I believe, about 850. That is all we have claimed and that includes a lot of weekend guerrillas.

We have a thousand military advisers in Latin America. When I was in Peru I met all their joints chiefs of staff, the counterparts of Generals Wheeler and Johnson, Hal Johnson, and others. When I talked to them about their military problem, what do you think they mentioned? Did they mention Communists or guerrillas? Not once in the very pleasant hour or two that I had talking with them. They mentioned to me their real fear that they were going to be attacked by Chile to grab the copper mines. I couldn't find anybody else who believed that, but I suppose they had to have a feeling of military mission, justification, and that was the mission they were giving me as their primary need.

As soon as you make Peru feel secure, you are going to make Chile feel insecure, and vice versa. I will tell you, I think your whole military assistance program is defeating the purposes of the United States.

Mr. WARNKE. I would certainly agree with you. Mr. Long, that the situation in Latin America is very different from the situation in South Asia. Very respectfully, I think that is probably the only point I would agree with in your last statement.

I think the difference is this: That, under the existing world circumstances, it is important to us for India to have a military capability sufficient to act as a deterrent against aggression by Communist China. As a result, I could not, with equanimity, look at the liquidation of this military might.

As far as Latin America is concerned, I agree completely. In my opinion, they face no external threat.

Mr. LONG. Which would you say was the greater menace in India, the threat of military aggression from China or the Communist upheaval at home?

Mr. WARNKE. I would say that——

Mr. LONG. Of course, you understand the purpose of the amendment referred to?

Mr. WARNKE. I do.

EFFECT OF AMENDMENTS

Mr. LONG. To make the countries feel that if there was going to be any expenditure on military arms that would threaten the security of other countries that it would be at their cost and not the American taxpayers' cost.

While we recognize that the message might take a little time to get to them, but when it comes to the second or third round of escalations they are going to get the message that it is going to cost them.

Mr. WARNKE. I would certainly hope so, sir.

Mr. LONG. I think you would be entirely right in feeling the way you do if the American taxpayer was willing to pay an unlimited sum, but I wonder whether you recognize the limits to the patience of the American taxpayer?

Mr. WARNKE. We are very conscious of them.

Mr. LONG. I should think you would be.

Mr. WARNKE. Having been a taxpayer for several years, I am quite aware.

Mr. LONG. I understand that Cabinet people are underpaid, but I have people in my district who earn substantially less than you do and to them a dollar is a very large sum of money.

I have great difficulty telling them that foreign aid is justifiable. I am one of the congressmen who has supported it for years and years. But we are giving aid to countries who for the most part don't really care enough about the objectives to sacrifice their own military pride of their own power positions—I think I learned enough in Brazil to recognize—I talked with enough people—some of them sympathetic to Brazil, some of them not—to realize that, for the most part, the ruling groups in that country didn't care about improving the social and economic position of the masses of the people. As a matter of fact, if they could get by without doing it at all, they probably wouldn't want it because it threatened their own positions. They have a very nice life and they weren't about to lose a great many privileges that they have and they aren't willing to give up this or give up that. They aren't willing to pay taxes of their own.

All I can say is, economic and military aid are in great peril this year. It is doubtful whether you will get a bill at all and whether I can vote for one—right now I haven't made up my mind whether I will vote for any foreign aid of any kind and I think a lot of members feel the same way.

OPTIMUM USE OF FUNDS

I think, given that situation which we are in now, which is now developing here, it is up to us to make sure that every dollar of aid goes for the best purpose. You don't have an openend aid program any more. It is definitely closed end. It is going to be further and further restricted.

Now, we could differ on this and maybe there's grounds for reasonable people to disagree, but since I feel that by far the threat to the stability of these countries, these poor countries, is from within, and not from without, then it behooves us to make sure that every dollar of aid goes for remedying the appalling economic and social conditions that exist in these countries.

MILITARY ASSISTANCE TO LATIN AMERICA

Mr. WARNKE. I agree completely with that, sir. I would like to point out that as far as Latin America is concerned, we have virtually eliminated materiel programs in the larger Latin American countries. Our current programs for these countries are by and large down to military training. We have done that in recognition of the fact that they don't face any real external threat; and we certainly don't want to encourage anything like arms races, or increase the frictions in that area. And I don't think that our military assistance program does. We think, instead, that the fact that they are generally down to a training basis provides a sort of common ground we hope will help to eliminate the regional animosities which may exist.

ATTEMPTS TO LIBERALIZE OR ELIMINATE CONTE-LONG AMENDMENTS

Mr. LONG. That would be true, of course, if our economic aid wasn't indirectly helping them finance the purchase of these very sophisticated weapons systems, which do threaten each other's security. If these amendments stop this—and I think both Mr. Conte and I are both very uneasy about whether these amendments are going to be applied—here we find one country after another, a different situation being used to allow them to be made, and then we find an attempt to get rid of the Long-Conte amendments in your next legislation. We find an attempt to get a very liberal construction of it from the Comptroller General, and so I think we should be pardoned for wondering whether the Defense Department really feels this enthusiastic about making sure that our aid program goes for the right purpose, as we feel Congress has come to feel.

Mr. WARNKE. I can only assure you we share completely the objective that you have in mind.

Mr. LONG. You have always said this from the very beginning, but I think the question is how do you do it and whether you do it.

INTENT OF AMENDMENTS

I have come to the conclusion that you are not going in to talk these countries out of buying jets if they want them and if they have the money they are going to get them no matter what you say. They are going to get them. It is only when it costs them that they are going to stop. That is why I feel they have to understand that this is going to cost them. As a matter of fact, this strengthens your hand. If you go into a country and say, "Well, now, we really wish you wouldn't buy these, but, of course, there is nothing to prevent your neighbor from buying them," you don't have a very strong hand in dealing with them. But now you can go back and blame it on Congress. Congress has put the lid down on this for all the countries so if one country can't buy them, the other country can't buy them either. I don't see why that that doesn't make your position a lot stronger in trying to sell what you are trying to sell.

Mr. WARNKE. You get into some very complicated situations, Mr. Long. For example, suppose you don't have an economic aid program for one country and you do have one for its neighbor; and country A,

let's say, decides it is going to and does buy jets from France. We are in no position to stop such a purchase. The Conte-Long amendments don't help us a bit.

Mr. LONG. For example, we won't have much control over Argentina, I believe.

Mr. WARNKE. That is right.

Mr. LONG. Why we are doing anything for Argentina, I don't know. I don't see why we have a single person down there. It is a most unappetizing regime. For example, as between Chile and Peru, I think the Conte-Long amendments apply considerable leverage because we are giving military and economic aid to both countries and they are rivals.

PERUVIAN PURCHASE OF FRENCH AIRCRAFT

Mr. WARNKE. However, it didn't prevent Peru from entering into a contract to buy the French airplanes.

Mr. LONG. This contract was all signed. You know it was.

Mr. WARNKE. I am not sure when it was signed.

Mr. LONG. Nevertheless, the scuttlebutt when I went down there was that the deal had been made and made long since. In fact, we heard that rumor before the amendments were passed.

Mrs. HANSEN. Peru can't provide child centers to feed these starving children of hers in Lima.

Mr. WARNKE. Mrs. Hansen, I want to make it very clear I don't favor Peru buying the French planes; not at all. The government did everything it could to dissuade them from going ahead with that purpose.

Mr. LONG. It is a little like a father whose son has been arrested for about the seventh time for various kinds of delinquencies. I don't suppose you would ever find a father who wouldn't say, "I oppose this. I don't think he is doing the right thing and I wish he'd stop." The difference between a good father and the bad father is the father who took the measures which kept his son from doing these things.

Mr. WARNKE. Of course, part of the difficulty, Mr. Long, is that these countries don't like to feel that they are in a relation in which we are paternal. The trouble is that you impinge upon their sovereignty by suggesting such paternalism.

Mrs. HANSEN. They love our money.

Mr. WARNKE. They prefer to refer to us as an uncle rather than a father.

Mr. LONG. You can say the same thing about the welfare people. They are always telling us don't do anything to hurt the pride of these people on welfare and take away their self-respect, but I think you have two fundamental principles which are clashing here. I have never known a principle yet which didn't clash with another principle, have you?

Mr. WARNKE. Not a one.

Mr. LONG. You have the principle of sovereignty?

Mr. WARNKE. That accounts for the conflict between Pakistan and India.

Mr. LONG. You have countries which have the principle of their sovereignty, but you also have the American taxpayer who is entitled to the principle that his money should be spent to accomplish a purpose which he intended it to, and not to finance wars between countries which are friendly to us. I don't know how you protect the sovereignty and the pride of these countries when you come to a clash of those principles.

I, as a Congressman, I have to give priority to the latter principle.

I think this whole aid program has gone way beyond the question of national sovereignty. Once these countries accept aid from the United States, it seems to me that they have, by that very act, waived some of their sovereignty—some of their right to do what they want to do. I don't see any other way in which you can remedy it. We cannot pour money into over half the countries of the world, military aid; we can't pour money into country after country without having something to say about how they use it.

Mr. WARNKE. I certainly agree.

Mr. LONG. I am glad you agree.

Mr. NITZE. I had a session the other day with representatives of the foreign press who are here on a foundation grant. Some of the Latin American press representatives asked me whether it is true what the Communists are saying to the effect that acceptance of aid from the United States is tantamount to surrender of their own national sovereignty. I assured them this was not the case, that the granting of aid by the United States and its acceptance by the other country was not a surrender of sovereignty by the country accepting.

Mr. LONG. That was a very correct thing to say for the press.

Mr. NITZE. I think it is true.

Mr. LONG. But it is not true, Mr. Secretary.

Mr. NITZE. I think it is true.

Mr. LONG. It is definitely not true. As a realistic proposition, it is not true.

Mr. NITZE. I disagree.

Mr. LONG. Unless you interpret sovereignty—it depends on how you interpret sovereignty, of course.

Mr. WARNKE. Certainly our aid programs give us a right to try to influence the way in which these countries spend their money. ———

Mr. LONG. I think you should be as diplomatic with these people as you are when you come to these Congressmen. From my experience, I would say you could do anything to these people and make them feel good in the process. After all, you have been extracting money from the American people in enormous sums for a long time and leaving us in a reasonably good mood.

I think we understand each other on this.

Mr. WARNKE. I think we certainly do, sir.

Mr. LONG. I recognize that you people have a job to do.

I think in a sense you always have to ask for really more than you need because that is your job and it is up to a Secretary of the Interior and the President and others and Congress, particularly Congress, to tell you when you are asking for too much. I have to say that in my opinion, in the case of military aid, you have been asking for too much.

I think in the case of economic aid, I don't think the State Department has been asking for too much, but I think it has been allowing it to go to the wrong purposes.

I feel that our entire aid program is in for a fundamental reevaluation and I have to see some prospects of it or I think that I am going to start voting against all of it. Since this program has only passed by a couple of votes each year, I suspect if a couple of people like myself come to this conclusion, there isn't going to be any aid.

I would say actually if you allowed Congressmen to vote for this on their own free will, you wouldn't have had any aid program for the last couple of years. I have observed Congressman after Congressman vote for this as a favor to somebody. "Come on, give me a vote, will you, Joe?" and that is how things get through and you are rapidly approaching the time, I think, when Congressmen aren't going to vote for it even as a favor to the chairman.

I do not vote for foreign aid on those grounds. I try to have an idealistic view of the whole foreign aid program. I think foreign aid ought to be for the purpose of helping raise the economic and social life of the masses of people in the world, with the hope that it would not only increase the sum of human happiness, but also would make them less susceptible to communism. And I don't believe any other purpose of foreign aid, either economic or military, is justified—Not to obtain leverage with the military people in these countries. Not to get power and influence for the United States. Not to sell American goods. None of these programs, to me, are justification for economic aid, or military aid.

I just want to pass that on as one man's view of the purpose of our aid program.

I have heard "aid" justified on so many grounds, many of them contradictory, that I have found difficulty in determining what our Administration is pursuing the program to achieve.

PURPOSE OF MILITARY ASSISTANCE PROGRAM

Mr. WARNKE. I would like to say that certainly as far as the program this year is concerned we are not asking for more than we think we need. I think it is a very austere program.

Mrs. HANSEN. They have $918.7 million unpaid obligations.

Mr. WARNKE. That is accounted for by the long leadtime items and continuing programs. I think if you will look at the program on a country-by-country basis, it will be apparent that what we are trying to achieve is not inconsistent with what you state ought to be the purpose of any assistance program. We are not seeking influence, we are not seeking to buy friends. What we are trying to do is to provide for defense in as economical a fashion as possible.

Mr. LONG. That is what you say, but many of your military advisers and many of the people who come before this committee give other reasons. They do say that this gives us leverage, that it gives us power

and that it gives us influence. In some cases this does fit in with the national purpose of the United States. For example, if we have to give this ——— this would be one way of doing it.

Mr. WARNKE. ———.

Mr. LONG. If we have to do it ———, I am willing to do it, even though I am unhappy about it. But let me ask you one more question.

Mrs. HANSEN. May I announce the next meeting, and then you can sit here until doomsday. The next meeting is at 1:00 o'clock on Tuesday, April 23d, to finish the military assistance program.

Now, you can stay as long as you want.

Mr. LONG. Just one question. Is it true you are attempting to get the military aid put into the Defense budget this year?

Mr. SHRIVER. No. I asked some questions along that line, not as to whether this was their intent or not, but since there is such a small amount of it in here and so much of it over in the Defense budget I just wondered why it might not be more expeditious for it to be all in the Defense budget. I was not advocating it. I was just asking some questions.

Mr. WARNKE. To answer you, no, there is no such attempt.

Mr. LONG. No such attempt. Thank you very much.

Mr. NITZE. Thank you.

EVALUATION OF PACIFICATION PROGRAM IN SOUTH VIETNAM

Mrs. REID. We hear various reports about the shortcomings of the civic action and pacification programs in South Vietnam. What is your evaluation at this time?

Mr. NITZE. Pacification is a very slow and painstaking process. Progress is slow and uneven, with gains in some areas and setbacks in others. Although the revolutionary development (RD) program registered definite net progress in 1967, achievements fell short of the goals. Moreover, even under optimum conditions, pacification progress is not going to be rapid, since pacification involves nothing less than the restructuring of Vietnamese society.

While pacification unquestionably received a setback from the enemy Tet attacks, this now appears less than initially feared. U.S. advisers assess serious impact in 13 provinces, moderate in 16 provinces, and only slight in 15 provinces. The chief pacification problems resulting from the enemy offensive have been a loss of momentum, a defensive attitude on the part of the pacifiers, and a popular fear of the VC. The bulk of the pacification forces and assets are intact and being increasingly employed to resecure the countryside and regain pacification momentum.

VIETCONG TERRORISM AND ATROCITIES IN SOUTH VIETNAM

Mrs. REID. Last year we discussed with Secretary McNamara the scope of Viet Cong terrorism and atrocities in South Vietnam. This is an aspect which is not publicized as much as it should be. Have Viet Cong atrocities against the civilian population increased in intensity in the past year?

Mr. NITZE. I would like to provide that for the record.

(The information follows:)

	1965	1966	1967	1968		
				January	February	March
VC harassment	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]	[Deleted]
VC errorism						
Officials:						
Killed						
Kidnaped						
Other civilians:						
Killed						
Kidnaped						
Enemy sabotage						

The distinction in records between harassment and terrorism was started in 1966 to more accurately gage VC actions against civilians versus GVN progress in the area of population security. The difference is chiefly in degree. An example of harassment would be a VC checkpoint collecting taxes on a highway. Blowing up a bus loaded with civilians would be counted as terrorism.

Official figures revealing numbers of officials and other civilians who were killed or kidnaped during the Tet attacks in February are not available yet as information is still being compiled.

FREE WORLD SHIPPING TO NORTH VIETNAM

Mrs. REID. What is the current situation regarding free world shipping to North Vietnam? Is it increasing or decreasing? What countries are involved at present? How about trans shipment?

Mr. NITZE. I would like to provide that for the record.

(The information follows:)

Most free world shipping to North Vietnam has been registered under the British flag but owned by firms under control of Communist China. They are chartered to Communist China or North Vietnam. The remaining few ships involved in the trade are registered in Cyprus, Italy, Malta, Lebanon, and Singapore. Free world ship arrivals at North Vietnamese ports in 1967 were 78; arrivals in 1966 were 74. This represents a substantial decline from 402 arrivals in 1964 and 256 in 1965. There were 30 arrivals in the first 3 months of 1968; 26 British (Hong Kong), two Cyprus, one Italy, one Singapore. Cargo consisted mainly of foodstuffs and other nonstrategic commodities. There is one small Hong Kong-owned tanker that carries petroleum from Communist China to Haiphong. Very little of the cargo comes from Hong Kong since the ships mainly load their cargoes in Communist China.

INTERNATIONAL MILITARY BUILDUP

Mrs. REID. Mr. Secretary, we hear a great deal these days about the international military buildup. How do you see it today as compared to a year ago?

Mr. NITZE. I would like to provide that for the record.

(The information follows:)

The international military buildup as compared to a year ago was touched upon in early statements to the Congress by the Secretary of Defense. Pertinent extracts from his testimony are as follows:

SOVIET UNION

"Over the past year, the Soviets have projected an image of increased activity, determination, and new strategic directions, especially toward developing a capability for flexible response. There are some signs that the Soviets are developing the forces required to give them a limited mobile military capability to meet some types of contingencies beyond the land areas of the Communist group of countries. However, a fully flexible response remains outside the realm of immediately foreseeable Soviet capabilities.

"Whereas Soviet developments in the area of strategic systems—notably ABM's and FOBS (fractional orbit bombardment system)—give evidence of a continuing search for security through more advanced arms, ostensibly military applications of power such as recently increased levels of Soviet naval activity

in the Mediterranean appear to be primarily diplomatic gestures aimed at recouping political losses suffered as a result of Moscow's inability to forestall Israel's victory over the Arabs in June 1967. Soviet naval craft in the Mediterranean, including guided-missile cruisers, a number of submarines, lesser warships, and support units which could provide for year-round operations, have effectively shown the flag. Although modest in size and in punch compared with the U.S. 6th Fleet, the Soviet fleet provides the type of visibility which Moscow has elected to seek. It has similarly signaled that the future Soviet posture will include 'marine' amphibious forces and helicopter carriers. How all these activities will affect their future behavior is a matter to which we will give close attention.

"The politico-military developments were accompanied by a substantial increase in defense expenditures projected in the budget announced for 1968. This increase of 2.2 billion rubles, coming on top of two smaller increases in 1966 and 1967, will raise publicly announced defense expenditures from about 12.8 billion rubles in 1965 to about 16.7 billion rubles in 1968. Bookkeeping changes, higher prices for military goods, and perhaps a military pay raise may account for part of this increase, while the balance apparently reflects the continued expansion of the Soviet defense effort. Analysis of the available data on both the budget and the economic plan for 1968 indicates that this diversion of additional funds to military purposes may force a slowdown in the rate of investment in agriculture and industry, and possibly in housing. Apparently, the Soviet leaders are willing to risk a reduction in the growth rate of their industrial plant over the longer term, and to gamble on the continuation of reasonably good growing weather to meet their agricultural needs over the next several years, all to meet their estimate of current defense needs."

RED CHINA

"Meanwhile, we can assume that Red China will continue to support North Vietnam's aggression against South Vietnam and Laos as well as the present low keyed but continuing insurrections against Thailand and Burma. China may also keep up its pressure on India, using a potential military threat along the northern border combined with propaganda and subversion within the country. Elsewhere in the world the Red Chinese drive has slowed and is not likely to recover its former momentum until the internal leadership issue is settled and the foreign policy line is clarified.

"In any event, a Mainland China with a population approaching 800 million, a military establishment of some 3 million men and a growing stockpile of nuclear weapons will be a power to be reckoned with in the 1970's. In its dealing with the Peking regime, the United States will be concerned to stress the common interest we share in avoiding war, as with every other power, and will hope that a dialog of mutual interest can be initiated and expanded, while we continue to try to deter direct or indirect Chinese aggressions against her neighbors."

PAKISTAN AND INDIA

"In the case of Pakistan, her search for arms resulted in relatively minor deliveries from the Middle East and Indonesia and extensive purchases from commercial sources in Western Europe. More important, Red China has provided large quantities of small arms, vehicles, tanks, artillery, and fighter aircraft, although now she is providing only spare parts. In this respect, Red China's objectives in the subcontinent appear to remain the same; to establish itself as a major political influence in the area, to exploit Pakistan's and India's differences to its own advantage, to prevent or delay the development of a strong India, and to minimize United States and Soviet influence.

"The Soviet Union, on the other hand, has tended to concentrate its efforts on India. In addition to its pledge of a net commitment of $300 million ($100 million gross minus $700 million of repayments) to India's fourth plan, the Soviet Union has undertaken to meet a portion of India's existing defense requirements. On the whole, however, we have the impression that Moscow is aware of the dangers inherent in renewed warfare between India and Pakistan and is exercising some restraint in the provision of military assistance to India in order to avoid a heating up of political issues between the two."

MIDDLE EAST

"With regard to the Middle East arms race . . . the rapid resupply of Communist arms to the UAR, Syria, Iraq, and Algeria after the war has only served to increase tensions and fears (although military aid shipments now appear to have fallen off to prewar levels). Moreover, the Soviet Union's partisan political position on Middle Eastern questions, its increased naval presence in the Mediterranean, its intervention in the conflict in Yemen and its efforts to reduce or supplant Western influence, generally, have further contributed to instability in the region.

"To the north, Greece, Turkey, and Iran continue to fulfill important 'forward defense' roles, standing between the Soviet Union and the warm water ports and oil resources of the Middle East. Our substantial military assistance to them over the past two decades has undoubtedly been a factor in discouraging Soviet military adventures in the area. Our grant military assistance to Iran is now being replaced by military sales, but Greece and Turkey will probably continue to need grant military assistance for some time . . ."

AFRICA

"Nigeria continued to suffer acutely from the pangs of nationbuilding. Longstanding tribal and ethnic differences erupted into civil war as the eastern region seceded from the Federation and proclaimed itself the independent nation of Biafra. The effects of this conflict will long outlast the conflict itself and may seriously limit Nigeria's future development. The United States has maintained its support for the central government of the Federation and does not recognize Biafra. However, since we consider the conflict to be an internal Nigerian problem, we have encouraged efforts toward the restoration of peace and have not authorized the sale of U.S. arms to either side. The Soviet Union, doubtless sensing an opportunity to extend its influence in this important area, has sold arms (including MIG aircraft) to the central government.

"In North Africa, the Arab-Israel crisis and the continued Soviet-supported Algerian military buildup have added to the basic instability of the area. The delivery of over $200 million worth of Soviet equipment to Algeria since 1965 continues to alarm her moderate neighbors. While the present Algerian regime maintains friendly diplomatic relations with its North African neighbors, there is apprehension in the area about her military potential. Our own limited military assistance is designed to help Algeria's neighbors (Morocco, Tunisia, and Libya) to develop a minimum defensive capability. It should be noted that these moderate Arab States have not been directly involved in the military confrontation with Israel. At the same time, they feel strongly about the Arab-Israel problem, are anxious to help find a solution, and want to play a constructive role in maintaining Arab solidarity."

INFLUENCE IN LATIN AMERICA

Mrs. Reid. On page 12 you make reference to the ——— proposed for Latin America as it relates to an evaluation of the ———. Do I understand you correctly? Are you intimating that the ———.

Mr. Nitze. ———.

RED CHINA INROADS IN LATIN AMERICA

Mrs. Reid. Has Red China been any more successful during the last year in making inroads in Latin America and Africa? What is your current evaluation?

Mr. Nitze. I would like to provide that for the record.

(Classified information was submitted to the committee.)

Mrs. Reid. How much grant military assistance has the United States extended to Western Europe and the NATO area since World War II?

Mr. Nitze. I would like to provide that for the record.

(The information follows:)

Fiscal year 1950–1967: Grant military assistance deliveries to Western Europe and NATO

[In millions]

Country:	Total
Belgium	$1,237.8
Denmark	617.9
France	4,153.0
Germany	900.8
Italy	2,289.4
Luxembourg	8.2
Netherlands	1,217.5
Norway	895.1
Portugal	318.3
Spain	575.4
United Kingdom	1,034.5
Yugoslavia	693.9
Europe Area[1]	305.1
Greece	1,880.5
Turkey	2,926.2
Total	19,053.6

[1] ———.

Mrs. HANSEN. The committee is adjourned until 1 o'clck, Tuesday, April 23, to finish the military assistance program.

TUESDAY, APRIL 23, 1968

Mr. PASSMAN. The committee will come to order.

We will consider this afternoon the budget request for the Latin American area of the military assistance program. We have as witnesses, Adm. L. C. Heinz, U.S. Navy, Director of Military Assistance, Hon. Philip J. Farley, Deputy Assistant Secretary of State for Politico-Military Affairs, Hon. Peter R. Knaur, Assistant for Congressional and Special Projects, Office of the Director of Military Assistance, and other supporting witnesses.

COUNTRIES RECEIVING MILITARY ASSISTANCE

Admiral Heinz, I believe, so as to keep the record straight for those who are interested, the request this year for the military assistance program which you will administer includes 48 nations.

Then there are three other countries, Laos, Thailand, and Vietnam that were in the military assistance program—but during the duration of the conflict in South Vietnam their programs are being financed out of the Defense Department appropriation, is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. And then we add to that nine other countries where U.S. combat forces are stationed abroad. This puts us into 60 nations with a military assistance program either under Defense or under Military Assistance, either training only or materiel. Is that correct?

Admiral HEINZ. In the nine additional countries where combat forces are stationed abroad they have no responsibilities for training or otherwise assisting the host countries—no MAP responsibilities.

Mr. PASSMAN. They are on foreign soil and are equipped with machineguns, pistols, tanks, and airplanes?

Admiral HEINZ. They are stationed on other soil.

Mr. PASSMAN. So I will rephrase my statement. We have under the military assistance program, materiel programs in 25 countries, and training-only programs in 23 countries, for a total of 48. Then we have three countries previously carried under this appropriation which are presently being financed by the Defense appropriation, namely Laos, Thailand, and Vietnam. That makes 51. Then there are nine other countries where U.S. combat forces are stationed abroad. These troops are on other country's soil, are they not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. With warmaking materiel, and whether we fund it out of one appropriation or out of another, we have military personnel in 60 nations of the world.

Admiral HEINZ. Yes, and in addition, there are military personnel assigned to attaché duty in still others.

Mr. PASSMAN. We are not going to confuse the record with that information. That's characteristic of you people, to try to include some air attaché who flies an old DC–3 to make the record look different than it is.

You have, as I have indicated, military forces in large numbers in nine countries. Then you have three countries financed out of defense appropriations; mainly, Laos, Thailand, and Vietnam. You are going to administer either training-only or materiel programs in 48 nations, which brings the total to 60 nations.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Now, if you want to add the other 70 nations, and I should say in a majority of them you have military attachés. But you have always had military attachés, have you not, and marine guards in Embassies around the world?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. The marines we have stationed at our Embassies abroad, and what we have often referred to as the military attachés, that is more or less standard practice during peacetime and war, is it not?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. And usually the Ambassadors, in at least the larger countries, are assigned some type of an airplane?

Admiral HEINZ. In many countries, they are.

Mr. PASSMAN. And they have a pilot to fly those planes, do they not?

Admiral HEINZ. They do.

Mr. PASSMAN. But that, in itself, would not indicate that they have military assistance programs, would it?

Admiral HEINZ. No, sir; it would not.

MILITARY ASSISTANCE FOR LATIN AMERICA

Mr. PASSMAN. Thank you, sir. The program for Latin America for fiscal 1968 is $27,435,000. The estimate for fiscal 1969 is $26 million. In addition to the grant aid program of $26 million, page 139 indicates a military sales program of $45 million in DOD credit sales and $16,500,000 in "Other" sales. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. So if we put the total together, it is really $87,500,000, isn't it?

Admiral HEINZ. Yes; including training it totals $87.5 million.

MATERIEL AND TRAINING COUNTRIES

Mr. PASSMAN. What are the 11 countries in this area that are scheduled to receive materiel and training?

Admiral HEINZ. Bolivia, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Uruguay, and the Dominican Republic.

Mr. PASSMAN. Admiral Heinz, are we making those $45 million DOD sales for cash or on terms?

Admiral HEINZ. On terms.

COUNTRIES RECEIVING OTHER FORMS OF AID

Mr. PASSMAN. Are these same nations beneficiaries of the other aid programs, such as the Alliance for Progress and the Inter-American Development Bank?

Admiral HEINZ. As far as I know, they are.

Mr. PASSMAN. So this is merely spreading it to where your program looks smaller; would that be a fair statement? Because we are making loans or grants out of other spigots of foreign aid to the same countries. I thought we agreed bread and butter should come before guns. How does this aggregate total compare to last year?

TOTAL GRANT AID AND SALES

Admiral HEINZ. The same size approximately. In other words, the total of sales and grant is approximately the same as 1968.

Mr. PASSMAN. I want the record to be correct. I am not trying to add to or take from the facts of life. You have an outright grant aid program for Latin America of $26 million.

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Then you have military sales of, I believe, $61,500,000.

Admiral HEINZ. This is correct. The total of the credit and cash sales is $61.5 million.

Mr. PASSMAN. We have a grant aid program for these same nations, do we not, out of the economic assistance program of AID, the Alliance for Progress, and the Inter-American Bank?

Mr. FARLEY. May I address myself to that? That is correct.

DIVERSION OF ECONOMIC AID

Mr. PASSMAN. If that is correct, we don't need any better answer. How does this really add up, if we are giving economic aid grants and questionable loans; that is, questionable as far as their ability to repay, and then permitting them to use it and buy military hardware. Are we ever going to help these people reach the goal we think they should and we want to help them reach?

Mr. FARLEY. The program in the countries of Latin America represents their best estimate of what they have to do to meet their own security problems.

Mr. PASSMAN. I would never question that. But are you going to help these people if you permit them to use their own resources and use our economic grants and loans and turn right around and buy military equipment with it? How about the bread and butter side of the picture?

Mr. FARLEY. The economic assistance we give is for projects which do advance the economic development. It is not diverted to these military procurements.

Mr. PASSMAN. Where do they get the money to pay for the military procurement then? Out of their own resources?

Mr. FARLEY. They get it out of their combined resources.

Mr. PASSMAN. That's right. If we credit them with these dollars by which they can pay for their commodity needs from this country, they requisition it against these dollar credits. Then they take from their own resources and pay for military items, both from the United States and other sources, do they not? Is that a fair statement?

Mr. FARLEY. I think it is not quite a fair statement.

Mr. PASSMAN. Let us make it fair. How would you evaluate it?

Mr. FARLEY. The economic assistance we give them enables them to build up their total supply of resources for both their economic requirements and their military requirements.

Mr. PASSMAN. Couldn't they take their own resources and accomplish the same thing if it were not for this military program?

Mr. FARLEY. No, the proportions of their needs are such that even if there were no military program it still would not be adequate.

Mr. PASSMAN. I didn't say it was adequate. I said they are taking $61 million out of their own resources to pay for military equipment and if they did not purchase the military equipment, this then could be used in the economic sector, could it not?

Mr. FARLEY. I think that is true.

Mr. PASSMAN. So if we say to these people that we are going to credit them with, let's say, $61,500,000, these people then requisition the commodities they need in their economy against that credit, do they not?

Mr. FARLEY. Well, yes.

Mr. PASSMAN. To the same extent that is offset by the first $61,500,000 they spend for military purposes, is that a fair statement?

Mr. FARLEY. I don't think their economies are that well organized.

Mr. PASSMAN. I didn't say that. We are using your own figures. You state categorically that they are going to spend $61,500,000 out of their own resources for military equipment, in addition to the grant military aid that we will give them; to that extent, if they didn't have the military it could be reduced on the economic side of the ledger, could it not?

Mr. FARLEY. Unfortunately, I don't think it works that way.

ECONOMIC AID AS OFFSET TO MILITARY PURCHASES

Mr. PASSMAN. It is simple mathematics. If you have $61,500,000 in economic grants going in and they take $61,500,000 and buy military equipment, if they didn't buy the military equipment, then they wouldn't need the $61,500,000, would they?

Mr. FARLEY. Mr. Chairman, I suggest it is like the United States. If we didn't have the war in Vietnam I doubt very much, if I may say

so, respectfully, that we could vote that amount of money for other pressing needs.

Mr. PASSMAN. May I say to you, Mr. Secretary, also regretfully, I know why this country is all screwed up now. When you get into the factual things, such as two and two add up to four, the witnesses try to make it add up to seven. It is no use to belabor this point any further.

COUNTRIES RECEIVING TRAINING ONLY

Admiral Heinz, what countries receive training only?

Admiral HEINZ. Argentina, Brazil, Chile, Mexico, Peru, and Venezuela.

Mr. PASSMAN. This is the first year that you have not programed any materiel assistance for Argentina, Chila, Peru, and Brazil, is that correct?

Admiral HEINZ. It is not the first year for Argentina. I believe they had a training-only program—sometime prior to 1962.

Mr. PASSMAN. Let's say the first time in many years.

Admiral HEINZ. The first year in many years, that is correct.

ECONOMIC AND MILITARY AID TO ARGENTINA, BRAZIL, CHILE, AND PERU

Mr. PASSMAN. Page 139 indicates that these four countries are now proposing to buy $44 million in military equipment in fiscal 1969, is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Do you know the total amount of the grant aid out of all spigots that we are going to allocate to these countries in fiscal 1969?

Admiral HEINZ. I'll have to provide that for the record.

Mr. PASSMAN. We would like that information right now. These things are too important. The telephone is still in service even though the union is on strike.

Admiral HEINZ. The total of economic and military assistance to these four countries including credit and cash sales is $503.8 million.

Mr. PASSMAN. You mixed it up. I want to keep it separate. These four countries are going to receive economic aid in fiscal 1969 of $335,000,000; is that the proposed amount?

Admiral HEINZ. Yes, sir; for aid.

Mr. PASSMAN. I don't think we could find the money if what we have been reading is correct. The United States may be paying off with post-dated checks in a little while. Is that figure correct, Admiral, that we just read into the record?

Admiral HEINZ. I have $455.9 million—the total for AID, Public Law 480 and the Peace Corps.

Mr. PASSMAN. It is just a fact of life that we are not supposed to have the same figures on either side of the table. You are higher than we are.

Admiral HEINZ. The figure I have for total economic aid is $455.9 million.

Mr. PASSMAN. Let's see what you have. We are only off $120 million.

Admiral HEINZ. Are you using the total economic table?

Mr. PASSMAN. That's correct.

Admiral HEINZ. That is the economic figure.

Mr. PASSMAN. You are just as correct as you can be, sir, when you pick up all spigots, but that does not include the Inter-American Bank, does it?

Admiral HEINZ. I don't think it does.

Mr. PASSMAN. It is impossible to keep all these various programs straight. I would be a very unfair man to ask you to try. There is no telling how far down the road we could go if we just want to put it all together.

MILITARY PURCHASES FROM NON-U.S. SOURCES

How much military equipment are these four countries also buying from sources other than from the United States? I know it is difficult to answer a question of that type. But could you give us an estimate?

Admiral HEINZ. We do not have complete information on what they are buying from other countries. We do have reports that Peru is buying Mirage aircraft.

Mr. PASSMAN. From France?

Admiral HEINZ. From France.

Mr. PASSMAN. How much?

Admiral HEINZ. The amount has been variously reported. The latest estimate we have is ——— million for —— aircraft. That includes support training and spare parts. It could be more.

Mr. PASSMAN. How about Chile?

Admiral HEINZ. We have no detailed information on Chile's intended purchases from third countries.

Mr. PASSMAN. How about your record of the past, Admiral? What is the most recent year you have? What is the total of purchases from third countries?

Admiral HEINZ. We know of about ——— million dollars over a period of years.

Mr. PASSMAN. Mr. Secretary, do you have something on it?

Mr. FARLEY. I am sorry. We have something which does not include the dollars.

Mr. PASSMAN. I don't care what it includes. If it's tanks, guns, whatever it is, give it to us.

Mr. FARLEY. The kind of thing they have had has been ——— helicopters, about ——— missile launchers, about ——— T–28 trainers, and ——— Buffalo turboprop transport aircraft.

Mr. PASSMAN. From third countries?

Admiral HEINZ. Transport aircraft, launchers, and T–28's from third countries, not from the United States.

Mr. PASSMAN. What difference does it make if you do not have a price tag? They purchased this equipment, didn't they?

Mr. FARLEY. That's correct.

Mr. CONTE. On ———, do you know whether their economic assistance has been cut down accordingly?

Mr. PASSMAN. This was the aggregate.

Mr. FARLEY. This was, of course, a contract which was let last year. At the time it was let, we withdrew an offer of a program loan, which we had otherwise scheduled. We told them we would be obliged to drop it if they pursued the contract.

Mr. CONTE. The ——— million?

Mr. FARLEY. It was about ——— million.

Admiral HEINZ There are varying estimates as to what the contract covers.

Mr. PASSMAN. I'd like to see a piece of legislation that these people in the executive branch couldn't get around.

Mr. RIEGLE. If we don't adopt that piece of legislation this year, you will get it next year.

Mr. PASSMAN. I really think we are defeating our purpose. You gentlemen have been given a job to do and I salute you. You are great patriots; you are dedicated, but if this program makes sense then I'm going to have to live in ignorance. You give them grant aid for military purposes and you gave them economic grant aid, then you turn right around and take a lot of the economic aid back in the way of military sales, and I'm sure we can't do anything about it. You also permit them to take a lot of their own resources and buy military equipment from third countries. I think somehow, this program has to be tightened up. You are going to have all of them making war against each other. I personally don't believe they need too much military equipment.

MILITARY PURCHASES BY ARGENTINA

Have you the figure for Argentina?

Admiral HEINZ I do not have a figure for Argentina.

Mr. PASSMAN. Do you have the items that they have purchased?

Mr. FARLEY. The ones that I can report are: they seemed to have purchased ——— T–28 trainers, ——— trucks, ——— utility aircraft, and ——— missile systems. This is over a period of 1964 to present.

Mr. PASSMAN. That's not very long ago. What country did they buy the ——— trucks from?

Admiral HEINZ. I do not know.

Mr. PASSMAN. Not from the United States?

Admiral HEINZ. No; these are all from third countries.

Mr. CONTE. Where do they buy the airplanes?

Mr. FARLEY. I am informed the T–28's were purchased from France.

Mr. PASSMAN. The trucks were purchased from some country other than the United States?

Mr. FARLEY. Yes.

TOTAL ASSISTANCE TO ARGENTINA

Mr. PASSMAN. What has been our total assistance to Argentina? Let's get that in the record now, so we can establish how appreciative they are of our aid. While you are looking that up—is it a question of more favorable price that they purchased these trucks from a third country?

Mr. FARLEY. I cannot say.

Admiral HEINZ. Total economic assistance to Argentina has amounted to $310 million.

Mr. PASSMAN. That is the net?

Admiral HEINZ. That is correct.

Mr. CONTE. Does that include Public Law 480?

Mr. PASSMAN. Yes. That's the net after any payback. Now let's get the total, including military.

Admiral HEINZ. $409.4 million.

Mr. PASSMAN. That's after some small repayments?

Admiral HEINZ. Yes.

Mr. PASSMAN. If you people ever get it straightened out, let me know how you did it.

Admiral HEINZ. I have the estimates since 1964. The value of military purchases by Argentina from other countries is $——— million.

Mr. PASSMAN. How much were the trucks?

Admiral HEINZ. That includes ——— trucks.

Mr. PASSMAN. What did the trucks cost?

Admiral HEINZ. I do not have a separate estimate for the trucks.

Mr. PASSMAN. Will you get us an estimate?

Admiral HEINZ. I will do that if I can.

(Classified information was submitted to the committee.)

Mr. PASSMAN. If we have priced ourselves out of the world trade market because of our extravagance, I don't know whether you can blame them for going elsewhere for their military procurement, and I'm not too sure that isn't exactly what we are doing—pricing ourselves out of the market. You can't blame these people for taking the best price.

LATIN AMERICAN REGIONAL SALES PROGRAM

Now, Admiral, I also note from page 139 that the Latin American regional program is programed to purchase $5 million in military sales. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. We have to add this regional item, on top of all the other figures we have been discussing; is that correct?

Admiral HEINZ. That is included in the $61.5 million military sales total.

Mr. PASSMAN. I'm talking about that other $16.5.

Admiral HEINZ. That is also included in the $16.5.

Mr. PASSMAN. What is the source of this money?

Admiral HEINZ. These are cash sales.

Mr. PASSMAN. Do you mean they are going to take this billion dollars of assistance we are going to give them and make a cash purchase of $5 million? Do you think they can afford it?

Admiral HEINZ. Yes; sir.

PURCHASES SUBJECT TO CONTE-LONG AMENDMENT

Mr. PASSMAN. That would be an awful strain, I imagine. Admiral, last year we had considerable discussion of the possible purchase of jet aircraft and other sophisticated weapons by the Latin American countries, and basically, this led the committee to include in the appropriation bill what we now refer to as the Conte-Long amendment. Do you have any information as to whether or not any of these proposed purchases have taken place?

Admiral HEINZ. To my knowledge, there has been no purchase of sophisticated weapons.

Mr. PASSMAN. In ———?

Admiral HEINZ. From this country.

Mr. PASSMAN. Let's pin this down for the benefit of everybody. You indicated earlier, or one of the supporting witnesses did, that you had merely discussed withholding a program loan to ———. How much actual aid did we cut off or did we save by ——— action to purchase these sophisticated weapons?

Mr. FARLEY. Mr. Chairman, we withheld a program loan, as I recall——

Mr. PASSMAN. In what amount?

Mr. FARLEY. I believe it was $——— million.

Mr. PASSMAN. Has it been completely canceled and that money made available for other uses?

Mr. FARLEY. That's my understanding of what has happened. That loan will not be granted and money was being reprogramed for other uses.

Mr. PASSMAN. Let's see if we can find in last year's justifications, where they justified this loan of ——— million. You help us, Mr. Knaur, we are trying to figure out where they justified this ——— million dollars program loan for ———, last year which we have now withheld. We are trying to find out if it's an imaginary loan or the real McCoy. AID needs your program and you also have to do your homework on their program. But let's just find out what actually has suspended. That would be a pretty good deal to approve a loan and then cancel it. I don't say they would do that, but let's say it would clear up the record for them. Off the record.

(Discussion off the record.)

Mr. KNAUR. If I may say so, this is a question which should be directed to AID.

Mr. PASSMAN. I know, but we have directed our question to AID through you. We want to know when and where they justified this ——— million dollar loan that they canceled.

Mr. CONTE. Let's get the papers up here, Mr. Chairman. Get the papers and the agreement.

Mr. PASSMAN. That's what I'm for. We have a lot of sophisticated witnesses before us. One of you confer with AID on the telephone and find out when they justified this money, when they approved the proposed loan agreement, for what amount, and when they canceled it. Then we'll have a record. We will proceed while this information is being obtained.

Admiral HEINZ. He is on the phone now.

HIGH SPEED JET AIRCRAFT TO LATIN AMERICA

Mr. PASSMAN. What is the current policy on furnishing high-speed aircraft to Latin America, Admiral?

Admiral HEINZ. There are no high speed jet aircraft in the grant program. There may be, however, some commercial sales of high speed jet aircraft which I shall ask Mr. Farley to address.

Mr. FARLEY. There are no high speed jet aircraft on either the grant or the Government credit assistance program.

Mr. PASSMAN. Thank you very much. Do you want to expand beyond the facts?

Mr. FARLEY. I wanted only to explain that the F–5s which were discussed would have been a straight commercial order.

Mr. CONTE. Could we ask them whether they are commercial orders?

SALES POLICY

Mr. PASSMAN. Is it your policy to sell anything on a cash basis.?

Mr. FARLEY. If we do get a request, and we have no request in hand, then that will have to be considered at the very high executive branch level.

Mr. PASSMAN. It's a little late in the year to be establishing policy. We want to know what the policy is now? If they come to you and say they want to make a cash purchase, what is the policy?

Mr. FARLEY. This, we would have to examine in the light of the fact that our own policy would have been sympathetic to considering a few of these in a few cases. In the light of the amendments passed by the Congress, we would have to examine any particular order very carefully.

Mr. PASSMAN. Do you know of any way to examine in view of the specific language in the Conte-Long amendment? How can you get around that language?

EXCEPTIONS TO CONTE-LONG AMENDMENT

Mr. FARLEY. If I may say so, there are a number of possibilities. There is, of course, provision for a waiver. There is also——

Mr. PASSMAN. What are all the possibilities you can use to get around it. This is most interesting. We hope to continue this language this year with even more teeth. Maybe you can help us. What are the various possibilities so we can eliminate them this year?

Mr. FARLEY. The two which come to mind are first, the Presidential determination and second, the fact that there is a finding required that a particular kind of military equipment is sophisticated.

Mr. PASSMAN. If the equipment is sophisticated and they come to you with the money, then under your interpretation, you can sell it?

Mr. FARLEY. Well, it would require, with our understanding, a Presidential waiver; otherwise we would be required to deduct from the economic assistance.

Mr. PASSMAN. But if they come to you on a cash basis, and if you increase the amount of the proposed grant aid program and then cut it back to what you would normally give them anyway, have you gotten around the law?

Mr. FARLEY. We don't think we can or should do that.

Mr. PASSMAN. Nobody would be any happier to than I would be if you bring us the papers and show where they justified this ——— million loan, when they allocated it, for what purpose and when they withdrew it. You say he is getting that information now?

Mr. FARLEY. Yes.

ARGENTINA

Mr. PASSMAN. Admiral, your estimate for Argentina for fiscal 1969 is ——— million for a training program, is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Have we had an equipment program in Argentina in previous years?

Admiral HEINZ. We have.

Mr. PASSMAN. To what amount?

Admiral HEINZ. The total programed for Argentina is $45.6 million.

Mr. PASSMAN. For military?

Admiral HEINZ. For military assistance since 1950, since the inception of the program.

Mr. PASSMAN. Why are you ——— the training program in fiscal 1969 by ——— percent?

Admiral HEINZ. We would like to ——— the training for Argentina. ———.

Mr. PASSMAN. Let's talk about 1969. Why do you want to ——— in 1969, Admiral?

Admiral HEINZ. Because we feel benefits of training both in the country itself and to the United States, are important. It serves as a means not only of giving professional instruction but also of maintaining relationships with the Argentinians, ———.

Mr. PASSMAN. You don't have any military equipment program. What are they going to use after you train them? Popguns?

Admiral HEINZ. They will use the equipment they already have.

Mr. PASSMAN. What's going to happen when that wears out?

Admiral HEINZ. They will have to replace it.

Mr. PASSMAN. This training program leads back to another military materiel program, doesnt' it?

Admiral HEINZ. No, sir.

Mr. PASSMAN. Where are they going to get it?

Admiral HEINZ. They'll have to buy it.

Mr. PASSMAN. From where?

Admiral HEINZ. That will be their decision.

Mr. PASSMAN. When their present equipment wears out, it will require replacement, won't it?

Admiral HEINZ. Equipment must be replaced in any military force.

Mr. PASSMAN. Right. That's what I told Secretary McNamara. He didn't believe it, that training programs usually led to equipment programs.

BOLIVIA

Your estimate for Bolivia for fiscal 1969 is ———. Is that correct sir?

Admiral HEINZ. Yes.

Mr. PASSMAN. Is that for training only?

Admiral HEINZ. It is the total for training and materiel.

Mr. PASSMAN. I believe they used their troops last year to deliver milk. Is that still part of the program?

Admiral HEINZ. I am not aware of that.

Mr. PASSMAN. Don't let that bother you, because a lot of witnesses aren't aware of the printed material presented to this committee in justification of the program.

Let's read from page 73 of the justifications: For example, with the help of U.S. equipment and training, the security forces of Bolivia were able in 1967 to virtually eliminate active insurgent groups in that

country. ———. The troops gained the confidence of the population through projects which included well-drilling, road construction and improvement, school building, preventive health projects and milk deliveries. That is right out of your printed justifications. You ought to read them sometime. It is most interesting.

Mr. CONTE. I must admit that might be a little bit better than teaching them how to shoot.

Mr. PASSMAN. I'm for it.

Admiral HEINZ. May I make a comment? The civic action programs in Latin America, we feel, have been very successful. They are financed largely from the countries' own funds.

Mr. PASSMAN. Do they do the milking as well as the delivering of the milk, or do they pick it up at the creameries and then deliver it?

Admiral HEINZ. That would be part of their civic action program.

Mr. PASSMAN. Would you find out for the record whether they do the milking and also the delivery or do they just deliver the milk. Would you help us?

Admiral HEINZ. Yes.

(The information follows:)

BOLIVIAN AGRICULTURAL DEVELOPMENT PROGRAM

Bolivian armed forces civic action, which is integrated into the overall national development effort, includes a long-range agricultural development program. This program is based on eight Army farms which produce cash and staple crops as well as stock, poultry, and dairy products. A primary objective of the program is to supplement the Bolivian Army ration. However, the farms locally distribute part of their production.

An important function of the farms is to provide vocational training for Army recruits. Each year about 600 recruits return to their homes from the farms as newly trained members of Bolivia's agricultural community. The farms serve as demonstration centers for local residents for stock and crop management, animal disease control, and animal husbandry.

Thus, Bolivian Army personnel are engaged in every phase of the operation of the eight farms, including the milking of cows and local distribution of excess milk production.

No U.S. military assistance is being provided in support of this program.

PROGRAMING OF ROCKETS FOR BOLIVIA

Mr. PASSMAN. I note that you programed 1,000 more rockets than you justified last year and that you are again programing another 600 rockets for the fiscal 1969 program. Is that correct?

Admiral HEINZ. We are programing 600 in 1969.

Mr. PASSMAN. This program is far removed from the war zone. Where in the world did you find that extra money? I ask that question because you told us you had a tight budget to start with, and then the Congress cut it by one-third. I am wondering where you got this money for extra equipment.

Admiral HEINZ. Although the total program for Bolivia was reduced, the ammunition programed was increased last year by $49,000.

Mr. PASSMAN. What do these rockets cost each?

Admiral HEINZ. These are 3.5- and 2.75-inch air-to-ground rockets. I will have to provide the individual cost for the record.

Mr. PASSMAN. Could you give us an estimate on what one of these rockets would cost? Do any of your supporting witnesses have any idea?

Mr. CONTE. Could we find out what they are using rockets for in Bolivia?

Mr. PASSMAN. We will get to that. They have allocated 1,000 more than were justified, even with the reduced budget. We are trying to find out why.

Admiral HEINZ. We increased the rocket rounds and decreased the mortar rounds. The 3.5-inch rocket is used for training and for operational requirements; the 2.75-inch rocket is for operational requirements.

I will ascertain the individual cost for you.

Mr. PASSMAN. Do they cost a million dollars each?

Admiral HEINZ. I will find out.

Mr. PASSMAN. All right.

(Classified information was submitted to the committee.)

Mr. CONTE. I still haven't found out why they have to have them.

Mr. PASSMAN. Why do you have to train these people how to use rockets?

Admiral HEINZ. The Bolovian forces' main purpose is to counter-insurgency. These rockets are air-to-ground weapons that are considered highly effective in counterinsurgency ground operations.

Mr. PASSMAN. From where?

Admiral HEINZ. They saw some action last year.

Mr. PASSMAN. Is that the country that had the guerrillas?

Admiral HEINZ. This is the country in which Che Guevara was killed and in which his band of guerrillas was operating. There were several Cubans in the country.

TRAINING ONLY FOR BRAZIL AND CHILE

Mr. PASSMAN. For Brazil you have a training program of ——— million. I believe that is an increase of ——— thousand over 1968. Is that right?

Admiral HEINZ. Yes.

Mr. PASSMAN. Another training program, for Chile, and you are requesting ——— thousand dollars? Is that true?

Admiral HEINZ. Yes.

Mr. PASSMAN. Will your supporting witnesses insert the total aid, all spigots, including the Inter-American Bank, that we have given each one of these countries from the inception of the program?

Admiral HEINZ. Yes, sir.

PURCHASES FROM OTHER THAN U.S. SOURCES BY LATIN AMERICAN COUNTRIES

Mr. PASSMAN. Also, your best estimate as to how much military equipment each country purchased from other countries. I would just as soon you say "other than United States" because sometimes when you say "third country" they might try to put that shoe on our other foot. If you will just say "other than United States" you will pin it down. Do you agree?

Admiral HEINZ. Yes, sir.

(The information follows:)

U.S.-IDB-3d country assistance to Latin American countries[1]

	Millions
ARGENTINA	
U.S. economic assistance (1946–67)	$310.0
U.S. military assistance (1960–67)	62.4
Inter-American Development Bank (1962–67)	220.7
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
BOLIVIA	
U.S. economic assistance (1946–67)	457.5
U.S. military assistance (1958–67)	18.7
Inter-American Development Bank (1953–67)	44.3
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
BRAZIL	
U.S. economic assistance (1946–67)	2,148.9
U.S. military assistance (1953–67)	270.4
Inter-American Development Bank (1961–67)	392.3
Military equipment purchased from other than U.S. sources (1954–67): [Deleted].	
CHILE	
U.S. economic assistance (1946–67)	1,098.6
U.S. military assistance (1953–67)	93.1
Inter-American Development Bank (1961–67)	163.0
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
COLOMBIA	
U.S. economic assistance (1946–67)	649.4
U.S. military assistance (1949–67)	83.2
Inter-American Development Bank (1961–67)	116.6
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
COSTA RICA	
U.S. economic assistance (1946–67)	140.5
U.S. military assistance (1960–67)	1.8
Inter-American Development Bank (1962–67)	24.6
Military equipment purchased from other than U.S. sources (1954–68): None.	
DOMINICAN REPUBLIC	
U.S. economic assistance (1946–67)	338.9
U.S. military assistance (1953–67)	18.9
Inter-American Development Bank (1964–67)	14.2
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
ECUADOR	
U.S. economic assistance (1946–67)	197.6
U.S. military assistance (1949–67)	37.9
Inter-American Development Bank (1962–67)	31.3
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
EL SALVADOR	
U.S. economic assistance (1946–67)	94.3
U.S. military assistance (1960–67)	5.1
Inter-American Development Bank (1961–67)	7.1
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	
GUATEMALA	
U.S. economic assistance (1946–67)	207.0
U.S. military assistance (1953–67)	13.3
Inter-American Development Bank (1961–67)	25.0
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

U.S.-IDB-3d country assistance to Latin American countries[1]—Continued

HAITI

U.S. economic assistance (1946–67)	97.2
U.S. military assistance (1953–67)	3.2
Inter-American Development Bank (1961–67)	7.2
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

HONDURAS

U.S. economic assistance (1946–67)	84.8
U.S. military assistance (1953–67)	6.4
Inter-American Development Bank (1961–67)	32.4
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

JAMAICA

U.S. economic assistance (1953–67)	48.0
U.S. military assistance (1963–67)	1.1
Inter-American Development Bank	-------
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

MEXICO

U.S. economic assistance (1946–67)	511.3
U.S. military assistance (1958–67)	2.2
Inter-American Development Bank (1962–67)	202.1
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

NICARAGUA

U.S. economic assistance (1946–67)	119.5
U.S. military assistance (1958–67)	10.0
Inter-American Development Bank (1961–67)	37.2
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

PANAMA

U.S. economic assistance (1946–67)	185.4
U.S. military assistance (1961–67)	2.8
Inter-American Development Bank (1962–67)	24.4
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

PARAGUAY

U.S. economic assistance (1946–67)	87.5
U.S. military assistance (1958–67)	6.8
Inter-American Development Bank (1961–67)	32.9
Military equipment purchased from other than U.S. sources (1954–68): [Deleted].	

PERU

U.S. Economic assistance (1946–67)	328.1
U.S. military assistance (1949–67)	88.3
Inter-American Development Bank (1961–67)	91.6
Military equipment purchased from other than U.S. sources (1954–68): [Deleted.]	

URUGUAY

U.S. economic assistance (1946–67)	73.8
U.S. military assistance (1953–67)	38.5
Inter-American Development Bank (1962–67)	28.3
Military equipment purchased from other than U.S. sources (1954–68): [Deleted.]	

VENEZUELA

U.S. economic assistance (1946–67)	250.2
U.S. military assistance (1959–67)	56.9
Inter-American Development Bank (1961–67)	53.6
Military equipment purchased from other than U.S. sources (1954–68): [Deleted.]	

[1] Figures for U.S. military assistance represent deliveries. All dates represent fiscal years.

COLOMBIA

Mr. PASSMAN. You are requesting for Colombia ——— of which ——— is for training. Is that true?

Admiral HEINZ. Yes.

EXCESS EQUIPMENT PROGRAMED FOR LATIN AMERICA

Mr. PASSMAN. For the first four countries, also insert the cost of the excess equipment that we gave them, and its acquisition cost. Would you do that for us, sir?

Admiral HEINZ. Yes.

(The information follows:)

DOD EXCESS STOCKS PROGRAMED FOR LATIN AMERICA

[In thousands of dollars]

Country	Cumulative fiscal year 1950-68 programs	Proposed fiscal year 1969 program	
		Value	Items
Argentina	$2,364		
Bolivia	3,211		
Brazil	80,730		
Chile	23,462		
Colombia	14,106		
Costa Rica	113		
Cuba	5,516		
Dominican Republic	2,875		
Ecuador	9,217		
El Salvador	605	[Deleted]	[Deleted]
Guatemala	2,788		
Haiti	195		
Honduras	1,273		
Jamaica	4		
Mexico	50		
Nicaragua	631		
Panama	24		
Paraguay	1,427		
Peru	17,714		
Uruguay	7,272		
Venezuela	324		
Total	173,901		

Mr. PASSMAN. What kind of excess stock do you propose to furnish Colombia in fiscal 1969?

Admiral HEINZ. Before I answer that—going back to your question on rockets—they cost $13 each.

Mr. PASSMAN. All right. Would you like to insert that information on Colombia for the record?

Admiral HEINZ. Yes. Small arms and ammunition are the excess items for Colombia.

Mr. PASSMAN. We want it for all countries; especially Colombia. You are requesting funds for ———, are you not?

Admiral HEINZ. Yes.

Mr. PASSMAN. What does one ——— cost?

Admiral HEINZ. ——— thousands.

Mr. PASSMAN. What are they going to use it for? Are they equipping ——— or is this just one?

Admiral HEINZ. This is just one ———.

Mr. PASSMAN. What are they going to do with one ———?

Admiral HEINZ. Colombia already has ——— troops.

Mr. PASSMAN. How many ——— do they have?
Admiral HEINZ. I will put an answer in the record.
(Classified information was submitted to the committee.)
Mr. PASSMAN. Does this ———?
Admiral HEINZ. ———.

CIVIC ACTION PROGRAM IN COLOMBIA

Mr. PASSMAN. They couldn't put out a very big fire with just one, could they? I am not recommending that you program any more, however. What is the cost of the civic action program for Colombia?
Admiral HEINZ. It is about ——— thousand, largely for training.
Mr. PASSMAN. Civic action. Now part of that is what we sometimes refer to as just pure economic aid, is it not? Building roads and streets, schoolhouses, and so forth?
Admiral HEINZ. The civilian action program in Colombia is directed primarily toward development in areas of current violence.
Mr. PASSMAN. For what?
Admiral HEINZ. For roads, economic development.
Mr. PASSMAN. As far as that program is concerned, it is the same as the economic aid program, isn't it, to build roads, better chicken houses, better bridges over little streams. Would that define "civic action"?
Admiral HEINZ. That is civic action. The military assistance program is not paying for the roads. The military assistance program is training personnel, and providing some small amount of civic action equipment.
Mr. PASSMAN. But if you have personnel with 10 shovels, the shovel is the smallest part, is it not? So you pay for the personnel, do you not, out of the allotment. Is that a fair statement?
Admiral HEINZ. No, sir; we do not pay for the personnel. We pay for training only.
Mr. PASSMAN. You pay for equipment and training?
Admiral HEINZ. We pay for equipment and training, but the equipment is equipment that is normal for the forces.
Mr. PASSMAN. But the same things are done under AID: building farm-to-market roads, better chicken houses, and so on, is that right?
Admiral HEINZ. In many cases, the program is funded by AID.
Mr. PASSMAN. That's all I wanted. It's another brand of economic aid embedded into this program. It might be all right. But at least it is good to show for the record what it is.

DOMINICAN REPUBLIC

Admiral, for the Dominican Republic, in 1969, the estimate is ——— million. Is that correct?
Admiral HEINZ. Yes.
Mr. PASSMAN. Why is it necessary to increase the allocation ——— thousand over the program of last year?
Admiral HEINZ. We feel that this equipment is needed in the Dominican Republic. In this case, the additional equipment is in ———.
Mr. PASSMAN. I know that. I asked you why it is necessary. You just want to have a bigger program—is that it?
Admiral HEINZ. We feel that it is in our interest to have a ——— in the interest of the United States as well as that of the Dominican Republic.

EFFECT OF REDUCED APPROPRIATIONS ON FISCAL YEAR 1968 PROGRAM

Mr. PASSMAN. You have had a fairly satisfactory military assistance program in fiscal year 1968, have you not? Let me tell you why I ask that question. You have been able to allocate more than you justified last year for certain countries. But on the whole, you have had a fairly satisfactory military assistance program for fiscal 1968.

Admiral HEINZ. We had to reduce many programs.

Mr. PASSMAN. I know that better than you do, because we reduced it before you knew about it.

Admiral HEINZ. I feel that funds which were available were not——

Mr. PASSMAN. As much as you wanted?

Admiral HEINZ (continuing). Were not sufficient to support the objectives it is in our interest to attain.

Mr. PASSMAN. What if you only received half of what you did get; would you use it?

Admiral HEINZ. We would have used it.

Mr. PASSMAN. All right. This program has been cut as much as 50 percent in prior years and you lived with it, didn't you?

Admiral HEINZ. Yes.

Mr. PASSMAN. You couldn't direct any real criticism at the allocation made last year, could you? That's why I wanted to see if you would agree that you have had, on the whole, a workable military assistance program for fiscal 1968.

Admiral HEINZ. We made the best allocation we could of the funds available.

Mr. PASSMAN. That's no answer at all. I'm not going to ask you again. I'll ask some other witness if you had a reasonable military assistance program for fiscal 1968, out of the funds that we appropriated? It can only be one or the other way. You would like to have more, but you have been able to live with this satisfactorily.

Admiral HEINZ. I think your first statement was correct, sir.

Mr. PASSMAN. I don't like to answer my own question, but I have to get it in there someway. Thank you, Admiral.

Mr. FARLEY. Whenever you want to come back to the loan to ———, Mr. Chairman, we have some information.

Mr. PASSMAN. What we want are the documents. Do you have the page number of the justifications?

Mr. FARLEY. I do. I'm told it is on page ———, at the AID–CPD. There was justification for a ——— million dollar loan.

Mr. COHELAN. What does CPD mean?

Mr. FARLEY. Congressional presentation document.

Mr. PASSMAN. What was the amount?

Mr. FARLEY. ——— million. It's identified, I'm told, to support a Government of ——— program, which involves a new tax system and other fiscal reforms.

Mr. PASSMAN. I believe the effective date of the appropriation is the date it is signed by the President?

Mr. KNAUR. Signed by the President, January 2, 1968.

Mr. PASSMAN. That's when the law became effective. If they were testifying for funds in fiscal 1968, they could not negotiate or enter into any kind of agreement that would be subject to cancellation until they had legislation with which they could proceed. Is that right?

Mr. FARLEY. I'm sure that's correct.

Mr. PASSMAN. How could they cancel a loan when they had no legal right or money with which to enter into such an agreement?

Mr. FARLEY. My understanding of what happened was in the summer of 1967, an offer was made to negotiate such a loan, which of course has to be contingent on availability of funds, was also made specifically contingent on there being no purchases of ——— aircraft and other fiscal reforms be carried through.

Mr. PASSMAN. We had no testimony of that type, I can assure you. And you had no legislation under which you could negotiate a loan with 1968 funds until the President signed the bill into law. So I could not conceive of you then entering into a contract and subsequently canceling it because you had no legal right to move or consummate a loan until you had the money.

Mr. FARLEY. I believe you will find I had not said we actually canceled the contracts but only withdrew our offer to enter into negotiations for a loan when the ——— concluded their contract to buy ———.

Mr. PASSMAN. Was the withdrawal of the loan offer a result of the Conte-Long amendment, or a withdrawal on account of the reductions made by the Congress?

Mr. FARLEY. My understanding is this was because of the ——— purchase of ——— aircraft, which was a step we were opposed to. Quite apart from the Conte-Long amendment.

Mr. PASSMAN. What is the date they approved this program loan for ——— million dollars? We want to know, if we can, what date it was approved. You are always talking about proposed loans but many of them are never consummated. But we are dealing with a specific loan of ——— million dollars that you had to cancel or withhold on account of the Conte-Long amendment.

Mr. FARLEY. Which we did not enter into because the ——— purchased ——— aircraft.

Mr. PASSMAN. You can't cancel something you didn't enter into.

Mr. FARLEY. That's right.

Mr. PASSMAN. All we are talking about is a lot of loose conversation. There had not been a loan approval, and it is no different than in prior years. The amount requested is in excess of what you need. The information they just gave you is nowhere in the hearings. While we proceed, you look for it or have one of your assistants look for it. I believe this so-called reduction is as phony as a 3-dollar bill. I am not blaming you. It is just that the executive does not like the Congress to write legislation that is not pleasing to them. We are an unnecessary nuisance in the minds of a lot of them. That is demonstrated almost daily. What they have told you is not contained in the justifications nor in the testimony. We will take it up with Mr. Gaud when he comes.

ECUADOR

You are requesting ——— million dollars for Ecuador in fiscal 1969. Is that correct, Admiral?

Admiral HEINZ. Yes.

Mr. PASSMAN. That is an increase of ——— the 1968 program. Is that correct?

Admiral HEINZ. Yes, that is correct.

Mr. PASSMAN. Last year you requested funds for ——— trucks and other vehicles but deleted all ——— after the fiscal 1968 appropriation. However, I note that your program in fiscal 1969 includes a total of ——— such vehicles. Is that correct?

Admiral HEINZ. That is correct, sir.

Mr. PASSMAN. Backing up, if we may—what is a fire control computer?

Admiral HEINZ. This is actually a small gunsight. It is shown in the book under the fire control and computers category. It has a gyroscope in it and a small light.

Mr. PASSMAN. You really are going to have plenty of trucks. You're going to get the ——— that you did, not allocate—get an additional ———, making ———, and double that, just for fun, aren't you?

Admiral HEINZ. Last year's program for Ecuador was reduced——

Mr. PASSMAN. I'm talking about the number of trucks. You cut ——— trucks out of the total you asked for. This year, you are requesting ———.

Admiral HEINZ. ——— is the correct number.

EL SALVADOR

Mr. PASSMAN. You have ——— for El Salvador, is that true?

Admiral HEINZ. That is a correct—a reduction from last year.

SMALL COUNTRY PROGRAMS

Mr. PASSMAN. This is the second program under $1 million. I note from page 77 that there are five country programs in that category. Why don't we eliminate these small programs altogether, Admiral?

Admiral HEINZ. The programs for Latin America, as you are aware, Mr. Chairman, are being reduced on an overall basis and we feel that we can eliminate materiel assistance to more countries in the future. But we believe that, for the time being, these small amounts of material assistance for the smaller countries are necessary for internal security purposes. The allocation of approximately ——— thousand for materiel to El Salvador is important to its forces.

INTERNAL SECURITY PROGRAMS

Mr. PASSMAN. I remember several years ago when I visited a certain country that had a little internal security program going on—very small, about 218 advisers. I bet there is now 50 pounds of printed testimony by the highest officials, including Secretary McNamara, that program would never go beyond instructors for internal security purposes. Now we are in one of the bloodiest wars in the history of this Nation just because of a few military advisers for an internal security program. I just hope that this program—these military advisers and internal security programs don't lead us into the mess we've gotten into in the country to which I'm referring now. You could have made bets at 10 to 1, and not too long ago, that nobody would advocate combat troops in Asia; it was insane. We even had our President elected on this ticket in 1964. It was unthinkable that we would ever

permit American troops to do what the Asian troops should do, but they are there in a pretty large number. I just hope that you wonderful people—dedicated people who have earned all the honors that you have—with your good intentions don't get us into a lot more messes around the world. Why does this country need ———, Admiral?

Admiral HEINZ. ———.

Mr. PASSMAN. Does it ———?

Admiral HEINZ. It can ———. It is very useful.

Mr. PASSMAN. We programed ——— in the 1968 program, didn't we?

Admiral HEINZ. We did.

GUATEMALA

Mr. PASSMAN. I believe your estimate for fiscal 1969 for Guatemala is ——— million. Is that correct?

Admiral HEINZ. Correct.

Mr. PASSMAN. That's ——— thousand above the current 1968 program, is it not?

Admiral HEINZ. Yes, that is correct.

Mr. PASSMAN. I note the training estimate for Guatemala has been dropping, however, you have been increasing the amount allocated for training in most of the other 16 countries in this area. Could it be that you're neglecting the hottest spot?

Admiral HEINZ. The training portion of the program is about ——— thousand than in fiscal year 1968. Guatemala does have active guerrillas. It is reported that the FAR, which is the principal threat, is receiving instructions from outside Guatemala; ———.

Mr. PASSMAN. ———.

Admiral HEINZ. ———.

Mr. PASSMAN. ———.

Admiral HEINZ. In some cases, you modify the training effort.

Mr. PASSMAN. You are ———.

Admiral HEINZ. ———.

Mr. PASSMAN. ———.

Admiral HEINZ. ———.

HONDURAS

Mr. PASSMAN. You figure it out; I'm not going to try.

The next country is Honduras. You are requesting ——— thousand. Is that correct?

Admiral HEINZ. Yes, ——— thousand less than 1968.

Mr. PASSMAN. You are programing ——— for this country, are you not?

Admiral HEINZ. Yes.

Mr. PASSMAN. Did the Defense Department overbuy and is now trying to get rid of them, or is there a sale on them?

Admiral HEINZ. The ——— is an excess item.

Mr. PASSMAN. I see. You are charging the country program for them, aren't you?

Admiral HEINZ. We charge the allocation for repair and rehabilitation.

Mr. PASSMAN. If you didn't have these excess stocks, would you be placing orders for new procurement?

Admiral HEINZ. Not necessarily.

NICARAGUA

Mr. PASSMAN. The next country is Nicaragua. The 1969 estimate is for ——— million; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. You program a total of ——— for this country. Is that correct?

Admiral HEINZ. I beg your pardon?

Mr. PASSMAN. ———.

Admiral HEINZ. That is correct.

Mr. PASSMAN. I note you are requesting ——— in fiscal 1969. This couldn't by chance be our old reliable ———, could it, which can be used for hunting bears, wild boars, and deer.

Admiral HEINZ. It is ———.

Mr. PASSMAN. Let's go off the record.

(Discussion off the record.)

Mr. PASSMAN. We haven't finished with those ———. Do they come with shotguns or do you have to get them out of some other appropriations?

Admiral HEINZ. They do not come with shotguns.

Mr. PASSMAN. Or shells?

Admiral HEINZ. Or shells.

PANAMA

Mr. PASSMAN. Thank you. I'm afraid to pursue it any further. Panama is the next country. I note your request for 1969 is ——— thousand. This is an increase of ——— thousand for the current program. Is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. I note we have supplied the National Guard with equipment and materiel with a value of $3,064,000, plus excess stocks, since 1962. Is that correct?

Admiral HEINZ. That is correct. The cumulative program for Panama through fiscal year 1968 is $3,064,000. Since 1962, we have provided Panama with total excess stocks amounting to——

Mr. PASSMAN. Put it in the the record, Admiral.

Admiral HEINZ. $18,000.

Mr. PASSMAN. How much?

Admiral HEINZ. $18,000.

NATIONAL GUARD INTERVENTION

Mr. PASSMAN. If I recall correctly, the U.S.-supplied National Guard intervened and prevented the Vice President, that the legislature selected to be President, from assuming office. Is that true?

Mr. FARLEY. I would describe it as that the National Guard maintained reasonable order while the matter was settled by the Supreme Court.

Mr. PASSMAN. Isn't that just what I said? I selected my words and you selected yours. We said the same thing; didn't we?

Mr. FARLEY. I described the situation as we saw it.

Mr. PASSMAN. I yield to you on your grammar, continuity, and composition. I also think that's what I said. So let's pin it down. Regardless of what language we use in wrapping it up, they did prevent the

Vice President from being inaugurated as President, even after the legislature had indicated that was their desire.

Mr. FARLEY. That was the first thing that happened.

Mr. PASSMAN. The first thing that happened was that the legislature impeached the President. The second thing was that the National Guard kept the Vice President that the legislature had selected from being elevated to the Presidency. Is that correct?

Mr. FARLEY. That's correct.

PARAGUAY

Mr. PASSMAN. Thank you. For Paraguay, you have requested ——— for fiscal year 1969. Is that correct, Admiral?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. That's an increase of ——— thousand over the fiscal year 1968 program. Is that correct?

Admiral HEINZ. Yes, sir.

Mr. PASSMAN. Admiral, there are 51 vehicles of 2½ tons or over, to be delivered after June 30, 1968. Why is it necessary to request funds for ——— more such vehicles in the 1969 program?

Admiral HEINZ. The equipment requirements have not been met for the forces we are supporting.

Mr. PASSMAN. How many vehicles did you provide in 1967?

Admiral HEINZ. There are 24 trucks in the 1967 program.

Mr. PASSMAN. And how many in 1968?

Admiral HEINZ. 27.

Mr. PASSMAN. What is your total requirements for vehicles for this country, sir?

Admiral HEINZ. I will supply that information for the record.

Mr. PASSMAN. You don't have any projections with you?

Admiral HEINZ. I do not have the total vehicle requirements.

(The information follows:)

PARAGUAYAN REQUIREMENT FOR VEHICLES

The total vehicular requirement for MAP supported units in Paraguay is 201 vehicles.

Mr. PASSMAN. How many Army troops did you have in 1966, 1967, and 1968?

Admiral HEINZ. Army troops?

Mr. PASSMAN. In Paraguay.

Admiral HEINZ. Let me look.

Mr. PASSMAN. With all my shortcomings, I am a rather patient chairman, don't you think?

Admiral HEINZ. In 1967, the number of troops was ———.

Mr. PASSMAN. In 1968?

Admiral HEINZ. The figure we have is steady at ———.

Mr. PASSMAN. That's for 1967, I believe you said.

Admiral HEINZ. ——— for 1967, and the apparent projection is ———.

NEW PROCUREMENT OF VEHICLES

Mr. PASSMAN. What did you do, find a sale on these trucks? Or are they like the aircraft—excess stocks?

Admiral HEINZ. These are not excess vehicles.

Mr. PASSMAN. New procurement?

Admiral HEINZ. New procurement.

Mr. PASSMAN. With all of this accumulation to be delivered in fiscal 1969 and subsequent years, why is it actually necessary, especially when you people know as well as I do that we are facing a money crisis, to request funds for more trucks?

Admiral HEINZ. Because the need for vehicles continues. We have never achieved the equipment levels that we would like to see attained.

Mr. PASSMAN. And you never will, if I know anything about this program.

Admiral HEINZ. And therefore we have programed additional trucks for the Armed Forces. These vehicles are very necessary for the mobility of the forces.

PERUVIAN MILITARY PURCHASES FROM THE UNITED STATES

Mr. PASSMAN. That may be so but I'm talking now about all the undelivered trucks and the small number of troops in the Army. Peru proposes to buy ——— million military sales. Now that we have cut off some material assistance. Is that correct?

Admiral HEINZ. That is the projection.

Mr. PASSMAN. Who projects it?

Admiral HEINZ. The projection for total sales in fiscal year 1969 is ——— million.

Mr. PASSMAN. Is that cash sales, or is it on terms?

Admiral HEINZ. That includes commercial sales, cash, and credit sales.

Mr. PASSMAN. All from the United States?

Admiral HEINZ. All from the United States.

Mr. PASSMAN. What part of it will be cash?

Admiral HEINZ. ——— million.

TOTAL AID TO PERU

Mr. PASSMAN. Do we have other types of aid programs for Peru out of the other 16 spigots of foreign aid?

Mr. FARLEY. There is economic assistance, Mr. Chairman. AID, Public Law 480, Peace Corps.

Mr. PASSMAN. How long has the Peace Corps been there?

Admiral HEINZ. I cannot answer that, but I will supply the information.

(The information follows:)

INITIATION OF PEACE CORPS IN PERU

The Peace Corps for Peru started in fiscal year 1963.

Mr. PASSMAN. Do you have the Export-Import Bank? Inter-American Bank, Alliance for Progress, International Development Association? Do they get aid from all those other spigots, too? What has been the total aid to this country?

Mr. FARLEY. I would have to supply that.

(The information follows:)

Proposed assistance to Peru, fiscal year 1968

[In thousands of dollars]

AID:	
Program proposed in fiscal year 1968 presentation:	
Alliance loans	70,000
Alliance grants	6,000
Total	76,000
Fiscal year 1968 program proposed in fiscal year 1969 presentation:	
Alliance loans	37,741
Alliance grants	4,815
Total	42,556
Fiscal year 1968 program currently proposed:	
Alliance loans	
Alliance grants	4,825
Total	
June 30, 1967, unliquidated obligations:	
Alliance loans	50,156
Alliance grants	5,738
Total	55,894
Military assistance:	
Program proposed in fiscal year 1968 presentation (grant)	3,945
Program proposed in foreign military sales annual report (credit)	3,300
Fiscal year 1968 program currently proposed:	
Grant aid	1,349
Credit sales	
Total	
Public Law 480:	
Fiscal year 1968 sales program proposed:	
Title I	3,000
Title II	8,000
Total	11,000
Current fiscal year 1968 proposed sales program:	
Title I	
Title II	10,100
Total	10,100
IDB:	
Application for loans received, fiscal year 1968	72,440
Loans authorized to date, fiscal year 1968	22,440
Ex-Im Bank:	
Application for loans received, fiscal year 1968	11,100
Loans authorized to date, fiscal year 1968	4,200

Admiral HEINZ. The total of economic and military assistance for Peru is $449.2 million, after repayments and interest.

Mr. PASSMAN. That's getting close to half a billion dollars. What is the population of Peru?

Admiral HEINZ. That is through 1967; $328.1 million has been for economic assistance. The population of Peru is 12.4 million.

Mr. PASSMAN. How much is the total amount furnished to Peru in fiscal 1968?

Admiral HEINZ. Military assistance in 1968 amounts to $1.349 million.

Mr. PASSMAN. Let's get the total amount of aid.

Admiral HEINZ. All right.

Mr. PASSMAN. The total amount of all types of aid to Peru in fiscal 1968.

Admiral HEINZ. That's $449.2 million in total aid since the beginning, through fiscal year 1967.

Mr. PASSMAN. From AID alone, it was $42.5 million. This is the point I am trying to make and I want to be fair about it. We cut off military materiel assistance to Peru. Is that correct?

Admiral HEINZ. Yes.

Mr. PASSMAN. Then we turn around and have a fantastically high AID program. Now they can either finance—if they use just this one spigot, $42.5 million to pay for what they requisition from our country, then they could take at least ——— million dollars out of their own resources to pay us the ——— million dollars, could they not?

If there is any answer to that question, I want to frame it. I'm going to try again. We cut off military equipment so that they plan on an order for ——— million. We have a fantastically high AID program for Peru. One spigot alone in fiscal year 1968 was $42.5 million. If we make available this $42.5 million, then they can take out of their own resources ——— million to pay us for the military equipment they purchase or else take it out of our grant aid.

Mr. FARLEY. They would have to take it out of their total resources. That's correct.

Mr. PASSMAN. Either that or work around to get it out of this fantastically high grant.

Mr. FARLEY. Yes.

Mr. PASSMAN. What I'm trying to make you say is that it just does not add up—cut off one spigot but open up another spigot. All I want to do is to let the record show the facts. You say it has to come out of their total resources. I've known that ever since I have been in Congress. Every country says we want so much for our military, but if you give them grant aid that releases their earnings from exports to do with what they please. I believe Douglas Dillon made that point. We have no control over their internal bookkeeping. They are going to spend their resources any way they want to. We do not have any control. We may threaten them with some penalty on some unrealistic program and purport to show some reductions, but I don't think the AID agency pays any attention to the Conte-Long amendment.

URUGUAY

Admiral, the next country is Uruguay. The 1969 estimate is ———. That's an increase of ——— thousand above the current program, is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. How soon do you anticipate phasing out this program? It seems to be, at this time, primarily a spare-parts program.

Admiral HEINZ. It is difficult to state with certainty when the materiel program for Uruguay will be phased out. Certainly, it will be at least ——— before it is phased out. Limited military assistance could be required——

Mr. PASSMAN. It could be—you are not phasing it out. I hope you are not going to turn around and say you are going to extend it.

Admiral HEINZ. I said "could be." I did not say "would be."

PHASING OUT OF MATERIEL ASSISTANCE

Mr. PASSMAN. I know it could be. You could phase it out tomorrow, and you could phase it in the following day so I still haven't any answer. You have no firm plans for phasing out the program.

Admiral HEINZ. We have plans for phasing out materiel assistance to Latin America, as you have been informed; and we are phasing it down, as you can see by the figures. We plan to continue this process. I cannot predict with accuracy exactly when each program will be terminated. We are planning a gradual phaseout.

Mr. PASSMAN. What was this phasing out statement you made a moment ago? It sounded so good I perked up my ear. But I have a different explanation now of what you meant. You are talking about just that one country or all Latin America?

Admiral HEINZ. We have already phased out materiel assistance for four countries. There are 11 countries left for which materiel assistance continues.

Mr. PASSMAN. This program goes from one to the other. You phase out, phase in. First it is training, then it is equipment, then back to training and back to equipment. I am interested in how many countries you have military assistance programs. We agreed earlier you are not training these people to shoot popguns. It's still a program and it costs money for every one of them. Let's get back to this one. Inasmuch as it is primarily a spare parts proposition, do you have any firm plans to phase out this country program completely?

Admiral HEINZ. No, we do not.

Mr. PASSMAN. Thank you. I don't need any better answer.

Admiral HEINZ. We plan to continue.

VENEZUELA

Mr. PASSMAN. I thought that is what you would finally say. Venezuela is training only, is it not?

Admiral HEINZ. It is.

Mr. PASSMAN. You are requesting for fiscal 1969 ——— million?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What has been the program?

Admiral HEINZ. The program for Venezuela?

Mr. PASSMAN. We know we are running a year behind and let's just look at 1967, all spigots. In the neighborhood of about $5 million or more?

Mr. KNAUR. Total economic aid, including the Peace Corps and the Public Law 480, for 1969 is just over $5 million.

Mr. PASSMAN. Including the Peace Corps. I want to commend you for including it now as a part of aid. It's just another one of the spigots and that's because you people have done your homework and I wish to congratulate you. I didn't ask you to name them—you did it voluntarily.

Latin American Regional Program

For the Latin American regional program you are requesting $1,150,000 for 1969?

Admiral Heinz. Yes.

Mr. Passman. If I read your records correctly, that's an increase of $510,000 above last year's program.

Admiral Heinz. That is correct.

Mr. Passman. Last year you requested $1,591,000 for this area program. According to the section 634(d) report, you have a current program of $640,000, is that correct?

Admiral Heinz. Yes.

Mr. Passman. What you propose to do is to take the $640,000 and allocate it to six different activities. Is that true?

Admiral Heinz. That is correct.

Mr. Passman. Then would you furnish for the record a breakdown of the $640,000.

Admiral Heinz. I will.

(The information follows:)

The following is a breakdown of the $640 thousand programed for the Latin American area program for fiscal year 1968:

	In thousands
Command Training Support:	
For support of the Canal Zone training activities, i.e., the U.S. Army School of the Americas, the USAF Inter-American Air Force Academy and the U.S. Navy small craft inspection and training teams. Includes translation and printing of instructional material, training film narration into Spanish and for seminars and conferences for Latin American military personnel	192
Counter-Insurgency Training:	
For counter-insurgency training for U.S. military personnel assigned to MAAG/U.S. Military Groups in Latin American countries	27
Training Exercises:	
For the U.S. share of funds for conduct of U.S. and Latin American joint/combined exercises and support of small scale combined exercises involving only the Central American military forces	157
Training Support:	
For supplies and materials for mobile training teams, observer and on-the-job training and for preventive medicine civic action	102
Training in the continental United States:	
For training of military personnel from Mexico in the CONUS	102
Other Services and Support:	
Provides funds for items of communications equipment in support of Joint Operations Center in Central Americas Defense Council; provides general support and services on a continuing basis on technical matters not connected with a specic country	60
Total Latin America area program	640

Military Assistance for European Countries

Mr. Passman. Contrary to the belief of many people, we still have a military assistance program in Europe, do we not?

Admiral Heinz. Yes.

Mr. Passman. Your 1969 estimate is $3,587,000, is that correct?

Admiral Heinz. Yes.

Mr. Passman. Are the countries that this money will be allocated to classified?

Admiral HEINZ. No, they are not. Spain and Portugal are the only two countries.

Mr. PASSMAN. There are four countries, are there not?

Admiral HEINZ. Two training only programs——

Mr. PASSMAN. You spend tens of billions of dollars on this personnel program and you just seem to want to laught that off. It's still a military program and it costs a lot of money. Did I make a correct statement when I said there would be four countries, where you have a military assistance program?

Admiral HEINZ. That is correct.

BASE RIGHTS NEGOTIATIONS

Mr. PASSMAN. Two of these countries, Portugal and Spain ———. Is that right?

Admiral HEINZ. That is right. At the present time——

Mr. PASSMAN. At the present time, ———.

Admiral HEINZ. ———.

Mr. PASSMAN. That is taken into account in this estimate? ———.

Admiral HEINZ. We cannot be definite. ———.

Mr. PASSMAN. Do you anticipate there will be ———?

Admiral HEINZ. That is a possibility. I do not know.

Mr. PASSMAN. ———?

Admiral HEINZ. ———. Therefore, I cannot give you a figure at this time.

DELIVERIES TO BELGIUM

Mr. PASSMAN. I note on page 117 that you propose to deliver $2,183,000 worth of mortar rounds and missiles to Belgium in fiscal 1968. Is that correct? Since the justifications last year indicated a balance of $1,790,000 in missiles to be delivered after July 1, 1967, how do you account for the undelivered balance of $2,183,000?

Admiral HEINZ. The ammunition estimated to be delivered in 1968 is actually less than the total last year. We estimated delivery of the missile equipment. It was not delivered. So actually, deliveries have taken place and the total undelivered balance has been reduced.

Mr. PASSMAN. That's a good statement, but it has nothing to do with my question. Since the justifications last year indicated a balance of $1,790,000 to be delivered after July 1, 1967, how do you now account for the undelivered balance being $2,183,000?

Admiral HEINZ. The answer to that is that the estimate of the total undelivered balance includes an estimate that there would be deliveries in 1967—of over $1 million, which did not take place.

Mr. PASSMAN. You delivered less than you had anticipated from the prior year. Therefore, the undelivered balance moved from the $1,790,000 to the total of $2,183,000?

Admiral HEINZ. That's correct.

NEGOTIATIONS FOR BASE RIGHTS IN SPAIN

Mr. PASSMAN. Back on Spain. What is the status of negotiations at this time.

Admiral HEINZ. At this time, we are just forming a negotiating team. Negotiations have not started.

Mr. PASSMAN. When will the present treaty with Spain expire?

Admiral HEINZ. ———.

Mr. PASSMAN. ———.

Admiral HEINZ. That is correct. It will fulfill the present commitment.

Mr. PASSMAN. That is an additional allotment—an additional allocation?

Admiral HEINZ. Yes.

Mr. PASSMAN. What do we have to the credit of Spain undelivered at this time in dollars?

Admiral HEINZ. About ——— million.

Mr. PASSMAN. ———.

Admiral HEINZ. ———.

Mr. PASSMAN. I said that, Admiral ———.

Admiral HEINZ. We do not expect additional recoupments.

ESTIMATED RECOUPMENTS

Mr. PASSMAN. You have always had recoupments. Of course, that simply means that you have money left over from programs that have been canceled or you overfunded because it didn't cost as much to fund a project as you had anticipated. Is that right?

Admiral HEINZ. Pretty much so, yes.

Mr. PASSMAN. Inasmuch as there is some indication that your recoupments will exceed the original estimate, you may insert at this point your very latest estimate.

Admiral HEINZ. I have no indication that they will exceed our estimate.

Mr. PASSMAN. You mentioned them, did you not?

Admiral HEINZ. I mentioned recoupments. You asked me for possibilities. I gave you no indication that there would be additional recoupments.

Mr. PASSMAN. You said a possibility.

Admiral HEINZ. You simply cannot squeeze something out that is not there. My current estimate remains as shown.

Mr. PASSMAN. When did you publish these books?

Admiral HEINZ. In January.

Mr. PASSMAN. Are all other estimates remaining the same as shown in the books?

ACTUAL RECOUPMENTS

Admiral HEINZ. The estimates are not changed.

Mr. PASSMAN. You've never come up with a justification yet that you didn't start changing before you even get the money; you overfund and underfund programs. I'm surprised you're so very accurate on your deobligated funds. Would you give us a table of estimates of deobligations and the actual by year since 1961. Will you put that in the record?

Admiral HEINZ. Yes; I will do that.

Mr. PASSMAN. Your anticipated and the actual?

Admiral HEINZ. Deobligations.

Mr. PASSMAN. You called them recoups.

Admiral HEINZ. I called them recoupments. I will do that.

(The information follows:)

RECOUPMENTS—ORIGINAL ESTIMATE VERSUS ACTUAL, FISCAL YEAR 1961 THROUGH FISCAL YEAR 1968

[In millions]

Fiscal year	Original estimate	Actual
1961	$155.8	$120.6
1962	317.7	240.7
1963	204.6	258.0
1964	125.0	124.8
1965	135.0	139.6
1966	78.0	[1] 140.5
1967	100.0	[2] 151.2
Total	1,116.1	1,167.4
1968	65.0	[3]

[1] Increase of $62,500,000 in fiscal year 1966 recoupments over original estimate mainly due to: (a) Cancellation of items programed for India and Pakistan ($32,100,000), and European phaseout countries ($8,400,000); (b) correction of duplicate funding in prior years for $14,300,000 of materiel which was furnished to recipients from MAP owned assets; (c) return for use by the Army of communication equipment initially procured for Indonesia and in a suspended shipment status ($5,400,000).

[2] Increase of $51,200,000 in fiscal year 1967 recoupments over original estimate mainly due to: (a) Drawdown from prior year undelivered balances for India and Pakistan ($43,000,000); (b) intensified review and screening of prior year programs to purge all possible recoupments ($8,200,000).

[3] Actual not yet available.

Mr. PASSMAN. I don't care what you call them. It's money available that you didn't need for the purposes for which you justified it. Then it becomes available for something else. Show the estimate as well as the actual. Will you do that for us?

Admiral HEINZ. We have always made such a report.

Mr. PASSMAN. I didn't say that you didn't. You didn't do it until we made you do it, when this program was under General Palmer.

DELIVERIES TO NORWAY

Admiral, according to the justifications, deliveries to Norway after June 30, 1968, will amount to ——— is that correct?

Mr. KNAUR. ——— million. Yes, sir.

Mr. PASSMAN. When were these allocations made to Norway?

Admiral HEINZ. There was a program for Norway——

Mr. PASSMAN. Would you like to insert that in the record?

Admiral HEINZ. I don't know when the original——

Mr. PASSMAN. This is a sizable amount. Why does it take so long to make deliveries?

COST-SHARED SHIPBUILDING PROGRAM

Admiral HEINZ. There are two major items. One is the cost-sharing of a shipbuilding program which was intended——

Mr. PASSMAN. What do you mean by cost-sharing? Norway with some other country such as France?

Admiral HEINZ. The United States and Norway.

Mr. PASSMAN. Let's talk about what we gave them. They are not building any ships for us, are they?

Admiral HEINZ. Under the cost-sharing arrangement, ships have been built for the Norwegian Navy. Actually, they paid over half—we paid less than half.

Mr. PASSMAN. Admiral, I'm trying to have this record clear so that people won't think there was some kind of a partnership. Let's stick to what we have given them.

We put up half the money and they got a whole ship. Is that the way it is?

Admiral HEINZ. Yes.

Mr. PASSMAN. Now, we can understand it, and the taxpayer can understand it.

Mr. COHELAN. Will the gentlemen—what did you say?

Mr. PASSMAN. I am not interested in half a ship because we don't bring half of it home after it is finished. So, let's find out what we are giving. They are going to get the whole ship. You said that, didn't you?

Admiral HEINZ. Yes, I did.

Mr. PASSMAN. So if you will put in the record—when we entered this contract, how much we spent per year, and when this will be brought to a conclusion and whether or not the original estimates will hold good to completion.

Admiral HEINZ. The original estimates will hold good to completion because we put a ceiling on the cost-shared shipbuilding program.

Mr. PASSMAN. Let us know when you entered into the contract and when you expect this program to be completed.

(Classified information was submitted to the committee.)

NONREGIONAL COSTS

The nonregional program is $54,490,000 this year; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. The estimate for international military headquarters is $25 million. That's an increase of $895,000 above the current fiscal year; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Would you furnish for the record the fiscal 1968 allocation to each of the five items under this head and where there is an increase proposed for 1969, give a brief statement as to the necessity for such an increase?

Admiral HEINZ. I will.

(The information follows:)

INTERNATIONAL MILITARY HEADQUARTERS

[In thousands]

	Fiscal year 1968	Fiscal year 1969
NATO International Military Headquarters	$22,814	$23,660
Central Europe Operating Agency (CEOA)	900	900
NATO Maintenance & Supply Organization (NAMSO)	125	125
Southeast Asia Treaty Organization (SEATO)	66	70
Central Treaty Organization (CENTO)	200	245
Total	24,105	25,000

Note: The NATO satellite communication system (SATCOM) and NATO air defense ground environment system (NADGE) facilities were constructed under the NATO infrastructure program. Costs of operation and maintenance of these systems which are accepted for common funding under the NATO Military Budget Committee are properly funded as part of the U.S. contribution to International Military Headquarters. Funding of operating spares inventories approximating $900,000 is required in fiscal year 1969. The CENTO and SEATO increases result from better identification of support costs of CENTO and SEATO previously reflected under NATO

TRANSFER OF NATO INFRASTRUCTURE AND SOUTHEAST ASIA PROGRAMS

Mr. PASSMAN. An item formerly carried under the military assistance program was "Infrastructure," and that has now been transferred to another appropriation account, has it not?

Admiral HEINZ. It has.

Mr. PASSMAN. This is another piece of foreign aid that was flaked off. What is the amount of Infrastructure for fiscal 1969.

Admiral HEINZ. The amount requested is $55 million.

Mr. PASSMAN. So as to keep this record completely straight and to have something with which to compare previous years' programs, you would have to actually add that program to make a comparison.

Admiral HEINZ. Yes; you would.

Mr. PASSMAN. I believe, also, we will have to pick up that ——— billion for Laos, Vietnam, and Thailand, formerly carried in the military assistance program but now being carried in the Defense appropriations. Is that right, sir?

Admiral HEINZ. ——— billion.

Mr. PASSMAN. I am correct—to get a comparison?

Admiral HEINZ. Yes; you would.

Mr. PASSMAN. I know the President doesn't mean to confuse the American people as to how small this mutual security bill is. You keep cutting it down, but you put the pieces elsewhere.

Admiral HEINZ. No one has tried to——

Mr. PASSMAN. Be careful now. You are going to change the record if you make that statement.

Admiral HEINZ (continuing). Underestimate the cost of the war in Southeast Asia.

Mr. PASSMAN. Who said anything about the cost of the war in Southeast Asia? We are just talking about the pieces of the mutual security program that have been flaked off and put in other bills. But when you put it all back together it makes an awful big bill. Secretary McNamara tried to do this for years. What they couldn't do all at once, they have done piecemeal.

ADMINISTRATIVE EXPENSES

Admiral, I note an administrative expense item for fiscal 1969 of $21 million; is that correct?

Admiral HEINZ. That is correct.

Mr. PASSMAN. Are you absorbing the military and civilian pay raise costs in your fiscal 1968 budget?

Admiral HEINZ. Yes; we are able to provide for them.

Mr. PASSMAN. Would you place in the record the amount for fiscal 1968 and 1969, if any, that is used to finance military, civilian, or local personnel in countries where we will have no military assistance program in fiscal 1969.

(The information follows:)

ADMINISTRATIVE EXPENSES FOR MILITARY ASSISTANCE ADVISORY GROUPS IN COUNTRIES WHERE WE HAVE NO MILITARY ASSISTANCE GRANT AID PROGRAMS IN FISCAL YEAR 1969

	Fiscal year 1968 estimate [1]	Fiscal year 1969 estimate [1]
Bellux	$325,000	$311,000
Denmark	238,000	228,000
France	176,000	151,000
Germany	884,000	777,000
Italy	561,000	472,000
Netherlands	207,000	164,000
Norway	277,000	243,000
United Kingdom	23,000	25,000
Pakistan	464,000	365,000
Australia	1,000	10,000
Japan	856,000	800,000
Mali	55,000	----------

[1] Foreign military sales programs are being administered by the MAAG in each of these countries, except for Mali for which no expenses are forecast in fiscal year 1969. In turn, each of these countries, excluding the United Kingdom and Australia, contribute local currencies which are used to offset administrative expenses. Use of these contributed currencies serve to reduce the U.S. Government's share of expenses in the operation of these MAAG's.

REDUCTION OF PERSONNEL STRENGTHS

Mr. PASSMAN. I also refer you to the footnote on page 127. It indicates a cutback in personnel.

Admiral HEINZ. Yes.

Mr. PASSMAN. Do you want to answer that?

Admiral HEINZ. I would like to explain what is happening in this area. So far in 1968, we have reduced the MAAG's by some 1,200 personnel. There will be additional reductions of both United States and local personnel in fiscal 1969. At the present time, I can estimate neither what the number will be and how many will be military, civilian or local, nor what the effect will be on the budget.

Mr. PASSMAN. When was the $21 million estimate firmed up?

Admiral HEINZ. In December 1967.

Mr. PASSMAN. Was that prior to the President's directive to cut back on personnel?

Admiral HEINZ. Yes, it was.

Mr. PASSMAN. So we will have to make the proper adjustments when we mark up the bill, is that right; so as to accommodate the President's program?

Admiral HEINZ. I cannot make an estimate yet of what the reductions will be. I won't know until July.

Mr. PASSMAN. But it will be substantial if we follow the President's prescription?

Admiral HEINZ. It depends——

Mr. PASSMAN. Let's keep the record as it is.

This estimate was established prior to the President's directive; is that right?

Admiral HEINZ. Yes.

Mr. PASSMAN. Maybe you will come out with another 10 percent. You can't tell. The other one was a minimum of 10 percent.

Admiral HEINZ. We have actually made a 15-percent reduction, but that does not mean we cut our administrative expenses back 15 percent.

REIMBURSEMENTS TO STATE DEPARTMENT

Mr. PASSMAN. What services does the State Department render to your training program, for which you will reimburse them $2,365,000 in fiscal year 1969.

Admiral HEINZ. This includes all types of services for military advisers in the MAAG's. It can include personnel services budget and fiscal services, housekeeping, communications services——

Mr. PASSMAN. Housekeeping for officers?

Admiral HEINZ. Housekeeping services for MAAG's. Communication service, security services, and local hire employees. Part is administrative and part is training, depending on the personnel.

Mr. PASSMAN. Thank you, Admiral. It is not important that I stay in the Congress. It is important that I function to the fullest extent of my ability and knowledge while I am here. We are in a financial crisis. A lot of people won't agree. But the President knows it, Mr. Martin knows it, Members of Congress who have done their homework know it. We are in an extremely serious financial difficulty. Maybe the worst in 100 years. Interest rates have soared within the past 18 months. No doubt if we don't bring this under control we will have inflation or a depression.

As one of my friends said down in Louisiana, "Did you ever hear a true description of a liberal?" I said, "No, I don't think I have." He said, "A liberal is an individual with high-pressure feeling, low-pressure thinking, and a constant urge to give away that which belongs to somebody else."

I say that humorously, but that is a pretty good description of a liberal. Some people seem to think deficit financing is all right, and it doesn't make any difference how big the public debt gets.

But we are in trouble, and I hope you wonderful Americans will do everything you can to tighten up this program. Every agency is going to have to do its part to tighten it up. I see no inclination to cut a nickel anywhere. I'm going to vote for every proposal that is made this year that will bring about sanity in Government, and reduce unnecessary expenditures—and there are many of them.

I believe you are the type of man—and your supporting witnesses—to help tighten up this program before the roof falls in on us.

Before yielding to Mr. Shriver, I want to say, Admiral Heinz, that it is my understanding that this is your last appearance before this committee, as you are being reassigned. I want to say for the record that we have enjoyed working with you for the past several years and to wish you "a calm sea and following winds" on your new assignment.

Mr. SHRIVER. I fully concur with the chairman's remarks and wish you the best in your new assignment.

UNITED STATES-LATIN AMERICAN JOINT/COMBINED EXERCISES

On page 112 of the justifications, there is an item called training exercise; it provides a U.S. share of funds for conduct of United States and Latin American joint combined exercises, and supports small scale combined exercises with the figure here for that request for funding. Why is this not being funded under the Department of Defense budget rather than military assistance?

Admiral HEINZ. These are expenditures for——

Mr. SHRIVER. I asked questions about this last year.

Admiral HEINZ. Yes. These are expenditures for travel, services, and per diem for Latin American and U.S. personnel involved in the conduct of joint/combined United States-Latin American exercises. For example, exercise UNITAS—a joint United States-Latin American Naval exercise for which $12,000 has been budgeted for expenses incurred in connection with temporary duty of the U.S. personnel in Latin America necessary to conduct the exercise, and for the Latin American forces participating in the exercise.

Mr. SHRIVER. What is the total cost?

Admiral HEINZ. $687,000.

Mr. SHRIVER. This is the U.S. share?

Admiral HEINZ. I do not know what the Navy costs are. They are in the DOD budget.

Mr. SHRIVER. Would you put that into the record?

Admiral HEINZ. Yes, I will.

(The information follows:)

FISCAL YEAR 1969 LATIN AMERICAN EXERCISES

There are four training exercises in the Latin America area program for fiscal year 1969. The associated MAP and U.S. Military Services' cost estimates are:

(Classified information.)

Mr. SHRIVER. I think the statement was made last year that this could well be a part of the Department of Defense budget.

Admiral HEINZ. It could be.

Mr. KNAUR. This is support for foreign forces.

Mr. SHRIVER. Are they putting up any money—those countries—for this?

Mr. KNAUR. I believe they are putting up pay and allowances for the troops. These are extra expenses incurred in the exercise.

Mr. SHRIVER. That's why I was asking. What the total cost would be—our share, for their participation in the combined exercise.

BOLIVIAN ARMY CIVIC ACTION PROGRAM

Part of the military civic action program which you support in Bolivia consists of eight farms operated by the Bolivian Army which teach basic farm skills. Do you believe the military is best suited in Bolivia to teach agricultural techniques?

Admiral HEINZ. The Bolivian Army does teach all its conscripts as much as possible before they are released. They have a short term of service and——

Mr. SHRIVER. This is part of our military assistance program?

Admiral HEINZ. No. It is part of the Bolivian Army's civic action program.

Mr. SHRIVER. We are not putting any money into that?

Admiral HEINZ. No. It is part of the Bolivian Army's civic action action farms.

I want to make it clear, however, that while we support and encourage the Bolivian Army's civic action program, military assistance funds expended for Bolivian military personnel engaged in civic action projects are expended for only two things: training of personnel in basic military skills and provision of equipment which is normal to regular equipage of military units. The projects that are undertaken—the program itself—is the country's own program. It is

supported by the country, except perhaps for some expendable material provided by AID.

For example, the civic action program proposed for Bolivia in 1969 amounts to about ——— thousand, most of which is for training. The projects described in the presentation document are part of the Bolivian civic action program. The training we provide is military training given at either at Fort Belvoir in the United States or at the schools in the Canal Zone, but we provide no funds for any of these projects.

Mr. SHRIVER. It seems this type of training could best be offered under our AID economic programs. It should be explained the Bolivians do this entirely themselves, and we are not paying for this.

Admiral HEINZ. No, we are not.

We don't—nor does military assistance train Bolivians in farm skills—as far as the total program for civic action, this is one of the Bolivian Army projects; to teach basic farm skills to conscripts before release.

TRAINING OF BRAZILIAN MILITARY

Mr. SHRIVER. The justifications states: ———. Why, then, must we continue our training program?

Admiral HEINZ. The training program for Brazil is a long-range investment.

Mr. SHRIVER. When there is ———?

Admiral HEINZ. There is ——— but this does not mean that we would want to discontinue training programs.

I believe we have gained a great deal through the training of Latin American military personnel, both in Panama and in the United States. In Panama, there are in addition to the direct benefits of training, the side effects of having Latin Americans work together; and, in this country, they have a chance to understand the United States better. I believe it is a very productive long-range investment.

FISCAL YEAR 1969 DELIVERIES TO BRAZIL

Mr. SHRIVER. How much of the estimated $14.7 million in unexpended, undelivered assistance which will be available at the end of fiscal year 1968, for Brazil, would be delivered in fiscal 1969; and what items are involved?

Admiral HEINZ. We will provide that for the record.

(The information follows:)

FISCAL YEAR 1969 DELIVERIES TO BRAZIL

Of the $14.7 million undelivered/unexpended for Brazil as of the end of fiscal year 1968, $6.8 million is estimated to be delivered during fiscal year 1969. The items included in the $6.8 million forecast are ——— UH–1D helicopters, ——— general purpose vehicles, ammunition, miscellaneous support equipment, spare parts, and training.

RATIONALE FOR INCREASE FOR DOMINICAN REPUBLIC

Mr. SHRIVER. In 1967 the Dominican Republic decreased its defense expenditures by over $3 million. You are proposing to increase the military assistance program there in fiscal year 1969, by ———.

In view of their decrease, ———?

Admiral HEINZ. ———.

We are making some progress. As a result, they will apply more of their own resources to——

Mr. SHRIVER. How many years do you suppose we are going to have to ——— our assistance there ———?

Admiral HEINZ. At the present time, I think we could keep our assistance at ———. The program for 1968 was actually cut some ——— thousand because of the overall reduction in 1968 appropriations.

The current planning for materiel programs goes through ———.

RATIONALE FOR ECUADOR PROGRAM

Mr. SHRIVER. In Ecuador, we see a country in which military forces, according to the justifications, can cope with the most likely forms of internal disorder, and also decreasing its own defense expenditures as a percentage of the gross national product.

Here, again, you are requesting an increase of ——— percent in their assistance program. Why?

Admiral HEINZ. Ecuador is another country which was cut by almost ——— million in 1968. We feel that the equipment we propose to provide is necessary. The fact that we did not program it in 1968 does not mean that the requirement disappeared. We are requesting funds for the requirements in Ecuador.

Mr. SHRIVER. You say they can cope with the most likely forms of internal disorder.

Admiral HEINZ. That is correct. The forces can cope with the disorders. This is the purpose. It does not mean that they have all the equipment that is needed, all the training that is needed, all the spare parts that are needed.

Mr. SHRIVER. We don't, either.

Admiral HEINZ. Again, the program for Ecuador was cut in 1968, but, the requirements remain.

Mr. SHRIVER. Mr. Chairman, I am going to have to go to the floor of the House.

Mr. COHELAN. Go right ahead. We'll carry on until you get back.

Off the record.

(Discussion off the record.)

TRAINING FOR ARGENTINA AND BOLIVIA

Mr. COHELAN. On Argentina, I notice they have an aircraft carrier. We talked about this last year. I wonder if you could tell me this year if we are in any way supporting that aircraft carrier?

Admiral HEINZ. We are not.

Mr. COHELAN. And the only assistance we are providing the Argentines this year is in training?

Admiral HEINZ. That is correct.

Mr. PASSMAN. What kind of training? Is this training that involves bringing their officers to the United States, or are they trained in country?

Admiral HEINZ. The program provides for the training of ——— in the United States and ——— in the Canal Zone.

Mr. COHELAN. Now on Bolivia, we are going to expend ——— thousand for training and miscellaneous equipments.

Admiral HEINZ. The training for Bolivia includes ——— coming to the United States for training and ——— being trained in the Canal Zone.

EXCESS STOCKS FOR BOLIVIA

Mr. PASSMAN. What does item 14 mean, Admiral, $7,000 in excess stocks valued at acquisition costs?

Admiral HEINZ. This is the value of excess stocks being provided to Bolivia, sir; it includes ammunition and radio sets.

Mr. COHELAN. This is distributed amongst their force level. What would it be?

Admiral HEINZ. Ammunition and radio sets.

TRAINING FOR BRAZIL AND CHILE

Mr. COHELAN. Everything in Brazil is for training?

Admiral HEINZ. Yes, sir.

Mr. COHELAN. What does this involve?

Admiral HEINZ. Training for ——— in the United States, and ——— in the Canal Zone.

Mr. COHELAN. I notice in the gross national product of Brazil, Admiral, that they seem to be moving at a lively level, although their per capita GNP is very low. Why can't they manage their own training? Their defense expenditures are 2.9 percent of their gross national product. We are providing ——— million. Why do we have to provide that? Why can't they pay for it?

Admiral HEINZ. This expenditure is in our own interest ———. In the future, they may be able to pay for training themselves.

Mr. COHELAN. Why do we have to contribute ——— million in training, Admiral, when I see the Brazilian economy seems to be able to do it themselves?

Admiral HEINZ. Training is the one part of the program we have continued after having terminated grant materiel assistance ———.

Mr. COHELAN. In other words, I take it you have some influence in the selection of people that come into the United States?

Admiral HEINZ. Yes, we do have a great deal of influence on the selection.

Mr. COHELAN. Are you implying that it is possible that the governments involved might not always choose their best men?

Admiral HEINZ. No, I am not implying that. ——— helps to maintain the relationship we have had with Brazil for a long period of time. We want to maintain it.

Mr. COHELAN. This might be helpful. Can you explain for the record what the selection process is?

Admiral HEINZ. I can do that.

(The information follows:)

SELECTION PROCESS FOR MAP TRAINING

Training requested by the MAP recipient country is reviewed by the MAAG/Mission personnel to determine availability and to assure that training requested is consistent with MAP objectives, including the nature of the threat to the country, and is consistent with the country's state of economic and mili-

tary development. The MAAG/Mission personnel interview the prospective students and review their biographical data and academic records. After initial screening, students are tested for aptitude and, when CONUS training is involved, are tested for English language comprehension. Fulfillment of the training requirement, however, is subject to approval by the Unified Command and OASD/ISA.

Mr. COHELAN. Chile is all training and the same thing applies?

Admiral HEINZ. Yes.

AIRCRAFT FOR COLOMBIA

Mr. COHELAN. On Colombia, I notice there is quite a distribution of materiel other than training and the excess stock is in the order of $20,000?

Admiral HEINZ. $20,000 at acquisition value. It is small arms and ammunition.

Mr. COHELAN. Can you explain to me what the ——— is that right?

Admiral HEINZ. That is for ———.

Mr. COHELAN. And the bulk?

Admiral HEINZ. The spare parts are not just for that one aircraft. They are for other aircraft that are being supported through the military assistance program.

Mr. COHELAN. So we are putting about the same amount in training ———.

Admiral HEINZ. No. ———; the spare parts are for all aircraft we support—not just ———.

Mr. COHELAN. What type of equipment are they flying down there?

Admiral HEINZ. They have helicopters as well as T–33's and C–47's. The MAP-supported aircraft in Colombia also include C–54's, T–33's, and U–6's.

AID BUDGETARY SUPPORT FOR COLOMBIA

Mr. COHELAN. What was the basis of our budget support in 1967, as I see we supported their budget by one-half million dollars.

Admiral HEINZ. That is an AID figure. I will provide it for the record.

(The information follows:)

U.S. BUDGET SUPPORT FOR COLOMBIA

The 1967 Colombian budget shows that an amount of 540,000 dollar equivalents of U.S. budget support was used to finance defense expenditures. This amount represents counterpart funds (Colombian-owned pesos) allocated to the civic action program of the Ministry of Defense. No additional counterpart funds are budgeted for this program in 1968 and 1969.

Mr. COHELAN. What about 1968 and 1969?

Admiral HEINZ. I don't have that.

Mr. COHELAN. What I am trying to determine, in addition to military assistance, is whether or not there is any budget support in addition to military assistance in Colombia. The data we have here is $0.5 million for 1967, but there is no data for the year 1968 and 1969. Again you can provide that for the record.

Admiral HEINZ. I don't have the AID figures. I will provide them.

INTERNAL SECURITY THREAT TO COLOMBIA

Mr. COHELAN. Either on or off the record, can you give me something more than you have on the page here about what the problems are in Colombia at the present time?

Admiral HEINZ. At the present time, there is a rather active guerrilla threat; and there are probably more than ——— organized guerrillas. I can expand on that threat. Communist guerrilla operations and subversion are concentrated mainly in the rural areas. The two main insurgency organizations are mentioned on page 88. There are widespread raids. It is far from a settled situation. ———.

Mr. COHELAN. Would you say the situation is better or about the same as last year?

Admiral HEINZ. It has improved.

Mr. COHELAN. In carrying on our theme, Admiral, according to testimony last year, it was indicated that there were about roughly ———active guerrillas in Colombia and ——— inactive, kind of weekend guerrillas, to quote the chairman. Again I ask, do you think the situation has improved this year?

Admiral HEINZ. The latest estimate, which is only a few months old, states that there are some ——— full-time, active guerrillas. Now, while the situation is perhaps improving overall, there is certainly a problem in this country.

Mr. SHARP. They have an increased capability to cope with the insurgency due to this program.

Mr. COHELAN. The situation by that standard has improved?

Mr. SHARP. Control of the insurgency has improved.

THE DOMINICAN REPUBLIC

Mr. COHELAN. Have you reported in any length for the record on the status of conditions in the Dominican Republic, Admiral?

Admiral HEINZ. No; I have not.

Mr. COHELAN. I wonder if you could elaborate briefly on what we have in the backup book.

Admiral HEINZ. ———.

Mr. COHELAN. Well, we have been plowing a pretty substantial amount of military assistance and other support into the Dominican Republic for reasons that are historical and well-known, but tell me now, what will we get for our money? What is the quality and the general level of ability of the government forces of the Dominican Republic?

Admiral HEINZ. Those which have gone through the training and equipping process over the period of the past 2 or 3 years have greatly increased in efficiency. There is still a great amount of old equipment which they should dispose of, and I think they are disposing of it.

Our aim in the Dominican Republic is a more efficient force.

Mr. COHELAN. I notice they cut down their budget allocations for defense last year.

Admiral HEINZ. Yes.

Mr. COHELAN. In 1967. How about 1968?

Admiral HEINZ. I do not have a projection for defense expenditures in 1968.

Mr. COHELAN. In light of the situation——

Admiral HEINZ. We would like to see them keep defense expenditures low because we feel there is a good deal of overall work to be done in the country to improve it.

Mr. COHELAN. Are we helping them by giving them the kind of military assistance we are giving them, which I assume to be equipment that is in excess?

Admiral HEINZ. I think we are helping them by the type of equipment we are giving them ——— they have a legacy of old equipment.

Mr. COHELAN. Do they need the destroyers? They have two destroyers.

Admiral HEINZ. Yes, they have. I believe one of these is on its way out.

Mr. COHELAN. When we refer to a "frigate," what is a "frigate"?

Admiral HEINZ. A frigate is smaller than a destroyer. In general, the term "frigate" when applied to foreign forces refers to a ship of about 1,000 to 1,200 tons. This is not the same as a U.S. Navy frigate, which is a missile frigate. For example, I would say, in descending order, the size of ships is a destroyer, then a destroyer escort, then a frigate, and then patrol craft.

Mr. COHELAN. When we list the four subjects in the backup book, does this mean that we are referring to an improved table of organization, equipment, or generally approved military posture, or is it their goal?

Admiral HEINZ. It is our goal. ———.

Mr. COHELAN. ———.

Admiral HEINZ. Yes, that is correct.

Mr. COHELAN. If the reason for our lack of support for the frigate is——

Admiral HEINZ. One of them, I am sure, is a foreign vessel, a third-country vessel. I believe it is a Canadian frigate.

EFFECTIVENESS OF TRAINING PROGRAM IN DOMINICAN REPUBLIC

Mr. COHELAN. What kind of results do you think they are having with the training program with the Dominican Republic?

Admiral HEINZ. I think they are having good results in the Dominican Republic. The units that have gone through the training program have certainly improved in efficiency. I believe we are getting substantial benefits out of it.

Mr. COHELAN. At this point, I will be glad to yield to Mr. Shriver to complete his questions.

Mr. SHRIVER. Thank you.

COUNTERINSURGENCY TRAINING FOR GUATEMALA

As one of the accomplishments of the military assistance program mentioned in the justifications for Guatemala, you stated the host country has adopted U.S. tactics for counterguerrilla operations. What do you mean by that?

Admiral HEINZ. Over the past several years, we have put a great deal of effort into counterinsurgency doctrine. We have instituted a large number of courses in many schools. As I recall, this effort started about 1961 or 1962. We feel it is a good doctrine and that these countries can benefit from it. Guatemala confronts an active threat and can put the training and experience we have provided to good use.

Much of our own counterinsurgency training reflects the benefit of our experience in Southeast Asia.

Mr. SHRIVER. You are requesting an increase of ——— percent for your program in Guatemala, with undelivered materials totaling $2.6 million available after June 30, 1968, mostly involving categories requested for 1969, and Guatemala is spending only 1 percent of her gross national product for defense.

Would you comment on that?

Admiral HEINZ. Guatemala is one of the countries most seriously threatened by internal security problems. The military assistance we provide allows them to devote more of their own resources to their own socioeconomic problems. If they were to spend more for defense, they could spend less on their other——

Mr. SHRIVER. Where is the threat from, Cuba?

Admiral HEINZ. The principal threat to internal security is the FAR, which is engaged in active insurgency. It has been reported they have been receiving instructions from the Cubans. ———. There is a need in Guatemala for additional equipment. There are also a great many other needs in Guatemala, so the military assistance program in this case complements their own efforts to meet those economic needs.

CENTRAL AMERICAN DEFENSE COUNCIL (CONDECA)

Mr. SHRIVER. In the justification for Honduras and the other Central American countries, mention is made of their participation in a Central America Defense Council. Would you tel l us more about that Council? Where are its administrative offices located?

Admiral HEINZ. It is an organization of the Central American States in which five states are active. Panama is an observer. It was established in 1962 after President Kennedy met with the Presidents of the six Central American Republics. They hold periodic meetings, and maintain a permanent commission in Guatemala City. They have CONDECA-sponsored exercises in which the forces of a number of Central American Republics take part.

They have established a regional telecommunications network———.

Mr. SHRIVER. They are talking about this?

Admiral HEINZ. Yes, they are. Their efforts are very gratifying. They are adopting a common doctrine for control of subversion and infiltration. There are joint U.S.–CONDECA exercises. This, to me, is a bright spot in regional cooperation.

Mr. SHRIVER. What kind of exercises?

Admiral HEINZ. Counterinsurgency exercises. Such as those involving communications and intelligence organizations, participation by two or three or more countries in a small-scale landing at a point where guerrillas had infiltrated.

Mr. SHRIVER. Are we contributing to the administrative cost of the Council?

Admiarl HEINZ. No, sir.

HONDURAN AIR FORCE CIVIC ACTION

Mr. SHRIVER. As part of the military-civic actions you support in Honduras, there is a program involving agricultural assistance, provided by the local air force. Again, is this like the Bolivia matter we

talked about earlier? How does the Honduran Air Force become qualified in agricultural technology, and what is involved in that program discussed in your justification?

Admiral HEINZ. The Air Force civic action program is mainly a health service—medical services and evacuation for remote villages. Additional small landing strips are being built to provide dispensary services. How they get into agriculture, I don't know. Military assistance is not involved in this. Again, we are discussing the country's own program rather than military assistance.

JUSTIFICATION FOR MILITARY ASSISTANCE TO PARAGUAY

Mr. SHRIVER. On page 104 of the justifications, it is stated ——— and are making contributions to the Organization of American States or U.N. international peacekeeping measures. Yet you are requesting an increase for them there.

Admiral HEINZ. Again, the fact that the forces are capable of countering a threat does not mean there is not a requirement for equipment or spare parts to maintain this capability. Any capability, even once established, needs to be supported. The program for Paraguay emphasizes general support rather than trying to improve.

Mr. SHRIVER. Once we have established that capability, why is it our responsibility to maintain their capability?

Admiral HEINZ. We are helping them to maintain that capability because we feel is in our interest to do so.

Mr. SHRIVER. So it would be a never-ending thing?

Admiral HEINZ. Not necessarily. As we can cut down military assistance, we will; but it is not realistic to say that every country should undertake all its own support at this time. Eventually, we would like to see them undertake all their own support. Now, however, this small program generates both military security and political benefits which we feel are worth the amount invested.

Mr. SHRIVER. What has caused the increased needs for cartridges, 20 millimeter and lower, during the past 2 years in Uruguay? You requested ——— to the committee last year and increased it to ——— in your 1968 program and are requesting ——— for 1969, when the 1967 program level was only 108,000.

Admiral HEINZ. This is strictly training ammunition. It is not all 20 millimeter. It is up to 20 millimeters.

Mr. SHRIVER. I understand that.

Admiral HEINZ. The total value of training ammunition in the 1968 and 1969 programs, repectively, is $52,000 and ——— thousand.

Mr. SHRIVER. There is a big difference in explanation in your books. You requested ——— to the committee last year and later increased the number to ——— in the 1968 program, and are requesting ——— cartridges for 1969 when the 1967 program level was only 108,000.

Admiral HEINZ. This is correct.

Mr. SHRIVER. Why the large increase?

Admiral HEINZ. Increased useage. We feel they could use this, and also for more training.

NATO BASES IN THE AZORES

Mr. SHRIVER. Now, I believe Mr. Passman asked a few questions on Europe. I want to ask one or two. Regarding Portugal, what is the status of negotiations for peacetime use of NATO bases in the Azores?

Admiral HEINZ. U.S. peacetime use of these bases expired in 1962. However, Portugal has permitted our continued use of the bases ———.

Mr. SHRIVER. Is Portugal a member of NATO?

Admiral HEINZ. It is.

Mr. SHRIVER. Isn't this also for the protection of Portugal?

Admiral HEINZ. Yes, NATO is.

Mr. SHRIVER. There have been no negotiations?

Admiral HEINZ. No, not on renewal of the second part of the treaty. Part 1 of the treaty gives us use of the bases in wartime. It is part 2 which concerns peacetime use that has expired and has not been renewed.

Mr. SHRIVER. What is this, wartime or peacetime? On page 120 of the justifications, it is stated ————.

Admiral HEINZ. No, we cannot.

Mr. SHRIVER. Why?

Admiral HEINZ. ———.

Mr. SHRIVER. ———.

Admiral HEINZ. ———.

UNITED STATES-NORWAY COST-SHARED SHIPBUILDING PROGRAM

Mr. SHRIVER. You mentioned Norway shipbuilders in a specific question earlier.

Admiral HEINZ. Yes.

Mr. SHRIVER. Is this a result of an agreement, too?

Admiral HEINZ. A 1961 agreement to cost-share the construction——

Mr. SHRIVER. Pay half of the costs?

Admiral HEINZ. Up to half the costs for Norwegian construction of ships for the Norwegian Navy.

Mr. SHRIVER. They are in pretty good financial condition today, though.

Admiral HEINZ. Yes. Grants of military assistance to Norway have been terminated.

Mr. SHRIVER. Except for this commitment?

Admiral HEINZ. Deliveries under the commitment, yes. It will be probably 2 or 3 years more before this undelivered balance disappears. For example, it has taken 3 years, as I understand it, just to get the auditing done on the Danish cost-sharing shipbuilding.

TRAINING FOR AUSTRIA

Mr. SHRIVER. Is there anything in the request for Austria?

Admiral HEINZ. Yes; a small program in the amount of ——— thousand.

Mr. SHRIVER. Is this, too, a result of an agreement?

Admiral HEINZ. No.

Mr. SHRIVER. Why are you in here for money for Austria?

Admiral HEINZ. This is the one means we have of bringing the students to the United States from Austria and ———. We provide no other military assistance for Austria.

Now ——— and Austria are not strictly counter——

Mr. SHRIVER. I understand that.

Admiral HEINZ. ———.

COST OF MAINTAINING U.S. FORCES IN EUROPE

Mr. SHRIVER. Could you estimate the amount it is costing the American taxpayer to keep American troops in Europe?

Admiral HEINZ. I could not. I would not want to make that estimate.

Mr. SHRIVER. Could you get it for the record?

Admiral HEINZ. Yes; I can get it for the record.

I do have figures on that which I will provide for the record.

(The information follows:)

Defense expenditures and international balance of payments—Western Europe

During the 3-year period fiscal years 1964–67, U.S. defense expenditures entering the international balance of payments in Western Europe averaged approximately $1.5 billion annually. During the same period, cash receipts from Western European purchases of U.S. defense equipment and services averaged approximately $1 billion annually. On this basis, the net adverse balance averaged approximately $500 million annually.

MUTUAL DEFENSE COMMITMENTS VERSUS MILITARY ASSISTANCE

Mr. SHRIVER. Would you not consider the amounts expended from taxpayers' funds of this country as military assistance to those countries where we have troops stationed? Wouldn't this be a form of military assistance?

Admiral HEINZ. More a form of common defense. You can look at it both ways because we are allies facing a common enemy, a common threat. The reason for our being in NATO is not just to protect European countries. It is the kind of effort which we——

Mr. SHRIVER. Isn't that what is basically involved in every military assistance program in the world where we are involved in it? Isn't that basically the same thing?

Admiral HEINZ. The protection of our interests.

Mr. SHRIVER. You mention this time after time after time in your testimony.

Admiral HEINZ. Yes.

Mr. SHRIVER. Looking after our interest. What's the difference?

Admiral HEINZ. Well, the one difference is that where U.S. troops are stationed, we have a mutual defense commitment involving U.S. forces. This is different, as I see it, from military assistance or grant aid to a country for their own forces.

TOTAL COST OF COMMON DEFENSE

Mr. SHRIVER. When you are speaking of the total amount of aid—military assistance, economic aid, and all the rest of the so-called spigots, wouldn't it be proper to include the amount that it is costing the taxpayers of this country in connection with keeping our troops, say, in Germany or in any other country?

Admiral HEINZ. I think you would also have to count, perhaps, the forces that we keep in this country to back up our commitments under the various security treaties. Again, we are talking about two kinds of participation, particularly in Europe where NATO is a joint effort. Certainly it is assisting these countries in their security, but their troops are also assisting in the same effort.

Mr. SHRIVER. The same thing is true in South American countries where their troops are being used but we are supplying training or equipment. The same thing is true wherever we have a military assistance program, is it not?

Mr. FARLEY. I think you can look at this, that the total American defense budget is part of the support we give the other countries we are allied to and some we aren't. Really, we are just drawing an arbitrary but financially sensible line at the point where we transfer money.

Mr. SHRIVER. Of course, some of these countries, such as Germany, are still raising a complaint, if we start to pull out our own troops from Germany or any of the other countries where they might be stationed, because it is helping their economy.

Mr. KNAUR. Speaking of Germany, where we have our largest overseas troop deployment, we do have—and it is different than it was a couple of years ago—we have realized a return in dollars.

Admiral HEINZ. You can look at it several ways. Actually, one statement I have heard made is that the total defense budget supports the foreign policy of the United States. This is one valid way of looking at it.

GERMAN PURCHASE OF U.S. BONDS

Mr. SHRIVER. Is it true that Germany is purchasing our bonds and we are paying interest on the bonds they are purchasing?

Mr. FARLEY. That's right. They have agreed to try to prevent the expenses of our troops in Germany from contributing to the gold flow from here and the way they do it is by either buying bonds and depositing the money in the United States——

Mr. SHRIVER. Then they have a pretty good deal getting interest off the bonds and the troops themselves.

Thank you very much.

Mr. COHELAN. Thank you.

DEFENSE EXPENDITURES OF ECUADOR

Admiral, I would like to go back to Latin America for the moment and turn to Ecuador. I notice their defense expenditures declined in 1967. Admiral, would you provide for the record the current defense expenditures data so we can try to get a trend line there?

Admiral HEINZ. Yes. I don't believe AID has 1968 figures. The best way to give you the trend line is in terms of defense expenditures as a percentage of GNP from 1963 to 1967, which rose from 1.8 in 1963 to 2.1 in 1965 and dropped back to 1.8 in 1967.

Mr. COHELAN. What kind of aircraft are they using down there, Admiral?

Admiral HEINZ. Ecuador has T–28's, T–33's, T–6's, some helicopters and a few old fighters.

Mr. COHELAN. What do they do with them?

Admiral HEINZ. They use them for training and for their counterinsurgency operations. They also have six Canberra's, a foreign purchase made prior to 1968.

FORCE OBJECTIVES FOR ECUADOR

Mr. COHELAN. And when I read this force data, I can assume that this has your approval?

Admiral HEINZ. ———.

Mr. COHELAN. ———.

Admiral HEINZ. ———.

Mr. COHELAN. I note, for example, that the force objective for Ecuador is ———. What does that mean?

Admiral HEINZ. ———.

Mr. COHELAN. That would be what kind of aircraft? T–28's?

Admiral HEINZ. T–28's or T–33's.

ECUADORIAN AIRCRAFT

Mr. COHELAN. This gets down to the cruncher. What in the world is the threat in the air from Ecuador?

Admiral HEINZ. There is a negligible air threat. The T–28——

Mr. COHELAN. That's a hot little item. Isn't that a jet aircraft?

Admiral HEINZ. No; it is a prop trainer.

Mr. COHELAN. Is it a single-engine prop trainer?

Admiral HEINZ. Yes. They use it for counterinsurgency. We have provided, over a period of years, many T–28's to Latin America for counterinsurgency use. It is perhaps the best small counterinsurgency aircraft there is. There are two different versions of it. The T–28A is strictly a training version, and the T–28D is an armed version of the same aircraft.

Mr. COHELAN. How many armed versions do they have out of that ———? They have ——— in being.

Admiral HEINZ. There are ——— T–28D's.

Mr. COHELAN. They have ——— out of ———.

Admiral HEINZ. They also have some T–33's. It is a small jet trainer.

Mr. COHELAN. Now we are getting down to what I am really trying to determine.

My memory is refreshed now. I see these forces in being ———. Will you break that down for me? How many T–33's, how many T–28's, and how many of them are hot jobs, ready to go into action?

Admiral HEINZ. I will provide that information for the record.

(Classified information was submitted to the committee.)

Mr. COHELAN. Then we go back to the old song and dance. What are we doing with a jet program, a jet training program?

Admiral HEINZ. They have had jet aircraft for many years, but the number of their aircraft is going down. They have replaced F–47's and F–80's, which were fighter aircraft originally, with T–33's. At one time they had ———. That has gone down to ———. They are switching over to T–28's.

Mr. COHELAN. In relation to the threat as you define it, that goes beyond the requirement.

Admiral HEINZ. ———.

Mr. COHELAN. Of course, they don't need the jets either; do they?

Admiral HEINZ. The question of whether or not you need a jet is——

Mr. COHELAN. Let's go back in relation to the threat.

Admiral HEINZ. I am speaking now of the small jet aircraft, not a hot job. I don't know whether we discussed this last year or not—that we were looking for replacement for the T–28 aircraft. There are two aircraft that I know of which can replace the T–28. The reason we need a replacement is that T–28 availability is running out. One is a turboprop aircraft, the OV–10, the current service version of which has a flyaway cost of about $500,000; the other is a small jet which does about the same job. It is the A–37, which has a flyaway cost of about $312,000.

Mr. COHELAN. How many knots does the A–37 do?

Admiral HEINZ. 300 knots normal cruise——

Mr. COHELAN. What's its minimum speed?

Admiral HEINZ. About 135 knots. It is not a high performance aircraft in any way or shape. This is an example of a new prop aircraft which costs more than a new jet aircraft. There are many types of jet aircraft ———.

Mr. COHELAN. All right.

Admiral HEINZ. We are not supporting foreign aircraft.

Mr. COHELAN. I can remember a test pilot down at Edwards Air Force Base who was testing the YAT–37 which was a single, light engine, and it had all kinds of capabilities that related to counter-insurgency warfare.

Now this fellow, who was a hot pilot, told me what we really need, in Vietnam in this case, was the old P–51. He said we broke the mold. All we were doing with this single engine was recreating the old P–51. When you have these echoes going through your mind, you wonder. Particularly when you see these economies that have so many serious economic problems. I just have doubts.

I wonder whether we are not reaching the military segment of the society—keeping them happy so they can jockey around these things, and keep up with the Jones', so to speak, or whether we are meeting the threat.

Admiral HEINZ. I think we are meeting the threat because the aircraft we have been providing have been T–28's and T–33's.

Mr. COHELAN. In your own distribution, Admiral you tell me that you've got more 33's than you've got 28's.

Admiral HEINZ. Because we ran out of T–28's. We could no longer provide them. They are just not available any more. The best aircraft for South Vietnam is the A–1. I wish we had more of those.

Mr. COHELAN. The Navy is still flying a few of those A–4's.

Admiral HEINZ. Yes; that is a jet. The A–1 is the last prop type. The last A–1 squadron was phased out this week.

Mr. COHELAN. Let's put it another way, then.

Admiral HEINZ. I would like to see more T–28's for South America.

Mr. COHELAN. This is all for discovery here. I am trying to learn something. We are allocating resources for our most efficient uses, which is what a Congressman ought to do, and we must do it in the national interest and the interest of the American taxpayers. In other words, we do not want to waste our money by over allocating military

resources, especially when we look at these economies, developing economies or otherwise, that are in trouble.

Now it is very easy to conclude that since modern air force inventories are currently moving to jet aircraft, jets become a popular item. You are just not one of the boys unless you are jockeying around a jet aircraft.

Now my question is, Isn't there some of that in here?

JET AIRCRAFT IN FISCAL 1968 OR 1969 LATIN AMERICA PROGRAMS

Admiral HEINZ. No, because there is not a single jet aircraft in the program for Latin America. There was not a jet aircraft in the program last year.

Mr. COHELAN. You just got through telling me——

Admiral HEINZ. They already had these aircraft.

Mr. COHELAN. They had the T–33's. Are we supporting the T–33's?

Admiral HEINZ. Yes, for spare parts.

Mr. COHELAN. And yet they are just trainers?

Admiral HEINZ. There are two versions of the T–33, a straight trainer and an armed version.

Mr. COHELAN. Is there an armed version in this group?

Admiral HEINZ. The AT–33A is the armed version.

COUNTERINSURGENCY AIRCRAFT

Mr. COHELAN. So then it comes out we've got armed T–33's which are being used for counterinsurgency warfare?

Admiral HEINZ. Yes.

Mr. COHELAN. Is this a good piece of equipment for that purpose?

Admiral HEINZ. Yes, it is.

Mr. COHELAN. Isn't it a little hotter than it need be?

Mr. SHARP. The T–33 is slower than 707 transport aircraft. I have a friend who works in the Pentagon who flies on weekends to keep his flying time in. He can't come back as fast as a 707 can.

Mr. COHELAN. I understand, but tell me this: Is this conceived to be a counterinsurgency aircraft?

Admiral HEINZ. Yes. It has no designed air-to-air capability, for example. Its capability is air to ground.

Mr. COHELAN. If we were going to develop a table of organization with the maximum effective counterinsurgency requirement, would we use T–33's?

Admiral HEINZ. From what information I have, I would prefer T–28's, but there are no more available. The T–33 is available. These were first built in 1948. They are 20 years old.

Mr. COHELAN. What I am trying to do is learn; for counterinsurgency programs—and you are the expert, Admiral—what in the world do you consider to be the best kind of equipment for that purpose?

I have lived through counterinsurgency aircraft, and hot aircraft, and whatnot, and now we are trying to slow it down.

Admiral HEINZ. It is not a question of the best aircraft, but of what aircraft are available. The only aircraft available have been T–28's and T–33's.

Mr. COHELAN. That wasn't my question.

Admiral HEINZ. We believe the best one currently available for counterinsurgency is the A–37. It is new production.

Mr. COHELAN. Is that a prop aircraft?

Admiral HEINZ. It is jet. It started out as a T–37, and then it was converted into an A–37.

Mr. COHELAN. What is the flyaway cost?

Admiral HEINZ. As I recall about $312,000.

It has two jet engines.

Mr. COHELAN. Are we using that anywhere?

Admiral HEINZ. We have them out in Vietnam.

Mr. COHELAN. Have they been evaluated?

Admiral HEINZ. There has been an extended evaluation of the A–37 in the counterinsurgency role. I have not seen the results yet.

The reports that I have seen would indicate this is the best aircraft.

Mr. COHELAN. Thank you. That answers my question.

Getting back to Ecuador, in relation to the situation down there, have they had occasion to get involved operationally with any of this equipment, in the recent past?

Admiral HEINZ. I don't know of any active operations.

GUATEMALAN RECONNAISSANCE SQUADRON

Mr. COHELAN. What is the reconnaissance squadron for in Guatemala, Admiral?

Admiral HEINZ. This is a special reconnaissance squadron in which the helicopters are the major component. They also have ——— F–51's and ——— T–33's in their inventory.

Mr. COHELAN. Did they get them from us?

Admiral HEINZ. They bought the F–51's. Where they bought them, I don't know.

Mr. COHELAN. You are referring to Guatemala?

Admiral HEINZ. Yes. Probably from an excess dealer. It is the old P–51. We have a picture of one here, the Mustang. They are hard to find now.

Mr. KNAUR. Somebody is going to bring six F–47's back from Latin America to put in the museum.

Mr. COHELAN. These are all operational. They have ——— operational aircraft?

Admiral HEINZ. Yes.

Mr. COHELAN. Can we assume from the data in the book, when we say forces in being, that it means that?

Admiral HEINZ. Yes.

PROGRAM FOR PANAMA

Just a general question. Is there any thing that could add to the backup sheet on Panama in relation to the current situation down there?

Admiral HEINZ. The threat in Panama is that of internal disorder. The Guardia Nacional is both the army and the police force. It supported the President and maintained order in a recent crisis. It is a small outfit, and just about the right size to control and maintain order in Panama.

Mr. COHELAN. When they say vehicles and weapons, what are we talking about? Small arms?

Admiral HEINZ. There are ——— vehicles, 2½-ton trucks and under; pistols; rifles; machine guns. Some of this is excess. For example, the pistols are excess. The program also includes ammunition for training purposes.

Mr. COHELAN. They have one fixed-wing aircraft. What is it, in Panama?

Admiral HEINZ. It is a Cessna, I think. It was not provided by MAP.

LATIN AMERICAN CAVALRY UNITS

Mr. COHELAN. I noticed in going through some of the data here, Admiral—and this applies to all countries that are on the list—that they are maintaining cavalry divisions. We are talking about horses?

Admiral HEINZ. Yes.

Mr. COHELAN. Not armored.

Admiral HEINZ. No.

Mr. COHELAN. Is there any military value to a cavalry division?

Admiral HEINZ. For working up in the mountains, yes. The number of cavalry units is decreasing, but they do have value.

Mr. COHELAN. I ask this for obvious reasons. Isn't it kind of a show piece more than anything else; like carrying around a band in your table of organization? Or is it?

Admiral HEINZ. It could be. One I know of is in Chile where they have a showplace for their cavalry.

Mr. COHELAN. It is quite an art. It may not be relevant militarily.

Mr. KNAUR. They have a definite value in jungle penetration, for instance, where you couldn't get a vehicle through the small jungle trails and a stretch is too long for a man on foot. They can cover ground through a jungle.

Admiral HEINZ. This is not true of every one of them.

Mr. COHELAN. We are not supporting these things anyway.

Admiral HEINZ. No.

Mr. COHELAN. But to the extent they take it out of their own budget for show it bothers me. As a matter of fact we still sustain some horses, some mules.

Mr. KNAUR. Cavalry is also helpful when troops are used for city crowd or riot control.

Mr. COHELAN. So it can be justified.

Admiral HEINZ. Yes.

Mr. COHELAN. Let the record show we are not supporting it.

Admiral HEINZ. We are not supporting it.

THREAT IN URUGUAY

Mr. COHELAN. What is the military threat in Uruguay, Admiral?

Admiral HEINZ. The military threat in Uruguay is the possibility of action on the part of latent Castro and Peking-oriented Communist groups. They are small, but they are trained. They have not been undertaking any active insurgencies. There is in our opinion no external threat.

Small armed forces are needed in Uruguay to maintain, in conjunction with the police, internal security should an active threat materialize.

TRAINING PROGRAM FOR VENEZUELA

Mr. COHELAN. Turning to Venezuela, why are we giving any military assistance at all to Venezuela?

Admiral HEINZ. Again, to maintain a training program.

Mr. COHELAN. Why do we have to maintain it? Venezuela, it seems to me is perfectly capable of buying it themselves.

Admiral HEINZ. The same type of justification applies as that which I mentioned previously in connection with Brazil and Uruguay. We do derive some influence by maintaining a continuing relationship with the military forces. This is an aspect of our alliance with the American States.

Mr. COHELAN. You are referring to what alliance?

Admiral HEINZ. The Organization of American States.

Mr. COHELAN. OAS?

Admiral HEINZ. Yes.

Mr. COHELAN. Given that obvious relationship, that demonstrated relationship, and given the more or less healthy situation in Venezuela to buy its own defense, wouldn't it be logical they would come to us anyway?

Admiral HEINZ. I think they would.

Mr. COHELAN. I see. But this country is a wealthy country and their per capita income is growing and should continue to grow if they do the right things internally.

But with the defense level of 2.3 percent, slightly up this year—67—2.4 percent—it seems to me that ——— million more in the budget isn't going to shatter them.

Mr. KNAUR. ———.

Mr. COHELAN. I think this is highly desirable, but as I understand our training organizations, they are first rate, and they are professional. In fact we have trained a lot of unfriendly people, professionally. In other words we are professionally the best, or at least we are right up there among the best in terms of military professional training.

So why wouldn't they want to come to our colleges?

Admiral HEINZ. I think they would come to our colleges. I agree with you.

Mr. COHELAN. That's all.

Mr. KNAUR. The kind of course I was thinking about is a straight management course, on which they might not want to spend money. But if they had the capability, it would increase the efficiency of their own defense establishment. They might not want to send two or three officers for a management course.

BENEFITS ACCRUING FROM LATIN AMERICAN TRAINING PROGRAM

Admiral HEINZ. I would like to add one more comment. The training program in Latin America is quite a broad one, as you are aware. We are spending $11 to $13 million annually on that training program. It has broad objectives. I have made this statement before. I think it is the best long-term investment that we can make. Its major impact is on people; and the need in Latin American is better trained, better educated people. This is the problem. It is the people.

Mr. COHELAN. How long have we been doing this in South America?

Admiral HEINZ. We have been conducting training programs there for several decades.

Mr. COHELAN. With what results? What I really mean to say, how do we evaluate the program.

Admiral HEINZ. I have seen one study of a training program which tried to put some dollar values on it, and resulted in complete frustration because the benefits are intangible. The younger officers—and again I am trying to interpret the reports we receive—are swinging around to the ideas and the ideals the U.S. is trying to promote for the Americas. It isn't the professional training so much as the side effects that are going to have the most lasting benefits for us. As junior officers grow in stature and rise in the services, they are going to reflect a U.S. orientation. Another beneficial effect results from the vocational training given to the enlisted personnel. There is a great deal of this in the Canal Zone.

It is hard to evaluate.

Mr. COHELAN. I think this is a perfectly sound objective. The only thing, when we run into a country that has very substantial revenues, I think fairly we could ask the question, why should we pay for their defense? We'll continue to ask these questions, and I think you have been responsive.

Now, I want to ask a question about the entire military assistance program, in terms of manpower.

DEFENSE BUDGETED MILITARY ASSISTANCE PERSONNEL COSTS

How many men have we on the American defense budget, if we were to work out this distribution. How many do we have on the program and what does it cost us?

Admiral HEINZ. The estimate for military personnel, pay and allowance, is about $32 million. I would like to verify that, if I may, for the record.

The number of personnel involved ———.

REDUCTION OF OVERSEAS MILITARY ASSISTANCE PERSONNEL STRENGTHS

I am speaking now of defense budgeted costs. This is the pay of the personnel involved. The total authorized strength for the MAAG's Missions and Milgroups in 1968, including ——— and Thailand, was 6,061. In the first part of 1968, we reduced this by some 600 persons. Another reduction, just approved as the first step of the President's program, represents an additional reduction of 619 U.S. personnel; and I anticipate that, by the first of August, there will be a still further reduction of about 1,100 U.S. personnel.

AVERAGE AND AUTHORIZED MAP PERSONNEL STRENGTHS

So the personnel connected with the military assistance program are being reduced.

Mr. COHELAN. I am looking at page 126. We have a distribution there in the series 1967–68–69 fiscal years estimated. Am I reading this correctly, that this is an estimated average personnel strength?

Admiral HEINZ. It is an estimated average personnel strength. In other words, the average onboard strength is generally slightly less than the authorization. The 1968 figures are only correct as of about December 31. They do not reflect cuts made since then. That is why I stated that additional personnel reductions will be made.

Mr. COHELAN. I want to get it clear in my own mind. I see this in the civil compartment here, and it says, we have what aggregate figure ———.

Admiral HEINZ. This table shows 269. The other number represented total U.S. personnel in Turkey.

Mr. COHELAN. That doesn't reflect the actual personnel in country.

Admiral HEINZ. The figures on this table reflect only personnel connected with the MAAG. The table does not include the Latin American milgroups because they are not funded through the military assistance program.

Mr. COHELAN. What I wanted to know, how many professionals in uniform are working on military assistance, worldwide; all sources. Our bag, and anybody else's that's around, performing a MAAG function.

Admiral HEINZ. I am excluding Vietnam because that is a special situation and it is hard to estimate how many are primarily concerned with military assistance.

For fiscal year 1968 there are 5,041 U.S. military personnel assigned, worldwide, preforming military assistance duties. That includes Thailand and ———, but not Vietnam.

Mr. COHELAN. Does that include Latin America?

Admiral HEINZ. Yes, it does.

Mr. COHELAN. Which is not in this budget.

Admiral HEINZ. No, it is not in this budget. It includes the Milgroups, but of that total number I would make one observation: About one-quarter of them are in Korea.

MAAG ELEMENTS IN KOREA

Mr. COHELAN. That was going to be my next question. Why do you have that many in Korea?

Admiral HEINZ. The Korean situation has always been unique, in that it includes not just military assistance and military advice, but also combines U.N. liaison and the command and control organization. All three Korean advisory groups—army, navy, and air force—have dual functions. One is a military advisory role. The second one is as part of the U.N. Command. They report through two chains of command. The number of American personnel in Korea is quite large.

Mr. COHELAN. Mr. Shriver asked the question—off the record.

(Discussion off the record.)

Mr. COHELAN. On the record.

This looks like a distortion. You know perfectly well you wouldn't get a bit of flak if you brought this before another committee I could think of.

It seems to me inappropriate to assign this as military assistance.

U.S. ADVISERS IN GREECE

Now, what are we doing with 88 men in Greece?

Admiral HEINZ. We have had a relatively large military assistance program in Greece for many years. This group has both administrative and advisory responsibilities.

Mr. COHELAN. This is in spite of the fact that this country hasn't exhibited what you call propensities for freedom in recent years. This means they are going to continue to do this, with the authoritarian government?

Admiral HEINZ. We are maintaining relationships with them. Since the coup, we have suspended deliveries of selected major items and are continuing to do so although this particular policy is under continuing review. We have not broken relationships with Greece. Greece is a fully participating member of NATO.

Mr. COHELAN. We have all kinds of members in NATO haven't we; Turkey, Greece—good old friends and cooperators—and France——

What do these 88 men do in Greece?

Admiral HEINZ. They all have across-the-board duties, both as army, navy, and air force advisers and as administrators. We have advisers with some Greek units. There is a large group in Athens primarily concerned with administering the military assistance program.

There are continuing deliveries of items to Greece under military assistance, and there are selected items that we have withheld.

Mr. COHELAN. Off the record.

(Discussion off the record.)

Mr. COHELAN. Back on the record.

Are you going to cut down this Greek figure?

Admiral HEINZ. The Greek figure was 110 U.S. military in fiscal year 1967, but it has been cut down to 86 ———.

Mr. COHELAN. I am just scanning the table and I do not understand why they have so much in Greece in relation to——

Admiral HEINZ. We have had a $65 million program for Greece.

REDUCTION OF IRAN/MAAG PERSONNEL STRENGTH

Mr. COHELAN. You have a 367-man input in Iran. What is the basis for that?

Admiral HEINZ. We have had a large program for Iran. Iran has had a much larger MAAG. Their authorization was 470. Actually, they had 470 U.S. personnel on board as of December 31, 1967. This has been cut to 407. ———.

The difference lies in what the two groups do. Although the MAP program for Iran has been smaller than that for Greece, there is a great deal more advisory effort in Iran than in Greece.

You can't relate the size of the program directly to the number of people involved. For example, we had a large number of people in Ethiopia. These were trainers. They were put in there as a special augmentation to train Ethiopian personnel. This group is now coming out. Their authorization terminated as of February 1. The largest MAAGS have been Korea, China, Iran, and Turkey. The MAAG in Ethiopia was enlarged because of the training effort, although the program is smaller.

Mr. COHELAN. Again, this does not give to the actual number of military men we have in these countries. May there be other military personnel programs?

Admiral HEINZ. Yes, there are quite a number of other American personnel in Turkey.

Mr. COHELAN. May I say for the record that we have, in my opinion, too many.

Admiral HEINZ. There are other additional U.S. personnel in Greece also.

Mr. COHELAN. And in Ethiopia.

Admiral HEINZ. And in Ethiopia. ———.

MAAG IN TAIWAN

Mr. COHELAN. I see in the Republic of China we have 507. Why do we have 507 there? What is their force level?

Admiral HEINZ. About ———.

Mr. COHELAN. Which is roughly about ——— divisions. Is that their divisional table of organization? How long have we been kicking around out there? Aren't those fellows trained yet? They looked like pretty hot troops to me.

Admiral HEINZ. They are good troops.

Mr. COHELAN. Why do they need all this training from us, when they have perfectly capable——

Admiral HEINZ. We had 813 U.S. personnel in that MAAG in fiscal year 1965.

Mr. COHELAN. When I was there there were 11,000.

Admiral HEINZ. I am speaking only of MAAG personnel. ———. But the current MAAG authorization is 550 U.S. personnel, ———.

Mr. COHELAN. But you are not responding to my question. My question is, when do we stop doing all this? They are quite capable of doing it themselves.

Admiral HEINZ. We are cutting down.

TRAINING OF GRC FORCES

Mr. COHELAN. I'm talking about taking them by their hand and showing them how to jump out of a parachute. They know how to do this very well—and survival school, and all of this stuff. I have been through the course. I have seen it all.

My question is, at this point in time why do we have to continue to operate at that level of training, when they are perfectly capable. Don't we train instructors?

Admiral HEINZ. We do train instructors. The composition has changed over a period of time. For example, the LST rehabilitation program has, as I recall, 20 or 30 subprograms. It was a new program as of a couple of years ago. It is very worthwhile. They are doing a refitting of the LSTs. They have improved the dockyard facilities. It takes a special group.

Mr. COHELAN. We are talking at least about one of the most powerful groups of people in terms of energy, industry, intelligence, cultural anthropology, and their demonstrated ability. The number of divisions they have there is overlarge—and this has been going on now

ever since 1948. It would seem to me we certainly should maintain liaison, but do we need to continue to have training personnel in their country at this stage of the game?

Admiral HEINZ. Yes, I think we do. But again the rules are changing. In other words we are not doing exactly the same thing we were doing 5 or 10 years ago.

Mr. COHELAN. Gentlemen, I was in Japan last year and we talked to Japanese parliamentarians. They are waving Senator Mansfield's speech all over the place. I found there is plenty of feeling out there from responsible quarters that this is a Chinese problem and ought to be settled by the Chinese. What is that going to do to our posture? That is to say we've got to consider China as China, and that includes Taiwan. And I am not talking about Japanese radicals. I'm talking about responsible people. Our own Senator Mansfield made a speech in which he dropped that little hot potato. What relevance does this have. Where are we going to be, what are we going to be doing?

Admiral HEINZ. What we are doing with respect to the Republic of China is phasing down military assistance. It was running at the level of $175,000,000 in 1962. That has been cut way down. U.S. personnel strength has also been reduced ———.

Mr. COHELAN. I would hope so. I don't want to belabor this, Admiral, but I do think we owe it to you from time to time——.

Admiral HEINZ. We have a Taiwan Defense Command.

Mr. COHELAN. I think I know what you are talking about. But because of many things—the number of years we have been out there, the demonstrated capability of the Chinese on Taiwan to learn fast; it seems to me that they should be by this time able to carry on their own training programs. Certainly that doesn't mean we discontinue programs and bring people to the United States from time to time; but having this number of people in the country seems to me to be excessive at this point.

Mr. KNAUR. That number does not represent just trainers. There are also MAP planners and MAP programers, and the statuatory requirement with respect to end item utilization, all of which involve a certain amount of manpower. That number is not therefore, just those who are training the Chinese.

U.S. PERSONNEL IN THE CONGO

Mr. COHELAN. Let me ask you about the Congo. Why do we have 42 people in the Congo and what are they doing?

Admiral HEINZ. The Congo is currently authorized 49 U.S. military assistance personnel.

Mr. COHELAN. Is there any MAAG role?

Admiral HEINZ. A MAAG role? There is a program of only about ——— for the Congo, but the large number personnel is necessary to meet the need for training and of advice in maintenance requirements.

Mr. COHELAN. What is the goal of our training role, Admiral?

Admiral HEINZ. The goal of our advice is to assist Belgium, along with Israel and Italy in the effort to retrain and reequip the army so it can function effectively in an internal security role. Italy, Belgium, and Israel have trainers in the Congo.

Mr. COHELAN. When did we first get involved? Is that about the time of the crisis?

Admiral HEINZ. The military assistance program started in 1962. At that time, we began with a $2.7 million program.

RATIONALE FOR MILITARY ASSISTANCE TO MOROCCO

Mr. COHELAN. I see we have a program in Morocco too.

Admiral HEINZ. Yes, we do. That was initiated in 1960.

Mr. COHELAN. Let me ask you in respect to Morocco, how is the program going as far as you know?

Admiral HEINZ. As far as I know, it is a successful program. Relationships with Morocco are good. They are buying equipment. Our program consists essentially of spare parts and training. Morocco is concerned by the large buildup in Algeria. There is no attempt to try to match the Soviet buildup in Algeria, but it is a cause of concern to both Tunisia and Morocco.

PROGRAM FOR TUNISIA

Mr. COHELAN. I notice you built up the Tunisian program very substantially. What we have is from ——— million.

Admiral HEINZ. Yes, we have. Actually we instituted a special program of ——— in 1967. We planned to assist the Tunisians in improving their forces and the efficiency of those forces.

Mr. COHELAN. When you say more efficient——

Admiral HEINZ. Trying to build up more defensive capabilities. (Off the record.)

Mr. COHELAN. On the record. What it adds up to is we are increasing our military assistance program to Tunisia.

Admiral HEINZ. This is the special program that began in 1967.

Mr. COHELAN. Admiral, do you have any information on the progress of that program? Of the Tunisian program? I ask it because of my special interest in the country.

Admiral HEINZ. The special program was slow in getting started, and it is just beginning to get underway. So it is too early to say what the results are. I can't say yet.

NATO MAINTENANCE AND SUPPLY AGENCY (NAMSA)

Mr. COHELAN. One last question, because I know we are all tired and it has been a long day. On this NATO maintenance and supply organization, I have some special feelings about this. Can you give me any current progress report on its costs and its functions?

Admiral HEINZ. We have put quite a bit of money into it in the past, on which we are now getting the returns. I will give you the figures; but, essentially, we started out with U.S. funding. NAMSA is now operating as a NATO maintenance organization, and we are presently putting practically nothing into it.

Mr. COHELAN. What you mean—like $125,000?

Admiral HEINZ. We originally put in many millions of dollars.

Mr. COHELAN. Right. Incidentally you might put that in the record. I know you might not have it handy right now, but put that figure in the record because we created it. My question is, how is it working?

Admiral HEINZ. I think it has worked well. We are getting returns on it now—benefits returning to the program as assets. It has been a well-operated organization. It does jet engine overhauling——

Mr. COHELAN. How is it staffed?

Admiral HEINZ. Internationally.

Mr. COHELAN. By that you mean there are participating members from all of the NATO countries, in there?

Admiral HEINZ. Yes.

Mr. COHELAN. Are they permanent?

Admiral HEINZ. There is a slow turnover.

Mr. COHELAN. So then it is more or less permanent in terms of staffing.

Admiral HEINZ. It is a permanent organization, yes.

Mr. COHELAN. How many Frenchmen are on there?

Admiral HEINZ. I don't know the number of French personnel involved. I will have to supply that.

Mr. COHELAN. You say it is working well?

Admiral HEINZ. Yes.

Mr. COHELAN. What is it going to cost to move?

Admiral HEINZ. Either the move has not yet occurred, or it is in process. In either event, I have not received the cost estimate.

Mr. COHELAN. It is going to stay in France?

Admiral HEINZ. No, the move is to Luxembourg.

Mr. COHELAN. Do we have the cost of moving on that? You can supply that for the record.

(The information follows:)

The estimated cost of moving the NATO Maintenance and Supply Organization (NAMSO) from France is ———.

The NATO Maintenance and Supply Agency (NAMSA), the headquarters of the Organization and the NAMSO secretariat have moved to the city of Luxembourg.

The northern depot of the NATO Supply Center (NCS) has relocated to Camp Capellen, Luxembourg. Movement began January 1968 and will be completed by May 31, 1968. ———.

Mr. COHELAN. We wouldn't be moving if one of our great allies had not caused us a little difficulty. So I just wanted you to get it in the record. It is going to add to those other costs of starting to this system, which I am happy to hear is improving. Let's hope it continues to improve just on this whole business of international military headquarters and related agencies.

SEATO COSTS

What is the status of SEATO now, Admiral? Who is paying for it? Are we paying all the costs?

Admiral HEINZ. No, we are not paying all the costs of SEATO. The cost is shared by the participating countries. There was another SEATO meeting just recently. As far as the cost of SEATO's military budget is concerned, we provide $70,000, which is 25 percent.

Mr. COHELAN. Who contributes the rest?

Admiral HEINZ. The other SEATO members.

Mr. COHELAN. Pakistan?

Admiral HEINZ. Pakistan, Australia, Thailand, New Zealand, the Philippines, and the United Kingdom.

Mr. COHELAN. France?

Admiral HEINZ. I don't know whether or not France has contributed anything this year.

Mr. COHELAN. This is exactly what I am trying to get at. Who is paying? Are all the constituent members of SEATO paying their freight?

Admiral HEINZ. They have been. I don't know what recent payments France has made to SEATO.

Mr. COHELAN. Would you probe that area and put something in the record?

Admiral HEINZ. I will.

(Classified information was submitted to the committee.)

Mr. COHELAN. All I am trying to do in light of what we know today, some strains, as between Pakistan and France, and others who have expressed doubt about SEATO—Are the Philippines in SEATO?

Admiral HEINZ. Yes.

Mr. COHELAN. Incidentally they have expressed some doubts about SEATO. I want to find out who is paying.

Admiral HEINZ. SEATO also has a nonmilitary budget.

Mr. COHELAN. Yes, I understand, but they are participating members. Some of the participating members haven't been known for their wild cooperation.

Admiral HEINZ. France certainly has not been. They have withwithdrawn their observers.

Mr. COHELAN. Or Pakistan, to be precise.

Admiral HEINZ. Pakistan is active in many SEATO programs. Most recently a Pakistani delegate attended the April 2–3 SEATO council meeting in Wellington, New Zealand.

Mr. COHELAN. Well, I think that completes my questioning.

Mr. Conte, do you have any questions?

SEPARATION OF SALES AND GRANT PROGRAM

Mr. CONTE. What effects will the separation of the sales program from the grant program have on your operation?

Admiral HEINZ. The principal effects will be that the appropriations for grant aid and for sales will be separate line items under separate authorizations and therefore grant aid and sales funding requirements would no longer be directly competing for allocations out of the amount appropriated. There will still have to be close study given to each country's requirements and to the capability of the country to purchase equipment so that a decision can be made during the development of the budgetary requests as to whether provision of equipment by grant or by sales is in the overall best interest of the United States and of the recipient. And, of course, careful attention will have to be given to the total mix of grant aid and sales so as to stay within the regional aid ceilings in Africa and Latin America.

ELIMINATION OF GRANT MATERIAL PROGRAM

Mr. CONTE. Could you supply us with a list of the countries in the last 5 years where it has been possible to eliminate material programs because such assistance was no longer required?

Admiral HEINZ. During the period 1963 to date, and including our planned fiscal year 1969 program, we have eliminated grant material programs for the following 24 countries:

Argentina	Japan
Belgium	Jordan
Brazil	Libya
[———]	Mali
Cambodia	Nepal
Chile	Netherlands
Costa Rica	Norway
Denmark	Pakistan
Guinea	Peru
India	Saudi Arabia
Italy	Senegal
Jamaica	United Kingdom

RECOUPMENTS, REIMBURSEMENTS, AND REAPPROPRIATION OF PRIOR YEAR FUNDS

Mr. CONTE. Could you supply us with a breakdown of the estimated $80 million in anticipated recoupments, reimbursements, and reappropriation of prior-year funds?

Admiral HEINZ. The following are estimates of the sources and amounts that make up the $80 million contained in the three categories:

	In millions
1. Recoupments from prior-year programs:	
Application of military department excesses	$19
Price reductions	9
Contract closeout adjustments	12
Revalidation of aged requirements	10
Deobligations	6
Requirements cancellation	6
Total	62
2. Reimbursements from sale of country-declared excess and salvage	8
3. Reappropriation of yearend unused obligations	10
Grand total	80

CIVIC ACTION PROGRAM

Mr. CONTE. Would you supply for the record a general analysis of the civic action programs being carried out with military assistance support and some examples of the most effective projects which have been carried out in this area?

Admiral HEINZ. Civic action puts local military units to work, without detracting from their defense responsibilities, in the overall effort of their governments to advance national economic and social development. Civic action also improves military relationships with the civilian populace.

Depending upon local conditions and preferences, civic action programs may emphasize various "impact" projects, which respond to the most pressing needs of the people, particularly those distant or isolated from the mainstream of the Nation's life. Military skills and

equipment which in peacetime were traditionally employed in training, are also being utilized in long-term development projects, such as the construction of roads, bridges, and irrigation projects. Another important area of civic action is vocational and literacy training for military conscripts. Programs in each of these areas can contribute importantly, even if indirectly, to improve internal security as well as to closer identification on the part of professional military personnel with popular aspirations for a better life.

The objective of U.S. military assistance for civic action is to encourage recipient governments to expand and improve their own program by providing equipment and training to military units which participate in civic action projects.

In several countries, such as Iran and Korea, modest amounts of assistance were provided in the past to stimulate indigenous progress. These programs are now making a measurable contribution to nation development, and we have discontinued civic action assistance to them.

We seek to continue this pattern, for example, in the Philippines and Latin America. In the Philippines the United States agreed to provide equipment for 10 engineering construction battalions (ECB) which are engaged in civic action. Using locally funded materials, that part of the engineer brigade already equipped was assigned the task during fiscal year 1968 of constructing or rehabilitating roads and assisting in rice irrigation projects and school construction. The brigade enables the Philippine Government to undertake development of unstable areas or where pioneering work is involved. In addition, the public image of the military is being enhanced as an instrument for modernization and social justice rather than as a punitive force, particularly in areas of insurgency. The Philippine Government is assisting our efforts in Vietnam by sending a 2,050-man civic action group, which has been operating effectively for more than a year and a half.

Nearly half of the countries to which military assistance for civic action has been given are in Latin America. Eighteen countries there have received such aid. The level of assistance reached a peak in fiscal year 1963 of $14 million. In fiscal year 1969 the planned level of MAP civic action for the continent is $2,129,000. Performance data covering the period fiscal year 1962–66 for the 15* countries now receiving MAP civic action follows:

Project:	*Number*
New road construction (miles)	5,000
Road reconstruction and maintenance (miles)	17,000
Schools, clinics and hospitals constructed	3,500
Medical and dental treatments	3,500,000
Potable water projects, including wells dug	500
Vocational trainees	200,000
Literacy trainees	820,000

Other projects in Latin American country programs, for which performance data are incomplete, include use by local civilians of military schools and health facilities; disaster relief; search and rescue operations; construction of airfields, bridges, dams and irrigation facilities; rural electrification; sewage and drainage construction; air,

*Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru, Uruguay, and Venezuela. All figures represent estimates.

sea, and river transport of civilians and commodities to remote regions; and colonization of frontier areas.

The pattern of MAP stimulation, followed by increasing host country self-help; is well exemplified in Chile. Between fiscal years 1962 and 1968, military assistance programed $6 million in civic action support for Chile, chiefly in engineering and medical equipment. During the 1962–66 period, MAP-assisted engineer battalions constructed 324 kilometers of new roads and reconstructed or maintained many more. They constructed or repaired 79 kilometers of irrigation canals, built 80,000 square meters of airfields, and erected 5,200 emergency housing units and schools. Army and Navy mobile medical units treated 225,000 civilians, primarily in isolated areas. The Chilean civic action program is now operating at an annual level of some $15 million, exclusive of military salaries (precise figures are not available since civic action is treated as part of the overall Chilean economic development effort). MAP assistance planned for fiscal year 1969 is limited to training.

Other countries still have great shortages of civic-action-type training and equipment and, thus, are still in need of military assistance to continue to progress toward self-sustaining growth. Many of these countries are hampered by active or incipient insurgency and subversion; increased civic action is particularly important there. Nevertheless, established criteria for civic action assistance continue to stress self-help, and we anticipate gradually increased purchases from the United States of essential civic action training and equipment.

Finally, adequate recognition should be given to the broader U.S. political interests served by civic action assistance. Military assistance to Indonesia, which was resumed in fiscal year 1967, is entirely in support of civic action. It furthers there the U.S. policy objective of continued free world orientation and encourages the Indonesian Government to utilize its military forces on projects aiding national rehabilitation and development. Additionally, civic action assistance—particularly training—can, at modest cost, help us to maintain a favorable influence on local military leaders as well as an in-country presence, even when assistance for self-defense and internal security is ending.

STATUS OF MAJOR MAP RECIPIENTS

Mr. CONTE. Would you give us a general appraisal of the status of the big five MAP recipients in terms of their general capabilities to fulfill the established goals which are the basis for our program?

Admiral HEINZ. The big five recipients are Iran, Turkey, Greece, the Republic of China, and South Korea. The nature of our goals and their capabilities in relation to our goals differ somewhat in each case.

In Iran, ———.

Our military assistance objectives are to facilitate Turkey's continued commitment to the free world and continued active participation

in NATO and CENTO, to assist Turkey in maintaining modern forces capable of performing assigned NATO defense tasks, ———.

Military assistance objectives for Greece are to: Enhance U.S. and NATO security by assisting in modernizing and maintaining military forces capable of contributing adequately to the defense of NATO; ———.

Military assistance to the Republic of China is designed to maintain forces, which are sufficient, in conjunction with available U.S. forces, to defend Taiwan and the Penghus.

In Korea, our goal is to support ROK military forces which, together with available U.S. forces, are necessary to defend South Korea against aggression from North Korea supported by Communist China and to counter North Korean infiltration. ———.

PROPOSED LEGISLATION ON THE FOREIGN MILITARY SALES ACT

Mr. CONTE. To what extent would your office administer the new legislation proposed in the Foreign Military Sales Act?

Admiral HEINZ. Under the direction of the President, the Secretary of State would be responsible for the continuous supervision and general direction of sales under the act. Within the Department of Defense the sales program is the functional responsibility of the Assistant Secretary of Defense (International Security Affairs). While the military assistance program, which I direct, is closely coordinated with the foreign military sales program, they would be administered within OASD/ISA separately.

Mr. CONTE. The proposed new Foreign Military Sales Act, with which I take it you are familiar, sets forth a variety of criteria, policies, and limitations to be taken into account with regard to governmental sales of weapons. Can you tell us to what extent these criteria, policies and limitations are fully applicable to potential commercial sales by private corporations and how such application is carried forward?

Admiral HEINZ. The criteria, policies, and limitations on sale of weapons which are applied to U.S. Government sales are equally applicable to potential commercial sales by U.S. firms. Export license applications from U.S. industry undergo the same procedures to apply those criteria and policies prior to approval of the license application as do U.S. Government sales cases. The only difference is that the commercial cases enter the system upon receipt of export application from industry by the Office of Munitions Control, Department of State.

Mr. CONTE. As you point out in your statement, we entered into a military assistance program with ——— in 1961 which was completed with the fiscal 1968 program. Was any attempt made by either side to set up a new commitment?

Admiral HEINZ. We have not offered any new assistance and the ——— have not requested any.

EFFECT OF CESSATION OF VIETNAM WAR ON MAP

Mr. CONTE. With respect to our present military assistance programs, what effect do you feel a cessation of the war in Vietnam and

the withdrawal of American troops from Asia would have on these programs?

Admiral HEINZ. The effect on military assistance will be determined to a considerable extent by the terms of the negotiations with Hanoi and by the political conditions that exist in Asia at that time. It would be very much in the U.S. interest to assure that our allies in Asia are strong enough to protect their borders against intrusion and to maintain their own internal security. In this way, they can be less dependent upon the United States. Consequently, at that point in time when hostilities are terminated in Vietnam, U.S. assistance, either by grant or sales, depending upon the country's financial capability, may still be vital in assisting certain free world nations not only in Asia but elsewhere in the world in developing and maintaining an adequate capability to meet their own security needs.

Mr. CONTE. What has been the effect of the Vietnam war on the training programs aspect of your operations?

Admiral HEINZ. I can respond only in a broad sense. In some cases availability of courses is limited because of increased number of spaces allocated to Southeast Asia countries and the increased demands for the training of U.S. personnel preparatory to duty in SEA. This is particularly true in infantry and armorer courses and in aviation training. Mobile training team assistance is also effected because of the drain of skilled U.S. personnel for duty in SEA. On the other hand, MAP has benefited in many areas of training because more spaces have been made available as training requirements for U.S. personnel have been reduced in order to meet personnel requirements in SEA.

KOREAN SUPPLEMENTAL

Mr. CONTE. We have had a proposed supplemental for Korea submitted of $100 million for fiscal 1968. Do you foresee greater needs in Korea in fiscal 1969 than the amount presently allocated in the proposals we are considering?

Admiral HEINZ. The adequacy of the proposed fiscal year 1969 military assistance program for Korea is dependent upon three factors:

(1) Appropriation of the full $100 million fiscal year 1968 supplemental for Korea MAP;

(2) Congressional action which will allow ——— million for fiscal year 1969 Korea MAP; and

(3) Future actions by North Korea.

———.

ASSISTANCE TO REPUBLIC OF CHINA

Mr. CONTE. You note that our assistance in China is directly related to the need for GRC forces capable of engaging alone in the event of a limited Communist Chinese challenge or probe. What are your present estimates of GRC capabilities along these lines? How long could such an unassisted engagement be maintained?

Admiral HEINZ. ———.

Mr. CONTE. In the justification it is stated that due to the combined effect of fiscal 1968 and 1969 reductions in the China grant program, it is planned to offer the GRC ——— million in credit sales in fiscal year 1969. Will this bring you up to the previous projected overall levels of military capability for the GRC as of fiscal 1969?

Admiral HEINZ. ———. The detailed content of the fiscal year 1968 foreign military sales program have not been worked out, ———. It now appears probable that the combination of a reduced grant and an increased sales program for fiscal year 1968 will delay the ———.

Our estimate for the combination of grant and sales for fiscal year 1969 would indicate that modernization of ———.

INSURGENCY IN THE PHILIPPINES

Mr. CONTE. The justifications state that in December of 1967 the Government of the Philippines launched a significant military effort against the increasing insurgency which had been building there. Can you comment on the status of this situation in the Philippines today?

Admiral HEINZ. In 1967 it became apparent that HUK insurgent activities were once again becoming troublesome in central Luzon. As a result, President Marcos directed that efforts be made to eliminate this HUK insurgency. This campaign, which has been pursued on a priority basis since December 1967, has been employing an average of ——— troops, both Regulars and Philippine Constabulary. This campaign, although progressing slowly, is showing results in the continued killing and capturing of known HUK's.

As of the end of March 1968, the Armed Forces of the Philippines report that they have killed 23 HUK's and captured 61. In addition, 43 HUK's have surrendered and four sympathizers have been captured.

Additional reports indicate that the HUK organization is becoming disorganized, that there is discord and increasing dissension in the HUK ranks, lack of radio communication, and reluctance to move in groups, all of which are indicators that the Government's campaign against them is showing signs of success.

UNITED STATES–IRANIAN MEMORANDUM OF UNDERSTANDING

Mr. CONTE. With the projected completion of the program under the 1964 United States-Iranian memorandum of understanding in fiscal year 1969, what would you foresee concerning future assistance for Iran, either grant or sales?

Admiral HEINZ. After fiscal year 1969 we would expect our grant military assistance to Iran to be limited to training, supply operations on previously funded MAP items, MAAG support, and any shortfall in appropriations requested for fiscal year 1969 to fulfill the program called for in the 1964 memorandum of understanding ———. It is, therefore, important for us to continue to have an understanding with Iran about our intentions to assist with military credits in future years. At the same time, the annual level of credits in the future will have to depend on congressional authorizations and appropriations, on other U.S. requirements worldwide ———.

Mr. CONTE. What is the position of the present Greek Government concerning the size of the fiscal 1968 program being administered in Greece and the size of the proposed program for fiscal 1969?

Admiral HEINZ. ———.

EFFECT OF ARAB-ISRAELI CONFLICT ON MAP IN IRAN

Mr. CONTE. What effect, if any, did the Arab-Israeli conflict have on military assistance program with Iran?

Admiral HEINZ. The Arab-Israeli conflict of June 1967 had no direct effect on the U.S. military assistance program for Iran. Iran is Moslem but not Arab, and took no part in the war ———.

PROJECTION OF PROGRAMS IN GREECE AND TURKEY

Mr. CONTE. What are the long-range projections for programs in Greece and Turkey?

Admiral HEINZ. As a long-range projection, we would hope that the economies of the two countries will permit them to continue to assume an increasing share of their defense burdens. We intend to continue to use available MAP to put our primary emphasis on modernization and mechanization of their ground forces. NATO, including the United States, can more readily augment their air and naval forces in case of Communist aggression.

The importance of both countries has been increased by Soviet penetration into the Mediterranean basis. Both countries have significant NATO defense missions to perform. Neither is yet capable of assuming its whole defense burden. For these reasons we are requesting grant MAP levels of ——— million for Greece and ——— million for Turkey in fiscal year 1969.

PERUVIAN PURCHASE OF FRENCH MIRAGES

Mr. CONTE. What is the status of the situation in Peru concerning the purchase by that country of French Mirages?

Admiral HEINZ. While the Peruvian Government has not given any official confirmation of the purchase, we are forced to conclude from press and other reports that it is acquiring from 12 to 16 Mirage V fighter bomber aircraft at an estimated cost of $25 to $30 million in a credit sale contracted during 1967. Peruvian pilots are reportedly in France now undergoing training and we expect that deliveries will begin during the course of this year, perhaps within the next 30 to 60 days.

Mr. CONTE. Would you set forth the status in Latin American countries other than Peru concerning actual supersonic jet fighter purchases or purchases of this nature presently under consideration?

Admiral HEINZ. ———.

CEILING ON MILITARY AID

Mr. CONTE. There is presently a $75 million ceiling on all military grants and sales to Latin America with training being excluded. This doesn't really constitute, however, any limitation over military sales to these countries directly by private American corporations, does it?

Admiral HEINZ. The $75 million ceiling on Latin America includes grant aid, less training, government cash, government direct credit sales, and the face value of commercial credit sales guaranteed by DOD. It does not include commercial sales by private U.S. concerns in which DOD does not participate.

AID CHECKS ON PURCHASE OF SOPHISTICATED WEAPONS

Mr. CONTE. Would you comment on what liaison has been set up with AID to inform them about the purchase of sophisticated weapons being made by countries to which we are providing assistance?

Admiral HEINZ. Before State or AID authorizes any assistance, a check is made to ascertain whether there is any actual or prospective purchase of sophisticated weapons. The provision of weapons under any one of the DOD programs (MAP grant, cash sales, or military credit/sales) is reviewed by an interagency committee when a question of possible sophistication arises. AID is represented on this committee. Similar arrangements have been made with regard to shipments of weapons from U.S. commercial sources outside of the DOD program.

With regard to information concerning the provisions of weapons by third countries, e.g. the Soviet Union, United Kingdom, France, et cetera, AID relies on a number of sources. ———.

INDIAN PURCHASE OF MIGS

Mr. CONTE. Would you comment on the India MIG purchases as they relate to the operations of these restrictive amendments?

Admiral HEINZ. ———. Defense expenditures represent a declining proportion of gross national product, having dropped from 4.2 percent in 1963–64, the year after the Chinese incursion, to an estimated 3.5 percent in 1967–68 and about 3.4 percent budgeted for 1968–69 despite what India sees as continuing threats from China and Pakistan. As a percentage of total Central Government expenditures, defense has declined slightly from nearly 25 percent in 1963–64 to about 23 percent in 1967–68 and 1968–69. These figures are not out of line with the average performance of countries in South and East Asia. Problems of drought and inflation have been far more important as restraints on the level of development than have defense expenditures.

With regard to the Conte-Long amendment, the Indo-Soviet agreements covering the approximately ——— Mig's now in India, the approximately ——— more to be assembled from Soviet components, and the equipment for the three-factory Indian Mig manufacturing facility were arrived at between 1962 and 1965. The purchases predate the effective date of the Conte-Long and Symington amendments by more than 2 years. The expenditures on these Mig's do not call for the withholding of assistance under the Conte-Long amendment.

Mr. CONTE. Do you have information available concerning when any such purchases occurred and how much was involved?

Admiral HEINZ. In 1962, following other Indo-Soviet agreements for the sale of noncombat aircraft, the Soviets agreed to sell Mig–21 jet fighter planes. At the same time, the U.S.S.R. agreed in principle to build facilities for the manufacture of the Mig–21 fighter in India.

The first batch of Mig's was delivered to India in 1963. Final agreement for the construction of a three-factory manufacturing complex was reached in 1964. The Indians presently have some ——— Mig's either received directly from the Soviet Union or assembled in the Indian Mig plants from Soviet-produced components ———. The value of Indo-Soviet agreements for the approximately ——— Mig's now on hand, the approximately ——— more to be assembled from

Soviet components, and the equipment for the Mig plants in India is estimated at ——— million.

LATIN AMERICAN REACTIONS TO AMENDMENTS RESTRICTING PURCHASE OF SOPHISTICATED WEAPONS

Mr. CONTE. Would you tell us what has been your department's experience with Latin American countries concerning their reactions to the legislative decision which is incorporated in the amendments?

Admiral HEINZ. The amendments have aroused significant concern, primarily in the larger South American countries which are most likely to desire equipment falling within the purview of this legislation because of the relative diversity and modernity of their armed forces. In general, these countries are critical of the amendments because they consider them as infringing on their sovereignty. The Central American countries and the smaller countries of South America tend to view the amendments as not being applicable in their case ——.

Mr. CONTE. Would you tell us what steps have been taken to set up a means of determining where and when purchases have taken place falling within the scope of the amendments?

Admiral HEINZ. A "warning list" of items which require review has been sent to our missions abroad. The missions report to Washington concerning purchases contemplated or agreed upon which are covered by the "warning list." State, AID, and Defense have each given to an office in its headquarters the responsibility of determining whether or not a given purchase falls within the scope of the amendments. An interagency group composed of members of each of these agencies examines all determinations to assure consistency in interpretation and decision.

REVIEW OF AIRCRAFT PROGRAMED FOR ETHIOPIA FOR FISCAL YEAR 1968

Mr. CONTE. Page 63 of this justification states that the two F–5 aircraft for Ethiopia programed for fiscal 1968 are now under review because of last year's amendments restricting sophisticated weapons on a sales or grant basis. Would you expand on the status of these transactions?

Admiral HEINZ. In 1964 the United States agreed to provide a squadron of F–5 aircraft under MAP. Ten of the 12 have been delivered. These were provided, subject to the availability of funds, as follows: three in fiscal year 1965, four in fiscal year 1966, and three in fiscal year 1967.

Prior to the passage of the Conte-Long amendments it was contemplated that the remaining two aircraft be included in the fiscal year 1968 program. After the passage of the amendments this case was reviewed by the executive branch and three alternatives were contemplated:

1. Refuse to supply the aircraft;
2. Seek a waiver of the amendments; and
3. Reprogram the aircraft under fiscal year 1967 funds.

——— it was decided to follow the third alternative of reprograming the aircraft under fiscal year 1967 funds after normal consultation with Congress.

Mr. CONTE. Were there any other programed items for fiscal 1968 which have been affected by the Conte-Long amendments?

Admiral HEINZ. Excluding the countries specifically exempted from the determination of "sophisticated weapon systems" under the Conte-Long amendments, none of the remaining fiscal year 1968 military assistance programs for underdeveloped countries contain weapons or weapon systems that are considered to be sophisticated in light of the relevant facts and circumstances of each particular country concerned.

Mr. CONTE. Are there any items programed for fiscal 1969 which may fall within the scope and coverage of the Conte-Long amendments?

Admiral HEINZ. Excluding the countries specifically exempted from the determination of "sophisticated weapon systems" under the Conte-Long amendments, none of the remaining fiscal year 1969 military assistance program contains sophisticated weapons or weapon systems.

STATUTORY PROVISIONS IN PROPOSED FOREIGN MILITARY SALES ACT

Mr. CONTE. Would you comment on the changes from present restrictions on sales of sophisticated weapons which would result under the proposed new Foreign Military Sales Act?

Admiral HEINZ. There have been two types of statutory provisions dealing directly with weapons purchase by less-developed countries. One type of restriction directed only at "sophisticated" weapons is contained in the fiscal year 1968 appropriations act. The proposed Foreign Military Sales Act like the present military sales provisions in part II of the Foreign Assistance Act does not change restrictions contained in appropriations legislation.

The second type of provisions concerned with weapons purchase by less-developed countries is a provision such as section 620(s) (the "Symington amendment") of the Foreign Assistance Act which requires termination of development assistance and Public Law 480 sales to any less-developed country which expends its resources for unnecessary military expenditures, of any and all types, to a degree which materially interferes with development. Section 35(a) of the proposed Foreign Military Sales Act enlarges the scope of the Symington amendment by also requiring, in such cases, the cutoff of future military credits.

ADMINISTRATION'S VIEWPOINT ON SALE OF SOPHISTICATED WEAPONS TO LESS-DEVELOPED COUNTRIES

Mr. CONTE. What are the views of the administration concerning sales of sophisticated weapons to less-developed countries?

Admiral HEINZ. The administration believes that less-developed countries should not buy unnecessary advanced and expensive weaponry. It is our policy to help developing countries direct their resources to productive development and to discourage arms competition among them.

Less-developed countries may desire to acquire sophisticated weapons for any of several reasons—because they believe it is necessary for their legitimate national security requirements, as replacement for ob-

solete equipment that has reached the end of its useful life, or simply as a matter of national pride.

When a less-developed country indicates an interest to buy military equipment we immediately evaluate the proposed purchase in the light of several considerations. Among these may be the following: Whether it is for internal security or self-defense; how does it compare with the weapons systems of neighboring countries who may be threatening aggressive or offensive action; the specifications and performance data of the weapons system and other less-expensive weapons systems which will perform approximately the same mission; what will be the cost of the acquisition, operation, and maintenance of the system over its projected useful life; does the acquiring country already have the same or similar equipment in use; the purpose of the acquisition—is it attrition, replacement, or replacement of similar equipment; if it is a replacement, does it represent an improvement over the item being replaced; does it increase force strength; how does the technology of the acquiring country compare with the technology needed to operate, maintain, and repair the proposed acquisition; how does the cost of the proposed acquisition fit into the total economic development picture of the acquiring country.

The difficulty that rigid adherence to our policy entails is that when a country comes to us to buy and we do not choose to sell the equipment, the less-developed country may purchase the equipment anyway, often more sophisticated and more costly than that which we might have provided. In such case we would: Have failed to help conserve scarce resources for development; see the country opt for excessively expensive and advanced hardware; have lost our influence over arms inventories; and reduced our ability to influence both civilian and military elements of the government.

Moreover, in those instances where the United States is not consulted it is very difficult to obtain accurate and complete information with respect to the purchases made or proposed by less-developed countries from third countries. Our influence in these matters is obviously limited. Where we are aware of an intention to purchase sophisticated weapons from a third country we attempt to work quietly with governments to advise and persuade them toward less-expensive military equipment appropriate to their needs. Sometimes we are successful and sometime not. Occasionally our efforts in this area tend to cause apprehension on the part of less-developed countries.

In order to correlate the legitimate security requirements of a prospective purchasing country, the text of the Conte-Long amendments and the legislative intent we have developed a "warning list" which includes, inter alia, all of the weapons systems or military equipment which were mentioned in congressional debate. Any proposed purchase of an item which is on the list automatically raises a question of sophistication and is carefully reviewed. When our review, taking into consideration those factors I have previously mentioned, brings us to the conclusion that the weapons in question would be "sophisticated weapons systems" for the particular country within the meaning of the Conte-Long amendments we then evaluate other security and foreign policy considerations to determine whether the President should be requested to find that the purchase is vital to the national security of the United States.

The Conte-Long amendments impose a somewhat rigid restraint on an area of foreign relations where flexibility is essential. They do not take full account of the legitimate national security requirements of the prospective purchasing country. We believe that a less-developed country should not automatically be penalized for a particular purchase if the country and the U.S. Government are satisfied that a particular purchase—even though clearly a sophisticated weapon—is necessary for its legitimate national security requirements although not vital to the security of the United States. In other instances, we may find that acquisition of sophisticated weapons by developing countries is compatible with or important to, but not "vital" to, U.S. national interests. Cases will arise where the acquisition of sophisticated weapons is neither vital to the defense of the country concerned, nor important to U.S. security interests, but where resulting deductions in our economic assistance would be disadvantageous to our overall national interests. In such cases we believe we should have greater flexibility in implementing our foreign policy.

Mr. CONTE. What is the status today concerning any proposed sales of sophisticated jet aircraft by private American companies to less-developed countries? Are you aware of any such situations and what is your position concerning them?

Admiral HEINZ. ——— is understood to be considering the purchase of either ——— jet aircraft. If ——— requests approval to purchase the ——— from its manufacturer, the request would be weighed within the U.S. Government in accordance with Conte-Long procedures, the outcome of which would determine if an export license would be approved.

There are no other situations of this nature known at this time.

Mr. CONTE. I have read an opinion of the Comptroller General dated February 8, 1968 which sets forth the viewpoint of the Assistant Secretary of Defense (Comptroller) that the restrictive amendments adopted last year were only intended to apply to the foreign military sales program and not to the grant aid program.

This, of course, is a completely incorrect position on the part of the Assistant Secretary and I wonder whether there is any doubt or question in your mind as to whether these amendments apply to the grant program?

Admiral HEINZ. The Department of Defense requested a ruling from the Comptroller General because we did have some question as to the scope of the first of the two amendments. Now that question has been resolved by the Comptroller General. We will, of course, follow his interpretation of the law which would embrace these amendments as they apply to both grant and credit sales programs.

Mr. COHELAN. Mrs. Reid, do you have any further questions on the military assistance program?

BASE RIGHTS AGREEMENT WITH SPAIN

Mrs. REID. I have only two questions on the areas we have covered today. The first is: How do prospects look for renewal of our base rights agreement with Spain which expires in September? Possibility of additional concessions?

Admiral HEINZ. ———.

HOST GOVERNMENT ASSISTANCE IN KIND

Mrs. REID. I note from the justification that host government assistance in kind has been decreasing substantially over the past several years. What is the reason for this?

Admiral HEINZ. The only significant change iin host country assistance in kind since fiscal year 1967 involves Thailand. You will recall that in fiscal year 1968 military assistance to Thailand was transferred from the military assistance program to the regular Defense budget, thereby eliminating this assistance in kind from our MAP projections. Except for Thailand, there has been a net increase in assistance in kind during the period shown.

Mr. COHELAN. Thank you very much, Admiral, and gentlemen. The committee will reconvene tomorrow at 1 o'clock when we will go into the subject of economic aid. Thank you.

Admiral HEINZ. I would like to make one statement in connection with the exchange I had with the chairman as to whether or not the 1968 budget was a satisfactory one. My intent was, in connection with the allocations—not that we were satisfied with the resources allocated, total resources.

WEDNESDAY, MAY 22, 1968.

STATEMENT OF THE SECRETARY OF STATE

WITNESSES

HON. DEAN RUSK, SECRETARY OF STATE
HON. WILLIAM S. GAUD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
DAVID BRITT, CHIEF, LEGISLATIVE PRESENTATION, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES F. FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
PETER KNAUR, ASSISTANT FOR CONGRESSIONAL AND SPECIAL PROJECTS, OFFICE OF THE DIRECTOR OF MILITARY ASSISTANCE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)
CHARLES PAOLILLO, ASSISTANT CHIEF, LEGISLATIVE PRESENTATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order. We have before the committee this afternoon the Honorable Dean Rusk, Secretary of State. It could very well be that this may be the last time that the distinguished Secretary will appear before this subcommittee. In fact, it is possible that this will be the last time that I will preside as chairman. There are such things as retiring Congressmen involuntarily. But if it is the last time that the distinguished Secretary is going to appear before our committee, I would like to repeat what I have said in previous years—that the Secretary has always been extremely forthright. I have indicated for the record in prior years that I think he is the greatest Secretary of State we have had in my lifetime. It has always been a pleasure to work with the Secretary because he is forthright in his answers to questions, and if he does not have the answer, he usually says so without offering some lame excuse as to why he does not have it.

Based upon our mutual understanding of each other's position in the past, I hope we can have a very pleasant but informative session today.

Secretary RUSK. Thank you very much, Mr. Chairman. I am delighted to have a chance to be with this distinguished committee today. This is my eighth time in a formal session with the committee, and as you have indicated it may well be my final occasion in my present capacity. I would wish to say to you, Mr. Chairman and members of the committee, looking back over these past 7 years, that I have greatly appreciated the investment of time and interest and concern which this committee has given to the foreign aid program.

As you indicated there have been points on which we have not always agreed. But I have no doubt whatever that it is a better foreign aid program because of the investment of the energies and attention of this committee. I have an opening statement, Mr. Chairman, which I will read or file for the record, as the committee wishes.

Mr. PASSMAN. Proceed as you wish, Mr. Secretary.

Secretary RUSK. Mr. Chairman, I appreciate the opportunity to appear before this committee in support of the President's budget proposals for economic and military assistance for fiscal year 1969.

The committee has before it requests for new appropriations of approximately $2.5 billion for economic assistance and $420 million for grant military assistance under the Foreign Assistance Act.

For nearly two decades, assistance to less-developed countries has been a major element of U.S. foreign policy. It has been presented as vitally necessary by four successive Presidents and approved by bipartisan majorities in 10 successive Congresses.

Our paramount national interest must be, of course, the safety of our Nation and the well-being of our people. But we cannot find safety or well-being apart from the rest of the world. In the long run, we can be neither prosperous nor secure if two-thirds of the people in the world live in squalor or are consumed by violence.

There is impressive evidence that our foreign aid programs have helped improve the world we live in. Already a few less developed countries have reached the point where they no longer need assistance from AID. Elsewhere the job will take longer but progress is evident.

But it is obvious that progress is not automatic or inevitable in the less-developed world. Without outside help, even though a very small fraction of their own GNP, the poor countries cannot move from a heritage of violence and despair to sustained and peaceful development.

LATIN AMERICA

President Johnson and the Latin American chiefs of state met in Punta del Este 1 year ago to take the pulse of the Alliance for Progress—then 6 years old. They found that the Alliance is succeeding. They also found that progress toward Alliance goals has been uneven. Some problems have proved to be more stubborn than first anticipated. Others have become more immediate and pressing as initial gains have been achieved.

In the past 4 years average annual per capita growth rates in Latin America have averaged 2.2 percent. This is short of the Alliance goal of 2.5 percent per year—but significantly above the 1 percent average of the first 2 years of the Alliance.

Over the lifespan of the Alliance, the Latin American countries have themselves contributed almost 90 percent of the development investment which has made economic growth a reality. They have raised GNP by 30 percent, and tax revenues by 33 percent.

On the other side, Latin America's population is growing faster than that of any other region in the world. Today about half of Latin America's population is under 20 years of age.

The lesson is clear. More development investment, more jobs, more housing, more public facilities, indeed more of everything is needed. For instance, since 1960, enrollment in primary schools has increased by 50 percent, graduates by 80 percent and the number of teachers by 60 percent. Nevertheless, to continue this trend, almost a half million new teachers will have to be trained and equipped with classrooms, books and instructional materials within the next 4 years.

Violent revolution gathers appeal and force when the possibility for peaceful economic and social progress is discredited. It is imperative that the people of Latin America know that the United States will not back away from its commitment to help them achieve a peaceful economic and social transformation. It is imperative that the governments of Latin American countries continue and increase their own self-help efforts—and spread the benefits of progress to more people.

For fiscal year 1969 appropriation of $625 million is requested for the Alliance for Progress, including $110 million for technical assistance grants. Over 70 percent of the proposed program is for Brazil, Chile, Colombia, and Central America. The major emphases continue to be agriculture, education, and health.

NEAR EAST-SOUTH ASIA

For fiscal year 1969, the $706 million program proposed for the Near East and South Asia will be concentrated in India, Pakistan, and Turkey. India and Pakistan have bounced back sharply from two successive years of drought. And Turkey by the early 1970's will no longer need concessional aid if present growth is maintained.

Economic revival is a fact in South Asia. India's gross national product increased 9 percent last year. In Pakistan for the second straight year, growth should be over 6.5 percent, the targeted growth rate of the third development plan (1965–70).

Enlightened development policies, increasing investment levels, and hard work are helping to win the war on hunger on the South Asian subcontinent. Last year good weather was an important factor in the agricultural turnaround. But improved government policies, fertilizer and new seeds financed in large part by outside aid, and better cultivation practices were, and are, essential to success.

This year's record food crops underscore the need for industrial growth to keep pace with agriculture. If the technological possibilities for growing more food are to be translated into sustained increases in food production, urban workers must be able to pay farmers a good price. In turn, farmers must be able to buy the industrial and consumer goods they want. Progress on one side of the economy must be reinforced by progress on the other.

India and Pakistan are also working hard on family planning. The Indian Government is launching a widespread promotion campaign to reach people in nearly every village. Over $40 million in the current Indian budget is allocated for family planning. Pakistan already has a dynamic family planning program with the target of reducing the birth rate by 20 percent between 1965 and 1970. The program is on schedule.

If India and Pakistan are to solidify their recent gains, and move on to a faster rate of development, they must continue to get outside aid to buy fertilizer, seeds, and industrial commodities. Without aid, their economies will fall back into recession.

With strong internal effort and outside help, sustained progress can be achiever. The pivotal position of the 600 million people on the South Asian subcontinent makes it imperative to continue our investment in progress there.

AFRICA

Africa's social and economic institutions are new, and African leaders know there are no easy or quick solutions to their problems. Progress in building more durable institutions is dependent on African effort, determination and sacrifice. Outside aid also is essential to provide skills, knowledge and capital needed for progress.

Africa's problems are great but there can be realistic optimism that solutions will be found. For example, in the interests of peace, most Africans accept the boundaries carried over from colonial days, even though they cross ethnic lines. This is preferred to the bloodshed that would otherwise ensue. The current internal conflicts in Nigeria and earlier those in the Congo illustrate the extent of these tribal tensions. Yet a most hopeful sign for the future is the growing regional cooperation in Africa which diminishes these divisive forces and provides more effective use of scarce resources.

Six months ago, Kenya, Tanzania, and Uganda revitalized their common market and common services in a newly constituted east African community. Three neighboring states have applied for membership in the community. Elsewhere in Africa neighbors are working together to further economic development through common markets and by harnessing the immense hydro-power potential of the great African rivers and by linking transport and communications. Africa is only beginning to realize the benefits of regional cooperation; the organizations for such cooperation are only now being built.

Europe continues to furnish the bulk of free world economic assistance to Africa, but the U.S. contribution to African development is furthering real progress. National product in the nations of the East African Community has increased 5 percent yearly, since 1962. The Moroccan Government is expanding "Operation Fertilizer" to increase wheat yields in dry-land farming areas. Ghana and the Congo are making headway in their economic stabilization efforts, pursued in line with IMF recommendations.

African leaders deserve our sympathetic understanding in their efforts to undertake a bootstraps economic development program. But Africa cannot achieve long-run goals without help from the developed nations. We must continue to do our part as an important contributor to African growth.

VIETNAM

As you know, the situation in Vietnam has undergone substantial change over the past several months. President Johnson's March 31 initiative has led to a new opportunity to move toward peace. We are trying to find practical ways to pursue that effort in the Paris talks.

There has been substantial change as well in our economic programs in Vietnam. Mr. Gaud and others have discussed with you the changes in funding requirements for the current fiscal year and requirements for fiscal year 1969.

Progress on the economic and social fronts in Vietnam continues to be essential. Our AID programs help maintain economic stability, bring relief to refugees and other casualties of war, and build progress in the countryside. It is now more important than ever to demonstrate through programs of this kind that the Vietnamese Government is concerned about the welfare of its people and the development of its society, and that it can deliver on its promises.

EAST ASIA

U.S. assistance is critical to survival and development of the independent nations of East Asia. The AID proposed program of $277 million will help nations of the area meet a variety of challenges.

In their recent Honolulu meeting, President Johnson and President Park of the Republic of Korea reaffirmed the enduring partnership joining our two countries. The Republic of Korea has been making a miraculous record of economic growth—averaging more than 8 percent a year since 1961. It must increase its military readiness, but without impeding its strong economic development effort. In these circumstances, both the economic and military aid proposals for fiscal year 1969 have heightened importance.

Thailand is a steadfast and loyal ally. Her strong economic performance has attracted—and is fueled by—substantial capital from sources other than the United States. The Thai Government has directly countered the appeal of Communist insurgency in rural northeast Thailand with a program of improved social services and strengthened rural security. The United States focusses its economic aid on helping sustain this effort.

The Lao Government has made significant progress with AID assistance. However, the military situation in Laos has deteriorated in recent months. U.S. support for economic stabilization finances a considerable part of the Lao military effort. Survival of Laos as an independent nation depends on U.S. help.

President Suharto of Indonesia has taken up the reins of leadership in firm and responsible fashion and deserves much of the credit for his country's steady recovery from the political and economic excesses of the Sukarno era. His recent mandate from the Indonesian people puts him in a stronger position to push through painful but necessary economic reforms. Suharto Government can continue to make progress only if the United States continues to provide its minority share of the multilateral assistance needed to put the world's sixth most populous nation on a firm economic footing.

Regional cooperation among the East Asian nations continues to grow. The nations of the region are collaborating on joint programs in the fields of education, transportation and communications, and in beginning to tap the great development potential of the Mekong River Basin. We must continue to encourage and support these Asian initiatives.

GRANT MILITARY ASSISTANCE

Mr. Chairman, let me add a word about the request for grant military assistance of $420 million for fiscal year 1969. This request is modest, taking full account of the growing ability of developing nations to finance their own military requirements.

Our foreign policy goal is to assist in the development of a stable world community of free and independent nations. Stability does not mean an absence of change. On the contrary, it means enough basic security for change to take place without widespread violence. It means change fostered by governments responsible to their people—not change imposed by threat, or by force, or by subversion guided from without.

The major purposes of military assistance are—

To strengthen the capability of selected allied and friendly nations against the threat of external attack.

To help developing nations protect their societies against internal violence, thus providing the framework of stability within which national development may thrive.

This is an austere program. It is concentrated on high priority needs—85 percent of the appropriation request for grant military aid is for five "forward defense" countries. The enactment of this program is important.

I would like to comment briefly on legislative restrictions which this committee added to the Appropriations Act last year. We share fully your concern about military expenditures by less developed countries, particularly on sophisticated weapons. We share fully your belief that the United States must not encourage arms races—directly or indirectly.

But there are limits to U.S. influence in this field. And we believe that U.S. influence is likely to be most effective when it can be exercised in continuing aid relationships with less developed countries—when it can be exercised privately, without public ultimatum and penalty. In some situations it may be more sensible to accept half a loaf rather than to insist on a full loaf and get nothing.

On the basis of our experience so far with these amendments, we believe it is important that those responsible for carrying out our foreign policy, whether in this administration or the next, have more flexibility to deal with these complicated situations on a case-by-case basis. We recognize that if the Congress provides such flexibility to the executive branch, we in turn must consult fully with the Congress about particular cases and pursue our joint objectives with vigor. Before this committee completes consideration of this year's Appropriation Act, we would like to suggest modifications of these amendments.

I continue to be impressed by the maturity and responsibility shown by so many of the leaders of the developing world. These spokesmen for moderation are committed to economic and social progress and have fended off the promoters of violent revolution. But leaders who believe in peaceful progress cannot be expected to endure unless they produce results—unless their peoples receive tangible economic and social benefits. And the poor countries cannot achieve development results, no matter how great their own efforts, without adequate outside aid.

That is why I am so concerned about suggestions now being put forth that aid appropriations for fiscal year 1969 should be cut in half, or that there should be a moratorium on new appropriations. If these suggestions are serious, there should be full understanding of what such a decision would mean.

First, we must be clear that AID cannot "live off the pipeline for a year." Almost all of AID's $4 billion pipeline is committed by international agreements to finance specific projects and activities. AID cannot take back these funds and use them for new commitments without breaking international agreements, leaving projects unfinished and canceling orders or contracts with American firms and universities.

AID must have substantial new funds if the program is to be continued in fiscal year 1969. To other nations of the world—poor and rich, Communist and free—an aid moratorium would mean aid termination, American withdrawal from the aid business.

Without new aid funds, the new President, during his first few months in office, would be denied the primary tool of American foreign policy in the developing countries. At the same time, he would have to face a series of crises around the world.

An aid moratorium would dramatically undercut the moderate leaders of Asia, Africa, and Latin America who are pursuing peaceful progress. Such a decision would give a vast propaganda victory to those who have long charged that America would some day abandon the peoples and independent nations of the less developed world.

The Congress must make many difficult choices on this year's budget. I know that this Committee, in carrying out its responsibility to make recommendations on aid appropriations, will consider carefully the full implications of your decision.

Mr. Chairman, I believe strongly that foreign aid continues to be an important part of this Nation's urgent business. The freedom and progress of hundreds of millions of Asians, of 250 million people in Latin America and 260 million Africans are directly related to our own security and well being. Their determined fight to build a better life must engage our concern.

I find it hard to accept assertions that we cannot afford to devote a fraction of 1 percent of our GNP to building a safer and more prosperous world by helping other nations to make peaceful progress.

In many of the less developed countries, development has been gaining in momentum. If that momentum is reversed, the consequences for our prosperity and for the peace of the world could be disastrous. Last year the foreign aid program was cut below the minimum level necessary to sustain that momentum. For fiscal year 1969 we must have adequate funds to get on with the job.

Mr. PASSMAN. If you have some off-the-record observations you would like to make now, Mr. Secretary, we will be glad to hear from you.

Secretary RUSK. Thank you, sir. I would like very much to go completely off the record and make a few comments to the committee about some of the more important developments in the foreign scene.

(Discussion off the record.)

GENERAL OBSERVATIONS CONCERNING WORLD CONDITIONS

Mr. PASSMAN. I shall be just as brief as possible in asking a few questions because I know the other members of the committee would like to ask questions this afternoon.

As you have observed previously, I deal with dollars rather than foreign policy, and I shall pursue just about the same type of examination this afternoon, Mr. Secretary.

Your testimony for the foreign aid program is a policy statement and not one dealing with the many ramifications and details of the program. Is that a fair assessment?

Secretary RUSK. That is broadly true; yes, sir.

Mr. PASSMAN. Last year I asked you a question about world conditions as follows:

> I believe during this generation, or shall we say the past generation, we have actually had more turmoil, heartaches and uncertainty than any other 20-year period of the history of the country. Would you say that would be a statement of fact?
>
> Secretary RUSK. I think that is probably correct.

Secretary RUSK. I think with the great explosion of the number of states in the world and the great confrontation in the world of Communist revolution and our notion of a society built on the United Nations Charter, I think that would be not unfair.

RECIPIENTS OF FOREIGN AID WHO HAVE SEVERED RELATIONS WITH THE UNITED STATES

Mr. PASSMAN. Since you appeared before this committee last year there have been five so-called friendly nations that have been large recipients of foreign aid that have broken off diplomatic relations with our country.

A further check indicates that of the nations listed as independent nations on December 31, 1948—before we started the foreign aid program—that we have diplomatic relations with fewer of them than at that time.

At that time we maintained diplomatic relations with 71 nations and today we have diplomatic relations with 68.

Secretary RUSK. I think that is due directly to the fact that a number of Arab States broke relations with us last June on the false allegations by Egypt that our forces had participated in the June hostilities on the side of Israel.

Mr. PASSMAN. It does follow, nevertheless, that nations, regardless of the amount of aid we give them, usually, when the chips are down, do what they want to—make independent decisions and turn to the left if they figure it serves their purpose best. Is that a fair assessment of the situation?

Secretary RUSK. If you look at the total number of nations which have received aid, including all those that have in effect graduated from the aid program, I don't think that generalization would stand up. I think on the whole you would find that the countries which have received the principal amounts of aid from us have been doing a pretty good job of getting on with their own business and trying to do something for their own people.

In general our relations with them are good.

I am thinking about nations in this Hemisphere, for example, in Asia, across the Pacific. I think that generalization would have to be looked at pretty carefully.

SUCCESSFUL AID COUNTRIES OTHER THAN MARSHALL PLAN

Mr. PASSMAN. Excluding the Marshall Plan countries, how many "successful" aid countries could you actually point to, Mr. Secretary?

Secretary RUSK. Let me look at the list of all those that have been on our list at one time or another.

Mr. PASSMAN. I can give that to you quickly. There have been 120 since we started the program.

Secretary RUSK. I would think if you look at those that are not at the present time on the AID list, you could find a good many there that have done pretty well.

I personally would not exclude the Marshall Plan countries, or Japan where we were in occupation, but when you look at Libya, and Malaysia—and the Republic of China, Greece, Iran—there are a number that have shown pretty good records in getting on with their own business.

Mr. PASSMAN. Mr. Secretary, how many of the five countries that you have just named; Libya, Malaysia, China, Greece, and Iran are getting aid now?

Secretary RUSK. These are not getting economic assistance.

Mr. PASSMAN. It does not make any difference what kind of assistance; are they getting some type of aid?

Secretary RUSK. Some are getting military assistance.

Mr. PASSMAN. Some are getting Public Law 480 assistance, also?

ASSISTANCE TO LIBYA

Secretary RUSK. Is Libya getting Public Law 480?

Mr. GAUD. No.

Mr. PASSMAN. Let us see what you have disbursed to Libya. Mr. Flinner.

Mr. FLINNER. I do not have the figure.

Mr. PASSMAN. Do you have anything to be disbursed in subsequent years?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. How much?

Mr. FLINNER. I am sorry I do not have it.

Mr. PASSMAN. That is aid regardless of when you allocated it.

As of June 30, 1968, just one spigot of aid, it is anticipated that there will be $3,581,000 to be disbursed in subsequent years.

Mr. GAUD. Military aid.

Mr. PASSMAN. I said one spigot. I can only pick out one at a time. We will get along; we agreed to be nice to each other.

I am sure with your understanding of our foreign policy, maybe you can help me understand it better, especially since this is going to be your last year as Secretary of State.

THE FOREIGN AID PROGRAM AND DEVELOPMENT BANKS

Secretary RUSK. I will try to, Mr. Chairman.

Mr. PASSMAN. As we look at the request for increased funds for the International Development Association, the Asian Development Bank, and the Inter-American Development Bank, if it were not for these three organizations, the amount of our bilateral aid would have to be increased, would it not, if we were to carry on the same programs?

Secretary RUSK. I think if these development banks were to somehow disappear from the picture, which Heaven forbid, our own bilateral problems would be much more severe—if we are trying to build a world structure in which our own institutions can survive and flourish, that is.

MULTIPLE SPIGOTS OF THE FOREIGN AID PROGRAM

Mr. PASSMAN. That is a fair statement, Mr. Secretary. As I said a moment ago, it has been my privilege to chair this committee and to hear 14 so-called barebone budgets justified.

Some of the most frightful stories that I ever read, the most exciting letters that ever came before a committee, came from the distinguished former Secretary McNamara, and even the President, for that matter. Despite those under-the-door letters reaching the committee while I was reporting the bill, the committee in is wisdom, with the Congress later supporting it, made its largest reductions. During the 13 years that I have set on this side of the table chairing the committee, the congressional reductions from the regular annual appropriations estimates amounted to $10,020,788,000, or 19.25 percent. Almost without exception many of these programs were overfunded despite the cut.

Along the way there are a lot of things that happened that are pretty difficult for some of us to understand, and we hope we will have a better understanding after today's session and a subsequent session with Mr. Gaud.

Would it be fair, Mr. Secretary, in your opinion, to say that if we are going to compare this year's request for funds under the mutual security program spigot, that for a true comparison we would have to take the pieces that had been removed from that program, put them back together temporarily, to see whether or not this year's request is a low figure or a high figure?

Secretary RUSK. I am not sure I completely understand what pieces you are talking about, Mr. Chairman.

Mr. PASSMAN. Just those items that were previously, in very recent years, carried in mutual security that have now been transferred to other appropriation bills?

Would it not be proper to temporarily look at what the total would be with those pieces added back?

Secretary RUSK. I think, if you look at the total aid effort, that is fair.

When you look at the total aid effort that is fair. When you look at the regional banks——

Mr. PASSMAN. That is fair enough. I will leave out the banks. You have already made your statement on that. This is the largest foreign aid program in the 14 years since I have been chairman of the committee.

Now let me put it together for you. You and the President get better coverage than I do. We established yesterday that there are over 175,000 people that could indirectly be lobbying for this program. Let me cite that for the record. This is healthy, Mr Secretary. You have 62,000 on the aid rolls, either participants that get a monthly subsistence check or foreign nationals or Americans. But if you put the total together there is a subsistence check going on a monthly basis—salary or subsistence—to 62,000 individuals. Then we find you have contracts—and you have been very fair about this, you want everybody to dip into this pot—with colleges and universities. You have 1,322 technical service contracts. This reaches into all 50 States of the Union—into the colleges, universities, work shops, consulting firms, and what have you.

I have never found one of them opposing foreign aid because they too are beneficiaries. I have never found one of the 62,000 in AID—personnel, or participants—opposed to foreign aid. It is my understanding that you have 1,655 different types of businesses in America that have some kind of a contract with AID, and they do not oppose it either. I doubt if you know that we will have an aid program of some type, large or small, either from prior year allocations or new funds—military, Public Law 480, or economic assistance— that will be disbursed in 103 nations and territories in fiscal 1969. So you would have to cover 98 embassies—98 ambassadors and their personnel, and I doubt if those people would be against it. When you put this all together, there are tens of thousands of people who could not afford to oppose foreign aid, and then take into account that during the 14 years I have been chairman of this committee, there has been only one group of outsiders that have appeared in protest of excessive foreign aid. I want to put these pieces together and hope you appreciate what we are doing.

TOTAL FOREIGN AID FOR FISCAL YEAR 1969

This year the total foreign aid and foreign assistance request, all spigots—some good, some bad, and some in-between—is about $11,273,039,000, but if we leave that staggering total temporarily and consider only the mutual security program and put the pieces back, it is the largest request in 16 years since I have been on this committee.

This is the way we arrived at that total. Mutual security, $2,920 million.

Foreign military sales fund, $296 million; military assistance in the DOD budget, $1,710 million; infrastructure, $55 million; DOD-financed AID commodities, $104,900,000.

This is a grand total of $5,085,900,000. The AID people day by day verified the correctness of these figures. It was pretty difficult to tie it down piece by piece. We are not discussing the merits or demerits, we are only discussing a figure comparable to what had

previously been carried in mutual security that has now been put over in other parts of the budget.

Secretary RUSK. Mr. Chairman, I would raise some question about whether the direct supplies furnished to our allies in combat by the Department of Defense are properly attributable to what we call foreign aid.

Mr. PASSMAN. I am not arguing the merit. I am only saying it used to be in mutual security. The highest estimate previously was about $4.9 billion. It may be full of merit.

Secretary RUSK. We have a different kind of war and a much larger war.

Mr. PASSMAN. That is very true, but didn't I qualify it by saying I am not arguing; I am just indicating for the record that it is the highest figure since fiscal 1956. The previously high figure for mutual security in the past 14 years was $4,961,300,000.

You can keep taking pieces out of the mutual security program and eventually you will wind up with a $200 million request, but when you pick up the items in other bills, it keeps going up and up and up. I stand on those figures as being absolutely accurate because they have been verified by at least 15 AID officials. That is the point that worries us.

I am not discussing the merit or demerit. The foreign aid bill is continuing to grow—not mutual security, because you keep taking out pieces of it.

Now, if we add the estimates for the Asian Development Bank, the Inter-American Development Bank, IDA, Public Law 480, and all these other programs that previously were called foreign aid, like the furnishing of food under the Marshall plan which is now Public Law 480, and pick up the three lending windows of the Export-Import Bank, and other foreign aid programs, then it moves up to 11,273 million-odd dollars. I hope it is all good.

I do not like to interrogate this way. But it is just a question of how far can we go before we fall on our fiscal face.

Mr. Martin, Mr. Fowler, the Budget Director, the President, Mr. Mahon, Mr. Mills, and hundreds of American bankers said either bring our fiscal policies under control or we will be in deep financial trouble. We will have either runaway inflation, or a damaging depression or both and you will fall flat on your face.

This is the first time that I have ever been actually frightened about the fiscal policies of my Government. I have a lot of respect for you, read your statement, and received your personal note, but the type of justification you made for this program prompted me to make the record as abundantly clear as I could as to what just the cost of the mutual security program would be if we had not taken those pieces out and put them in other bills.

If I may make this observation, because I am not going to belabor this point. You have been very fair to say you support the policy and not necessarily the detail, but as we are taught in the business community——

Secretary RUSK. Excuse me, Mr. Chairman, I said I was familiar with the policy and not necessarily familiar with all of the details. I did not state it in terms of support.

I did not say I supported the policy and not necessarily the details. That is a little different.

Mr. PASSMAN. Let me put it this way, Mr. Secretary. I said I would assume you were not familiar with the ramifications in detail, but you support the policy.

Secretary RUSK. That is correct. But in many of the details I become directly involved in negotiating with foreign governments.

PROGRAMS INITIATED WITHOUT JUSTIFICATION

Mr. PASSMAN. Let me ask you this, since you brought up that question, Mr. Secretary. We found that 42 percent of all projects under the technical aid program were initiated without any justification of any shape, form, or fashion to Congress. We tightened up the law to where that could not be done any longer, we thought—and we hope yet—because I have a lot of respect for Mr. Gaud, and you know I do. But we discovered yesterday something that is somewhat frustrating.

In one area, and we did not uncover it until we got to the end of the hearings, where projects were scheduled to die—they said this project will terminate in 1966, 1967, or 1968—but we found that 10 percent of all of the projects in that area, and I am below the figure they gave me, had new life breathed into them by the allocation of additional funds. Now they are going projects again. It has caused us great concern. We see them breathing new breath into these dying projects. They even started one project out of supporting assistance, because we did not put the limitation on the supporting assistance appropriation. That is why we will have another session with you, Mr. Gaud, because I do not think you are familiar with that.

FUNDING OF PREMATURE PROJECTS

We ran into one project yesterday, Mr. Secretary, where they had actually put $1.8 million behind an obligation curtain 5 years ago. There has still been no contract firmed up. To date, they have spent only $77,000 on different types of overhead, and it is so old they said this estimate will have to be updated and an additional $600,000 will be required to complete the project. We ran into another project in Turkey where they put $30 million behind the obligation curtain over a year ago and we were told this year that they are trying to form a company that will operate this plant.

Mr. GAUD. That Turkey loan was authorized about a year ago.

Mr. PASSMAN. But it was authorized about a year ago, and it is still unsigned while you are waiting for a company to be formed that can operate the plant.

Mr. GAUD. There is a question of the chicken and the egg, sir. It is a matter of getting local investors in Turkey. Until there was assurance of a loan from the United States, you could not form the corporation and get local investors.

Mr. PASSMAN. Why did you authorize it until that information was forthcoming?

Mr. GAUD. It was impossible to get the Turkish private investors to put their money in until they knew Uncle Sam was putting up the loan.

Mr. PASSMAN. We are putting up the money?

Mr. GAUD. Some.

Mr. PASSMAN. Only $30.5 million.

Mr. GAUD. Isn't this the copper smelter?

Mr. PASSMAN. Yes.

Mr. GAUD. It is to be in the private sector. It is a question of getting the equity capital. You cannot get equity capital until the investors know they can get the debt capital. This loan was deliberately authorized to get the project moving.

There was no monkey business with it at all.

Mr. PASSMAN. That is your interpretation. It was $30,500,000. It was authorized on May 17, 1967. It is a 40-year loan, 10-year grace period, 1 percent service charge for the 10 years, and then 2½ percent interest for 30 years. We will have to borrow the money for 6 percent to give it to them at 2½ percent. The loan agreement is presently still unsigned while negotiations to form the private sector company continue. The prospective Turkish investors are now awaiting the final report before making firm commitments. I am just pointing out what we are getting into.

Secretary RUSK. That is not an unusual thing in our own economy.

Mr. PASSMAN. I am more interested in what this program is doing to our economy right at this time.

FINANCIAL CONDITION OF U.S. GOVERNMENT

Let me make this observation, Mr. Secretary, and it is because of my high regard for you: If you are not frightened, I am. I question whether I could alarm your imagination as to the fiscal mess we are getting into and I do not intend to pursue it much longer.

If what these people who run our country mean what they say, we are facing one of the worst financial dollar crises in the history of our country.

Secretary RUSK. Yes, and that is why the President has urged the tax bill.

Mr. PASSMAN. But the Director of the Budget said you could accomplish the same thing by cutting expenditures as by increasing taxes. They said the President wanted it the other way.

Secretary RUSK. I understand the theory of the decisions the Congress makes under its own great constitutional authority and responsibilities.

What concerns me, quite frankly, Mr. Chairman, is that we do have major demands upon us at the present time, both at home and abroad, and we have the capacity to deal with those demands.

Mr. PASSMAN. By whose interpretation?

Secretary RUSK. I am paying lower rates of Federal taxes today than I paid under President Kennedy, President Eisenhower, President Truman, President Roosevelt.

Mr. PASSMAN. That is a wonderful break for you. The total taxes are higher than ever before.

Secretary RUSK. If we were paying the Kennedy taxes, we would be taking in $24 billion more this year than we are taking in. I did not feel like a slave under President Kennedy, President Eisenhower, and President Truman. This economy of ours can bear burdens. The

increase in our gross national product last year was more than the cost of Vietnam.

Mr. PASSMAN. What has GNP to do with it? You do not own the gross national product, that is the business community. The Government is a spender, not an earner.

Secretary RUSK. If the Congress were to impose Federal taxes on the scale it has imposed in the entire postwar period, we would be able to deal with our fiscal problems.

HISTORICAL FINANCIAL DATA OF THE U.S. GOVERNMENT

Mr. PASSMAN. Mr. Secretary, did you know that during the 157 years from Washington to Truman, the total revenues collected by the Federal Government was $223 billion. Under President Truman, 8 years minus a few days, $337 billion, and he reduced the public debt by $3.5 billion.

Eight years under President Eisenhower, total revenues collected, $624 billion. He increased the public debt from $259 billion to $291 billion.

Under the Kennedy-Johnson administration, their revenue collections will be $1,064,901,000,000, and they will increase the public debt from $291 to $355 billion.

Does that make sense?

Secretary RUSK. Has not the level of the burden, Mr. Chairman, in relation to the productivity of the country remained about stable?

Mr. PASSMAN. Let me ask two more questions and let you answer the question.

The American businessman is something we are all proud of, whether at the mining level, the manufacturing level, or the distribution level. When you raise taxes at the municipal level, the county level, the State level, and the Federal level, this businessman must include all of those taxes into the price of his commodity so when it gets to the marketplace, he can get sufficient funds to pay his expenses and make a profit.

Is that a fair assessment of the situation?

Secretary RUSK. Yes.

Mr. PASSMAN. What have we gotten ourselves into?

COMPETITION IN FOREIGN MARKETS

You agree that steel is basic to the American economy. Last year we actually imported $1.1 billion more in steel than we exported. Many of the manufacturers, and I have letters from steel manufacturers here in my folder, say they are losing bid after bid. The Japanese can come to this country, buy scrap metal, and buy iron ore elsewhere, ship it back to Japan, fabricate it, ship it back to America, pay the freight and duty, and still sell it cheaper than out of Pittsburgh.

Some people say, "Yes, but actually the Japanese buy more from us than we buy from them." That does not enter into; it is a question of remaining competitive.

And I believe, sir, after applying ocean freight, marine insurance, and all foreign aid, with the exception of the military, we still had a trade deficit, did we not?

The point is, can we stay competitive in world markets if we keep spending at home and abroad in excess of our intake?

We have balanced the budget five times in 38 years. That is the question. Can we remain competitive in the world market if we continue our generous contributions to foreign and domestic programs?

Secretary RUSK. I think probably being competitive is related to the issue of inflation, and that is why there is some threat at the present time if our inflation is not cooled off with strong tax legislation.

Mr. PASSMAN. Would not reduced spending accomplish the same thing?

Secretary RUSK. We will run into problems of competitiveness in foreign markets, but we have had a strong competitive position right through this period. We are exporting something in the order of $30 billion a year. Our imports lately have been going up because of the higher prices in the American markets. So that our net balance, favorable balance of trade, has been shrinking, but a cooling off of our economy would, I think, restore that position.

DECREASE IN GOLD HOLDINGS OF UNITED STATES AND IMPORTANCE OF IMPROVING FISCAL SITUATION

Mr. PASSMAN. Could we discuss this briefly, Mr. Secretary?

Secretary RUSK. Yes.

Mr. PASSMAN. On December 31, 1950, we held gold in the amount of $22.879 billion; on December 31, 1967, it had dropped to $11.981 billion. The same date in 1950, gold holdings of other countries was $10.935 billion. On December 31, 1967, that had moved up to $27.385 billion. December 31, 1950, foreign nationals and foreign governments held $8.645 billion worth of short-term dollar claims against our gold. On December 31, 1967, that had moved up to $35.428 billion. Under present policies these people or governments could demand gold, could they not?

Secretary RUSK. Do you have the figure there for foreign assets held by Americans and the American Government?

Mr. PASSMAN. A lot of those assets will never come home, not even the people who are abroad.

Are we not also agreed, Mr. Secretary, that our balance——

Mr. ROONEY. Let's get the figure on foreign investments.

Mr. PASSMAN. Our balance-of-payments deficit during this period has been $36,989 million.

As far as foreign investment, if you have that figure what is it, and how much do we bring back?

Secretary RUSK. I do not have the figure with me today.

Mr. PASSMAN. Is it true there is over $35 billion worth of short-term dollar claims against this $11 billion worth of gold?

Secretary RUSK. Yes, that is true.

Mr. PASSMAN. And we do not have the money to pay it, do we?

Secretary RUSK. Since we are the world banker, since the dollar plays a major role in financing the entire international exchange system, the value of the dollar is based primarily on the productivity and the purchasing power of the American dollar here and abroad, rather than on the actual level of gold at any particular moment.

It is true that we have stepped forward to let the dollar become the major instrument of international exchange. We are modifying that in some degree, as you know, by the special drawing rights plan worked out by the International Monetary Fund, and that will reduce somewhat the pressures on the dollar that derive from the fact that the dollar is the major instrument of international exchange. But this, it seems to me, is not an unusual situation under the circumstances.

Mr. PASSMAN. Not unusual? This is the first time in the history of our country that we have gotten ourselves into such a fiscal mess, Mr. Secretary, that the dollars floating around are three and one-half times the gold we have to pay them. It has never happened in the history of our country.

Secretary RUSK. It is not the gold you pay for dollars; it is goods and services and all the other things people spend dollars for. They do not spend dollars for gold.

Mr. PASSMAN. It is a question of it going out of the country. I am not going to get into anything other than the actual facts.

I do not think it is fair to you or to me or to my country not to pursue this to the point of understanding it. That is, we have valued gold or we never would have created these gold reserves. Our gold reserves have dropped so substantially and the claims against them gone up so substantially, that we are facing a financial crisis. We had a meeting here in Washington with representatives of foreign governments and there was more or less, shall we say, an ultimatum given to us, a diplomatic ultimatum: You must get your financial house in order and if you do not there may be serious trouble.

Is that pretty much in essence what happened?

Secretary RUSK. I would not put it as an ultimatum. They also have problems if we are temporarily in a deficit position in our total balance-of-payments situation, and they, particularly in Western Europe, are in surplus positions; both those in surplus positions and in deficit positions have a problem sitting down and making adjustments in order to maintain the international monetary system in workable order.

Mr. PASSMAN. Why did all the other nations express such great fear of our trend toward a major depression or runaway inflation? Why does the President, the Secretary of the Treasury, and all others express that fear if it is not so?

Secretary RUSK. I am not suggesting that they have not expressed very great concern about what we do in our own internal system here with our economy. If we had put on a good solid tax bill about 2 years ago, then some of these things would not have developed in the same way they have. They are concerned about a prospect of serious inflation in this country, because it does affect our competitive position abroad with our own products, tends to absorb undue levels of imports from other countries, and it makes it difficult for us to obtain a reasonable balance in our own international payments.

They are interested in our economy not heating up to the point where we throw the international payments system out of equilibrium.

Mr. PASSMAN. We have already thrown it out.

Secretary RUSK. It has been affected, but some of the measures taken have, at least for the time being, pending action by the Congress on the tax bill, made a contribution to straightening it out.

Mr. PASSMAN. What tax bill?

Secretary RUSK. The tax bill before the Congress.

Mr. PASSMAN. Do you think you are going to get a tax bill?

Secretary RUSK. I would certainly hope so.

Mr. PASSMAN. Is it true what the Director of the Budget said, that you could accomplish the same thing by reducing expenditures?

Secretary RUSK. That involves judgments on other matters that have to be taken into account.

Mr. PASSMAN. Have I read this into the record correctly that our gold reserves have dropped, in round figures, from $23 billion in 1950 to $10.5 billion as of this day?

Secretary RUSK. I have no reason to challenge those figures.

Mr. PASSMAN. Have I also read into the record correctly that the short-term dollars claims against that gold have gone from $8 to $35 billion in the same 18 years?

Secretary RUSK. I am more familiar with the second figure than the first one. Is that the 1950 figure?

Mr. PASSMAN. 1950 to 1967.

Secretary RUSK. I have no basis to raise any question about that figure.

Mr. PASSMAN. If we had not started, shall we say begging for mercy from those countries we had helped in the past, this other $10.5 billion of gold could have very easily gone out, could it not?

Secretary RUSK. I think that steps similar to those that have been taken and are underway would in any event have been taken along the way to help deal with the problem.

Mr. PASSMAN. We almost ran out before we stopped, if we look at the 3.5 margin, did we not?

Secretary RUSK. I think the 3.5 margin is not as important as the confidence in the dollar's capacity to buy goods and services here and abroad. That is what is important.

Mr. PASSMAN. Mr. Secretary, that is exactly what we are talking about. Is it not true, whether it was tourism or foreign aid, or whether it was military, we have actually sent $35 billion more out of the country than we brought home since 1950?

Secretary RUSK. Some of those are represented by foreign assets owned in this country.

Mr. PASSMAN. It follows, nevertheless, these are short-term claims against this gold. These are the balance-of-payments deficits.

Secretary RUSK. They are short-term claims against the United States, including its capacity to produce goods and services, and including gold.

Mr. PASSMAN. What if they pay for all the goods and services they need and they say, now we are ready to balance the books but we have $1 billion more against you than you have against us?

Secretary RUSK. I think it is not likely to happen that way, because these other countries themselves have a tremendous stake in the international monetary system and in the dollars in that system.

Mr. PASSMAN. Then why are they draining gold out of one country?

Secretary RUSK. They will handle their own reserves in a way to support the efficiency of the international monetary system.

Mr. PASSMAN. There is no defense of what we are doing, Mr. Secretary. I have respect for you, but you and I know that this $35

billion is floating around the world in foreign countries and we actually only have $10.5 billion in gold with which to pay them.

What would be the result?

Secretary RUSK. These $35 billion are not requests for gold; they are requests for purchasing capacity here and abroad. They are not just requests for gold, Mr. Chairman.

Mr. PASSMAN. Mr. Secretary, these are the surplus dollars after they balance their account with us. This is the point I did not get through to you. This is what they built up after buying our gold, and after running their gold reserves up from $10½ to $27 billion, they still had the $35 billion even after settling their accounts.

THE FRENCH DEBT TO THE U.S.

Why do you not just check the transcript if that is debatable to you. France does not owe us a dime. A lot of people do not know they settled their account in full with the exception of World War I, and you would not want to buy any stock in that account, would you?

Secretary RUSK. Not very much for cash.

Mr. PASSMAN. How much does France have in this?

Secretary RUSK. France still has I believe some remaining balances on their World War II debt.

Mr. PASSMAN. The AID Agency said they had liquidated their account.

Secretary RUSK. They prepaid everything except for $300 million that is due in 1971, or something like this.

Mr. PASSMAN. I think the record will show they said they balanced their account. The AID people gave that answer.

Mr. CONTE. That they are paid up to date?

Mr. PASSMAN. Look at the record. If they changed the transcript, it will speak for itself. I asked that question and they said they had paid out.

It simply means, regardless of the mess we get in, regardless of how noncompetitive we become, regardless of how much inflation we have, there is never any admission we have gotten ourselves messed up in world trade, with our gold reserves, or with our balance of payment situation.

U.S. BORROWINGS FROM INTERNATIONAL MONETARY FUND AND COUNTRIES HOLDING CLAIMS AGAINST U.S.

May I ask you this, Mr. Secretary: How many foreign nations are we now borrowing money from directly, and how many are we borrowing money from through the International Monetary Fund?

Secretary RUSK. I will have to supply that information; I do not have it. If you mean by borrowing simply those nations holding dollars?

Mr. PASSMAN. Yes.

Secretary RUSK. Then there are a lot of nations holding dollars, but the dollar is an international medium of exchange.

Mr. PASSMAN. Do we have an understanding with them they will buy our bonds and not buy our gold?

Secretary RUSK. In many cases.

Mr. PASSMAN. Will you give us a list of them?
(The information follows:)

CURRENCIES WHICH THE UNITED STATES HAS DRAWN THROUGH THE INTERNATIONAL MONETARY FUND

The United States as of April 30, 1968, has outstanding $714.1 million of foreign currency purchases from the International Monetary Fund which have not been offset by purchases of U.S. dollars from the Fund. Foreign currencies obtained by the United States from the Fund are purchased with U.S. dollars and do not represent borrowings in the normal sense of that term. Under the provisions of the Fund, so long as Fund holdings do not exceed 100 percent of the member's quota, no holding charges are levied against Fund holdings of any portion of that member country's currency. (There is, however, a one-half percent transaction fee on all purchases.) Fund holdings of U.S. dollars on April 30, 1968, constituted 91 percent of the U.S. quota, thus not incurring any holding charges. Fund regulations require repurchase of U.S. dollars used for these purchases within 3 to 5 years. In practice, drawings of U.S. dollars by other countries, which are creditable against this repurchase requirement, have caused U.S. repurchase obligations to be met consistently well in advance of schedule.

The $714.1 million of drawings outstanding as of April 30, 1968, included amounts drawn from currencies issued the following countries: Belgium, Canada, Germany, Italy, and the Netherlands. The currencies selected to be drawn are determined by the Fund in consultation with the drawing country.

COUNTRIES HOLDING MONETARY RESERVES IN LONG-TERM CLAIMS ON THE UNITED STATES

A number of countries place a portion of their foreign exchange reserves in both long and short-term interest-earning investments in the United States instead of holding these reserves in noninterest bearing forms. In cases where these investments have original maturities exceeding 1 year, they are most frequently made by countries which benefit from U.S. defense spending in ways (a) which result in net unrequited balance of payments benefits to them and costs to the U.S., or (b) which have contributed to substantial reserve increases in these countries in recent years which they find fruitful to have productively invested. It is normal practice for countries to invest their foreign exchange holdings other than working balances in interest-yielding assets.

The following investments in U.S. Treasury securities are distinguished from certain other forms of official exchange holdings, inter alia, by the fact that their maturities exceed 12 months.

NONMARKETABLE U.S. TREASURY BONDS AND NOTES ISSUED TO OFFICIAL INSTITUTIONS OF FOREIGN COUNTRIES

[In millions of dollars or dollar equivalent][1]

Payable in dollars:	
Canada	414
Italy	165
Sweden	25
Total	604
Payable in foreign currencies:	
Austria	50
Belgium	60
Germany	852
Italy	125
Switzerland	311
Total	1,398
Combined total	2,002

[1] Cumulative value as of Apr. 30, 1968

Of those countries listed, the United States has an understanding only with the Central Bank of Federal Republic of Germany that it does not intend to request conversion of its dollar balances to gold. The remaining countries have acquired these securities without any understanding regarding their gold pur-

chase policies being involved. Purchases of these securities cannot be taken as an indication that the country concerned would have purchased gold were it not for its purchase of these securities.

Secretary RUSK. Or withhold their dollars.

Mr. PASSMAN. They are not holding them.

Secretary RUSK. A considerable number of dollars are being held in central banks.

INTEREST RATE PAID ON U.S. SECURITIES

Mr. PASSMAN. What is the top rate we pay foreign governments and foreign nationals on our securities and bonds?

Secretary RUSK. I would have to get that information.

Mr. PASSMAN. Is it 7 percent?

Secretary RUSK. I would have to get that information.

Mr. PASSMAN. Do any supporting witnesses have it?

Is it not a higher rate than we pay our own people?

Secretary RUSK. I do not think so, but I have to check that.

(The information follows:)

INTEREST RATES ON TREASURY SPECIAL FOREIGN SERIES NOTES

The highest interest rate paid on a special foreign issue is 6.375 percent which is on a 16 month special foreign series note issued on May 23, 1968. Foreign governments and nationals may, of course, earn higher returns on regular U.S. securities purchased in the market. For example, the coupon yield on 1-year Treasury bills auctioned on the same date as the above note was 6.46 percent. Yields obtained by foreigners on regular issues are, however, no higher than those obtained by Americans.

The Treasury's policy in determining interest rates when issuing special series securities to foreigners is to base them upon the current market yield for regular Treasury securities of comparable maturity. Consequently, the interest rate is no more and may be less than the Treasury would have to pay if a regular issue were placed on the market.

Mr. PASSMAN. Two final observations, Mr. Secretary.

I think we should call in Mr. Johnson if he would agree to it, Mr. Mills, Mr. Mahon, Mr. Martin, Mr. Fowler, and the Director of the Budget, and you come along as a special guest, and get about 25 of our good bankers and give them a good reprimand for putting out all this information, that we either get our financial house in order, foreign or domestic, or we are going to fall flat on our faces with running inflation. It is just that simple.

Secretary RUSK. I hope nothing I said implies I do not agree there is a serious problem we must solve.

Mr. PASSMAN. But you defend all of the give-away programs.

PURCHASE OF U.S. SECURITIES BY ASIAN DEVELOPMENT BANK

I want to make two observations and see if you share my concern. We know that these banks, and you were kind enough to say so, that if you did not have them we would have to increase our other types of aid. Let's take the Asian Development Bank.

We pledged to that Bank $200 million, $100 million in callable capital, and five $20 million installments, each installment represents a $10 million letter of credit and $10 million in cash.

These people opened for business December 19, 1966, and when they closed their books on December 31, 1967, they had an aggregate of $30 million of loan applications pending, approvals at that time zero, disbursals, zero, and during that same year they had increased their assets to $193 million.

What did we run into? We borrowed $20 million from the American taxpayer, paid him 6 percent, then we gave the money to the Bank; borrowed the $20 million back at 6 percent. So on that particular transaction we are paying 12 percent, are we not?

Secretary RUSK. You would want to prorate the interest charge on any money we have to borrow against the entire Federal budget, I would suppose.

Mr. PASSMAN. This comes last, you understand. Luxuries are put on top of necessities. If we borrowed that $20 million and paid 6 percent for it, and gave it to them, and are now borrowing it back from them at 6 percent, would that not make a 12-percent loan?

Secretary RUSK. I am saying the specific proportion of the Federal budget that is borrowed, as distinct from the proportion paid for through tax collection, would affect the true cost of that.

Mr. PASSMAN. I say we borrowed it. If we borrowed it at 6 percent and gave it to them and borrowed it back at 6 percent, it would be 12 percent, would it not?

Secretary RUSK. We are not borrowing back at 6 percent.

Mr. PASSMAN. Yes; we are.

Secretary RUSK. Not from the Asian Development Bank.

Mr. PASSMAN. I knew that would surprise you. I thought I would get into a little detail because you are so strongly for this aid program.

Secretary RUSK. I do not understand this.

Mr. PASSMAN. They are buying our Government securities.

They wanted a little spending money so they thought it was easier to make loans to the Government who gave them the money and get the quick money so they would have something to spend.

So they picked up about $5 million in interest earnings, loaning the money back to the original donors, in this case, us.

Secretary RUSK. I see. You mean they have invested some of that money they were holding in U.S. bonds?

Mr. PASSMAN. Yes.

And today we are borrowing money from Thailand. You ought to have a look. You might find we are actually selling our securities to over 40 nations of the world. We are also going through the International Monetary Fund and that is another borrowing system that takes the stigma off our country, and I am glad we are doing it that way.

Do I understand it right, that those who have a deficit balance-of-payments situation are eligible to draw on the International Monetary Fund?

Secretary RUSK. That is my understanding; yes.

Mr. PASSMAN. And we certainly have one and we have had it for 18 years. So what we do then, we get other nations to pledge to this fund so many lire, so many yen, so many French francs, and then we borrow it.

I will admit it takes the stigma off the direct loan, but we are going to have to pay it back; are we not?

Secretary RUSK. Yes.

Mr. PASSMAN. I am not going to pursue this any further, Mr. Rusk. Everything is on your side, at least 99 percent, as I think it will be close to 175,000 people who are continuously lobbying for foreign aid. You also have a lot of support in the Congress and that is the Members' privilege. But you have had one protester in the 14 years I have been on this committee that has had the courage to come before this committee and protest excessive foreign aid. It is the most one-sided thing I have ever had to deal with. I just cannot combat the type of propaganda that has built up in favor of this foreign-aid program.

This one final statement, which kind of shocked the committee, or at least one member of the committee: They stated we have had a foreign-aid program going in 119 nations of the world. The following day they said we would like to reduce that down by one so it would be 118. Then we asked for a list of nations who had not had any aid programs since the end of World War II, and it was such a short list that they had to add to the list the Vatican City so that would show up as a nation. And Princess Grace's little nation was added in.

We ran into another little nation, eight square miles, with 6,000 population, which was included as a nation. We ran into another little one with only 26,000 population. They put that down as a nation that had not received aid.

If you were to erase those little spots, which are not much bigger than a Georgia farm, it would be such a short list it would embarrass all of us. So I am going to leave the imagination in, you understand, to help make your case.

Secretary RUSK. I hope, Mr. Chairman, that you would take into account some judgment as to what kind of a world this would be and what kind of a country we would have if we had not made the effort we have made, beginning with lend-lease before World War II, to try to bring about a kind of world in which we can live in safety, and in reasonable prosperity.

Mr. PASSMAN. Who was the largest recipient of lend-lease, Russia?

Secretary RUSK. Britain, I think.

Mr. PASSMAN. Russia was right near the top.

Secretary RUSK. It was; we were in a deadly war against the Nazis and against the Japanese.

Mr. PASSMAN. Mr. Rusk, our founding fathers, the great scholars of the past, pleaded for us to stay out of these foreign entanglements such as we are in now. You just do not know what kind of a mess we are in. We are in 103 nations and territories, with some type of foreign aid program. There are 4,208 projects and subprojects, and subsub projects to subprojects scattered all over the world, and nobody can keep on top of it. It takes 702 persons to do all the things issued in the name of the President, and I expect it will take just that many persons to do all of the things issued in the name of the Secretary of State, because you just cannot stay on top of all of this. Some of us must put up some resistance to try to contain this program.

I do know this: We got along very beautifully for the first 160 years of our existence, did we not? We had wars, but usually we settled down and would do business on the basis of trade. You said we have had more turmoil, heartaches, and uncertainty in the last 20 years than in any other 20-year period of our history.

I guess the concept of giving away our wealth and placing a debt on unborn generations of tens of billions of dollars, will continue to receive the support of you people until we fall flat on our fiscal face.

As far as I am concerned, I will continue to use these statistics because they have been verified. You may argue with them, but you cannot disprove them. All you can do is put up some weak reason as to why we can afford to do these things and should do them, but I do not buy it because I know enough about America and the way we do things.

We are check grabbers. You can go downtown to a cocktail lounge or a restaurant any night and sit over in the corner and watch the scenes created all over the room when the check comes around. Everybody is trying to grab it. We are a nation of check grabbers.

What you do as individuals you do as a nation. How you people can tell how friendly a nation would be if you did not give them aid, I do not know, when you have to have all of the handouts tied to treaties and agreements.

Why do you not just cut loose from one of them and see how friendly they are after you have cut them loose. Just say you do not have the money. Try it out. You have 103 nations and territories so you can afford to cut loose from one of them. See how friendly they are after you cut it off. That would be my recommendation.

Thank you, Mr. Secretary.

Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

SITUATION IN PANAMA

Mr. Secretary, I appreciate your very frank statement off the record at the beginning, but I have a few other questions you did not cover. One has to do with Panama. Press reports concerning the elections down there have been somewhat conflicting except for the recurring theme that neither of the two candidates represents the will of the people.

Would you comment on the situation there in regard to the election, our position toward the candidates, and status of the treaty?

Secretary RUSK. Yes; Mr. Shriver, I will be glad to.

Mr. SHRIVER. You may want to go off the record.

Secretary RUSK. The results of the election have not been announced by the electoral board. They are still counting the votes.

(Off the record.)

DIPLOMATIC PROBLEMS CAUSED BY APPROPRIATION RESTRICTIONS AND REDUCTIONS

Mr. SHRIVER. Have you noticed any diplomatic difficulties resulting from the amendment to the appropriation bill last year, that no technical assistance or international organization projects could be initiated prior to their justification before the Congress?

Secretary RUSK. I would have to ask Mr. Gaud about that. I do not think, frankly, in any negotiations with foreign countries on varied problems, this has come into it.

Mr. GAUD. No diplomatic problems.

Mr. SHRIVER. What have been the specific repercussions on the part of other assistance donors and recipient countries of the cutback in our assistance in the fiscal year 1968 bill?

Secretary RUSK. I think the principal problems we have had, have been in those consortium situations where we were not able to put in as much as those who were managing the consortium had hoped we could put in, in order to keep momentum going for countries like India and Pakistan. Reductions there were important.

To me, one of the more important difficult problems has been Indonesia. There we have had a major interest in seeing this new post-Sukarno Government get the country on its feet and move with confidence and get going, because it is a country with very substantial resources.

Mr. SHRIVER. What occurred there has occurred since the passage of the fiscal year 1968 appropriations?

Secretary RUSK. It occurred about 3 years ago. In 1965, they had the change in government there. I think that it might have been well for us to be in a position to throw a little more heft in behind the Indonesian nation than we have been able to do. I cite that as one example.

Mr. SHRIVER. Any others?

Secretary RUSK. Of course there have been a good many political problems on the continent of Africa. We have cut back bilateral aid programs to a good many of those countries, as you know, and the scale of our aid to Africa is substantially less than it is to other continents. The Africans feel they are at the bottom of the ladder and are being neglected. We get some kickbacks from them on that.

Mr. SHRIVER. Was that not an executive branch decision?

Secretary RUSK. I would say this was a joint decision, and we had limitations.

Mr. GAUD. Ambassador Korry's report did not recommend a reduction in aid to Africa. It recommended an increase of about 10 percent a year. He recommended cutting down on the number of bilateral projects and increasing regional projects, but did not recommend a cut in the aid level.

As a result of cuts last year, we had to reduce our aid to Africa very substantially. I think this is what the Secretary is talking about.

Mr. SHRIVER. What bad results occurred?

Secretary RUSK. In particular negotiations with foreign governments, we have had to say "No" both to national and to regional activities that would be of real benefit to these countries and help stabilize that continent. In this total situation, I think we will not know how deeply cutting this is until we see what we are going to do over a period of time. One can try in a given year to hold things off. One can hold out the prospect of the African Development Bank furnishing assistance and encouragement, and of more assistance from Western Europe. We have tried all sorts of things to try to make do.

But I think in the longer run, we are going to find both we and Western Europe are going to have to give more serious attention to this vast continent just south of the peninsula of NATO Europe. I think we see how the Communist Chinese are coming in strongly in East Africa, in the Tan-Zam Railway.

CHINESE AID PROGRAMS

Mr. SHRIVER. How much are they putting in?

Secretary RUSK. Thus far, they have put in the people to do the surveying and make the preparations and have held out prospects of financing the building of the railway.

Mr. SHRIVER. They have not put in much money, have they? How many people are you talking about?

Mr. GAUD. As the Secretary says, so far it has been a matter of surveying the project and starting design engineering. Construction has not started on it.

Mr. SHRIVER. So they have not spent much.

Mr. GAUD. Not in output of dollars.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

U.N. ATTORNEYS IN AFRICA

Mr. PASSMAN. Is it not true we are getting ourselves in bad with one or more nations in Africa as a result of our contribution to the U.N., which is sending attorneys into a sovereign country to protect those who say they are being discriminated against?

Are you not having repercussions there?

Secretary RUSK. Are you talking about the lawyers for the prisoners?

Mr. PASSMAN. I do not know whether they are prisoners or dancers. I know we are assisting in financing attorneys who are going into a sovereign country to protect those being discriminated against.

Secretary RUSK. This is a matter of general political or policy question for practically everybody in the rest of the continent of Africa. It is a problem with South Africa about which many Americans, including lawyers and bar groups, have expressed concern and interest. For example, there were American lawyers present as observers on behalf of private organizations during parts of the recent terrorism trials in Pretoria.

Mr. PASSMAN. Is it true? I wanted to discount it, but they documented it.

Secretary RUSK. As I indicated, some American lawyers have visited South Africa under private auspices.

Mr. PASSMAN. Is that a sovereign country?

Secretary RUSK. Yes, it is.

Mr. PASSMAN. How would we feel if we were to wake up some morning and see headlines that Russia and possibly Red China had sent some lawyers over here to protect people they say we are discriminating against?

Would we take that kindly?

It is a good comparison, is it not?

Secretary RUSK. This is a very explosive situation in the continent of Africa—it has in it the seeds of war and peace.

Mr. PASSMAN. Why do we not stay out of it? If we put that shoe on the other foot, I wonder how we would feel.

Secretary RUSK. Our ears get boxed from both sides on this, Mr. Chairman.

Many of the African States are very upset because we do not support the use of force to settle some of these racial problems in the continent of Africa, or go in for a sweeping program of economic sanctions against Portugal, and South Africa; so we get it from both sides.

My guess is, if you were to look at all of the considerations that bear in from both directions, you would very likely come out about where we are if you had to make the decision.

INDEPENDENCE OF BIAFRA

Mr. SHRIVER. As I understand it, four African countries have now recognized Biafra as an independent state.

Secretary RUSK. Yes.

Mr. SHRIVER. What is our position toward Biafra and Nigeria?

Secretary RUSK. We do not recognize Biafra.

(Off the record.)

PUEBLO INCIDENT

Mr. SHRIVER. I recently read that the Vice President was quoted as hinting that some breakthrough may be imminent regarding the release of the crew of the *Pueblo*.

Could you bring us up to date on this?

Secretary RUSK. I do not have in front of me what the Vice President might have said. In fact, we still are at dead center in the discussions at Panmunjon and have not seen any readiness on the part of the North Koreans to turn the *Pueblo* and its crew back.

We continue to press them and other governments with whom they are associated very hard on this to see if we cannot get some action, but at the present time I cannot report any progress, unhappily.

(Off the record.)

OVERSEA EMPLOYEE REDUCTION

Mr. SHRIVER. To what extent have you reduced the number of oversea employees in your department in response to the President's directive?

Secretary RUSK. We are still in that process. I think, as far as the embassies are concerned, it is already running over 2,700 Americans.

Mr. SHRIVER. What type of employees?

Secretary RUSK. They are in all of the agencies that are involved in our embassies abroad. The total include the military attachés, it includes State, it includes AID, and all the agencies.

Mr. GAUD. The AID figures are already in the record.

Mr. SHRIVER. I am talking about the State Department.

Secretary RUSK. Reductions in State Department personnel in our embassies are running, at the present time already well over 600, and the process is continuing.

ARMS PURCHASES AGREEMENT

Mr. SHRIVER. What specific modifications are you proposing regarding the arms purchases amendment which was added last year?

Secretary RUSK. I think you can count on us to be very much concerned about what appear to be excessive expenditures for arms. We can start from that.

In the case of Latin America, for example, they have the lowest percentage of their gross national product spent on arms of any major region in the world.

During the period of U.S military assistance to Latin America, their expenditure on armaments has been reduced as they have modernized and as they have reduced the numbers and got rid of some obsolete equipment. So I think there is no problem whatever between us and the committee or anyone in the Congress on watching that point very carefully. We do not want to see neighborhood arms races if we can possibly avoid them.

You get more complicated questions in a place like India. On the one hand an arms race between India and Pakistan is a very troublesome affair because it bites deeply into the resources they have available for economic and social development.

On the other hand, India is the principal counterpart in that entire southern flank to China, and China is sitting there still with a pretty hostile and militant policy, developing nuclear weapons, threatening all of its neighborhood from India right around to Japan.

So in the long run, query: Is it in the United States' interest for India to have a reasonable military establishment over against China? This requires some sense of balance.

We have urged both India and Pakistan not to increase their military budget as a percentage of their gross national product, and we have urged them not to get into the supersophisticated weapons to the extent we possibly can urge. So this is something we watch very carefully.

Even in the case of Iran, where we do not have an economic assistance program, we try to encourage the Shah not to go too far in using Iran's own resources for military hardware which we think might be excessive to their needs.

So our influence in the less developed world generally is exercised pretty directly and with a good deal of pressure on this point.

In the case of Korea, you have a rather different situation. In view of the menacing attitude of North Korea, we feel the South Koreans must increase their military establishment, particularly in certain items of equipment and in their reserves, rather rapidly, and we have asked for $100 million this fiscal year to augment what we have been doing for Korea.

Mr. CONTE. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr. CONTE. In regard to the amendment you spoke about on page 10 in going through the countries that you have mentioned here, Iran and Korea, both are excluded from that amendment. So they do not enter into the picture at all.

Latin America, you mentioned, spent the smallest percentage of their gross national product for arms, I do not know what period of time you refer to—maybe in the history of Latin America.

Does that take into consideration the French Mirage?

Secretary RUSK. Could I comment off the record?

Mr. CONTE. Yes.

(Off the record.)

Mr. PASSMAN. As I yield to Mr. Rooney, I think I should make this observation, Mr. Secretary. It is not something we can just laugh about. The record shows that ouija boards and fortunetellers have caused many divorces, murders, and suicides among intellectuals.

The point: The President of Indonesia has a private fortuneteller. We do not know whether he is going to follow the advice of that fortuneteller just inside the place or whether he is going to take it into consideration in his everyday activity. Have we any insurance that he will ignore the recommendations of his fortuneteller if it should be to take the country back toward Russia? You are familiar with his fortuneteller? I refer to Suharto, the President of Indonesia.

Mr. ROONEY. This is not the kind of discussion that should be on the record.

Mr. PASSMAN. Our money is involved. If this man follows the dictates of a fortuneteller in his private business, he may follow it when he gets into the fiscal affairs of Indonesia.

Secretary RUSK. Mr. Chairman, I really do not think I should get into the customs and the traditions——

Mr. PASSMAN. I am making a statement of fact that the President of Indonesia has a private fortuneteller that advises him.

Mrs. HANSEN. How do you know?

Mr. PASSMAN. The information reaches me through various sources and we have already discussed it with the AID officials.

Mrs. HANSEN. Do they know?

Mr. PASSMAN. I suspect things like that come up before your committee and you have a right to explore them. I shall not insist that the Secretary answer the question.

Mr. Rooney?

Secretary RUSK. If I may comment on that on the record——

Mr. PASSMAN. Off the record?

Secretary RUSK. I do not care who said it, I do not believe the Government of Indonesia determines its policy on the basis of fortunetellers.

Mr. PASSMAN. I am talking about the President.

Secretary RUSK. He is the head of the Government, and the Government has a lot of problems on its hands, and I do not believe they base their policies on the whimsical statements of a fortuneteller.

Mr. PASSMAN. You do not know that he does not follow the recommendations of his fortuneteller, do you?

(Off the record.)

PERSONNEL IN STATE DEPARTMENT

Mr. ROONEY. Mr. Secretary, since the year 1961 when you became Secretary of State, I have been present and heard you on many occasions before both this subcommittee and the subcommittee on State Department appropriations. I can honestly say that, in my humble judgment, I have never heard you say anything that did not make good sense. I think you are and have been a fine administrator, although you have nothing to do, in effect, with the administration of this program. That is Mr. Gaud's area.

Most people do not know the situation with regard to the State Department insofar as its personnel are concerned. You have continued on in the years since 1961 when you became Secretary of State without practically any increase in personnel overall these years. I

doubt that there is a single other agency—perhaps the American Battle Monuments Commission or some small agency such as that—that has not had very substantial personnel increases over the years. You have run a good Department, a tight Department, and I shall follow very carefully your advice in the area that you are discussing this afternoon.

Secretary RUSK. Thank you very much, Mr. Rooney.

Mr. PASSMAN. I was just as complimentary of Mr. Rusk as you were, Mr. Rooney. Since we have basically agreed on policy, I have no quarrel.

Mr. Conte?

Mr. CONTE. I have said this many times. I have served on this committee 10 years and listened to Secretary Dulles, Secretary Herter, and Secretary Rusk. I want to associate myself with the remarks of Congressman Rooney. I think Mr. Rusk has been one of the finest and most dedicated public servants this country has ever had. It has been our good fortune and the good fortune of the citizens of this country to have such a man at the helm of one of the most vexing jobs—I have not always agreed with him and I imagine in the future I will not always agree with him, but I think we are fortunate to have a man of his capability and intelligence and knowhow to run a most delicate job during these most trying times.

Secretary RUSK. Thank you very much, Mr. Conte.

SUPPORT OF AID PROGRAM

Mr. CONTE. Mr. Secretary, I want to say that I feel, as a practical politician, the AID program is in trouble. It is in trouble in the regions the chairman has brought out here today. If it is any consolation, I just got back answers to a questionnaire which went to 70,000 people in my congressional district—8,145 answered. I asked them where they felt cuts should be made. "Regardless of your answers to the above questions in regard to taxes and other things," I said, "What programs should be cut?"

Three thousand three hundred and fifty-seven said the space program; 2,298 said public works; and 2,070 said the poverty program. Next came urban rebuilding programs, defense, and aid to education. Much to my amazement, way down the line, 656 said foreign aid. That was quite an astonishing result.

I realize that foreign aid has very few friends around the country because they are not getting any bridges or irrigation ditches or basin development. It is a tough program to sell. It is almost surprising to see that at least some people are thinking that maybe this program should be continued. Even though it has had some rocky ups and downs in the past, I think we should keep it going, maybe not at the same level during these difficult financial times, but we should do everything we can to keep it together.

EFFECT ON EXPENDITURES OF CUT IN AID FUNDS

In regard to the outflow of gold, there are many reasons for the outflow of gold, but one is that we have 6 divisions in Europe. We have troops all over the world. This adds to the outflow of gold. People are traveling and spending a considerable amount of money going overseas and buying gifts. This adds considerably to the outflow of gold.

I think you should have mentioned those factors in your response to the chairman.

What if we cut the entire program this year, $2,920 million. What if we cut this entire request—how much will that actually mean in expenditures?

Secretary RUSK. If there were a complete moratorium——

Mr. CONTE. I am not talking about rescissions now, I am just referring to this budget request.

Secretary RUSK. If we cut this appropriation entirely this year, the effect on the expenditures would be what?

Mr. GAUD. I cannot speak to the military side, but if you cut the entire economic program, eliminated it completely, you would save $500 million.

Secretary RUSK. In expenditures.

Mr. GAUD. In expenditures, out of fiscal year 1969 funds.

Mr. CONTE. Does that take in administration costs?

Mr. GAUD. I am assuming there would not be a single soul left on the payroll. God knows what would happen to all the projects now in process.

Mr. SHRIVER. You would save only half a billion dollars in spending by your Agency?

Mr. GAUD. Yes, sir. If the full amount we are requesting for economic aid, $2.5 billion, were appropriated, only $500 million of that would be spent in fiscal 1969.

Mr. CONTE. The rescissions would be the pipeline.

Mr. GAUD. No. Only $500 million of new appropriations would be spent. Our total expenditures for next year are estimated at $2.4 billion. So, $1.9 billion would come from previous years' funds.

Mr. SHRIVER. I understand that. All of that would be expenditures, nonetheless.

Mr. GAUD. I thought the question was if we cut out the program totally and made no appropriation for 1969, how much would that save in expenditures of newly appropriated money.

Mr. CONTE. This is my question.

Mr. SHRIVER. But it is money that would affect the economy one way or the other.

Mr. PASSMAN. Let me use different words and see if I understand this correctly. If you received no new funds at all, then you would be able to spend $1.9 billion rather than $2.5 billion, is that correct?

Mr. GAUD. On the economic aid side, if we got no new funds at all, I think I am right in saying we would be spending $1.9 billion from prior year funds instead of spending $2.4 billion, which would be the case if we got our full appropriation request.

Mr. CONTE. Mr. Chairman, if it is agreeable, I will put the figures for the military in the record right now.

(The material follows:)

FISCAL YEAR 1969 EXPENDITURES OUT OF FISCAL YEAR 1969 MAP APPROPRIATIONS

If the full estimate of $420 million for the military assistance program were appropriated, only $125 million would be spent in fiscal year 1969.

CONTE-LONG AMENDMENT

Mr. CONTE. In regard to the so-called Conte-Long amendment, could we have a rundown, Mr. Secretary, either on or off the record, preferably on the record, of the underdeveloped countries that are involved, in terms of buying jet fighters—let us stick with jet fighters, because principally that is what we are talking about?

Secretary RUSK. We can furnish that list, Mr. Conte. I would prefer that we be off the record, because we have a lot of negotiating to do and we have weighting to do in certain instances, and it would get in our way if we put the full list on. I would have to look specifically into the aircraft, but it has been in the nature of 6 or 8 countries, I would say offhand.

Mr. CONTE. Principally the countries of Latin America?

Secretary RUSK. Two in Latin America, one of which made the purchase before the amendment became law.

Mr. CONTE. One as a result of a fait accompli, and the other one is ———.

Secretary RUSK. Yes. It is possible it might come up somewhere else if they get interested in the same problem in the same way as ——— and Peru.

Mr. CONTE. Mr. McFall said he would like to see some kind of agreement reached here. I do not think today is the day to do it. I think maybe we could have another session. I strongly feel right now that our amendments are sound and workable. I think the State Department gets itself in the position where they cannot take on a lot of these countries because of political reasons.

If you have these amendments, you can say, "This is what Congress says, and it is beyond my power to do anything else."

Secretary RUSK. If I could depend upon what it is that you are saying no to and whether, in fact, we achieve the central purpose that you have in mind by doing it one way rather than another, I think that is where the range of discussion ought to come in.

Further, I think in the case of some of these countries, particularly in this hemisphere, even though they may do something that we do not like—this is a matter of rather small detail, actually, in terms of the total situation, the gross national product of the country, the entire hemisphere situation—we still live with the consequences, including the consequences of our not providing reasonable aid under the Alliance for Progress. So, the consequence of the decision is still on our doorstep. We cannot walk away from the hemisphere and not care what happens in these countries.

STATUS OF THE ALLIANCE FOR PROGRESS

Mr. CONTE. Even though a small percentage of the gross national product is going into armaments, yet our expectation in fighting so strongly for the Alliance for Progress has still not borne fruit. In your own statement you say the per capita growth rate in Latin America has averaged 2.2 percent. This is short of the Alliance goal of 2.5 per year. You have already fallen down here.

Maybe if they were not getting in the armaments in Argentina, Chile, Peru, and Brazil, they could meet that 2.5 percent.

Mr. LONG. I am a little puzzled as to how the Secretary of State can say these are small items when the total expenditures of the first half dozen years of this decade——

Mr. CONTE. I said 2.2 percent.

NATIONAL DEFENSE EXPENDITURES IN LATIN AMERICA

Mr. LONG. —for national defense in all of Latin America were substantially greater than we had given in toto for economic aid. So, these are not small sums. It is true the particular plane order may be small, but we are trying to get a principle established.

We are also trying to head off an arms race, because Mr. Conte and I both feel that when we allow planes to be sold to make Peru more secure, we are making Chile more insecure and we are therefore creating forces which can really get out of control.

I agree with Mr. Conte that if you are really trying to get these countries to abstain from diverting their resources to things that make no sense from the economic point of view, then these amendments help you, because they do give you something you can hide behind. They do enable you to say to a country, "It is true you cannot buy these weapons, but it is also true that your neighboring country cannot buy them, either," so you are in a sense solving a simultaneous equation with these amendments.

Secretary RUSK. Mr. Long, I agree with Mr. Conte we perhaps ought to have a pretty thorough discussion about the various elements that go into this. Here is the kind of thing that, quite frankly, bothers me. Brazil is as big as the United States. It is not easy for us to say Brazil should not have ——— men in their armed forces.

Mr. LONG. With our money?

Secretary RUSK. No. Their gross national product is what? It is not with our money. Yes, let us say if 1 percent of their budget comes from foreign assistance, then 1 percent of that is our money.

They have a gross national product of $27 billion. My colleague, Mr. Katzenbach, said the other day that total Latin American expenditures on military equipment last year are one-half the budget of the New York City police force. This is not a runaway arms race on that continent.

Mr. LONG. Mr. Secretary, I think this is juggling figures. The fact is they have spent on the average $1.5 billion a year on their armed forces. You can always find some way of making it look small, but $1.5 billion a year on their armed forces, on national defense for Latin America, is a very large sum of money, and it is, in fact, greater than the amount of money that we have been putting in there in economic aid.

I might point out that Brazil is a very interesting case in point, because when I was in Brazil I discovered, to my horror, that the average real wages of all union workers in the last decade, during which time we put $3 billion into that country from all spigots, has gone down 40 percent. I would not have believed—I might say I was an economist before I became a House Member—that this could happen in a country. This does not reassure me as to the validity of

our program there or comfort me that we can go on spending money on arms for these countries. We are not succeeding in Brazil if the betterment of the people is the criterion, and I think it is.

Secretary RUSK. Mr. Long, you are not making the point, are you, that a country which receives aid from us should have no military establishment?

Mr. LONG. I do not think this was the point of the Long-Conte amendments, but I do think that it is not our job to contribute to the military establishment in any way, including, I would say, nonsophisticated weapons in Latin America where there is no Communist menace. I do not think this is our job at all. To that extent, I would answer your question, "yes."

Mr. CONTE. No Communist menace from the outside. There may be from within.

COMMUNIST MENACE IN THIS HEMISPHERE

Secretary RUSK. I have been to about three meetings of the foreign ministers of the hemisphere to take up specific cases of Communist menace in this hemisphere.

Mr. LONG. I think, Mr. Secretary if you can find a Communist menace in the sense of an external threat that calls for big military expenditures in Latin America, then you can find it absolutely anywhere in the world.

I might point out when I was in Peru and talked to all of the top military people there, the head of the joint chiefs of staff, the counterpart of our Earle Wheeler, and others—that was the country we are considering in the application of the Conte-Long amendments—they never mentioned a guerrilla or Communist problem there as the mission of their armed forces. I asked them what the mission of their armed forces was, and they told me they were afraid of Chile coming up and grabbing their copper mines.

Secretary RUSK. That would not have been true in Bolivia. It would not have been true in Venezuela, Guatemala, or Colombia.

Mr. LONG. It is true in Peru. Peru is the country under consideration. Our application of these amendments to Peru was reported to have been criticized by Under Secretary Katzenbach. Yet, they did not mention the guerrilla problem to me. We had a very friendly discussion. I could not find anybody else who believed actually that Chile was a menace to Peru. They did not mention guerrillas even once. I talked with them for about an hour and a half.

Mr. CONTE. Mr. Secretary, you will provide that for the record, and the number of planes that are involved, with a ballpark figure of what the cost of the planes would be.

(The information was classified and submitted separately to the Committee.)

Mr. CONTE. This can be either on or off the record. I think this is worthy of further discussion at great length. In regard to India, the argument you hear so often and read in the press is that India has the largest southern flank against the Communists, they have a border problem there with the Red Chinese, et cetera. I am no military strategist, but if China was earnest in attacking India, no matter how much aid we gave them, at least in the foreseeable future, they could not stand up against China for 2 days, I don't imagine.

Secretary RUSK. May I go off the record on this?
Mr. CONTE. Surely.
(Off the record.)
Mr. CONTE. That is all, Mr. Secretary.
Mr. PASSMAN. Thank you, Mr. Conte.

FRENCH DEBT TO UNITED STATES

Mr. Secretary, Mr. Gaud, and members of the committee: I think it important to keep the record straight. Either it is wrong at one place or it is wrong at another place. Inasmuch as I have been in some heated discussions about the way France has treated us, I was attempting to get the record on my side, and here is what I found.

Our grants to France were $7,469,900,000. Loans to France were $1,946,200,000. The interest on the loans is $448,700,000. She has paid her loans in full and paid interest of $448,700,000.

Then we go to the transcript on page 1884:

"Mr. PASSMAN. As I read the record, the total economic and military aid to France from 1945 to the cessation of our grants to them has amounted to $9,416,100,000, is that correct?

"Mr. GAUD. Yes.

"Mr. PASSMAN. Of that, the loans were $1,946,200,000?

"Mr. GAUD. Correct.

"Mr. PASSMAN. She has paid $2,394,900,000, including interest and principal?

"Mr. GAUD. That is right.

"Mr. PASSMAN. So she has repaid the loans.

"Mr. GAUD. That is right.

"Mr. PASSMAN. For fear of any misunderstanding about what appears to be the hard attitude toward a man who was not appreciative of our aid, General De Gaulle, France did pay her loans, and where it was a grant the grant is not collectible, is it?

"Mr. GAUD. That is right.

Mr. PASSMAN. All I can go by is the testimony in the record. If you have loans to them that you have not told us about, you had better give them to us so we can put them in the record. This is the testimony of April 24, 1968, just about 30 days ago.

Mr. GAUD. I think my testimony was in error.

Mr. PASSMAN. I will accept that.

Mr. GAUD. I would like to check it again. It is my impression some $300 million of principal is still owed by France.

Mr. ROONEY. I believe France owes us money from World War I.

Mr. GAUD. That is also correct.

Mr. PASSMAN. We agreed to that. We made that exception in the hearings. The gentleman is very fair. He said he thought he was incorrect. I may not be the smartest boy around, but I never forget figures and what is said before this committee. That I can assure you.

Secretary RUSK. Mr. Chairman, I think we can give you——

Mr. PASSMAN. Put it in the record. I did not want you to get that monkey on my back, because I remember the answers given by these AID people. It is my business to know.

(The information follows:)

As set forth in the following table, of the $2,394.9 million paid by France, as of June 30, 1967, $616.4 million consisted of interest payments and $1,778.5 million of principal repayments, leaving a balance of $167.7 million in outstanding loans.

STATUS OF LOANS, GRANTS, INTEREST COLLECTIONS, LOAN REPAYMENTS, AND OUTSTANDING LOANS, AS OF JUNE 30, 1967

[In millions of dollars]

	Total 1946–47			Interest and repayments			Total, less interest and repayments	Outstanding loans
	Grants	Loans	Total	Interest collections	Loan repayments	Total		
Economic:								
AID and predecessor agencies	2,964.7	225.6	3,190.3	51.2	225.6	276.8	2,913.5	.....
Food for Freedom:								
Title I, Cooley loans	.....	6.9	6.9	1.6	4.3	5.9	1.0	2.6
Title II, donations	12.2	.....	12.2	.....	.....	.....	12.2	.....
Export-Import Bank long-term loans	.....	1,238.9	1,238.9	437.3	1,219.2	1,656.5	−417.6	19.7
Other U.S. economic programs	314.7	394.4	709.1	126.3	249.2	375.5	333.6	145.2
Total, economic	3,291.6	1,865.8	5,157.4	616.4	1,698.3	2,314.7	2,842.7	167.5
Military:								
Credit assistance	.....	80.4	80.4	.....	80.2	80.2	0.2	0.2
Grants	4,153.0	.....	4,153.0	.....	.....	.....	4,153.0	.....
Other military assistance grants	25.3	.....	25.3	.....	.....	.....	25.3	.....
Total, military	4,178.3	80.4	4,258.7	.....	80.2	80.2	4,178.5	0.2
Total, economic and military	7,469.9	1,946.2	9,416.1	616.4	1,778.5	2,394.9	7,021.2	167.7

Mr. PASSMAN. Mrs. Hansen?

Mrs. HANSEN. I want to continue the discussion, Mr. Secretary.

CUT IN FOREIGN AID TO MEET $6 BILLION EXPENDITURE REDUCTION

You testified, Mr. Gaud, that half a billion dollars would be the amount of expenditure reduction if there were no 1969 appropriations.

Mr. GAUD. That is correct.

Mrs. HANSEN. In order to achieve this $6 billion expenditure cut that we have been discussing, out of the $40 billion of controllable items, for AID to make this contribution in proportion to the domestic programs, where would you have to go?

Mr. GAUD. That is a matter I just cannot answer, Mrs. Hansen. The Budget Bureau has not discussed that with us. We have not been in on that at all.

Secretary RUSK. Those discussions have been going on elsewhere.

Mrs. HANSEN. I am not asking for the Budget Bureau's determination. What I am asking is what places exist for the money to be taken from? Is it not true that it would have to come from the program spending items of this year carried over perhaps from 1966 and 1967 and 1968? Is that not correct?

Mr. GAUD. I am saying I do not know what part of the $4 billion or the $6 billion, or whatever the figure is, the Bureau of the Budget would allocate to AID. Until I know what that figure is, I cannot give

an intelligent answer as to whether we would have to cancel existing contracts, whether we could get some of it by reducing next year's appropriation, or how we would go about it.

Mrs. HANSEN. Let me put it this way: If it were necessary to make expenditure cuts, because in spite of the questionnaire which was returned by Mr. Conte, this is not a typical questionnaire coming in from around the Nation. I will read you some figures on that in a minute. If you are going to make it proportionate with others—for example, yesterday the expenditure cut on a billion dollar bill for the management of 760 million acres of land in the United States, which is the basic economy of the United States and where the receipts and revenue generated pay for the bill, was $200 million. In proportion to your $2.5 billion, none of which comes with a receipts category to it in hard coins, if you are looking for an expenditure cut below the $500 million, then is it not necessary to have to take it from pipeline items which have been authorized prior to the 1969 fiscal spending?

Mr. GAUD. That is right, authorized and committed.

Mrs. HANSEN. On page 12 you say, "Almost all of AID's $4 billion pipeline is committed by international agreements to finance specific projects and activities." I think it would be well for you to define that at this point, because this is something that a great many Members are vague about. What kind of international agreements are they? What is the sanctity of them? How soon after your appropriation bill passes do you make these commitments? Suppose the 1968 bill was passed December 14, or something like that, how soon thereafter did you begin to make commitments and how many commitments have you made?

You might put that total in the record, at least for the knowledge of the committee members.

Mr. GAUD. I think I can answer it now, or try, at any rate.

Some of the commitments of the 1968 funds were made before the bill became effective, because we had a continuing resolution for a good part of the fall, although not for the entire fall. A lot of this $4 billion pipeline, of course, also comes from years prior to 1968. The fact is that——

Mrs. HANSEN. How much in unobligated moneys is in there?

Mr. GAUD. We entered this fiscal year with practically no unobligated or uncommitted funds in any appropriations category, except, I think about $29 million in the contingency fund, something like that. The rest were all funds which had been tied up. If you take the pipeline of $4 billion, it is partly in development loans; it is partly technical assistance contracts with universities, foundations, or teams working in the various countries; it is partly in commodity agreements that we have advertised here in the United States for people to supply fertilizer abroad, and what have you.

All except 3 or 4 percent of it is tied up in contracts which are actually in the process of being carried out—a powerplant being built, fertilizer ordered, people sent to India under technical assistance.

Mrs. HANSEN. At this point, Mr. Gaud, as we review many contracts, in the Office of Coal Research, for example, we had amounts of money scheduled for contracting, partly completed and partly ongoing. Yet, because of the tightness of the budget, it was necessary to curtail these contracts.

The same is true when the Public Works Committee is considering its budget. There is some discussion about the amount of construction which will be allowed before the project receives an appropriation, and so on.

Therefore, what amounts of money would you say are available in this category that can be placed in the expenditure-cut column? I believe you have testified here in prior sessions that there are commitments made, for example, for building a project, and it does not turn out to be that project but it turns out to be some other project.

Mr. GAUD. We figure each year anywhere from 3 to 5 percent of the funds in the pipeline are recaptured or reclaimed for the reasons that you speak of, because the project does not work out or because there is an amount left over after the completion of the project. Take from 3 to 5 percent of our pipeline, and that would be the figure you are speaking of.

Mrs. HANSEN. One further question. Since this will not affect expenditures to a sizable degree in 1969, how much will it affect spending in the year 1970?

Mr. GAUD. You mean how much will next year's appropriation affect spending in 1970?

Mrs. HANSEN. The expenditure rate in 1970.

Mr. GAUD. I would have to give you the figure on that. I do not have it in my head.

(The information follows:)

HOW WOULD ELIMINATION OF FISCAL YEAR 1969 APPROPRIATION AFFECT SPENDING IN FISCAL YEAR 1970?

Expenditures in the fiscal year 1970 which would result from obligations incurred in the fiscal year 1969 are estimated at approximately $1,005 million.

This assumes that obligations in 1969 would total $2,704,581,000 as shown in the proposed fiscal year 1969 program.

Mrs. HANSEN. We discovered leadtimes necessary in the construction of certain items in the Interior bill. It was this leadtime that also represents the day of postponement for economic ills in the United States. Sometimes we feel very concerned about this.

FUNDING LEVEL OF PROJECTS IN AID

Mr. PASSMAN. Let us clear this point up at this point in the record.

I believe we were told previously that you funded projects at approximately 112 percent of completion cost. The 3 to 5 percent you are referring to means a piece will come out of this year, 3 to 5, and the following year maybe another amount will come out, but the aggregate would be 112 percent of the cost at the time of funding.

Mr. GAUD. I do not understand that at all, Mr. Chairman.

Mr. PASSMAN. Again, I will say for the record that such testimony has been offered to the committee only this week. I will bet you the steak that I just won that I can do that. If I do not do it, you get the steak; and if I do, you buy it.

Mr. GAUD. If I understand what you said, you are assuming in every case—let us accept the proposition of 112 percent—you are assuming in every case 12 percent will be left over. That obviously is not so.

Mr. PASSMAN. I am only taking what the witnesses have testified. I have agreed to refer you to the pages. You straighten them out. Don't try to straighten me out, because I know what your representatives testified to.

Mr. GAUD. I will be glad to.

Mr. PASSMAN. Thank you.

Mrs. Hansen?

EFFECT OF DENIAL OF FISCAL YEAR 1969 FUNDS

Mrs. HANSEN. On page 13, continuing this discussion:

> Without new funds, the new President, during his first few months in office, would be denied the primary tool of American policy in the developing countries. At the same time, he would have to face a series of crises around the world.

If there are only $500 million, do you not think he could make that sacrifice?

Secretary RUSK. The difference between the expenditure of $500 million and the capacity to make commitments and engage resources from other donors and from the receiving country is a fairly important difference—new activities or new programs or new contracts or new consortia commitments and things of that sort, even though the funds may not actually be expended in a particular fiscal year.

Mr. PASSMAN. It would be a phasing down process.

Secretary RUSK. It would be a sudden cutoff of any new commitments at all.

Mr. ROONEY. It would be a sudden cutoff down to zero number of employees leaving nobody to police the loans and matters that have already gone into process and operation.

Secretary RUSK. Yes. I think also in the particular case where you have a highly operational situation like Vietnam, if you cut off that $450 million or so for Vietnam, the economy out there would suddenly stop, because everybody would know that the import program is collapsing, and we would have a runaway situation.

Mr. PASSMAN. Let us get the record straight. This is a phase-out because you have testified you would spend $1.9 billion, and that you would spend only $500 million out of new money. Is this a statement of fact? The following year, what would you have left in that pipeline to spend? What is the total in the pipeline?

Secretary RUSK. The total is roughly $4 billion.

Mr. PASSMAN. We know you could not start new programs other than with deobligated funds. Nevertheless, you could spend the equivalent of $2 billion a year for 2 years, could you not?

Mr. GAUD. Not one cent for salaries and administrative expenses.

Mr. PASSMMAN. We could make provision for that in case the bill is killed. We will see if we cannot at least get you administrative expenses. Let's don't say this thing would stop cold, because it would not. It would be a phasing out process.

Mrs. HANSEN. There would be no new commitments.

Mr. PASSMAN. The President has the right to transfer from one fund to another.

Mr. GAUD. Not into salaries and expenses.

Secretary RUSK. There would be no new actions at all.

Mrs. HANSEN. No new commitments or activities to deal with international complications in this field or international programs.

Secretary RUSK. New commitments to the international organizations and things of that sort.

Mrs. HANSEN. Would it not be true, also, in the domestic area? We are very glib and very talkative about a $6 billion expenditure cut. The 1969 funds are not all in the form of day-to-day salaries. As you are well aware, Mr. Secretary, it is only in a relatively few departments that the expenditure of funds is on a month-to-month basis. Actually, it is in long leadtime commitments for activities. That is true in the housing area and it is true in any part of the construction world. It is true any place that you have facilities. Is this not correct?

Mr. PASSMAN. I have to handle this bill and I do not want an incorrect record created. I am not going to permit it if I am chairman of the committee.

There is $11.2 billion requested in the 20 spigots of foreign aid and assistance submitted by the President since January. What you are talking about is title I only. If you kill title I completely, you are only going to reduce expenditures out of title I for the next fiscal year by $626 million. But if you take the entire $2,920 million from the $11,273 million, you are still going to have over $7.3 billion in the other spigots of foreign aid and assistance. But eliminating the mutual security program, or title I of our bill would not apply to Public Law 480. Neither would it apply to the Inter-American Development Bank, or the Asian Development Bank. For that matter, none of the other 19 spigots. It would apply only to this one spigot which is known as mutual security.

Is that a statement of fact?

Mr. GAUD. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. CONTE. I understand that Vietnam and administrative expenses would require a minimum of $190 million in expenditures in fiscal 1969. I should have elaborated earlier and said taking out Vietnam and administration expenses.

Taking those two out, $190 million in expenditures?

Secretary RUSK. But in a good many of these situations the effect would be immediate and drastic.

Mr. CONTE. Is that not right, $190 million, taking out those two?

Mr. GAUD. $190 million if you continued the administrative expenses and not only Vietnam, but Laos and Thailand.

Mr. CONTE. That is the same ball of wax.

Mrs. HANSEN. I think your expenditure resolution covers Vietnam. It does not provide for any cut in Vietnam.

Mr. CONTE. You have to have administration to run a program.

Mr. PASSMAN. My apologies to the lady. I wanted the record to show there are many other spigots from which $7.3 billion could be drawn to carry on many of the same programs originally justified as mutual security, such as Public Law 480.

POLL CONCERNING CUT IN FOREIGN AID

Mrs. HANSEN. I want to point out some of the difficulties, Mr. Secretary. I do not think there are any illusions about the relative popularity of foreign aid on the west coast. For example, I think almost every

district in the area is very vocal and violent about expenditure cuts. I have a questionnaire which I sent out. It was 2 to 1 to cut foreign aid, economic aid. It is about 5 to 1 to cut armament aid to anybody. I think you see some of the problems that remain for programs in which they are interested and the part of their economy that of necessity will be caught in this expenditure reduction.

FOREIGN AID AND PEACE IN THE WORLD

Secretary RUSK. May I make a brief observation, Mrs. Hansen. I think this goes to an extremely fundamental matter. My guess is that my successor will run into the problem in an even more exaggerated form.

I think we have a double generation gap in the country at the present time. I think those of us who are older and are now 23 years past World War II are beginning to become negligent about the central question that was on all of our minds at the end of World War II: How do you organize peace in the world? About half our people are too young to remember any of these things.

This question of how you organize the peace is getting pushed into the background. There is nothing, in my judgment, that is more disastrous. People do not read article I of the United Nations Charter any more and realize that those are the lessons drawn from World War II and the events that led up to it. They do not read it with a prayer and a realization we are not going into a United Nations after World War III because there will not be anything left. When somebody tells me we cannot put on some more taxes, but the alternative is to stop really trying to build some peace in the world, I just cannot understand their view, because what is at stake here is whether there is going to be a United States. This is the important thing.

Of course, it is tough. Of course, people do not like to pay more taxes. Of course, the poor marchers here would rather have these funds put on domestic programs, and, of course, it is easier to say cut aid to the foreigner than to cut agricultural programs or poverty programs and other things here at home.

That does not get us away from the fact that we have to build some peace in the world or there is nothing left.

Mrs. HANSEN. You also have to build peace within the country. France learned that this week, did it not?

I would like to point out that we do have domestic problems and grave domestic problems. For example, in this morning's paper—I do not pick these articles lightly:

> The U.S. Department of Agriculture today notified officials of 34 Southern counties unless they provide Federal food programs to the needy, the Department will do without their cooperation.

Apparently 46,000 people are below the sublevel of nutrition.

An article in another part of this morning's paper:

> Poverty fell from 38.9 million in 1950 to 29.7 million in 1966.

That is still above 10 percent of the population of the United States.

So, we have these problems. Some way or other, as you say, the generation gap, the thoughtfulness gap, has widened. One of the greatest places that it has widened, I think, is on the subject of Vietnam. Some of the answers in these questionnaires and discussions throughout the Nation show a lack of patience with this kind of operation.

To show you the degree of lack of patience, in my questionnaire we put a simple question:

Do you favor using the atomic bomb to achieve decisive victory?

There were 76 out of 400-and-some who answered yes. There were proportionately more last week because young people had not answered the question. There are more people now who favor the use of the atomic bomb to end the war than ever before.

Then I pick up the paper again this morning and read that a candidate for President, at least he is campaigning for some office, said we have made a ruin of American foreign policy:

The United States should tell the enemy in North Vietnam to cooperate at the peace table or threaten to kick the hell out of him.

This is for the record particularly. I would like you to tell us what would be the result if we were to do just that.

Secretary RUSK. Mrs. Hansen, we have had many suggestions along the way that we move to a new level——

Mrs. HANSEN. These are not my suggestions.

Secretary RUSK. I understand that—that we move to new levels of violence in an effort to get this war over with quickly.

My own impression is that these suggestions are based upon the idea that, if you use a nuclear weapon or if you open up major new operations in North Vietnam, Laos, and other countries, North Vietnam and its allies will suddenly quit. But if North Vietnam and its allies do not, then these people who make these suggestions will say, "That's not what I had in mind."

The history of these crises since 1945 has been marked by a necessity to do the things that are required to maintain the peace and maintain the position of the free world and marked at the same time, by restraint, to try, if possible, to avoid having these matters slip into general war. This is tough—the combination of firmness and restraint is very difficult—because people are impatient and like to wind things up quickly. Simply hurrying to new levels of violence is by no means a miraculous way of ending these things quickly.

It may end up the way to go down the slippery slope to something that no one wants at all, namely, the general conflagration——

NORTH VIETNAMESE ALLIES

Mrs. HANSEN. I was going to ask you that. We might enumerate some of North Vietnam's allies. Who are they?

Secretary RUSK. I am thinking of those who are directly supporting North Vietnam with equipment and supplies, and other things—mainland China and the Soviet Union.

Mrs. HANSEN. Will those allies sit still and let atomic bombs be used on Vietnam?

Secretary RUSK. I think it would be wrong for me in my particular position to speculate on that very much for the record, because it is an extremely important and momentous question, if you will forgive me.

Mr. HANSEN. Let me say it this way, Mr. Secretary, and I will say it myself: Would it not be possible that our lack of restraint would bring on lack of restraint in other places?

Secretary RUSK. Yes, perhaps we can go off the record? I would like to.

(Discussion off the record.)

ESCALATION IN VIETNAM

Mr. RIEGLE. The issue has just been raised, isn't there a point beyond which you just cannot afford to continue to add physical responsibilities in terms of dollars and manpower by the United States? In other words, that the commitment becomes such a massive strategic commitment in terms of its physical size and the trade-offs around the world, that you may have reached the point where you cannot afford to continue to counter escalate. Doesn't this become a critical issue at some point in Vietnam? I know we have been reluctant to think that we might reach that point, but isn't it possible that we are at that point now or approaching it?

Secretary RUSK. Perhaps I might have a chance to consider what I ought to say on the record on this subject but let me answer it off the record, if I may.

Mr. RIEGLE. Surely.

(Discussion off the record.)

Mrs. HANSEN. I would like to join the gentleman from New York, Mr. Rooney, in my commendation, and I want to add that since it has been my privilege to be on this subcommittee it has been a genuine pleasure to have you here with us. You have been a great source of strength in the State Department and I believe you have brought a great deal of dignity and common sense into a very complicated field, although I may not always agree with all policies. I am only sorry that more Americans do not have a chance to hear you as often as they might. We might not then have the "credibility gap."

Secretary RUSK. Thank you very much, Mrs. Hansen.

Mr. PASSMAN. Before we yield to Mrs. Reid, it may be appropriate to ask these two questions. You spoke of American investments abroad. Do we have any law that would force American investors to liquidate and return that capital to the United States?

Secretary RUSK. No; and we would not even want to gossip about that, because that would carry serious consequences with it.

Mr. PASSMAN. Let me have my say and you have yours. I want to clear the record.

Secretary RUSK. No. I don't even want to gossip about that.

Mr. PASSMAN. I have not suggested that we gossip, speculate, or what have you. I want the record to show that there are American investments abroad and they may be there permanently. First, I think there are only a very few nations where the citizens cannot exchange their currency freely for gold. I think those countries are the United Kingdom, the United States, Canada—do you know of any others?

Secretary RUSK. I am not an expert on this subject. I would have to consult the Secretary of the Treasury on that.

Mr. PASSMAN. Do you know if the South Vietnamese can turn in their currency and buy 24-carat gold with it?

Secretary RUSK. I should think there are lots of countries that limit the trading in gold.

Mr. PASSMAN. Let us limit the discussion and talk about Asia. Do you know any Asiatic country where the people cannot take their currency and exchange it for gold? You do not know of any, do you?

Secretary RUSK. We will have to check that and put it in the record.

Mr. PASSMAN. I want to be sure that we are not kidding ourselves about what they are doing. They are taking their currency and turning it into gold.

Do we have any agreement with foreign nations and foreign central banks that American business people cannot—through the machinery available—exchange their dollars for gold, and stash it in vaults abroad? Is there any way we can prevent that practice, are there any such agreements, or do we leave it up to the honor of the American?

Secretary RUSK. I think I would have to consult the Secretary of the Treasury on this and put something in the record both for the facts and to find out what is able to be said on the record.

(The information follows:)

FOREIGN COUNTRY PRACTICE WITH RESPECT TO GOLD OWNERSHIP AND TRADING BY PRIVATE INDIVIDUALS

In most Asian countries, including Vietnam, private individuals are permitted to hold and trade gold internally. In fact, however, many of these countries prohibit private importation of gold and closely control the volume of imports. As a result, the price of gold in these countries is often considerably above the London free market price.

One nongovernment authority on gold transactions reports that there are three Asian countries which do not permit ownership or trading of gold within their borders: Ceylon, Indonesia, and Malaysia.

Mr. PASSMAN. I think that information is important. I said in the beginning how much I thought of you as Secretary of State, and I made the same type of complimentary remarks last year. Let me join my colleagues in what they have said and I will try to outdo them when I go over the transcript.

EXPENDITURES RELATED TO VIETNAM WAR

We are talking about raising taxes to finance wars. I do not think there is an American—I never heard of one, at least—that would not gladly pay more taxes, if it were for our security, and even to finance the war in South Vietnam. But if you look at the U.S. Treasury statement for the first 10 and a half months of fiscal 1968, total withdrawals from the Treasury, rounding the figures, $163 billion; the same period of 10 and a half months, fiscal 1967, $144 billion, which is a difference, I believe, of $19 billion. But if we move up to the Defense Department account, including military assistance, withdrawals are $67 billion this year for all military and military assistance, against $60 billion the previous year, or an increase of $7 billion. So the other $12 billion was to finance a lot of Great Society programs, none of them ever heard of or seriously considered by any Congress until 5 years ago. We shall not discuss their merits or demerits, but the record should show where the money is actually going and not have people believing this money is being spent to finance the war. I will put this Treasury statement in the record and I will checkmark the actual withdrawals by the year so there will be no question about where the money is being spent.

(The information follows:)

TABLE IV.—ANALYSIS OF CERTAIN DEPOSITS AND WITHDRAWALS

[This table reflects deposits and withdrawals made in the account of the Treasurer of the United States. These deposits and withdrawals differ in timing and content from receipts and expenditures published in the Monthly Statement of Receipts and Expenditures of the U.S. Government. The monthly statement provides the classification of receipts and expenditures in terms of the budget of the United States]

Classification	This month to date	Corresponding month last year [1]	Fiscal year 1968 to date (beginning July 1, 1967)	Corresponding period fiscal year 1967 [1] (beginning July 1, 1966)
DEPOSITS				
Internal revenue:				
Withheld individual income and Federal Insurance Contributions Act taxes [3]	$5,073,474,691.26	$4,546,671,932.16	$71,613,690,260.70	$64,792,146,106.53
Other individual income and Self-Employment Contributions Act taxes [3]	1,015,770,848.52	1,656,690,843.45	19,481,048,453.99	17,466,666,024.14
Corporation income taxes	59,440,598.97	365,933,598.31	21,873,516,051.72	25,070,239,985.47
Excise taxes	595,249,236.40	589,354,964.96	12,343,369,565.67	12,178,653,365.59
Railroad Retirement Tax Act	58,987,034.84	62,487,166.49	695,203,241.04	653,775,132.22
Federal Unemployment Tax Act	1,741,472.39	5,505,615.65	603,258,059.06	603,616,096.64
Estate and gift taxes	270,712,139.26	266,933,894.01	2,606,741,314.49	2,590,117,037.09
Collections in process, not yet classified	195,490,989.48	452,562,924.81	−220,332,393.05	346,607,034.04
Customs	131,076,858.68	109,201,937.41	1,856,708,052.60	1,723,657,716.47
Deposits by States and Railroad Retirement Board in unemployment trust fund	252,070,302.79	620,695,688.97	2,018,203,434.59	2,702,313,939.27
Veterans' life insurance funds	13,014,347.96	20,795,318.60	428,650,268.55	445,736,519.70
All other	520,347,516.15	571,229,061.50	14,740,062,773.86	15,586,634,958.02
Total	8,187,376,036.70	9,268,062,946.32	148,040,119,083.22	144,160,163,888.18
Deduct refunds of receipts	1,380,497,972.92	1,097,530,914.63	9,846,552,678.53	6,822,837,889.19
Net deposits	6,806,878,063.78	8,170,532,031.69	138,193,566,404.69	137,337,325,998.99
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	3,707,753,663.43	3,630,753,359.22	67,082,548,865.08	60,466,533,994.42
Civil	53,047,877.72	46,045,215.93	1,187,051,310.82	1,183,544,739.29
Foreign assistance, economic	68,002,122.00	78,465,865.06	1,608,297,884.87	1,997,161,083.44
Atomic Energy Commission	118,128,677.30	109,932,395.83	1,146,564,439.96	2,093,620,688.79
National Aeronautics and Space Administration	191,971,615.72	215,060,893.49	4,042,826,283.37	4,819,109,693.15
Veterans' Administration	523,668,417.81	486,844,429.42	6,042,032,821.60	5,690,599,847.71
Commodity Credit Corporation	330,434,787.24	50,640,063.84	3,931,378,465.28	3,098,677,611.99
Health, Education, and Welfare Department	741,380,356.14	548,327,065.54	10,621,888,617.77	8,775,926,908.90
Interest on the public debt	1,108,852,402.44	242,633,121.74	9,212,711,105.17	8,028,077,517.45
Federal employees' retirement funds	168,247,778.17	160,461,713.08	1,922,947,317.72	1,791,979,342.38
Federal old-age, disability, and health insurance trust funds	2,305,227,803.67	1,951,099,718.16	25,302,058,684.74	21,613,174,449.85
Highway trust fund	113,143,182.56	59,066,280.91	3,727,313,096.65	3,603,390,249.04
Railroad retirement accounts	121,899,822.93	106,515,593.67	1,265,810,530.15	1,154,096,834.53
Unemployment trust fund	97,551,099.04	119,705,911.36	2,414,218,848.80	2,318,399,049.73
Veterans' life insurance funds	35,810,896.09	25,540,180.35	546,299,481.22	749,318,780.52
All other	1,216,644,238.52	118,585,274,07	21,920,818,345.86	16,806,188,637.54
Total withdrawals	10,901,764,740.78	7,949,677,081.67	162,975,366,099.06	144,189,799,428.73

See footnotes at end of table VI, p. 730.

TABLE IV.—ANALYSIS OF CERTAIN DEPOSITS AND WITHDRAWALS—Continued

[This table reflects deposits and withdrawals made in the account of the Treasurer of the United States. These deposits and withdrawals differ in timing and content from receipts and expenditures published in the Monthly Statement of Receipts and Expenditures of the U.S. Government. The monthly statement provides the classification of receipts and expenditures in terms of the budget of the United States]

Classification	This month to date	Corresponding month last year [1]	Fiscal year 1968 to date (beginning July 1, 1967)	Corresponding period fiscal year 1967 [1] (beginning July 1, 1966)
Excess of deposits (+) or withdrawals (—) applicable to budget and other accounts	—$4,094,886,677.00	+$220,854,950.02	—$24,781,799,694.37	—$6,852,473,429.74
TABLE V.—MEMORANDUM ON CERTAIN TRANSACTIONS IN PUBLIC DEBT ACCOUNTS				
Noncash items included in public debt in table III and omitted from withdrawals in table IV:				
Increments on savings and retirement plan bonds			$1,447,183,838.76	$1,348,466,658.71
Discount accrued on Treasury bills	$107,448,871.22	$113,430,432.71	3,116,362,389.62	2,746,600,933.24
Total	107,448,871.22	113,430,432.71	4,563,546,228.38	4,095,067,591.95
Public debt redemptions included in withdrawals in table IV: [3]				
Interest included in savings and retirement plan bond redemptions	54,616,227.50	33,434,290.05	919,438,122.02	884,189,283.66
Discount included in Treasury bill redemptions	88,889,098.18	144,049,633.61	2,559,034,227.91	2,488,384,646.41
Inter-American Development Bank notes (net)				131,500,000.00
International Monetary Fund notes (net)			709,000,000.00	737,000,000.00
International Development Association notes (net)				64,000,000.00
United Nations funds securities (net)			5,000,000.00	32,877,990.00
Excess profits tax refund bonds [4]		23.60	2,454.93	9,433.27
Armed Forces leave bonds		39,550.00	306,000.00	399,175.00
Adjusted service bonds	3,650.00	1,250.00	92,000.00	74,350.00
Total	143,508,975.68	177,524,747.26	4,192,872,804.86	4,338,434,878.34
TABLE VI.—U.S. SAVINGS BONDS—SERIES E AND H				
Sales—cash issue price	$229,983,940.51	$209,777,809.31	$4,172,615,713.23	$4,324,280,875.66
Accrued discount on series E			1,443,173,476.51	1,341,171,020.62
Total	229,983,940.51	209,777,809.31	5,615,789,189.74	5,665,451,896.28
Redemptions—for cash, at current redemption value [2]	267,948,949.45	231,297,247.90	4,996,885,741.08	4,760,980,075.36
Exchanges—Series H for series E and J	8,464,500.00	8,867,000.00	175,097,000.00	195,017,500.00

[1] Covers period through May 15, 1967.

[2] Includes unclassified redemptions of savings notes and minor amounts of series A-D savings bonds.

[3] Distribution in accordance with provisions of Social Security Act, as amended, is shown in Monthly Treasury Statement.

[4] Minus figures represent net issues. Armed Forces leave bonds, etc., and interest on savings bonds and Treasury bills are withdrawals when paid.

[5] Reported as refunds of receipts.

Secretary RUSK. Yes, if we were to get into the question of the merits I would want to speak in strong support of some of these expenditures.

Mr. PASSMAN. I said I would not discuss their merits or demerits. We have millions of people abroad and at home that are trying to survive on the dole, but we will put the facts of where the actual spending is taking place, and let the record speak for itself.

Mr. CONTE. Mr. Secretary, you made a very significant statement that went unnoticed. You said, I believe, that your successor would have some difficult times. Is that of any immediate consequence?

Secretary RUSK. I was pointing to the fact that I am the 54th Secretary of State, and, like any GI, I will welcome my replacement with open arms, and I would suppose there would be a replacement in due course.

This administration is coming to an end.

PERU PURCHASE OF SOPHISTICATED AIRCRAFT

Mr. CONTE. There was an article in the Washington Post that Peru was buying six British Canberra bombers for $4.8 million, and it said, "It was confirmed that Britain had located six Canberras wholly financed by British firms and not subject to an American veto."

Is there any truth to that story?

If this is so, then our amendment comes into play, and what has been done about it?

Secretary RUSK. We are in a pretty difficult stage of discussion with the Peruvians. I would prefer to answer this off the record.

Mr. PASSMAN. Certainly.

(Discussion off the record.)

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. Mr. Secretary, let me join with the other members of the committee to welcome you again.

Secretary RUSK. Thank you.

Mrs. REID. It is always a privilege to meet with you and hear you, although we may not always agree on specific policies, many in Illinois share my deep respect and admiration for the sincerity and dedication which you bring to your difficult task in difficult times.

Secretary REID. Thank you very much.

RESULTS OF QUESTIONNAIRE ON ACTIVITIES IN VIETNAM

Mrs. REID. Since coming to Congress it has been my practice also to send an annual legislative questionnaire to each household in my congressional district which comprises five diversified counties west of Chicago, and this year one of the questions on Vietnam was "Do you feel you have a clear understanding of our objectives in Vietnam?"

Some 20,000 responses have been received thus far, which reflect, I would say, approximately 30,000 individual opinions. Fifty-nine percent said no, they did not feel they had a clear understanding, while 39 percent said they did, 2 percent ventured no opinion.

This response to a question on public understanding of the war I think is disturbing, and I mention it because it seems to me this represents a growing trend across the Nation.

Could you comment on this?

Secretary RUSK. Yes, I would be glad to.

NATURE OF AGGRESSION IN VIETNAM

I think at the very beginning one has the problem of understanding the most basic issues: In Vietnam you have invasion by stealth, as contrasted to mass divisions moving suddenly across boundaries; so this Vietnam problem appears to most people to have grown on them without their being completely clear as to the nature of the aggression. I think that is one of the problems that everyone faces when they have to consider how you deal with these so-called wars of liberation as described by the Communists. I think there is confusion because there are those who have sown a good deal of confusion, some deliberately and some inadvertently, on the various issues connected with the war.

For example, the notion that this is a civil war—of course, there are some southerners in the Vietcong, but the 40 regiments of North Vietnamese regular forces coming from the north to the south do not make up a civil war unless you suppose that it would be all right for 40 regiments of West Germans to move into East Germany.

You have a special problem in these divided countries, Germany, Korea, Vietnam, where the demarcation lines are not intended to be permanent, but where military action across them is identical with military action across established and recognized national frontiers.

You have people saying that we are asking for North Vietnam's unconditional surrender. We are not asking them to do anything in terms of giving up an acre of their ground or a single individual in their population, or to change their regime, or to modify their relations with other countries. All we are asking them to do is to stop sending their regiments into South Vietnam and Laos to take over those two countries by force. If that is asking them for unconditional surrender, then it seems to me this is an abuse of the English language. This is the sort of thing that is confusing to people.

Further, people are confused because this word escalation is reserved only for the United States. There is nothing that the North Vietnamese can do that is described as escalating. They can pour no troops in Cambodia; they do, but no one has called that escalation. If we were to put one company of our men northward through the DMZ there would be cries of escalation all over the world. We have no troops in Cambodia; they do, but no one has called that escalation. They mined the Saigon River. If we took those mines and simply returned them where they came from, to Haiphong, everyone would say we are escalating.

The point is—and I won't detain you unduly—I am saying there are elements in the discussion going around that do confuse people. The most important single fact today in this situation is that 78 percent of the land area of North Vietnam and 90 percent of its population are free from bombing and not 1 square mile and not one inhabitant of South Vietnam has any immunity from the Vietcong and North Vietnamese forces. Here is a major unilateral act of deescalation. I have no doubt, however, that we are going to be under pressure to go ahead and deescalate some more—whether the other side does anything or not.

We feel we are entitled to have someone in the world tell us what will happen if we stop the bombing. At the present time no one in the world will tell us what the results will be if we stop all the bombing.

Hanoi will not, and no one else can. We are trying to get somebody to tell us—a whisper behind the hand, a little note under the door at midnight, a hint as to what would happen if we stopped all the bombing. Thus far the answer is zero. I can understand that many people are confused, because some pretty confusing ideas have been injected into this discussion.

REASON FOR BOMBING PAUSE

Mr. LONG. If the gentlewoman would yield, did we agree to stop bombing purely as a result of the pressure here at home? Are we caving in to that or are we doing it because it fits in with our own national interests?

Secretary RUSK. It would be in our national interest to achieve an honorable peace in Vietnam if we can, and as soon as we can.

Mr. LONG. Did we take this step because we felt that would be the way to get to peace or did we simply cave in to pressure at home?

Secretary RUSK. We thought that this was worth a try. We have tried several things in the past. We stopped all the bombing in North Vietnam for 37 days once, when we had a little indirect encouragement from some elements in the communist world that this might give time to turn around to see if something could be worked out. At times we have refrained from bombing certain circles immediately around Hanoi and Haiphong in connection with certain probes or contacts that were in progress. We have offered on several occasions to demilitarize the DMZ. There have been many efforts. But the President thought that it would be worth a major try to take this dramatic act of deescalation to see whether he could (a) entice the other side to take some action of restraint on their own, and (b) get into serious discussion about a peace in Southeast Asia. Thus far the answer on the first point is zero. These people in Paris are not apparently yet willing to discuss that point. On the second point, it is true that we are at least in contact even though all the bombing has not been stopped. But I cannot describe the present situation as a satisfactory one by any stretch of the imagination.

Mr. LONG. Our casualties are very, very high, in fact, at an alltime high.

Secretary RUSK. Yes.

Mr. LONG. Is this due to the fact we have stopped bombing and allowed the enemy to conduct advantageous military operations?

Secretary RUSK. No; this is because those casualties began to climb with the Tet offensive, which came before the March 31 speech.

(Discussion off the record.)

U.S. ASSISTANCE TO FRENCH DURING INDOCHINESE WAR

Mr. PASSMAN. I believe we financed most of the Indochina war, supported France, and picked up most of the tab moneywise while they were there.

Secretary RUSK. No; I would be very much surprised if you look at France's costs——

Mr. PASSMAN. Our costs.

Secretary RUSK (continuing). As to whether we picked up the full cost. We did give economic and military assistance to the French in

the immediate postwar period for Indochina, and, particularly after the Korean war broke out, we reinforced our aid to France in Indochina.

Mr. PASSMAN. Did they not reach a stalemate? Did they not sue for peace?

(Off the record.)

Mrs. REID. Mr. Secretary, I would like to mention that one thing I have done when I have heard from people in my district who deplore the so-called violent acts from our side—I send them the lists of the many atrocities committed by the Vietcong because this side of the picture is not shown to people and I think it makes them more aware of what is actually happening.

Secretary RUSK. That part of the story is very hard to get to the people.

Mrs. REID. I realize this and I think they need to see the other side.

Also, I certainly hope and pray that we can reach an honorable peace, but I feel very strongly that as long as our men are over there, we should give them every support.

Secretary RUSK. I agree with that.

U THANT'S STATEMENT ON VIETNAM BOMBING

Mrs. REID. A few days ago when Assistant Secretary Sisco met with us, I brought up the question of some very disturbing remarks made by U.N. Secretary General U Thant at the University of Alberta in Edmondson, Canada, earlier this month and as it was reported, the Secretary General charged that American bombing of North Vietnam is of questionable morality and doubtful legality.

He went on to blame the pravailing mood of violence in the United States on the psychological climate created by the Vietnam war, and so on.

I would like to ask you this question: Has not U Thant exceeded his authority and possibly compromised his office by such statements, and have you in any way engaged in a rebuttal with the Secretary General?

Secretary RUSK. I would like to distinguish between the question of authority and the question of policy.

I think under article 99 of the charter the Secretary General is entitled to comment on international problems. I think it is in dubious taste for the Secretary General of the United Nations to comment on the internal affairs of the members of the United Nations.

We have discussed this with the Secretary General.

(Off the record.)

PUBLIC SUPPORT OF FOREIGN AID

Mrs. REID. Mr. Conte and Mrs. Hansen mentioned their questionnaires and answers on foreign aid and, just by way of comparison, last year on my question on foreign aid almost 79 percent of the similar number I mentioned before said that our foreign aid program had not been effective, and this year 86 percent said that the foreign aid program as now constituted should not be continued.

I realize this is only one congressional district and that my constituency may be less enthusiastic about aid programs than some others, but I do think this 2-year comparison in my district indicates that public support for foreign aid is decreasing rather than increasing.

How does the Department regard this from a policy standpoint?

Secretary RUSK. With considerable distress. I think these figures reflect the combination of the Vietnam war and its burdens and the mounting problems here at home. But I think it is also fair to say that the constituency of foreign aid in a sense is everybody and nobody—somewhat like the consumers' interests. You do not have a strong consumer interest lobbying organization pressuring you people all the time; you do not have a strong expression for foreign aid out of the interests which are involved for 200 million Americans. It is not structured that way.

So the support for foreign aid is not very articulate, and it is one of the things that appear to be at first glance easy to put on the back burner, to defer. But I think also, quite frankly, compared to the past, it reflects a growing isolationist sentiment in this country and in Western Europe.

Mr. ROONEY. It was the same situation for the 8 years of the Eisenhower administration. Foreign aid was one of the most involved problems that the Eisenhower administration had and they got everybody involved in it, but it still did not become popular.

Mr. PASSMAN. Will you yield?

Mrs. REID. Yes.

Mr. PASSMAN. Are we not really underestimating the intelligence of the American people. This country was a primitive, underdeveloped country in 1789, but based upon our willingness to carve out a way of life, we became the greatest, the freest, the strongest, wealthiest of any nation in recorded history.

And is it not also true that the American people know that giving away our wealth to secure friends is a new concept in foreign policy. I believe most Americans are far ahead of those of us in Congress and the State Department and the AID agency. We are isolating ourselves or will quickly isolate ourselves by pricing ourselves out of the world market as a result of getting out of a competitive position. Business has always followed gold, and it will again, experts in all departments notwithstanding. We are going to fall flat on our fiscal face.

Mr. LONG. Will the gentleman yield?

Mr. PASSMAN. I want to make this statement first, then I will be happy to do so.

You said AID does not really have any supporters. I say that never in the history of America has any program had as many lobbyists as the foreign aid program. There are at least 175,000 individuals who are getting something out of foreign aid. There are the 62,000 direct hire, contract, participants, and foreign nationals on the payroll. In addition, there are the colleges and universities in every State lobbying for the program. You also have literally hundreds of professors who, when vacation time comes and they want to get out of the country, become consultants to AID, and get paid a big fee for going abroad for 6 weeks.

I want the record to show that I am against it.

Secretary RUSK. If you are going to name those figures, let's add several hundred thousand whose jobs turn on foreign aid.

Mr. ROONEY. Take the ships along our Brooklyn waterfront and the people who live along it whom I represent whose economic lives depend on foreign aid shipments abroad.

Mr. PASSMAN. You have made my point. That is exactly why you have so many lobbyists. Your people on the docks are for foreign aid because they benefit directly from the program.

Mr. MCFALL. (Off the record.)

UNIVERSITY PERSONNEL IN FOREIGN AID

Secretary RUSK. At the risk of delaying the committee for just a moment, I feel quite deeply that I owe the record and a good many dedicated and gallant people a brief remark on the idea that those people who undertake technical assistance tasks for the AID program from our universities and go out to the developing countries of the world are going out as a lark. They are going out to work under the most difficult circumstances of climate and health and environment, and many of them work under conditions of danger. They are not doing themselves a great favor by taking on these assignments; they are doing a dedicated job of service for their country for which I personally am grateful.

Mr. PASSMAN. Thank you, Mr. Secretary. I have had a drink with them in air-conditioned rooms while they were overseas in the summer months during their normal vacation period.

Mr. ROONEY. On the record?

Mr. PASSMAN. Yes, indeed. I had Coca Cola and they had Scotch. They became dedicated during the previous week; just as soon as the college semester ends in June they become great patriots and want to go abroad for this foreign aid program.

Secretary RUSK. With great respect, Mr. Chairman, I think that is an unfair comment on these people.

Mr. PASSMAN. The record this year and also last year shows that many of these professors go out for six weeks at a surprisingly high consultant fee plus per diem and as quick as school goes back in session, they come back home.

(Discussion off the record.)

MOMENTUM OF DEVELOPMENT IN RECIPIENT COUNTRIES

Mrs. REID. Mr. Secretary, in the concluding paragraph of your statement you say that the foreign aid program last year was cut below the minimum level necessary to sustain momentum for development, yet in the presentations which have been made before this committee thus far it appears that recipient countries have been able to make at least satisfactory adjustments to such reductions.

Could you be more precise and more specific as to where momentum has been affected by last year's cuts?

Secretary RUSK. I recognize there are budgetary problems, and I am not therefore explaining at the level of the President's request, but it is true that we are missing some important opportunities.

For example, every study that is made of the prospective food problem in the world indicates that there should be much more substantial investment in agriculture and the industries directly related to agriculture than is being made, and that the developing countries, looking ahead, might very well substantially increase their effort to expand the food-growing capacities of the human race here in the next decade in order to build up the capacity of the developing countries to feed their rapidly increasing population.

We had a pretty good year last year in this regard, thanks to a lot of things—in part to substantial emphasis on agriculture in our own aid program, and also in part to the climatic conditions in India, for example, that changed for the better.

I expressed earlier some concern about our inability to move more boldly in a country like Indonesia where there are substantial natural resources, where they could get on their feet rather rapidly if they get the substantial resources that they need in the short run to get over the disastrous effects of the Sukarno regime on the economy of that country. It is that kind of problem that has concerned me a great deal.

COST OF WAR IN VIETNAM

Mrs. REID. Lastly, Mr. Secretary, as you did last year—could you submit for the record the current monthly cost of the war in Vietnam.

Secretary RUSK. Yes, I will be glad to.

(The information follows:)

CURRENT MONTHLY COST OF WAR IN VIETNAM

The Department of Defense costs for the Southeast Asia conflict are currently estimated at approximately $25.0 billion annually or about $2.1 billion per month.

Mr. PASSMAN. Mr. Cohelan?

Mr. COHELAN. Mr. Secretary, I will get right to the point. Some of us who are involved in this program and who have been out in these areas intensively studying the effects of our program are both pleased and alarmed at some of the conditions we find.

BASE AT PESHAWAR, PAKISTAN

I refer now to Pakistan where there have been some tremendous developments as a result of our aid program, and yet we have been beset with problems that you are well aware of, not the least of which was the 17 days' war. But there has been a growing propensity by the Government to make accommodations with China to the disadvantage of our relations with them diplomatically, and I understand now that there is some question about the base at Peshawar.

I wonder if you would comment on that.

Secretary RUSK. They gave us notice in early April they intend to terminate the arrangements on Peshawar the middle of next year. Such notice was called for under the agreement if that was their intention; otherwise it would have been renewed automatically.

(Discussion off the record.)

RENEWAL OF JAPANESE SECURITY TREATY

Mr. COHELAN. Mr. Secretary, I wonder if you would give us your views on the prospects for renewal of the Japanese security treaty.

Secretary RUSK. I think that renewal comes up for decision in 1970. It is our present belief that it is the expectation of both governments that the treaty would be renewed, but this is something that Japan will have to decide for itself in terms of its own interests, and we would want to know what the Japanese attitude toward it would be.

We do believe Japan should accept more responsibility for her own security. We are very pleased that Japan has taken such an active and leading part in the growing regional cooperation in Asia, and particularly in Southeast Asia where Japan's contributions have been significant and where their leadership has been important.

CONSTITUTIONAL GOVERNMENT IN GREECE

Mr. COHELAN. My last question, Mr. Secretary: What are the prospects for return to constitutional government in Greece and, if the present situation persists, what justification is there for us to continue to support this government?

Secretary RUSK. There is no economic assistance proposed for Greece. We have provided certain limited military assistance as part of the general NATO plan for the southern flank of NATO.

We hope very much that this country can move promptly toward a constitutional system. They have a new constitution in front of them now which we understand will be voted upon in a plebiscite in the course of the summer. We cannot yet measure the degree of success that this process will have.

I think it fair to say our own influence and that of all the other NATO countries, almost without exception, is to urge the present leadership in Greece to move to a constitutional system as soon as possible, because we feel all of us have a stake in the maintenance of democratic institutions in that member of NATO.

Mr. COHELAN. I have some other questions, but we are pressed for time. I want to take this opportunity to thank you sincerely and to wish you well in all future endeavors.

Secretary RUSK. Thank you, Mr. Cohelan.

Mr. PASSMAN. Thank you, Mr. Cohelan.

Mr. Reigle?

Mr. RIEGLE. I would like to ask two questions, one on Czechoslovakia and the other on the Paris negotiations. I would like to go off the record on both of them.

(Off the record.)

DOMINO THEORY

Mr. RIEGLE. In regard to what is often talked about in the press as the domino theory of Southeast Asia, I wonder what your up-to-date thinking would be of the relevance of the so-called domino theory as it is popularly understood; namely, that if we lose South Vietnam, the rest of the countries in the adjacent area would also fall to the Communists in sort of 1, 2, 3, 4, 5 order.

Secretary RUSK. I have never myself discussed the problem of Southeast Asia in terms of the domino theory, because it seems to me that it is more serious and obvious than that. At the present time the North Vietnamese have 30,000 or 40,000 troops in Laos. At the present time North Vietnamese-trained guerrillas are operating in the northeastern part of Thailand. At the present time Sihanouk is complaining about what the Reds are doing in his own country, both in the west and in the northeast, and has made public statements in recent months blaming this on Hanoi and Peking.

We have reports of agents and arms coming in across the northeastern frontier of Burma.

It seems to me if one wants to think of dominoes, the dominoes are there and there is activity, but I do not think one needs to think of an esoteric game. The theory is the theory of militant communism.

EXTENT OF OPERATIONS OF NORTH VIETNAMESE

Mr. RIEGLE. Is there not a limit to the North Vietnamese capacity? I have been amazed that with a population roughly the same size as South Vietnam they have been able to carry on the tremendous aggressive effort they have. Obviously, they have some popular support in South Vietnam to be able to do it.

Is it logical to think that 17 million North Vietnamese can terrorize and pick off this whole part of the world?

Secretary RUSK. I think that depends on the outcome in Vietnam and what the attitude of China would be toward that part of the world. You get articles written in Moscow drawing attention to the long-range appetites of China as seen in Moscow, that involve everything from India right around the periphery of Asia.

Where does China go with a doctrine of militancy as over against a doctrine of peaceful coexistence? This is a major question for the next decade.

I do not think it is just North Vietnam involved in the issue with these so-called wars of liberation. The Chinese may play a hand in that, too.

Mr. RIEGLE. In the interest of time, I shall yield back the time. Thank you.

Mr. LONG. Mr. Secretary, I want to ask you one question off the record.

(Off the record.)

Mr. LONG. I would like to clear up a few what I think are misconceptions of history.

REASSESSMENT OF AID PROGRAM

The chairman said we were an underdeveloped country in 1789 and became great without any foreign aid. I want to say at the time our Constitution was developed, we may very well have been an agricultural Nation, but we were probably one of the most developed countries in the world.

Furthermore, we did not make it without aid. We had tremendous quantities of aid from Europe, and some of it started out by being loans but ended up by being involuntary gifts.

Secretary RUSK. A lot of what we would now call technical assistance.

Mr. LONG. I do not know how many times the State of Louisiana, as a matter of fact, and the State of Mississippi decided to turn those loans into gifts.

There have been a good many statements here indicating disillusionment with our foreign aid on the part of the voters. I want to say it looks very much as if a good deal of this has extended to some of the people who were formerly very sympathetic to aid. I think this latter fact indicates very great disillusionment. Gunnar Myrdal apparently feels that the problems of India and other Asian countries and their ability to use aid are far greater than any of us can match. He takes quite a pessimistic view.

I have not completed Gunnar Myrdal's book, but it is one that I think everyone will have to reckon with in this field, whether you believe in it or not. I believe one of his conclusions is that perhaps we ought to reasess our whole foreign aid program and perhaps start putting it into the countries that demonstrate a greater willingness to make the kind of institutional changes and reforms that are needed to make the program a success.

CONCENTRATION OF AID PROGRAMS

I must say I have felt for some time that we are spreading ourselves too thin around the world, putting small sums of money into a great many nations, I have often thought perhaps more to win friends and influence people than to develop those countries.

I am wondering whether the State Department should consider now a complete reassessment of aid policy, considering the fact that we cannot spread $3 billion or $4 billion a year all over the world among countries who do not want to develop their own countries nearly as much as we do.

Secretary RUSK. I think we should maintain almost a continuing review of aid programs and the issue that you just mentioned. It is true that the great bulk of our funds in foreign aid is concentrated in a relatively few countries. We have a lot of countries on the list primarily because of such things as technical assistance. There a little technical assistance can go a long way. That is one of the major ways in which the underdeveloped parts of our own country finally began to pull themselves up—with the kind of technical assistance provided by the land-grant colleges about 100 years ago.

I will put into the record, if I may, some data on the concentration of effort, even though we do have technical assistance activities and what we call self-help funds available for a considerably larger number of countries.

(The information follows:)

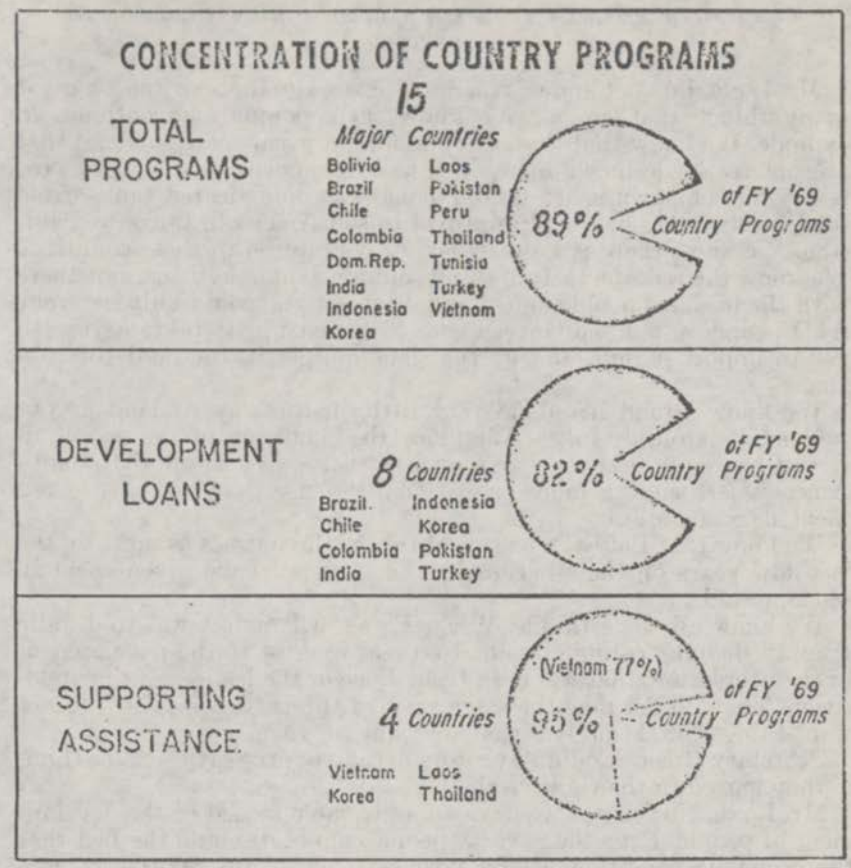
CONCENTRATION OF ASSISTANCE

The fiscal year 1969 proposed AID program is heavily concentrated in key countries—

Fifteen countries will receive nearly 90 percent of all country program funds: India, Pakistan, Turkey, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Peru, Tunisia, Indonesia, Korea, Laos, Thailand, and Vietnam.

Eight of these will get more than four-fifths of development loan country programs: India, Pakistan, Turkey, Brazil, Colombia, Chile, Korea, and Indonesia.

Four will get 95 percent of supporting assistance country programs: Vietnam, Korea, Laos, and Thailand.



Mr. LONG. Even when we are concentrating, maybe we are concentrating on the wrong countries, which have not demonstrated a willingness to make the institutional and economic reforms that are necessary to make AID a success.

(Discussion off the record.)

Mr. GAUD. I have not read the book you mentioned any more than you have, but I spent several hours with Dr. Myrdal one evening and we discussed his book, particularly South Asia, because that is where he concentrated. I was struck by the fact that he has not been there for 6 years and his statistics date almost all from the 1950's and early 1960's. He was not aware at all of what has been going on in South Asia in the way of agricultural development in the last 3 or 4 years. He plain did not know the facts. I think that his conclusions on South Asia are not based on up-to-date information and facts, and frankly I do not think they hold up in terms of what India and Pakistan have been doing in the last few years.

Mr. LONG. I do not know. You don't have to go there to know a great many things that go on. We know their population continues to explode. We know that they are pursuing a great many policies that are not really designed for economic development. India right now is buying submarines, jet fighter bombers, sophisticated tanks from the Soviets. Italy has U.S. approval to sell American tanks to Pakistan. We know there is a great deal of corruption in these countries. We know the redtape in India is absolutely fantastic. I met out there with the business people and they told me if you could only get your AID people to get the Government to loosen up. It takes a year to get an import permit, and by the time you get it, the need for it is gone.

We know Brazil has done very little in the way of land or tax reform. It is purely token. We know the condition of the people in Brazil has deteriorated by our own statistics. We know that South America is spending more on national defense than we have given them in economic aid.

We know that Pakistan has spent two or three times as much in the last few years on their national defense as we have given them in economic aid.

We know all these things. When I was in Brazil I was told quite frankly that the ruling class had no real interest in the development of the people, and that was even true of one of the leaders of the opposition. They do not take the same view of things we do. They do not want things for themselves that we want for them.

Secretary RUSK. Couldn't visitors in this country say the same thing if they moved in the right circles?

Mr. LONG. No; except we have an undeniable record of the development of people. Even the poverty people cannot disclaim the fact that the economic condition of the poor has moved up relatively more rapidly in the last decade than that of the well-to-do.

This is a statistical record that has been going on for over 20 years. You cannot deny it. You cannot say this about many of these countries. So my point is, really, that if it is true that we want many things that they do not want for themselves, if we are asking ordinary American people of ordinary means to pay taxes for programs that peoples of less developed countries are not willing to pay taxes for, maybe it would be wise for us to say let us pull back from this country and that country and let us put the kind of money that you really need to put into a country like Chile or Mexico—whatever country you feel really has the willingness to develop—and see what we can do to make those countries real object lessons of what you can do with help and with a will in those countries to develop.

Let these others sit there for a while and see how it is not to receive these moneys. I am convinced in my own heart that most of our aid is going to the wrong people. It is a conclusion of mine, that most subsidy programs go not to the people who need them the most, but to people who know how to get the money—skilled and ruthless in going after it.

I think this has been true of a lot of our AID program.

I am not blaming us so much. We have had great good will. I think we can be proud of the fact that we tried to help and we did want things for them they do not want for themselves. I think it would have been astonishing if we had not made a lot of mistakes. It is the first country in the world that has tried to give help on this scale. Shouldn't we learn lessons on this and reexamine our position and try another tack?

PRIORITIES IN INDIA

Mr. GAUD. How do you deal with this fact, that 80 percent of the funds that go into India's development come from the taxes and savings of the Indian people? The difference of 20 percent in foreign exchange is supplied by us and other donors. We put up 20 percent—in the United States, the Germans, the British, the Canadians, the Japanese, the World Bank and all the others in the consortium. How can one say—the Indians make mistakes, of course. We all do. But to say India is not working at her development when she is taking billions of dollars a year from people with an average annual gross national product of $100 apiece—saying that India is not interested in working at it, I just do not see how you get there.

Mr. LONG. You take money and put it into development for what? Building a steel mill in India does not make sense to me. You can call it development, but it is not for the development of the lives of ordinary persons.

Mr. GAUD. I think it is important to re-make the point I made when I talked about Dr. Myrdal's book. India has been changing her priorities in the last few years. Agriculture is getting the priority today. Far more than half of our aid to India goes to fertilizer. The rest goes for raw materials. Her priorities today are the way they ought to be.

Mr. LONG. You can say that right now, 3 years ago you were not admitting that India had the wrong priorities. I met Chester Bowles out there and no one admitted that India was harboring the wrong priorities. Nobody realized it then.

Mr. GAUD. But India has changed her priorities.

Mr. LONG. I am not convinced they have. I think they are still putting far too much in military. While 80 percent may be coming from them, it is still a fact that we are contributing very large sums of money, and we have to decide what is the best place in the world for us to use the money.

Mr. GAUD. You are certainly right about that.

Mr. LONG. I think we have to use what leverage we have to make sure that our money and theirs is not spent for the wrong purpose. I am convinced that India has still a long way to go.

(Discussion off the record.)

Mr. LONG. Thank you, Mr. Secretary, and I want to echo some of the things that have been said about you.

Secretary RUSK. Thank you very much.

Mr. LONG. I think you will go down in history as one of the greatest Secrearies of State. I think you deserve to be proud of your 8 years of service.

Secretary RUSK. Thank you, sir.

Mr. PASSMAN. I assume that all of you people mean what you say. That is how much respect I have for you. This must go into the record at this point and then I will yield to Mr. McFall.

On page 1089 of the fiscal 1967 hearings in response to a question that I asked of the distinguished Secretary:

Mr. PASSMAN. * * * I should not like the record to show as far as I am concerned that we ever got any foreign aid. It is true that foreign capital assisted in our development but the people and the countries that gave us assistance were following that profit incentive and they made a profit.

Beginning in March 4, 1789, I would like for your Department to furnish for the record any grant aid that we received and the nations from which we received grant aid. Document it if you can.

I have been doing an awful lot of research, and I have not yet found where we received a dollar in grant aid.

(The following statement was subsequently supplied:)

GRANT AID RECEIVED BY THE UNITED STATES FROM MARCH 4, 1789, BY STATE

While a negative reply is difficult to document, research by this office has not revealed any grant aid received by the United States from any foreign nation since March 4, 1789. There have been instances of the receipt of humanitarian aid such as the donation made in 1889 by the Sultan of Turkey to the sufferers of the Johnstown, Pa., flood.

Secretary RUSK. I suppose that was talking about governmental aid.

Mr. PASSMAN. I just read what you said.

Mr. GAUD. Excuse me, did the Secretary say that, or is that a statement we put in the record?

Mr. PASSMAN. I was talking to the Secretary. I assume it was the Secretary. If he did not supply that information, you people get your record straight, just like you did on the amount of money France owed us. I gave you the page number—1089.

Mr. GAUD. The year before last.

Mr. PASSMAN. Fiscal 1967.

Mr. GAUD. I did not understand you, whether you said that was testimony by the Secretary or a statement inserted in the record.

Mr. PASSMAN. It is my understanding that it is an insert supplied by the Department.

Mr. GAUD. I am just trying to get it straight.

Mr. PASSMAN. I hope you are not going to change the statement now.

Secretary RUSK. The reason I asked about the source of it and whether we are talking about governmental assistance, one thinks of the Smithsonian, one thinks of missionary schools, and colleges organized in this country.

Mr. PASSMAN. I did not tell you what to say, Mr. Secretary. I asked the question, and you confirmed it with an insert furnished for the record. It keeps me busy trying to keep the record straight. I do not mean this personally, Mr. Secretary, but it seems as if those people downtown get their history mixed up from one year to another, and it causes a lot of confusion.

Mr. RUSK. We will see if we can straighten it out.

Mr. PASSMAN. Mr. McFall?

Mr. McFall. Mr. Secretary, I will not keep you very long because we have spent a long afternoon here and I know you have many important things to do at the State Department this evening.

I just want to talk very briefly off the record, but first I would like to state with reference to some of your comments on other occasions concerning our efforts to construct a peaceful world that we have been endeavoring to do this I guess, since 1945, and it has probably cost our country $500 or $600 billion.

In my opinion we are slowly getting closer to that goal of a peaceful world. I believe that the pages of history will be very kind to four leaders in our country, Mr. Kennedy, Mr. Johnson, Mr. Rusk, and Mr. McNamara because your efforts have moved our people and the world closes to that goal. There was some reference earlier to a generation gap, and I think this has been a problem in the United States and the world for generations. It was a problem in World War I, and certainly in World War II.

Not very many young men of your and my generation had the idea that they wanted to go to war until after Pearl Harbor, and I cannot help but think that first prior to Pearl Harbor when you and I had nothing more dangerous to do than pitch a few pennies at the law school steps and brave the wrath of our good "Captain Kidd" who taught criminal law, that if our leaders had had the courage and the ability to do what you and Mr. Johnson have been and are doing, perhaps we would have avoided World War II and 290,000 Americans, 20 million Russians, 6 million Jews and untold others would not have died. But what I would like to discuss with you off the record is this——

(Discussion off the record)

Mr. McFall. Thank you, Mr. Secretary.

Mr. Passman. Mr. Secretary, in the interest of time, may I submit this as a question and let you put the information in the record?

Secretary Rusk. Yes, sir.

SUCCESS COUNTRIES

Mr. Passman. Mr. Secretary, earlier today I asked you to name the "success countries" of the foreign aid program (exclusive of the Marshall plan countries) and you cited five countries, namely: Libya, Greece, Malaysia, Iran, and the Republic of China.

Would you review your list of countries again to add to or subtract from that list, and indicate how much aid we have given to each through fiscal year 1968, and how much U.S. aid, if any, these success countries will receive in fiscal year 1969—economic, military, Public Law 480, and so forth?

(The information follows:)

FOREIGN AID "SUCCESS COUNTRIES"

Four countries—Taiwan, Greece, Iran, and Israel—have been major recipients of AID economic assistance but no longer receive such aid; however, they do continue to receive limited U.S. assistance from other programs, for example, Food-for-Peace. We refer to these countries as AID "success stories." There are other countries, for example, Korea, that are making substantial progress but still receive development assistance from AID.

U.S. OVERSEAS LOANS AND GRANTS—NET OBLIGATIONS AND LOAN AUTHORIZATIONS

REPUBLIC OF CHINA

[U.S. fiscal years, millions of dollars]

	Total, 1946–68 [1]	Proposed fiscal year 1969 program
AID and predecessor agencies	[2] 1,307.4	
Food for freedom	343.7	18.3
Export-Import Bank long-term loans	[3] 87.2	([4])
Other U.S. economic programs	472.0	
Total economic	2,210.3	18.3
Military assistance program: [5]		
Grants	2,507.7	———
Credit assistance	———	———
Other military assistance grants	213.6	
Export-Import Bank military loans		
Total military	———	———

[1] Includes estimated data for fiscal year 1968.
[2] Includes an estimated $192,100,000 in economic grant aid to Mainland China in fiscal year 1949–50.
[3] No estimate for fiscal year 1968 is available. No loans made through Apr. 30, 1968.
[4] Not available.
[5] Total through 1968 is the cumulative program.

GREECE

[U.S. fiscal years; million of dollars]

	Total, 1946–68 [1]	Proposed fiscal year 1969 program
AID and predecessor agencies	1,032.9	
Food for freedom	225.9	
Export-Import Bank long-term loans	[2] 18.5	([3])
Other U.S. economic programs	[4] 417.2	
Total economic	1,694.5	
Military assistance program: [5]		
Grants	1,523.4	———
Credit assistance	———	———
Other military assistance grants	[6] 430.3	
Export-Import Bank military loans		
Total military	———	———

[1] Includes estimated data for fiscal year 1968.
[2] No estimate for fiscal year 1968 available. No loans made through Apr. 30, 1968.
[3] Not available.
[4] Includes UNRRA and post-UNRRA, $317,100,000; Greek-Turkish aid, $122,500,000; surplus property credits, $96,600,000; and other, $500,000 less $119,500,000 repayments and interest.
[5] Total through 1968 is the cumulative program.
[6] Includes Greek-Turkish aid of $371,100,000.

IRAN

[U.S. fiscal years; millions of dollars]

	Total, 1946–68 [1]	Proposed fiscal year 1969 program
AID and predecessor agencies	499.6	----
Food for freedom	113.2	----
Export-Import Bank long-term loans	[2] 118.6	([3])
Other U.S. economic programs	34.0	[4] 1.5
Total economic	765.4	1.5
Military assistance program [5]:		
Grants	811.6	----
Credit assistance	----	----
Other military assistance grants	----	----
Export-Import Bank military loans	----	----
Total military	----	----

[1] Includes estimated data for fiscal year 1968.
[2] No estimate for fiscal year 1968 available. No loans made through Apr. 30, 1968.
[3] Not available.
[4] Peace Corps.
[5] Total through 1968 is the cumulative program.

ISRAEL

[U.S. fiscal years; millions of dollars]

	Total 1946–1968 [1]	Proposed fiscal year 1969 program
AID and predecessor agencies	462.9	----
Food for freedom	316.6	18.1
Export-Import Bank long-term loans	[2] 11.6	([3])
Other U.S. economic programs	.1	----
Total economic	791.1	18.1
Military assistance program (credit assistance)	----	----

[1] Includes estimated data for fiscal year 1968.
[2] Includes $8,900,000 in fiscal year 1968 as of April 30, 1968.
[3] Not available.

"SHOWCASE COUNTRIES"

Mr. PASSMAN. In line with Professor Long's question of the emphasis of assistance on certain countries, didn't we decide several years ago that we would make "showcase countries" out of several nations such as the Dominican Republic, Nigeria, Tunisia, and others?

Secretary RUSK. There were decisions made to concentrate on a fairly limited number of countries.

Mr. PASSMAN. What has been the success of these efforts in the so-called "showcase countries"? Will you place that answer in the record?

Mr. GAUD. May I ask a question for clarity. You spoke of showcase countries. What countries are we talking about? The Dominican Republic?

Mr. PASSMAN. Yes, and Tunisia, Nigeria—you know which ones.

Secretary RUSK. You mean countries of special emphasis?

Mr. PASSMAN. That were previously called "showcase countries" to show what could be done.

Will you supply the list for the record?

(The information follows:)

STATEMENT ON SUCCESS OF OUR EFFORTS IN SO-CALLED "SHOWCASE COUNTRIES"

Several years ago the term "showcase countries" appears to have been used to denote certain countries in which AID planned to concentrate its development assistance. This term has not been used since.

However, AID continues to concentrate its assistance in a few countries which have good growth prospects and potential for effectively mobilizing and utilizing their domestic resources for development. Today, for example, 15 countries receive approximately 90 percent of total AID assistance and eight countries receive more than 80 percent of development loan assistance. Obviously, the extent to which these countries are able to achieve their goals is affected by a multitude of factors, including the level of aid assistance received from the United States and other donors. There has, however, been some movement into and out of this category as a result of adverse political factors as well as inefficient and inappropriate resource utilization. Since 1962, AID has concentrated its aid in a number of countries including Nigeria, Tunisia, the Dominican Republic, Chile, Colombia, Turkey, Brazil, Korea, India, and Pakistan, with mixed results.

In Nigeria, per capita GNP had been growing at an average annual rate of 3.5 percent and agricultural output at about 3.5 percent, but the civil war in July 1967 has put a stop to this momentum. Tunisia has had steady albeit unspectacular growth. Since 1963, per capita GNP increased slightly more than 2.5 percent per year and investment averaged about 25 percent of GNP. There has been little improvement in the agricultural sector and since 1960 Tunisia has been suffering an annual trade deficit of more than $100 million. Progress in the Dominican Republic has been inadequate and was further hampered by the revolution in July 1965. However, the present government appears to be making effective and steady progress.

The per capita GNP of Chile has been increasing on average at about 2 percent annually and the cost of living, which had risen by 39 percent in 1964 was reduced to 17 percent in 1966 and 22 percent in 1967. Chile's exchange rate overvaluation has been reduced, and in response to stabilization efforts, tax revenues reached 20 percent of GNP in 1966.

Since 1961, per capita GNP growth in Colombia has varied between 0 and 2.8 percent and the growth of population imposes severe strains on the economy. The Government recently has undertaken sound monetary and reform policies and modified its development priorities to reflect the needs of the agricultural and educational sectors.

In Turkey, the average rate of increase in per capita GNP has been about 4 percent and both agricultural and industrial output has increased at average rates of 10 percent and more per year.

The Brazilian Government's stabilization policies has reduced price inflation to 25 percent in 1967 compared to 45 percent in 1965. In general, economic growth has been negligible in past years but has improved in 1966 and 1967, when GNP rose by more than 4 percent per year.

Korea's per capita GNP has been increasing at about 7 percent per year and agricultural at about 5 percent. Industrial output has more than doubled since 1967. Domestic savings rose to slightly more than 13 percent of GNP in 1966 compared to 2 percent in 1962.

Per capita GNP in Pakistan has averaged about 3 percent per year during the past few years. The war with India in 1965 and successive droughts in the western Province and floods in the East have adversely affected development. Industrial production during the past few years grew at more than 20 percent annually; the growth of agricultural output has been relatively slight. The Government has introduced new policy reform measures in the agricultural, industrial and trade sectors that should lead to improved performance.

India's growth generally has been unsatisfactory over the past several years and was further adversely affected by the war with Pakistan in 1965 and severe

successive droughts in 1965 and 1966. Recent performance and self-help have been impressive: in fiscal year 1968, it is anticipated that crop production will reach a level of 95–100 million tons, a record high; in June 1966, its currency was devalued to help bring its trade in line with real export and import prices, the family planning program has been accelerated and various other reforms have been introduced in trade policy.

FOREIGN AID TO THE UNITED STATES

Mr. PASSMAN. As we drop the curtain, I want this year's information to be consistent with previous year's information. Will you check the statement about foreign aid to the United States and say you will stand by that statement?

Secretary RUSK. If you ask me the question, I will check back and see who did this research and see whether I want to do some more research on it. Frankly, I have not seen this.

You are asking me personally now. I have not seen it. I would like to have a chance to look at it.

Mr. PASSMAN. Is there anyone who can verify that was inserted by instruction from some high official in government?

(The information follows:)

THE CONTRIBUTION OF FOREIGN CAPITAL TO THE DEVELOPMENT OF THE UNITED STATES

The American Government received about $2.4 million in grants from the French and Spanish Governments between 1777 and March 4, 1789, when the first Congress met under the Constitution.

Foreign capital undoubtedly played an important role in the development of this country. (The following research paper prepared by the Department of State outlines the nature of that role.)

However, aside from humanitarian aid and private gifts, research by the Department of State does not reveal any grants received by the United States from any foreign nation since March 4, 1789.

THE ROLE OF FOREIGN INVESTMENTS IN THE DEVELOPMENT OF THE UNITED STATES

THE COLONIAL PERIOD

From the time of Columbus' first voyage to the New World until the outbreak of the First World War, foreign investments played an important part in the development of the United States. Each of the original 13 colonies depended on long-range financial backing from abroad, not only in planting the first settlements and assuring their success, but also in enabling the colonies to become in some measure self-supporting. The colonists looked to Great Britain for most of their overseas financial backing until the time of the revolution. To help finance the Revolutionary War, the embattled colonists obtained French loans amounting to about $6.4 million and Spanish loans totaling about $248,000.

DURING THE CONFEDERATION

When the war was over, the Government of the United States under the Articles of Confederation needed money to put the new nation on its feet. The Netherlands, which had participated indirectly in the French loans, began to make direct loans to the Confederation after the start of peace negotiations between the United States and Britain. The Dutch loans to the Confederation amounted to $3.6 million. In addition, Dutch bankers bought up part of the domestic debt of the United States. This debt included congressional loan office certificates, the sums owed to the Army, the arrears in interest, and an uncertain amount of unliquidated debt in the form of certificates scattered about the country. At about the time the Articles of Confederation were replaced by the Constitution, Dutch bankers also bought the debt owed to France. Thus, before and for a brief time after the adoption of the Constitution in 1789 the Dutch were the American Government's chief bankers.

The faith of the foreign bankers in the fledging Nation proved well founded. The Government quickly put its house in order by reducing the domestic debt from an estimated $34 million in 1783 to $8 million in 1787. It also reduced the foreign debt, to an estimated $10.3 million as of May 1788. The Confederation, however, suffered a fatal economic weakness in its lack of an independent income, and this was remedied in the Constitution which went into effect in 1789.

DURING THE INFANCY OF THE FEDERAL GOVERNMENT, 1789–1820

The new Federal Government decided, after some debate, that foreign capital was vital to the development of the country. Alexander Hamilton, the first Secretary of the Treasury, emphasized in his "Report on Manufactures" (1791) that * * * in a country situated like the United States, with an infinite fund of resources yet to be unfolded, every farthing of foreign capital which is laid out in internal meliorations, and in industrious establishments, of a permanent nature, is a precious acquisition.

For those Americans who were suspicious that foreign capital would exploit the United States and its citizens, Hamilton argued:

Instead of being viewed as a rival, it [foreign capital] ought to be considered as a most valuable auxiliary, conducing to put in motion a greater quantity of productive labor, and a greater portion of useful enterprise, than could exist without it. * * *

The State governments throughout this period relied mostly on British investors to finance their development. The Federal Government relied on Dutch bankers for its early loans, but later it too turned mainly to the British.

Since foreign investors were at first financially unable and later unwilling to take the risk of making substantial direct investments in American enterprises, most of the foreign capital invested in the United States in the late eighteenth and early nineteenth centuries went into loans, bonds, and State-guaranteed securities. A highlight was the heavy foreign investment in the financing of the United States purchase of the Louisiana Territory in 1803. One-third of the financing for this $15 million purchase came from the sale of bonds through the British firm of Baring Brothers.

Especially attractive to British and other foreign investors also was the stock of the Bank of the United States. The Bank was chartered by Congress in 1791 and capitalized at $10 million. In 1798 foreigners owned 13,000, and by 1809 they owned 18,000, of the 25,000 shares. The Bank's 20-year charter expired in 1811 and was not renewed.

Foreign investors were also attracted to the stocks of State banks, as were the governments of the various States. Between 1811 and 1816 the number of such banks increased from 88 to 246.

The early investors, foreign and domestic, favored banks and also insurance companies because the money invested in these institutions was soon disbursed as loans to many different enterprises, with less risk than would be involved in investment in a single company requiring large capital.

Although the business corporation became increasingly important in the first half of the 19th century, there was no occasion in this period for heavy foreign investment in American corporations since these corporations did not require large amounts of capital. Before 1830, for example, nearly all the capital used to finance New England mills was available from local sources.

THE PERIOD OF TERRITORIAL EXPANSION (1820–60)

During the four decades preceding the outbreak of the Civil War the United States experienced a great territorial expansion, a revolution in transportation, and a sharp growth in industry. It also experienced financial depressions or panics in 1837 and 1857. The foreign investor shared in both the "booms" and "busts."

The transportation revolution involved the feverish building of canals and railways. Track mileage reached a total of 9,021 miles by 1850, by which time it was apparent to investors that the railroad had won the race with the canal for the development of the country. Much of the capital for the canals and railways came from abroad, largely through investment in State bonds. Before 1836 the North invested more than $90 million in these enterprises, and the bulk of this capital came from England.

British investors had no direct interest in building up industries which would compete with those of Great Britain, but in promoting transportaton and westward expansion they indirectly financed industry as well. Also available for the expansion of industry were some of the credits which American merchants and banks could draw from London for unspecified objects.

Another important factor in the development of the country was investment in the Second Bank of the United States. This Bank, chartered in 1816, was almost as popular with British and other foreign investors as the First Bank of the United States had been—between 1820 and 1832 the number of shares owned by foreigners rose from 29,288 to 84,055, out of a continuing total of 350,000 shares. President Jackson played up the fact that foreigners owned much of the stock when he vetoed a bill to renew the bank's congressional charter, which expired in 1836. The bank was then chartered by the Commonwealth of Pennsylvania, and the number of shares in European hands had increased to 197,551 in 1841, the year in which the bank became insolvent.

The bank's insolvency was one of many blows to investors that began with the panic of 1837. During the 1840's a number of States defaulted or repudiated their obligations, and as a result foreign investment houses for several years had little interest in State securities. This hit the railways, which were dependent on such securities for much of their capital.

To save the American investment market, European financiers hired American writers and speakers to go before the public and urge that the claims of the foreign creditors be padi. The campaign was partly successful, for Pennsylvania, Maryland, and a few other States resumed payments on their obligations. By such measures these States reestablished their credit with foreign investors in time to enjoy another period of expansion.

This new period of expansion began early in the 1850's when American businessmen succeeded in getting the London financial house of Baring Bros. to market a great number of State and city bonds issued chiefly to finance the building of railroads. The Barings agreed to do this even though it marked a departure from their previous practice of avoiding securities earmarked specifically for railroads. Soon the firm was involved in the interests of every American and Canadian railroad of any importance.

British investors also began to invest for the first time directly in railroad securities. By 1852 some bonds of the western railroads were listed on the London Stock Exchange. Four years later, in 1856, the New York Central Railroad opened an office in London which also served the Michigan Central and the Chicago, Burlington & Quincy Railroads. According to a report issued in 1853 by Secretary of the Treasury James Guthrie, 19 States (of 26 listed) had railroads where some of the stock was owned abroad. Guthrie reported too that nearly 26 percent (valued at $43.9 million) of the railroad bonds were owned abroad. The decade of the 1850's saw British investors buy a majority of the shares as well as of the bonds of the New York & Erie, the Illinois Central, and the Philadelphia & Reading Railroads. Indeed, British shareholding in the Philadelphia & Reading Railroad was so large that in 1857 the president of the road was selected from the British firm of McCalmont Bros., the London financial agent for the company.

Foreign investment in the United States in 1853 was summarized by Guthrie as follows: 35.5 percent of the total value of securities and bonds of the U.S. Government, the State governments, and the governments of cities and counties was held abroad; and foreign investors also held 23.7 percent of the total investments in the bonds and stocks of railroads, canal and navigation companies, and miscellaneous companies.

Guthrie stated that foreigners held 46 percent of the total $58.2 million invested in U.S. Government stocks, 38 percent of the $72.9 million in State stocks, 20.7 percent of the $79.4 million in bonds issued by 113 cities and towns, and 35.9 percent of the $13.9 million in bonds issued by 347 counties.

In other areas of investment the percentage was much smaller. Foreigners owned 2.5 percent (valued at $6.7 million) of the stock of 985 banks, 2.9 percent (valued at $378,172) of the stock of 75 life insurance companies, and 1½ percent (valued at $554,900) of the stock of 16 canal and navigation companies. Although the overall foreign ownership in these companies was small, the percentage of holdings within specific enterprises was large. Foreigners owned as much as 25 percent of the stock of the Louisiana banks and 40 percent of the stock of a bank in Mobile, Ala. They held 20 percent of the stock of the Merchant's Insurance Co. of Mobile, 14 percent of the stock of the Knickerbocker Insurance Co. of New York City, and 13 percent of the stock of the Pennsylvania

Life Insurance Co. Seventy-two percent of the stock of the Schuykill Valley Co. (a canal and navigation company) was owned by foreigners.

The investment spiral came to a temporary halt as a result of the panic of 1857, which was started by the failure of the New York branch of an Ohio insurance company. Stocks and bonds fell, commodity prices declined sharply, banks failed. The New York & Erie, the Illinois Central, and the Michigan Central Railroads all went into bankruptcy. As noted earlier, British citizens had large investments in these lines. These and other failures briefly shook, but did not destroy, the confidence of the foreign investor.

FROM THE CIVIL WAR TO WORLD WAR I

At the outbreak of the Civil War in 1861, many nervous foreign investors liquidated their investments at a sacrifice. As the Union's position improved, however, they were ready to invest heavily again in response to the tremendous wartime demand for funds to purchase clothing, equipment, and food; and to finance industrial expansion. Foreigners became involved to an important extent in the Government's wartime loans and treasury notes, which totaled $2.6 billion.

The urgent need for increasing amounts of capital continued into the postwar period. By 1869, as a result of war financing and the war-stimulated industrial boom, foreigners held (according to estimates) $1 billion in U.S. Government bonds, $107 million in State and city bonds, $243 million in railroad bonds and stocks, and $65 million in other securities and properties. This represented a total of $1.4 billion exclusive of capital temporarily employed.

The new and enlarged industries of the North continued to require rapidly growing amounts of capital during the rest of the century. According to what were presented as conservative estimates, foreign investments in the United States were $1.5 billion in 1873 and had climbed to $2.5 billion by 1895. In January 1899, according to one estimate, foreign investments amounted to $3.3 billion, with British investments valued at $2.5 billion, those of the Dutch at $240 million, and those of the Germans at $200 million.

This rapid increase in foreign investment was not continuous, however, since it is estimated that there were net American repurchases of foreign-held American securities during the years 1876–78 (a net of $300 million), between July 1882 and July 1885 (average of $25 million per year), and from the last quarter of 1890 to December 1896 (average of $60 million each year). These fluctuations were probably due in part to foreign worry about the effects of the panics of 1873 and 1893. During the years when prosperity and confidence returned, there was heavy foreign investment, particularly in railroad bonds, and with each new surge of prosperity the amount of foreign investment reached a new high.

At the turn of the century Americans were apparently making repurchases of the American securities held in Europe, but this process was again reversed in 1903. Beginning in that year large quantities of American railroad securities were purchased in England and on the Continent. Foreigners also made large investments in mining and petroleum companies in the United States. The editor of the London Statist estimated in 1909 that in the preceding year the total foreign investment in the United States had amounted to $6.5 billion. Of this sum, $400 million was short-term investment and $100 million was unidentified. The remaining $6 billion was divided as follows: Great Britain, $3.5 billion; Germany, $1 billion; the Netherlands, $750 million; France, $500 million; and the rest of Europe, $250 million.

Two years later the same editor wrote that British investments in the United States in 1910 amounted to £688 million, or $3.3 billion. The figures were broken down as follows:

Railways	£586, 227, 000
Land	31, 437, 000
Mines and petroleum	25, 196, 000
Banking, commercial and industrial	16, 645, 000
Breweries	11, 505, 000
Public utilities	8, 431, 000
Municipal securities	7, 896, 000
Other	741, 000
Total ($3.3 billion)	688, 078, 000

The extent of foreign investment in the United States in 1914 has been variously estimated. Dow, Jones & Co., after studying returns from 114 American corporations, estimated that the total American securities held abroad in June 1914 amounted to $5 billion plus. According to statistics published by the Department of Commerce, however, foreign investments in the United States on June 30, 1914 totaled $7.2 billion, of which $6.7 billion was in long term investments. It should be noted that most of the foreign investment in the United States on the eve of the First World War—perhaps as much as 80 percent—was in railroads.

THE SHIFT TO CREDITOR STATUS (WORLD WAR I AND AFTER)

With the outbreak of World War I many foreign investors began liquidating their American securities, and at the same time European nations floated large war loans in the United States, with the result that the United States, during the war, became a creditor nation for the first time. Whereas American investments abroad in 1897 had amounted to only $700 million, and by June 1914 had climbed to only $3.5 billion, by 1919 they totaled $7 billion as against total foreign investments in the United States which had declined to $3.3 billion.

In the period after World War I foreign investment in the United States increased greatly again (except for a serious setback following the stock market crash of 1929), reaching a total of $31.6 billion in 1956, but at the same time American investment abroad grew even more rapidly, reaching a total of $49.5 billion in 1956. The creditor status of the United States since the end of World War I has thus been consistently maintained.

Secretary RUSK. This was submitted by the State Department and I am responsible for the State Department.

Mr. PASSMAN. All right, Mr. Rusk, I have numerous quotations from history, but I think this statement made by Cicero over 2,000 years ago, is quite appropriate to close this hearing:

The budget should be balanced, the treasury should be refilled, the public debt should be reduced, the arrogance of officialdom should be tempered and controlled: assistance to foreign lands should be curtailed lest Rome become bankrupt, the mob should be forced to work and not depend on government for subsistence.

Thank you very much, Mr. Secretary. I believe history has a way of repeating itself.

THURSDAY, JUNE 20, 1968.

PEACE CORPS

WITNESSES

JACK VAUGHN, DIRECTOR
BRENT K. ASHABRANNER, DEPUTY DIRECTOR
M. MICHAEL SHARLOT, GENERAL COUNSEL
WILLIAM F. WHALEN, DIRECTOR, DIVISION OF BUDGET
LEON N. SATENSTEIN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT
JAMES A. ROAN, EXECUTIVE SECRETARY
EDWIN BARKER, DEPUTY DIRECTOR, PLANNING, PROGRAM REVIEW, AND RESEARCH

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Volunteer and project costs	79,851	78,800	82,500
	2. Administrative expenses	24,674	28,700	30,300
10	Total obligations	104,525	107,500	112,800
	Financing:			
25	Unobligated balance lapsing	5,371		
	New obligational authority	109,896	107,500	112,80
	New obligational authority:			
40	Appropriation	110,000	107,500	112,800
41	Transferred to other accounts	−104		
43	Appropriation (adjusted)	109,896	107,500	112,800
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	104,525	107,500	112,800
72	Obligated balance, start of year	59,622	47,089	46,689
74	Obligated balance, end of year	−47,089	−46,689	−49,989
77	Adjustment in expired accounts	−5,207		
90	Expenditures	111,850	107,900	109,500
	Expenditures are distributed as follows:			
01	Out of current authorizations	74,655	77,100	79,500
02	Out of prior authorizations	37,195	30,800	30,000

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	PEACE CORPS			
	Personnel compensation:			
11.1	Permanent positions	11,235	12,968	15,229
11.3	Positions other than permanent	1,451	1,849	1,573
11.5	Other personnel compensation	233	237	240
11.8	Special personal service payments	16,277	16,501	14,766
	Total, personnel compensation	29,196	31,555	31,808
12.0	Personnel benefits	16,499	17,864	17,148
21.0	Travel and transportation of persons	12,550	13,449	14,325
22.0	Transportation of things	2,874	3,484	3,742
23.0	Rent, communications, and utilities	3,060	3,793	4,053
24.0	Printing and reproduction	506	573	616
25.1	Other services	26,447	23,081	26,887
25.2	Services of other agencies	8,292	8,055	8,771
26.0	Supplies and materials	3,178	3,336	3,223
31.0	Equipment	1,885	2,268	2,202
42.0	Insurance claims and indemnities	13	17	
	Total obligations, Peace Corps	104,500	107,475	112,775
	ALLOCATION TO STATE, OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE			
25.2	Services of other agencies	25	25	25
99.0	Total obligations	104,525	107,500	112,800

PERSONNEL SUMMARY

Total number of permanent positions	1,240	1,570	1,673
Full-time equivalent of other positions	188	228	195
Average number of all employees	1,389	1,575	1,725
Average GS grade	7.8	8.3	
Average GS salary	$8,593	$9,254	
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158) (as amended by Public Law 88–426):			
Foreign Service Reserve	5.2	5.1	5.0
Foreign Service staff	7.9	7.8	7.7
Average salary, salary established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158) (as amended by Public Law 88–426):			
Foreign Service Reserve	$11,687	$12,299	$12,664
Foreign Service staff	$6,445	$6,753	$6,802
Average salary of unenumerated positions	$4,265	$4,308	$4,351
Average salary of ungraded positions	$2,094	$2,000	$2,000

Statement of the Director

Mr. Passman. Gentlemen, you act as if you had just came from a funeral. If so, I extend my condolences. It could be a guilty conscience, which hurts just as bad, sometimes, from giving away money.

Mr. Vaughn. All consciences are clear.

Mr. Passman. I guess you can finally get them so hardened with this type of program that they are clear under all types of conditions.

Mr. Director, if you have a general statement to make to the committee in support of your budget estimate of $112.8 million, we shall be pleased to hear from you.

Mr. Vaughn. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to present the Peace Corps appropriation request for fiscal year 1969.

We have requested $112.8 million for our operations next year. This will enable us to continue the work of the Peace Corps in an estimated 59 countries, two more than we are now serving. It will provide for a new input of 9,200 trainees and a total strength of 15,200 volunteers and trainees by the end of our program year on August 31, 1969.

The major program statistics and budgetary data are provided in the tables which accompany this statement. This includes information on the numbers of volunteers, their distribution by country on pages 1 through 7, and significant cost data on pages 8 and 9. A summary of authorizations and appropriations for each year of the Peace Corps is shown on page 10. More detailed fiscal information on volunteer and project costs and administrative expenses is included on pages 11 through 15.

The material in the accompanying tables furnishes our principal numerical measurements but it cannot convey the spirit of service in the cause of peace which has characterized the work of Peace Corps volunteers from the beginning.

In our 7 years of life, 30,000 men and women, young and old, have manifested this spirit by voluntering to give 2 years of their lives to this cause. These volunteers became, and are, the Peace Corps.

Now, a third generation of Peace Corps teachers are at work in many nations around the globe. But we do not want volunters 7 years from now to be serving as teachers to the sons and daughters of the pupils taught by our first volunteers. Our goal is to give assistance at this time so that, in the future, teachers in Nigeria or Panama or Malaysia will be trained in sufficient numbers to man the classrooms of their respective countries.

Already, in many countries, some of the pupils who greeted the first volunteer teachers in 1961 and 1962 are themselves now standing in front of classrooms. We also look forward to a time when the number of skilled nurses and city planners and farmers and lawyers in each country is such that the role of the Peace Corps as we know it now will not exist. But that time is still in the future. Today, in thousands of cases, children would not be protected against disease if Peace Corps health volunteers were not working in the villages. Communities would remain cut off from ready access to markets if Peace Corps volunteers were not helping build roads. And farmers would continue to be trapped at a marginal level of subsistence if Peace Corps volunteers were not promoting cooperatives, introducing better strains of seed, and demonstrating cheap and effective ways to obtain water.

As long as the governments of the nations in which Peace Corps serves ask for volunteers, we intend to try to meet those requests with the best this Nation can provide.

Last fall a reported drop in the number of Peace Corps applicants was mistakenly interpreted as a long-range trend. In fact, through the first 5 months of 1968, the number of applications to the Peace Corps has increased 10 percent over the corresponding period of 1967. More importantly, we expect to fulfill our program commitments to host countries this year and we intend, with your support, to continue to do so. We are determined not only to make the best use of the funds you appropriate, but to continue and extend the improvements we have made in such areas as recruitment, selection, and training. As an example, the pattern of Peace Corps training has shifted dramatically. In fiscal year 1966, we had no formal in-country training programs; in fiscal year 1967, 17 percent of all trainees had part or all of their training in-country; in 1968, this will grow to 31 percent. Our emphasis on getting the best training at the lowest possible cost has enabled us to reduce training costs by $1.8 million in fiscal year 1967 and by a further $1.4 million in fiscal year 1968.

Our congressional presentation includes the descriptions of cost reduction actions which, in total, account for $6.3 million in fiscal year 1968 and 1969. We have absorbed civil service pay raises totaling $1.2 million in both 1967 and 1968 and our budget request is based on holding all costs to the 1968 level wherever possible.

Our estimate of $112.8 million for fiscal year 1969 is significantly less than the $118.7 million budget originally submitted for 1968 and is $5.3 million above this year's appropriation of $107.5 million.

This increase of $5.3 million is required to support the larger training input, from 8,050 this year to 9,200 in 1969. These additional trainees will be needed to replace volunteers who will be completing their service overseas. Due to lower numbers of new trainees who

entered in 1967 and 1968, volunteer strength overseas, which has been at or above 12,000 for most of this year, will drop to about 11,200 by June 30, 1968, and to 10,600 by June 30, 1969. With the requested appropriation of $112.8 million, we can maintain volunteer strength at about this same level of 10,600 through June 30, 1970. However, if the 1969 training input is reduced below the budgeted level, the Peace Corps will face a further decline in strength.

Therefore, the determination of the future size of the Peace Corps is, to me, the most important issue in this budget.

Our congressional presentation this year discusses in detail some of the contributions our volunteers are making overseas. The record of this service is by now almost an old story. I believe that a great new story that is now emerging is the record being made by Peace Corps volunteers after their return to the United States. This record shows the returning Peace Corps volunteer to be not only trained, but a perceptive, understanding, and concerned citizen who still wants to serve his country and his fellow man.

School systems across the Nation have undertaken unprecedented recruiting activities in order to persuade volunteers who have been teaching overseas for 2 years to enter into the same work in this country. And the schools have been successful beyond expectation. Philadelphia hired 175 teachers last year; Washington sent two school officials around the world this spring to recruit volunteers and they have just returned with more than 150 teacher applications and contracts for next fall.

For every schoolteacher who goes overseas as a volunteer, two volunteers return to teach in America's classrooms. Many former volunteers go on to teach in public schools and universities after they complete graduate studies.

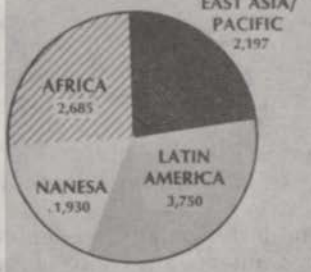
The Federal Government has attracted former volunteers to many agencies, to the staffs of some Members of Congress, and to the Foreign Service.

The man or woman who is motivated to spend 2 years of his life in service overseas is not likely to abandon his dedication to serve when he returns home.

We know how much the Peace Corps means to the governments and people of our host nations. And now we are seeing the significant contribution that is being made here at home by returning volunteers who remain committed to the idea of service. This service in the cause of peace at home as well as abroad is the extra dividend from this country's investment in the Peace Corps.

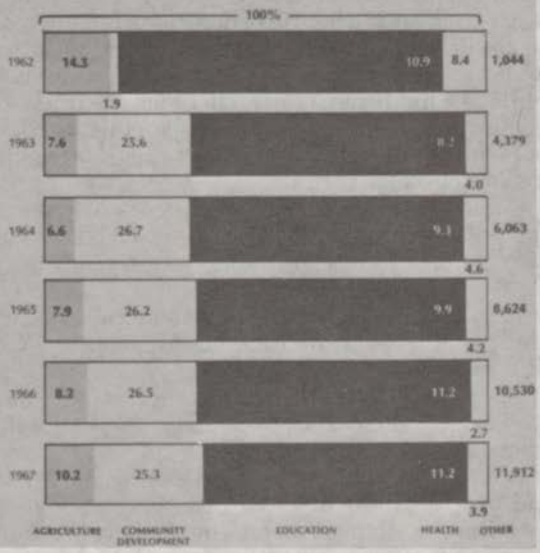
(Attachments to Mr. Vaughn's statement follow:)

PEACE CORPS STATISTICS



WHERE THEY ARE HEADED is depicted in the chart above which projects the number of Volunteers overseas as of June 30, 1969. Latin America continues to absorb the most Volunteers. A more detailed representation of Peace Corps work in the four major regions is contained on the following pages.

The work of the Peace Corps will never be told in statistics alone. But the numbers do provide a basic index of the scope of its operations. By October, 1967—early in the seventh full year of Peace Corps history—more than 30,000 Volunteers had gone overseas. Also, the number of former Volunteers surpassed the number of current Volunteers. Here is a breakdown of Volunteers by region of service and by type of program.



WHAT VOLUNTEERS ARE DOING by type of program is charted at right. Education continues to be the task of almost half of the Volunteers. (Figures as of June 30, 1967.)

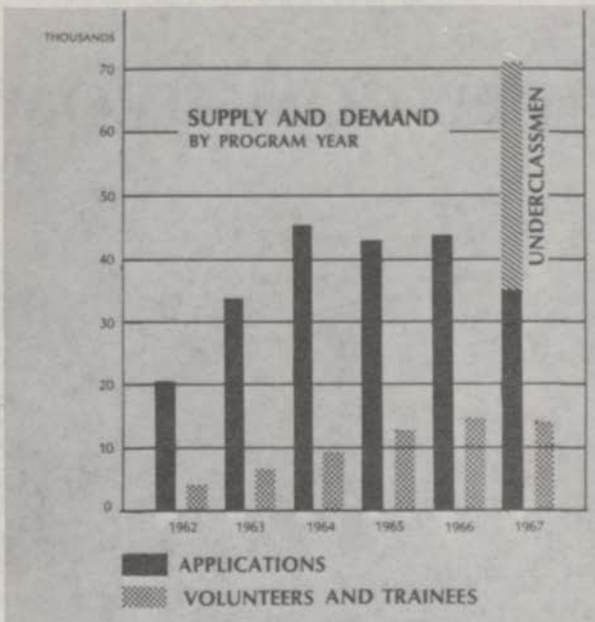
WHERE THEY COME FROM

Here is the profile of the typical Volunteer. He (65% are male) is college educated (96% have attended some college and 80% have a B.A. degree or higher). The average age is 24.2 years old, although 137 Volunteers, serving at the end of last year, were over the age of 50. The number of married Volunteers continues to increase—last year one out of every five were married. During the first six years, 1,548 Volunteers married during their service.

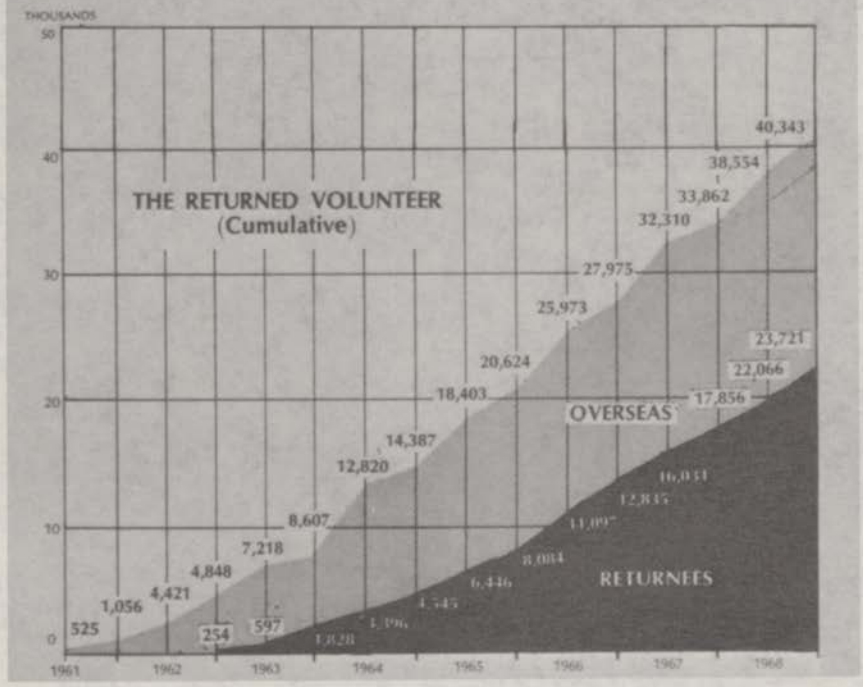


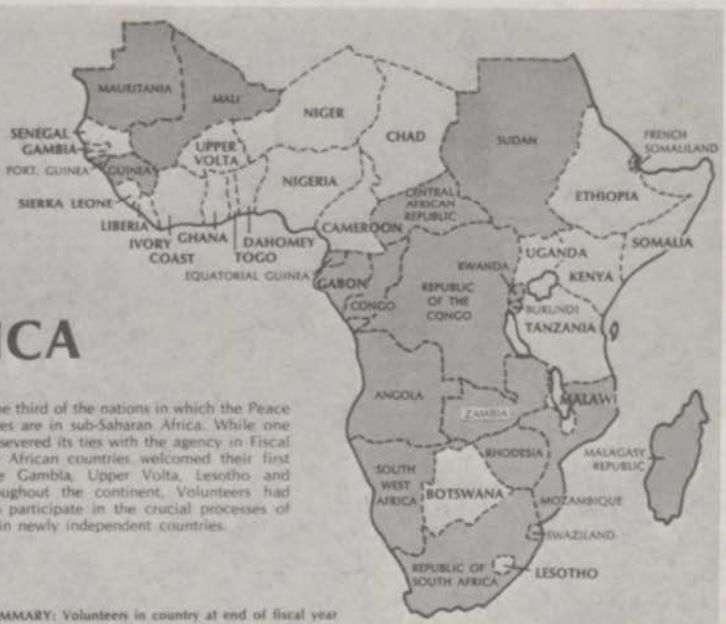
ALASKA	15
CANAL ZONE	
DISTRICT OF COLUMBIA	70
GUAM	
HAWAII	74
PUERTO RICO	35
VIRGIN ISLANDS	

POINTS OF ORIGIN: Big contributors are California, New York and Illinois. Western states account for one of four Peace Corps Volunteers and trainees. Biggest per capita states are Washington, Vermont, Colorado and Oregon. Totals show the number of Volunteers in service as of December 31, 1967.



APPLICANT TO VOLUNTEER history is charted at left. More than 250,000 Americans have applied since 1961. In 1967, for the first time, the Peace Corps distinguished between applications from college seniors and graduate students (who are most likely to be accepted to training during current year) and underclassmen who would be available for service in future years. Of 35,000 applicants, 21,000 were college seniors. Another 36,000 underclassmen expressed interest during recruiting year, largest number in Peace Corps history.





AFRICA

More than one third of the nations in which the Peace Corps serves are in sub-Saharan Africa. While one nation, Gabon, severed its ties with the agency in Fiscal Year 1968, four African countries welcomed their first Volunteers: The Gambia, Upper Volta, Lesotho and Dahomey. Throughout the continent, Volunteers had opportunities to participate in the crucial processes of nation-building in newly independent countries.

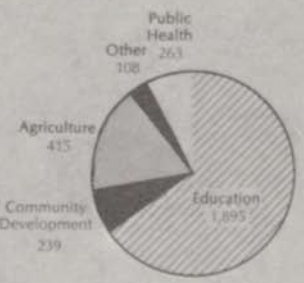
EIGHT YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	1967	(now scheduled) 1968	(estimated) * 1969
Ghana	51	129	136	110	151	238	249	255
Nigeria	109	258	508	634	719	719	254	240
Sierra Leone	37	120	159	150	233	236	277	260
Tanzania / Tanganyika	35	26	123	326	366	290	348	307
Cameroon		39	88	103	118	77	61	45
Ethiopia		278	402	565	566	432	410	400
Gabon		41	70	35	49	71	—	—
Ivory Coast		49	91	55	63	71	116	102
Liberia		132	272	335	399	317	285	300
Niger		16	12	43	48	129	113	100
Malawi / Nyasaland		42	97	230	231	153	101	85
Senegal		34	62	51	55	75	127	120
Somali Rep.		35		58	80	96	63	60
Togo		44	59	56	49	109	88	90
Guinea			52	95	85		—	
Kenya				129	197	229	260	230
Uganda				35	56	118	123	125
Botswana						56	51	50
Chad						30	59	55
Mauritania						11	—	—
Gambia							36	15
Upper Volta							46	45
Lesotho							67	63
Dahomey							26	20
Totals	232	1,343	2,053	3,010	3,421	3,427	2,929	2,645

* The estimates for the June 30, 1969 strength in country are based on a projection of the June 30, 1968 in-country strength. The actual number of Volunteers in each country on June 30, 1969 may vary from these projections as actual Volunteer allocations for each country are made at a later date on the basis of firm host country requests and worldwide comparisons of programs. The total estimate allows for 40 Volunteers for new countries.

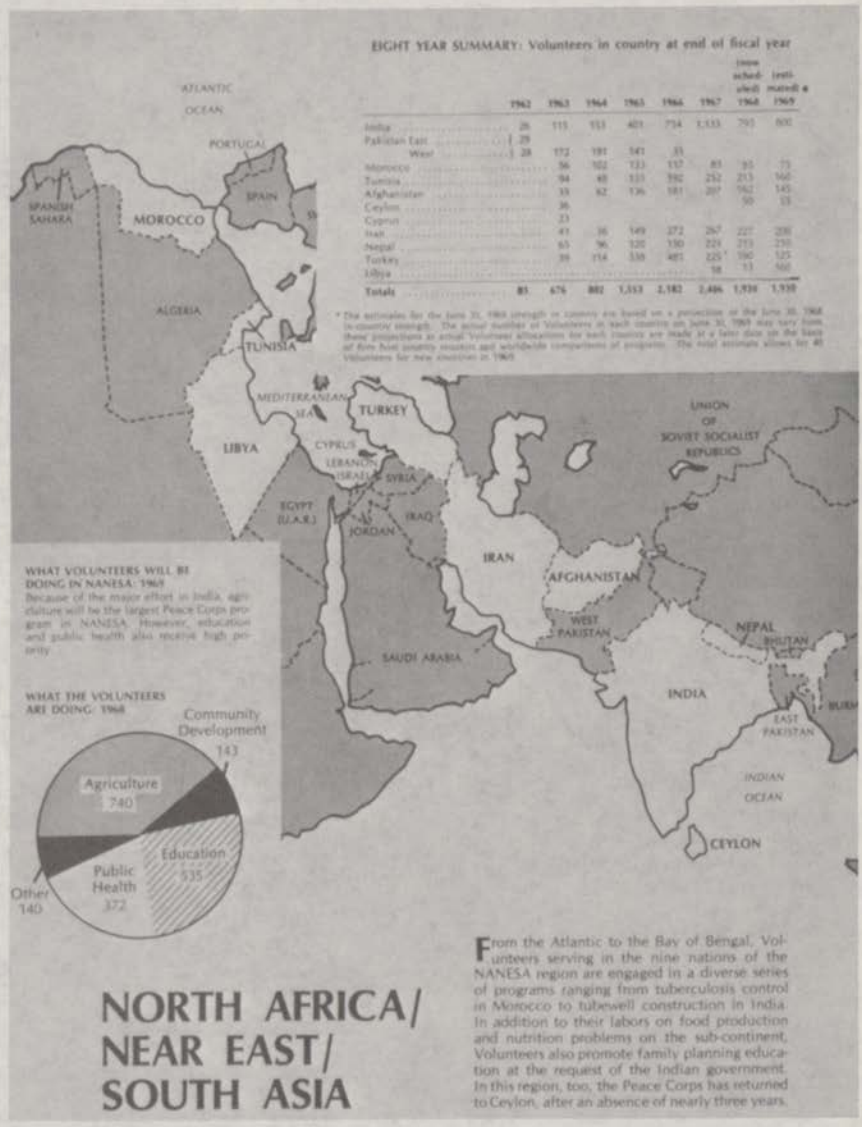
WHAT VOLUNTEERS WILL BE DOING IN AFRICA: 1969

Keeping in tune with the needs in a rapidly changing region of the world, the Peace Corps will continue to diversify its programs with a special emphasis on rural work through agriculture, public health and community development projects. Education, however, will remain the major Peace Corps effort.



WHAT THE VOLUNTEERS ARE DOING: 1968


LATIN AMERICA
By number of Volunteers, this is the largest of the Peace Corps regions. More than 10,000 Volunteers have served or are serving in Central and South America in seven years. The programs function in 19 nations and the major emphasis is on community development: to create a sense of identity and purpose among the people the Peace Corps serves and to promote self help as a desirable and practical method for the improvement of men and communities.
UNITED STATES
CUBA
HAITI
DOMINICAN REPUBLIC
PUERTO RICO
MEXICO
BRITISH HONDURAS
JAMAICA
GUATEMALA
EL SALVADOR
HONDURAS
NICARAGUA
EASTERN CARIBBEAN IS.
COSTA RICA
PANAMA
VENEZUELA
GUYANA
SURINAM
FR. GUIANA
COLOMBIA
ECUADOR
PERU
BRAZIL
BOLIVIA
CHILE
PARAGUAY
URUGUAY
ARGENTINA
WHAT VOLUNTEERS WILL BE DOING IN LATIN AMERICA: 1969
Community development and education comprise the major thrust, with agriculture emerging as the third major program area.
WHAT THE VOLUNTEERS ARE DOING: 1968
Public Health 234
Other 143
Education 1,081
Agriculture 815
Community Development 1,687
EIGHT YEAR SUMMARY: Volunteers in country at end of fiscal year
1962 1963 1964 1965 1966 1967 (now scheduled) 1968 (estimated) 1969
Brazil 43 168 235 348 439 601 618 575
Chile 63 90 106 294 397 392 285 260
Colombia 103 229 361 344 506 522 600 575
El Salvador 29 23 49 55 51 105 119 110
Jamaica 38 32 62 77 70 101 119 115
Eastern Caribbean Islands 15 14 17 3 45 89 129 120
Venezuela 23 83 117 283 292 357 305 275
Bolivia 31 112 126 220 266 303 215 185
British Honduras 33 38 49 33 42 45 41
Costa Rica 26 65 61 107 134 123 125
Dominican Republic 144 171 85 101 140 186 193
Ecuador 136 236 309 271 255 248 230
Guatemala 27 103 83 69 140 167 158
Honduras 27 46 101 107 174 200 185
Panama 28 76 133 196 171 161 170
Peru 285 291 379 361 349 285 275
Uruguay 58 4 48 55 30 40
Guyana 44 51 43
Paraguay 35 36 30
Totals 341 1,484 2,276 3,214 3,439 4,034 3,960 3,710
The estimates for the June 30, 1969 strength in country are based on a projection of the June 30, 1968 in-country strength. The actual number of Volunteers in each country on June 30, 1969 may vary from these projections as actual Volunteer allocations into each country are made at a later date on the basis of first hand country requests and worldwide comparisons of programs. This total estimate allows for 40 Volunteers for new countries.



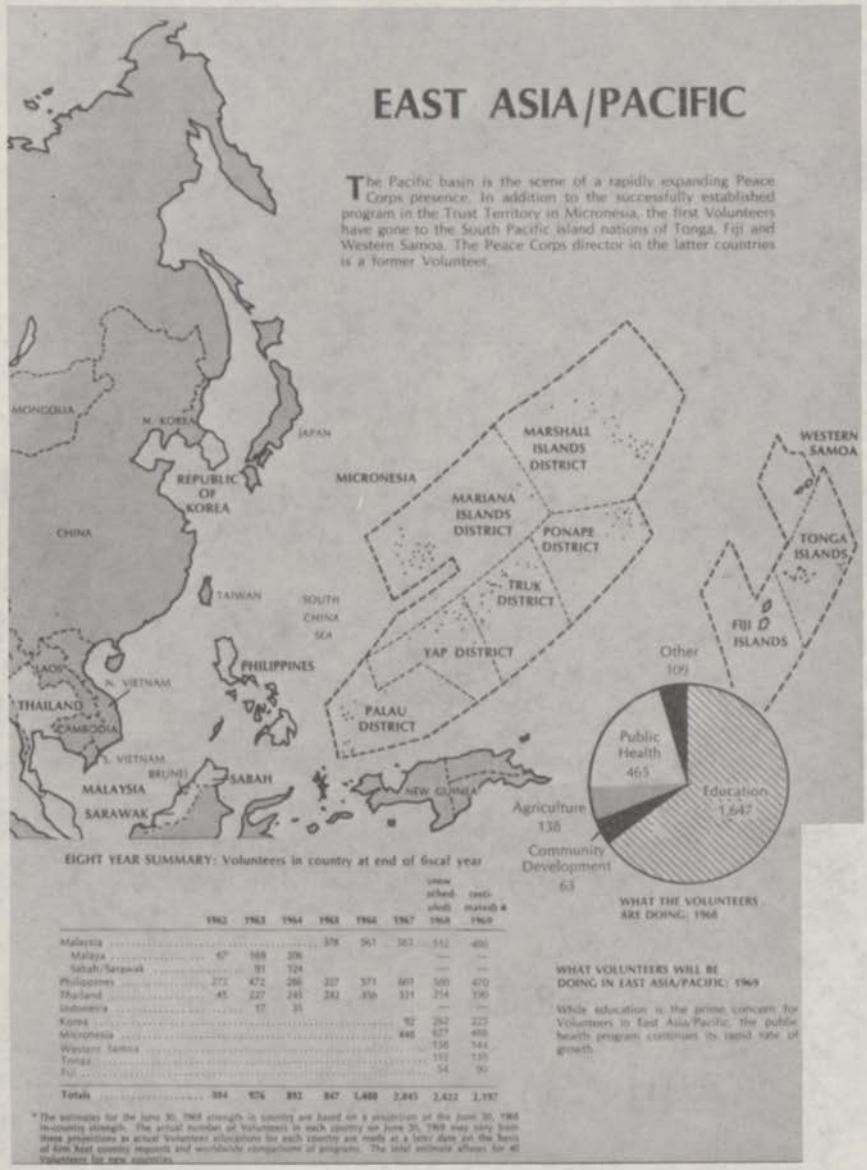
EIGHT YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	1967	1968 (now scheduled)	1969 (estimated) *
India	26	115	153	401	734	1,133	795	800
Pakistan East	29							
Pakistan West	28	172	191	341	33			
Morocco		56	102	133	137	83	95	75
Tunisia		94	68	131	192	232	213	160
Afghanistan		33	62	136	181	207	162	145
Ceylon		36					50	55
Cyprus		23						
Iran		41	36	149	272	267	227	200
Nepal		65	96	120	130	229	213	230
Turkey		39	114	138	485	225	190	125
Libya						98	53	160
Totals	**85**	**676**	**882**	**1,553**	**2,182**	**2,486**	**1,934**	**1,930**

* The estimates for the June 30, 1969 strength or country are based on a projection of the June 30, 1968 in-country strength. The actual number of Volunteers in each country on June 30, 1969 may vary from these projections as actual Volunteer allocations for each country are made at a later date on the basis of firm host country requests and worldwide comparisons of programs. The total estimate allows for 40 Volunteers for new countries in 1969.

NORTH AFRICA/ NEAR EAST/ SOUTH ASIA

From the Atlantic to the Bay of Bengal, Volunteers serving in the nine nations of the NANESA region are engaged in a diverse series of programs ranging from tuberculosis control in Morocco to tubewell construction in India. In addition to their labors on food production and nutrition problems on the sub-continent, Volunteers also promote family planning education at the request of the Indian government. In this region, too, the Peace Corps has returned to Ceylon, after an absence of nearly three years.



EIGHT YEAR SUMMARY: Volunteers in country at end of fiscal year

	1962	1963	1964	1965	1966	1967	1968 (now scheduled)	1969 (estimated) *
Malaysia				378	561	383	332	400
Malaya	67	168	206				—	—
Sabah/Sarawak		91	124				—	—
Philippines	271	472	286	227	371	401	300	470
Thailand	45	227	245	242	356	331	214	190
Indonesia		17	31				—	—
Korea							92	262	225
Micronesia							445	627	400
Western Samoa								138	144
Tonga								111	110
Fiji								54	90
Totals	**384**	**976**	**892**	**847**	**1,488**	**2,843**	**2,422**	**2,197**

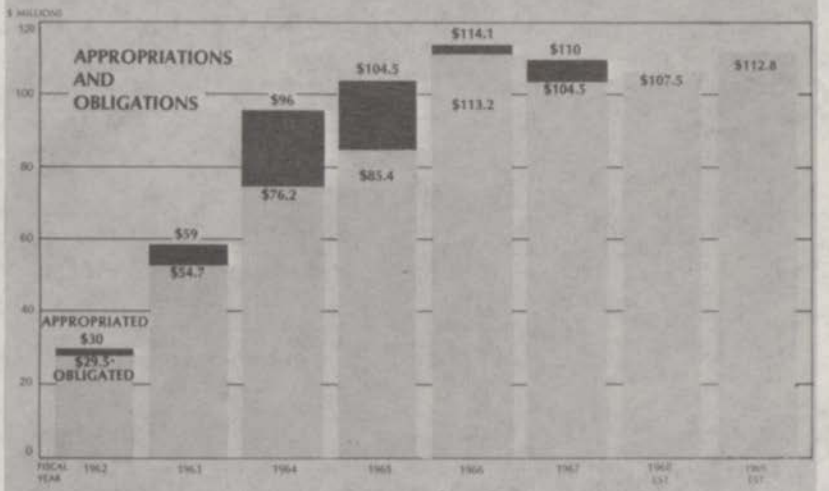
* The estimates for the June 30, 1969 strength in country are based on a projection of the June 30, 1968 in-country strength. The actual number of Volunteers in each country on June 30, 1969 may vary from these projections as actual Volunteer allocations for each country are made at a later date on the basis of firm host country requests and worldwide comparisons of programs. The total estimate allows for 40 Volunteers for new countries.

WHAT VOLUNTEERS WILL BE DOING IN EAST ASIA/PACIFIC: 1969

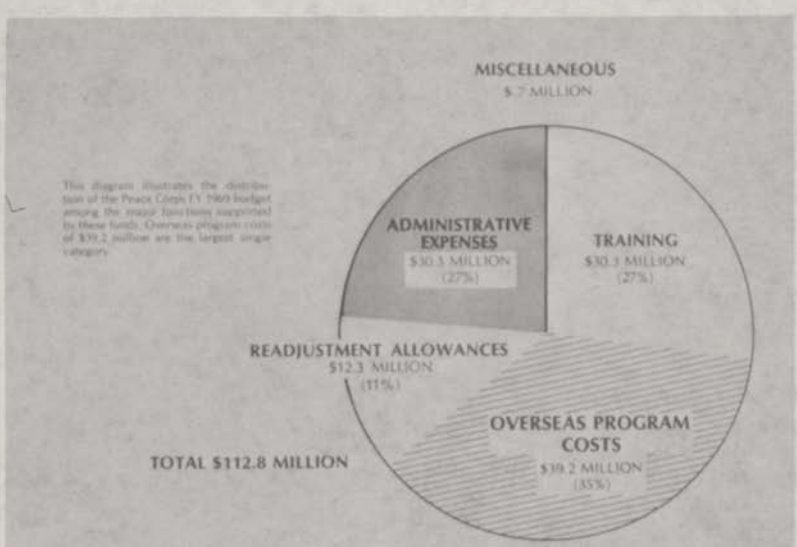
While education is the prime concern for Volunteers in East Asia/Pacific, the public health program continues its rapid rate of growth.

THE COST

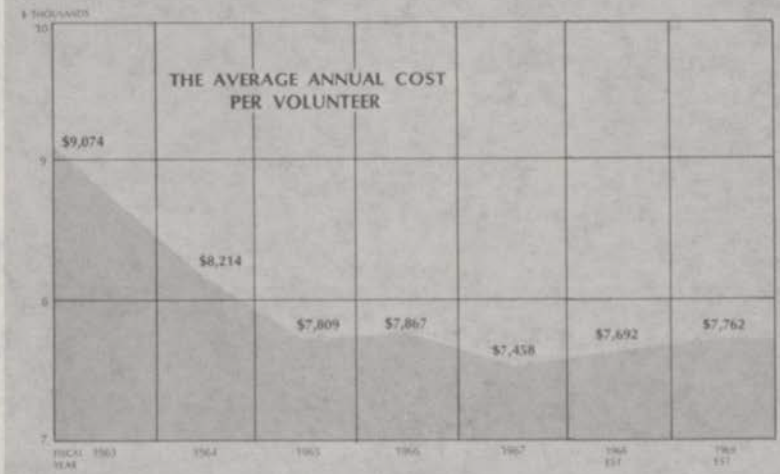
Between the end of Program Year 1962 (the first full year of the Peace Corps) and 1969, total strength will have grown from 2,816 Volunteers and trainees to 15,200 Volunteers and trainees, while the total number of countries will grow from 17 to approximately 60. In the same period, appropriations increased from $30 million to $107.5 million in FY 1968 and $112.8 million requested for FY 1969. Increased efficiency in selection, training and administration of overseas programs, along with restraints in the size of Washington headquarters staff, have helped to keep costs down.



RECEIVED AND SPENT: Of $110 million appropriated by the Congress during Fiscal Year 1967, the Peace Corps obligated $104.5 million. The estimates for Fiscal Years 1968 and 1969 are $107.5 million and $112.8 million respectively; the increase of $5.3 million in 1969 is principally due to a larger training input. Administrative expenses, which accounted for 30 per cent of Peace Corps costs in 1962, are 27 per cent in 1968 and 1969.



This diagram illustrates the distribution of the Peace Corps FY 1969 budget among the major functions supported by these funds. Overseas program costs of $39.2 million are the largest single category.



A considerable decrease in the cost per Volunteer was effected in 1967 mainly because of reductions made in the cost of training. The rise in the cost per Volunteer in 1968 and 1969 reflects the added costs of the Federal pay raise, the impact of direct-hire physicians (other than Public Health Service physicians), additional administrative expenses and mandatory payments to other agencies.

PEACE CORPS

STATEMENT OF AUTHORIZATIONS AND APPROPRIATIONS

(Dollars in Thousands)

Fiscal Year	Original Authorization & Budget Request	Amended Budget	Authorized	Appropriated (Including re-appropriations)	Appropriation Transfers to GSA	Obligated as of June 30	Unobligated as of June 30	Re-appropriated
1962	$ 40,000	$ --	$ 40,000	$ 30,000	$ --	$ 29,496	$ 504	$ --
1963	63,750	--	63,750	59,000	444	54,692	3,864	3,864
1964	108,000	102,000	102,000	95,964	--	76,164	19,800	17,000
1965	115,000	106,100	115,000	104,100	7	85,449	18,644	12,100
1966	125,200	--	115,000	114,100	--	113,173	927	--
1967	110,500	112,150	110,000	110,000	104	104,525	5,371	--
1968	124,400	118,700	115,700	107,500	--	107,500 (Est.)	--	--
1969	112,800	--	--	--	--	--	--	--

SUMMARY OF OBLIGATIONS BY ACTIVITY

Fiscal Years
(In millions of dollars)

	1962	1963	1964	1965	1966	1967	1968 Est.	1969 Est.
Volunteer & Project Costs	$ 19.7	39.3	58.4	65.6	89.6	79.8	78.8	82.5
	%(66.7)	(71.9)	(76.7)	(76.8)	(79.1)	(76.4)	(73.3)	(73.1)
Administrative Expenses	$ 9.8	15.4	17.8	19.8	23.6	24.7	28.7	30.3
	%(33.3)	(28.1)	(23.3)	(23.2)	(20.9)	(23.6)	(26.7)	(26.9)
TOTAL	$ 29.5	54.7	76.2	85.4	113.2	104.5	107.5	112.8

RECONCILIATION OF FY 1967 APPROPRIATION TO
FY 1969 ESTIMATE
(in thousands of dollars)

TOTAL NOA		Volunteer & Project Costs		Administrative Expenses
$110,000	FY 1967 appropriation		$85,500	$24,500
-104	Transferred to Public Buildings Service, GSA		-	-104
-	Reprogramming for Federal pay raise		-416	+416
-5,371	Unobligated balance		-5,233	-138
104,525	FY 1967 obligations		79,851	24,674
	Changes:			
	Pre-training expenses	$-624		
	Training expenses	-3,138		
	Overseas Volunteer expenses	+2,743		
	Readjustment allowances	-97		
	Research activities	+85		
	Title III activities	-44		
	School Partnership Program	+24		
-1,051	Subtotal Volunteer & Project Costs		-1,051	
	Changes:			
	Personnel and related costs			$+2,713
	Administrative support costs			+836
	Administrative support - Dept. of State			+477
+4,026	Subtotal Administrative Expenses			4,026
$107,500	FY 1968 Program		$78,800	$28,700

TOTAL NOA		Volunteer & Project Costs		Administrative Expenses
$107,500	FY 1968 Program		$78,800	$28,700
	Changes:			
	Pre-training expenses	$+437		
	Training expenses	+4,895		
	Overseas Volunteer expenses	-1,089		
	Readjustment allowance	-543		
	Research activites	-		
	Title III activities	-		
	School Partnership Program	-		
+3,700	Subtotal Volunteer & project costs		+3,700	
	Changes:			
	Personnel and related costs			$+1,088
	Administrative support costs			+277
	Administrative support - Dept. of State			+235
+1,600	Subtotal Administrative expenses			+1,600
$112,800	FY 1969 Obligations		$82,500	$30,300

Volunteer and Project Costs

	Obligations		
	1967 Actual ($000)	1968 Estimate ($000)	1969 Estimate ($000)
I. PRE-TRAINING			
A. Background Investigations	$ 4,665	$ 4,038	$ 4,453
B. Health Examinations	139	142	164
SUBTOTAL	$ 4,804	$ 4,180	$ 4,617
II. TRAINING			
A. Regular Complete			
1. Contract	$15,595	$ 9,320	$11,990
2. Training Centers	2,254	3,706	4,006
3. In Host Country			
a. Complete	315	832	1,567
b. Contract & In-Country	2,042	4,477	5,948
B. Advance Programs			
1. Degree	133	300	273
2. Intern	34	57	45
3. ATP	579	188	54
4. PC/VISTA Associates	422	349	164
C. Field Experience Training	232	---	---
D. Support Related Requirements			
1. Medical Support	285	280	317
2. Language Informant Service	300	255	270
3. Trainee Travel	1,589	971	996
SUBTOTAL	$23,873	$20,735	$25,630
III. VOLUNTEER COSTS			
A. International Travel	$ 6,782	$ 8,374	$ 8,761
B. Allowances			
1. Living	13,672	13,968	13,122
2. Leave	1,969	2,131	2,002
3. Clothing	959	1,017	988
First Year	664	642	719
Second Year	295	375	269
C. Health Care			
1. USPHS Physicians	3,056	3,342	1,225
2. Direct Hire Physicians	---	---	2,400
3. Supplies & Services	1,969	1,953	1,779
D. In-Country Travel	1,321	1,314	1,234
E. Supplies & Equipment	1,224	1,243	1,168
F. Support Related Requirements			
1. Vehicle Procurement	530	648	576
2. Vehicle Shipment	147	180	160
3. Bureau of Employee Compensation	185	387	513
4. Miscellaneous Costs	2,967	3,007	2,758
G. Professional Support	2,789	2,749	2,538
SUBTOTAL	$37,570	$40,313	$39,224
IV. READJUSTMENT ALLOWANCE	$12,969	$12,872	$12,329
V. RESEARCH	$ 315	$ 400	$ 400
VI. TITLE III ACTIVITIES	$ 144	$ 100	$ 100
VII. SCHOOL PARTNERSHIP PROGRAM	$ 176	$ 200	$ 200
GRAND TOTAL	$79, 851	$78,800	$82,500

FY 1969 Budget

Administrative Expenses

(Dollars in thousands)

	PC/Washington			Overseas Costs			Total		
	FY 1967	FY 1968	FY 1969	FY 1967	FY 1968	FY 1969	FY 1967	FY 1968	FY 1969
A. Personnel and related costs	$ 9,743	$10,571	$10,989	$ 7,335	$ 9,220	$ 9,890	$17,078	$19,791	$20,879
B. Administrative support operations	2,468	2,854	3,036	2,075	2,525	2,620	4,543	5,379	5,656
C. Administrative support - Dept. of State	---	---	---	3,053	3,530	3,765	3,053	3,530	3,765
Total	$12,211	$13,425	$14,025	$12,463	$15,275	$16,275	$24,674	$28,700	$30,300

Mr. PASSMAN. Thank you, Mr. Vaughn, for your statement.

I would like to say for the benefit of the members of the subcommittee, that prior to the decision of the distinguished and very able chairman of the full committee to have a meeting of the committee this morning, the clerk had advised the outside witnesses as to the time of their appearance before this subcommittee, and they flew in from Chicago and Milwaukee.

When I called the chairman, he instructed me to proceed with the hearing of the outside witnesses this morning at 10 o'clock. Not that I desired to, but it was just a question of prearranged plans, which was fully understood by the chairman. So, our hearing this morning proceeded with the advice and consent of the chairman, and not by any arbitrary decision made by the chairman of this subcommittee.

Mrs. HANSEN. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mrs. HANSEN. I usually would have attended your meeting——

Mr. PASSMAN. I know that.

Mrs. HANSEN. But this morning I was particularly interested in the items of education and health in the HEW bill, and that is the reason I went to the full committee hearing.

(Off the record.)

TOTAL PEACE CORPS APPROPRIATIONS TO DATE

Mr. PASSMAN. We have some questions to ask on this program. I hope that you testifiers for this money will not get the idea that it is your right and prerogative to take an arrogant or different view of our interrogation. It is our responsibility, because we represent 200 million Americans on this side of the table, to know something about the amount of money that you have spent and propose to spend next year.

We all know that we are spending money we do not have for things we do not need, trying to be everything to everybody everywhere, regardless of the cost, on borrowed money. We have gotten the fiscal affairs of this country into such bad shape, that the people who are supposed to know say we are facing the greatest dollar crisis since 1931, and many individuals say in the past 100 years. That is what happens when people or a government spend money in excess of their income.

Mr. Vaughn, if I read the record correctly, since the inception of the Peace Corps in fiscal 1962—and this takes into consideration only the annual appropriations, because the Peace Corps was funded prior to any congressional authorization—I believe the total appropriations from fiscal 1962 to 1968, inclusive, were $621,064,000. Does that agree with your record?

BENEFITS OF PEACE CORPS

Mr. VAUGHN. That checks with the column I have here.

Mr. PASSMAN. Could you tell us what, if anything, we have gotten for this unbelievably large expenditure? Can you pinpoint any tangible benefits whatsoever?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Would you have at it?

Mr. VAUGHN. During this period we have recruited, selected, and trained over 35,000 volunteers who have gone out to serve, mainly as teachers, in some 64 countries. They have made the early doubts and charges by people like President Eisenhower, who referred to them as the "Kiddie Corps"——

Mr. PASSMAN. What did he know about it, if anything?

Mr. VAUGHN. He, like so many, tended to undersell and underrate the young adults.

Mr. PASSMAN. I may have oversold and overrated them, and I am the worst critic you have, but proceed to pinpoint the benefits. You are going to give a lot of statements about what you believe it may have accomplished, but we want you to pinpoint actual accomplishments. Could you do that?

Mr. VAUGHN. The point has been reached that we have had volunteers overseas for over 7 years now, and they have worked at a level that our aid programs have not touched before. They have worked at the level of the little man in the slum and in the rural areas. They have been especially effective, Mr. Chairman, in providing high-quality teachers in areas where there would have been no teachers had it not been for our volunteers.

Mr. PASSMAN. Is it any of our business to provide teachers? We cannot even take care of our own many problems. We are having more turmoil, grief, rioting, looting, burning, and crime in this Nation than we have ever had in the history of the United States. We do not seem to be able to straighten out our own business. Are you succeeding in straightening out other people's business in these countries where these so-called volunteers are located?

Mr. VAUGHN. It was never suggested by President Kennedy when he began this program that we were aiming at straightening out anyone.

Mr. PASSMAN. What are you doing? What is the purpose of it if you are not teaching these people at the grassroots level to be better citizens?

Mr. VAUGHN. You refer to——

Mr. PASSMAN. I am referring to turmoil in the world.

Mr. VAUGHN. And the lack of teachers here?

Mr. PASSMAN. I did not say lack of teachers. I said lack of discipline. This country is being torn apart. Crime is running rampant. There has been an 80 percent increase in major crime since we started the Peace Corps in 1962. Those are J. Edgar Hoover's figures. We just wonder why we are trying to look out after everybody else's business all over the world, training them, teaching them discipline, and the advantage of doing certain things, when we do not seem to be succeeding in doing the same thing here in this country.

I do not believe you can answer the question. You have to deal in generalities. You have to draw very heavily upon your imagination to be able to pinpoint the actual good that the Peace Corps has accomplished.

Let us pick any country you want to. Let us take Thailand, for example. You have had the Peace Corps in Thailand almost since its inception. How about the literacy rate now, compared to 1962? Do you have any statistics on it? Let us see if you have made any improvements in the educational field in Thailand. We have put over a billion dollars from the AID program in that country, along with a lot of

Peace Corpsmen. We want to find out if there has been any good, other than some individual's statement as to the amount of good that has been accomplished. We are trying——

Mr. VAUGHN. You have not given me a chance, Mr. Chairman.

Mr. PASSMAN. You have had a chance, but you got off on the dream path.

Mr. VAUGHN. I have not.

Mr. PASSMAN. Give us some facts, then.

Mr. VAUGHN. Fine.

The question asked about education is an appropriate one.

Mr. PASSMAN. I did not ask that specific question, but I will let you answer it. I asked you to pinpoint any real benefits we have derived from this $621 million expenditure. That is what we are trying to find out.

DOMINICAN REPUBLIC TEACHER TRAINING PROGRAM

Mr. VAUGHN. Let me give you an example. We have had a substantial program in the Dominican Republic since late 1962. This, as most other Peace Corps programs, has been heavily oriented toward education. We were asked by the Dominicans to help them in in-service training for their rural elementary teachers. In this country the average rural elementary teacher that the volunteers met had a third-grade education. We made a concentrated effort for several years to provide in-service training; that is, weekends and evenings and during vacation periods, to these teachers who had not had the advantage of a good education themselves and, therefore, cannot really be expected to be teachers.

Mr. PASSMAN. How do you determine whether a person has had a good education? What is your criteria? Abraham Lincoln did not have a formal education, but he made a great President.

Mr. VAUGHN. If you had ever taken the time to go to a Dominican rural school and see it being taught by an 18-year-old teacher with a second-grade education, I think you would agree that great improvement could be brought to that kind of system.

In the last 2 years, Mr. Chairman, we have trained several hundred of these Dominican rural elementary teachers in an intensive and, I think, very effective way, and those who have looked at the program, Dominican officials and AID education advisers, agree that there has been a dramatic upgrading of the teaching ability of these rural elementary teachers.

Mr. PASSMAN. Who advanced this theory on the Dominican Republic which is on page 22 of the Peace Corps justification book:

"Over a 15-year period the Peace Corps hopes to reach all these teachers." Do you have visions of this Peace Corps continuing for 15 years?

Mr. VAUGHN. I have a vision of the Peace Corps being a long-range program in terms of decades and generations.

Mr. PASSMAN. It could be, but I doubt that it will.

Mr. VAUGHN. I hope it will.

Mr. PASSMAN. I do not think you can pinpoint any accomplishments, other than just general conversation.

COUNTRY PROGRAMS AND VOLUNTEERS

Would you furnish for the record a table showing the names of the 57 countries and the number of so-called volunteers in each, as of March 31, 1968?

(The information follows:)

PEACE CORPS VOLUNTEERS AND TRAINEES ON BOARD
AS OF MARCH 31, 1968

	VOLUNTEERS	TRAINEES	TOTAL
ALL REGIONS	12032	614	12646
AFRICA	3090	166	3256
Botswana	52		52
Cameroon	61		61
Chad	42		42
Dahomey	28		28
Ethiopia	412	61	473
Gambia	16		16
Ghana	251		251
Ivory Coast	89	35	124
Kenya	263		263
Lesotho	68		68
Liberia	308		308
Malawi	147		147
Niger	125	52	177
Nigeria	291		291
Senegal	127		127
Sierra Leone	281		281
Somalia	99		99
Tanzania	150		150
Togo	104	18	122
Uganda	129		129
Upper Volta	47		47
EAST ASIA & PACIFIC	2788	115	2903
Fiji	54		54
Korea	325		325
Malaysia	521		521
Micronesia	648		648
Philippines	739	37	776
Thailand	244	78	322
Tonga	117		117
Western Samoa	140		140

	VOLUNTEERS	TRAINEES	TOTAL
LATIN AMERICA	4068	277	4345
Bolivia	260	42	302
Brazil	608	41	649
British Hond.	45		45
Chile	288		288
Colombia	657	21	678
Costa Rica	128		128
Dominican Rep.	142	59	201
Eastern Carib	130		130
Ecuador	264	25	289
ElSalvador	121		121
Guatemala	145	31	176
Guyana	51		51
Honduras	172	42	214
Jamaica	119		119
Panama	188		188
Paraguay	56		56
Peru	303		303
Uruguay	31		31
Venezuela	360		360
C A Region		16	16
NANESA	2086	56	2142
Afghanistan	142	56	198
Ceylon	55		55
India	824		824
Iran	277		277
Libya	13		13
Morocco	111		111
Nepal	219		219
Tunisia	237		237
Turkey	208		208

MR
3/25/68

NEW COUNTRIES PROPOSED FOR FISCAL YEAR 1969 PROGRAM

Mr. PASSMAN. What are the two additional countries in which you propose to have a program in fiscal 1969?

Mr. VAUGHN. Yes. The two new countries for fiscal 1969 are Swaziland and Nicaragua.

Mr. PASSMAN. Both the House and the Senate committee reports and the justifications state you plan to have three additional countries.

Mr. VAUGHN. There will be volunteers in two additional countries, as far as we can see at this point.

Mr. PASSMAN. Your justifications also state three new countries. Where is the other one, do you know?

Mr. VAUGHN. There are going to be new programs, Mr. Chairman, in two countries.

Mr. PASSMAN. Yes. You answered the question three times, but I am saying that both House and Senate committee reports and your justifications state three additional countries. Are the two committees and you mistaken?

Mr. VAUGHN. When we prepared that material several months ago, there was the prospect that there would be new programs in three or four or five countries. We decided——

Mr. PASSMAN. Why did you give me that answer?

Mr. VAUGHN. We decided to go to two new countries. That is my answer.

Mr. PASSMAN. Did you reduce your budget estimate because you reduced the number of countries in which you proposed to operate in fiscal 1969?

Mr. VAUGHN. No, sir.

PHASING OUT OF PROGRAMS

Mr. PASSMAN. On page 2 of your general statement you state, "But we do not want volunteers 7 years from now to be serving as teachers to the sons and daughters of the pupils taught by our first volunteers."

In how many countries have you phased out, of your own accord, your program of teaching or other programs?

Mr. VAUGHN. In no country.

Mr. PASSMAN. When do you expect to?

Mr. VAUGHN. As I mentioned earlier, Mr. Chairman, I view the Peace Corps as a long-range effort. When we are dealing with teaching and dealing with people and oncoming generations and increasing problems, I do not see that there is any finite end.

Mr. PASSMAN. Your statement says 7 years from now you do not want these things to happen. Yet you speak of it as a long-term effort. At another point you use the period of 15 years. The volunteers will be teaching the sons and daughters, on that basis.

Mr. VAUGHN. That is just one segment, Mr. Chairman. We are talking about rural elementary education. It could be that we are going to be getting into university education or into secondary education in the urban areas.

Mr. PASSMAN. The only thing we know good about the Peace Corps is that you testifiers say it is good. When we ask you to put your finger on its actual accomplishments, you cannot do it.

Let us look at Thailand in 1962. Let us look at its economic growth, and let us look at their literacy rate then and now. Let us see what we have received for our investment. Would that not be a good way to pin it down?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Since you stress teaching, we want to see how much improvement has been made. We spent $621 million of borrowed money. I think Mr. and Mrs. America are beginning to catch up with us. They want to know what have we received for our money other than a lot of conversation. I am going to go down to my district to start campaigning in a few days, and I can guarantee you that I better be able to pinpoint some of the things that are good. I will have to be able to give them some specific answers to some specific questions.

Do you know any other way we could establish what good you have done, other than to go to the country's status when you started the program and the record now in the educational system? We have to have something to measure it by, Mr. Vaughn.

Mr. VAUGHN. I recognize that, Mr. Chairman. I have not been given a chance, though. If you are talking about Peace Corps accomplishments in individual countries, it is the usual case that there are three or four or five different activities in a given country in varous stages of development. So, you cannot talk about overall. You cannot talk about economic development and literacy in Thailand when we are not in literacy teaching in Thailand.

Mr. PASSMAN. What kind of teaching are you doing?

Mr. VAUGHN. We are in English teaching there.

Mr. PASSMAN. Let us get into English teaching then. Have you any statistics by which you can compare your progress? There has to be something other than the invisible benefits.

Anyway, you have answered my question. We just have to visualize certain accomplishments on the overall scale, and we just cannot point to something and say if it had not been for the Peace Corps you would not have had this increase.

Mr. VAUGHN. I do not think that is quite the case, Mr. Chairman. I think you have to look at it this way: For example, if you are teaching mathematics-science or introducing math-science teaching for the first time, you obviously can have some measurements like numbers of youngsters who are studying math-science for the first time. If you are sending in 100 English teachers, you can be sure that it is better quality instruction. In many places where we teach English, the previous teachers, the host country teachers, do not really speak English. They put lists of words on the board and the youngster, after 5 or 6 years, still does not speak English.

That is not the case with our teachers. I do not know how you quantify that without testing each individual student as to how much has been accomplished, but the teaching is of that nature.

Mr. PASSMAN. Somewhere along the way, Mr. Vaughn, we are going to have to get away from the intangibles and the imaginary accom-

plishments, and say, "Mr. and Mrs. America, this is what we have received for this three-quarters of a billion dollars." That is an awful lot of money—if you get this year's appropriation. We are going to have to start to convince people that we have something, other than dealing in generalities, invisibles, and intangibles that you cannot put your finger on.

Mr. VAUGHN. I think we do have some.

COUNTRIES WHERE PEACE CORPS HAS TERMINATED OPERATIONS

Mr. PASSMAN. I believe seven countries have terminated Peace Corps operations. Is that correct?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Would you give us the name of each country, for the record, and why they asked us to terminate the program?

Mr. VAUGHN. That is in the record of last year's hearings, sir.

Mr. PASSMAN. Let us put it in the record again, Mr. Vaughn.

Mr. VAUGHN. With the exception of Gabon.

(The information follows:)

COUNTRIES FROM WHICH THE PEACE CORPS HAS WITHDRAWN AND CIRCUMSTANCES OF WITHDRAWAL

CEYLON

The Peace Corps suspended its operations in Ceylon in June 1964, when the only group of volunteers to serve in Ceylon completed its 2 years of service. The volunteers had served as science, home economics, and physical education teachers. The Government of Ceylon, under the Prime Ministership of Mrs. Bandaranaike, did not ask for replacements for these volunteers nor for additional groups. It is noteworthy that the Government of Ceylon-Peace Corps agreement was not canceled, allowing Ceylon to invite the Peace Corps to reopen its program at a future date without the necessity of negotiating a new agreement. In early 1967, under the Prime Ministership of Dudley Senanayake, the Government of Ceylon, under this original agreement, requested new Peace Corp volunteers to work in food production and rural community development. These volunteers arrived in Ceylon on December 12, 1967.

CYPRUS

When hostilities broke out in Cyprus, it proved impossible for the Peace Corps volunteers to continue their work during those hostilities. Accordingly they were pulled out in February 1964, a few months before their normal termination. By the time hostilities stopped, their tour was up, and therefore, they never went back.

GUINEA

On Tuesday, November 8, 1966, President Sekou Toure of Guinea ordered expulsion of the Peace Corps volunteers by November 15, 1966. At the same time, he complimented the Peace Corps for its contribution and sacrifice. This act of expulsion was the culmination of a series of incidents which created strained relations between Ghana and Guinea and in which the United States was accused of complicity. A Pan American plane en route to Addis Ababa made a stopover in Accra. Ghanaians boarded the plane and ordered the Guinean delegation to disembark, and members of the delegation were held as hostages. Blaming the incident on the United States because Pan Am is an American company, the Embassy residence was ransacked, Pan Am World Airways personnel were expelled, and eventually, other official U.S. personnel and the Peace Corps were also expelled. Since that time, various efforts have been made by members of the Guinean Government to have the Peace Corps return.

INDONESIA

In May 1965, the Peace Corps program consisting primarily of sport coaches was terminated as a result of a mutual decision by the Peace Corps and Indonesian authorities. The Peace Corps initiated the action because it had become apparent that the volunteers were no longer able to operate effectively in the face of a calculated campaign on the part of the PKI (Indonesian Communist Party) to harass and embarrass the Peace Corps, and if possible, force its withdrawal. By April 1965, it had become apparent that the Indonesian Government could no longer guarantee the safety of the volunteers. In the May withdrawal, there was mutual agreement on the part of the Peace Corps and the Government of Indonesia that we would look forward to the time when the Peace Corp volunteers could resume their service. The withdrawal of the volunteers was carried out effectively and without incident. Relations between the Peace Corps and the Government of Indonesia continued on a friendly basis throughout the withdrawal.

MAURITANIA

The Government of the Islamic Republic of Mauritania, in order to show its solidarity with other Arab States during the war with Israel, broke diplomatic relations with the United States on June 7, 1967. The Peace Corps with other U.S. personnel was given 48 hours in which to leave the country.

PAKISTAN

The Peace Corps closed out its operations in Pakistan in June 1967, when the first group of volunteers completed its full tour of service. The first group of volunteers arrived in Pakistan in the autumn of 1961. They and subsequent groups of volunteers served in rural public works, agriculture and education programs. The Government of Pakistan decided not to request additional volunteers because it determined that its needs were for technicians and specialists of a more sophisticated level than the Peace Corps generally provides, and we were not willing to concentrate such a high percentage of those we have in just one country.

GABON

On December 21, 1967, the American Embassy in Libreville, Gabon, received a note from the Government of Gabon requesting the termination of the Peace Corps program there and the withdrawal of its personnel from Gabon by January 1, 1968. Although the note expressed the appreciation of the Government of Gabon for the services rendered by the volunteers, no reason for the program's termination was given. The American Embassy responded on December 24 with a request for more time to effectuate the termination and withdrawal. That request was denied in a second note from the Government of Gabon which was received on January 4, 1968, after the volunteers had departed pursuant to the original request of the Government of Gabon. The second note explained that the termination was required by budgetary deficiences which had made it impossible for the Government of Gabon to continue its contribution to the program.

Mr. PASSMAN. I believe Pakistan indicated, "We want grownups, not children." Did they not issue a statement like that?

Mr. VAUGHN. They did not.

Mr. PASSMAN. What did they say?

Mr. VAUGHN. They said that in their stage of development they needed more experience, more expert technicians.

Mr. PASSMAN. What did I say other than that they needed grownup people with experience other than children? I may have used different words, but it is the same thing, is it not?

Mr. VAUGHN. Our people are grown up, sir, in every case.

VOLUNTEER FREEDOM OF EXPRESSION

Mr. PASSMAN. In some ways. They have not grown up in every case. If I had a chartered plane, I would have brought back some of those volunteers from Bangkok when I was out there recently. I was shocked

to hear them expressing themselves vocally in opposition to our Vietnam policy. I would not do that any more than I would shoot my brains out. The Peace Corps volunteers do not have to comply with the same rules and regulations that our Foreign Service officers do, do they?

Mr. VAUGHN. No.

Mr. PASSMAN. Certainly not. I wish I could have the privilege of having this committee travel with me to see how vocal these volunteers are. At the same time this conversation was going on, there may have been at least 50 young Americans killed in Vietnam, while these volunteers were expressing themselves vocally to me in opposition to our policy in Vietnam. If they do so to me, how do you know what they do when they get back in the community? When I get on a plane to go on one of these trips, I brag on our foreign policy. You would think I made it. I never say one word detrimental to my country or its policies. I do not do so today as a Member of Congress. I have my personal feelings about certain things, but when my country is at war, let me tell you, Mr. Vaughn, I support. it.

No American, to my way of thinking, should be permitted to go abroad until he takes that same oath of allegiance to this great country that the people down at the State Department take. What kind of mess would we be in if the Ambassadors and the first and second secretaries in our Embassies abroad could go out and express themselves orally as being opposed to our foreign policy in Vietnam?

Mr. VAUGHN. I agreed with Secretary Oliver when he told me he told you about what volunteers are and what they represent.

Mr. PASSMAN. Let us look at what some of the other people said who have been with our Government for a long time.

Mr. VAUGHN. Let's talk about Dean Rusk.

Mr. PASSMAN. What about Dean Rusk? Let us see what Mr. Gaud said. He said that all of his people going abroad have to support our foreign policy or they do not go abroad.

Mr. VAUGHN. Dean Rusk has said repeatedly that Peace Corps volunteers are not a part of U.S. foreign policy, not to be considered as such, and if they were——

Mr. PASSMAN. Why do you not take the initiative as an American, and recommend that we amend the legislation or policy so these kids—a lot of them spoiled, disappointed in love, or something—will go out and take the same position as the State Department people? What would you do, my dear friend, with our military personnel if they got out there and started spouting off like these Peace Corpsmen? They would be given a general court-martial, would they not?

Mr. VAUGHN. I would like to have some indication that they have been spouting off.

Mr. PASSMAN. You have already said so. You said they spouted off to you.

Mr. VAUGHN. Don't you talk to Americans in a different way than you talk——

Mr. PASSMAN. I talked to them as a group. This was not individual Peace Corpsmen. This was the whole group. If I had a chartered plane at my disposal and had had the authority, I would have pulled them all in by the nape of the neck and put them aboard that plane and flown them back to the United States. I thought this year you would have come around to saying we want the Peace Corpsmen to support the same foreign policy that our troops in Vietnam, who would be

given a general court-martial if they took the same position as these people in the Peace Corps. Why don't you give some thought to it, Mr. Vaughn? These people are supposed to impart our correct image in foreign countries. If they spout off to me, they are going to spout off to others.

Mr. VAUGHN. I do not think that is the case at all.

Mr. PASSMAN. You use the words "I do not think." I can tell you that is the case. You know very well we have had a lot of trouble with them even in this country after they have returned from their tours of duty overseas.

Mr. VAUGHN. I think the purpose of the Foreign Service officers and the military is so totally different. Peace Corps volunteers go out, not to carry out U.S. foreign policy, but to serve a foreign country and its people.

Mr. PASSMAN. What are the Peace Corps supposed to do if it is not to impart the friendly image that we want the foreign countries to have about Americans? If these youths go overseas and are hostile to our foreign policy and so express themselves, as has been stated in the press, are they helping America? Why shouldn't they support the same policy as these boys over in Vietnam, some of whom have died since we started these hearings? Why shouldn't your people support the same policy, Mr. Vaughn?

Mr. VAUGHN. Because they go out as free individuals from a pluralistic society.

Mr. PASSMAN. The military people who go overseas, aren't they free? Aren't they free Americans? They are serving their country with pride and are glad to serve it.

Mr. VAUGHN. They are at war.

Mr. PASSMAN. I know that, but how about the Embassies? They are not at war. They support our foreign policy, do they not? Do you think that Mr. Johnson would send a single Ambassador to a foreign country if he did not support our country's foreign policy?

Mr. VAUGHN. We are talking about two completely different concepts.

Mr. PASSMAN. They are not different. They are also Americans trying to impart a correct American image.

Mr. VAUGHN. It indicates to me how totally you misunderstand the concept of the Peace Corps and what it is setting out to do.

Mr. PASSMAN. If you have a concept, I understand it just as well as you do. I do not think you have any concept. Since you want to put it in my lap, I will throw it right back at you. Your concept of our foreign policy is such that I do not think you should be in the position you hold. If you do not advocate that all Americans who go out of this country to represent the United States, support our foreign policy, then I am thoroughly disappointed in you.

Mrs. HANSEN. Good Lord, Mr. Chairman, how can you say that? Nixon has been padding around the world advocating a different foreign policy.

Mr. PASSMAN. He does not go as a representative of our Federal Government. He goes out as an independent citizen.

Mrs. HANSEN. But he wants to be President.

Mr. PASSMAN. Surely. I also want to be a Congressman. These so-called volunteers are overseas under the auspices of the Federal Gov-

ernment, as a branch of the Federal Government, and are being paid by the Federal Government. Nixon is not getting paid by the Federal Government to make these trips.

REQUEST FOR PEACE CORPS IN MICRONESIA

I note your statement on page 3 that "As long as the governments of the nations ask for volunteers" you intend to try to meet those requests.

In that connection, did you request permission of the Department of the Interior to initiate a program in Micronesia?

Mr. VAUGHN. They asked us.

Mr. PASSMAN. They asked you.

Mr. VAUGHN. Ambassador Goldberg and Secretary Rusk and President Johnson and the Micronesians themselves, through their legislature.

PEACE CORPS IN INDONESIA

Mr. PASSMAN. So did the Indonesians, except that Sargent Shriver was over there and the Good Lord only knows what it cost us to get Sukarno to agree to accept these volunteers. Subsequently, Indonesia asked us to take them out, and we did withdraw them; did we not?

Mr. VAUGHN. Sukarno could not stand Peace Corps success.

REQUEST FOR PEACE CORPS IN MICRONESIA

Mr. PASSMAN. I quote from page H4960 of the Congressional Record of June 13, 1968:

> Mr. SAYLOR. For the record I should like to say the reason why they are in Micronesia is that the Peace Corps itself came to the Interior Department and asked for permission to send these people there. They made the first request.

Mr. VAUGHN. This is false.

Mr. PASSMAN. If it is false, let Mr. Saylor answer for what he says.

Mrs. HANSEN. Will the gentleman yield on Micronesia?

Mr. PASSMAN. Yes, indeed.

(Off the record.)

Mrs. HANSEN. My feeling was that after developing quite a lengthy discussion with the representatives of Micronesia and the people who were there from the Interior Department, where you have projects that should require some technical experience and to do, I would think, a better job in programing and planning, that you might use as experienced people as possible.

Mr. PASSMAN. Thank you.

TRAINING ATTRITION RATE FOR MICRONESIA

Mr. SHRIVER. Mr. Chairman, while we are on Micronesia, may I ask Mr. Vaughn a question?

Mr. PASSMAN. Surely.

Mr. SHRIVER. What has been the attrition rate in Micronesia during the past year? Last year during the hearings you told me that you expected the attrition rate for volunteers to Micronesia to be much less than the traditional 25 percent.

Mr. VAUGHN. You are talking about training?

Mr. SHRIVER. Yes; in-country training for that purpose. Would it not be more expensive than training closer to home?

Mr. VAUGHN. I am not sure we have that information, but we can get it for you.

Incidentally, the new group leaving this week will be training entirely in-country. We do have those figures.

(The information follows:)

The attrition rate for Micronesia in-country training this past year has been 20.7 percent.

REDUCTION OF VOLUNTEERS IN MICRONESIA

Mr. SHRIVER. You are projecting a substantial cutback in the number of volunteers in Micronesia for 1969?

Mr. VAUGHN. 17 or 18 percent; yes, sir.

Mr. SHRIVER. Are they unhappy?

Mr. VAUGHN. No, sir; they are not.

Mr. SHRIVER. Have they requested a different kind of training?

Mr. VAUGHN. They have requested more of the same. It was my judgment that some of the volunteers, speaking almost exclusively of teachers—95 percent of the people that we have cut have been teachers—that these people were in very out-of-the-way areas, in schools that were very small, and were not in the sort of full-time jobs that volunteers would like.

PEACE CORPS CRITICISM OF AID

Mr. PASSMAN. I think we are getting ready to save some money. This is an excerpt from our hearings with Director Gaud of the AID agency:

Mr. PASSMAN. I see in the press today that Peace Corps Director Jack Vaughn criticized the U.S. foreign aid program as wasteful and ineffective. In the interview Mr. Vaughn advocated getting rid of the economists who dominate the Agency for International Development.

This is quite an article. I don't know whether you read it or not.

Mr. GAUD. Yes, I did.

Mr. PASSMAN. If what he says is true, you know very little about what you are doing. I will insert the article in the record and you may comment on it, if you please.

(The document follows:)

PEACE CORPS BOSS HITS AID

GET RID OF THE ECONOMISTS

(By William Steif)

Peace Corps Director Jack Vaughn today criticized the U.S. foreign aid program as wasteful and ineffective.

In an interview Mr. Vaughn advocated getting rid of the economists who dominate the Agency for International Development.

He proposed hiring more anthropologists who understand the customs of underdeveloped countries and others who can put into effect ideas designed to further their development.

MUCH CHEAPER

He also said the foreign aid program could be much cheaper. Congress appropriated $2.3 billion for aid in the current fiscal year and the President seeks $3 billion for fiscal 1969.

Mr. Vaughn said AID ought to be removed from the 1-year congressional authorization cycle under which AID officials are forced to make outlandish promises they can't possibly keep.

The Peace Corps boss, a former Assistant Secretary of State, has grown increasingly disillusioned with the course of foreign aid as he has seen it over 20

years. The Peace Corps 12,000 volunteers overseas work almost exclusively with people.

Mr. Vaughn said developing nations with Western-type industrialization often have badly lopsided economies, with two-thirds of their people—peasants and slumdwellers—excluded from all benefits. He cited Mexico, where 30 million Mexicans have been untouched by industrialization.

DIRECTOR'S RECOMMENDATION FOR APPROPRIATION FOR AID PROGRAM

Mr. PASSMAN. What is your recommendation for the AID program for fiscal 1969? Since you know so much about it and have so much extra time, after running your own shop, to look after AID's business, I wonder if you could tell us what you recommend we cut out of the $2.5 billion economic aid estimate. Evidently you know all about it or you would not have made this statement. How much should we cut it this year?

Mr. VAUGHN. I would say the biggest cut should come in the strangling regulations that Congress imposed.

Mr. PASSMAN. Aside from that; let us talk about money. You said it was wasteful and ineffective. I would think you would be busy running your own shop, but apparently you know more about AID than they do, so could you give us a dollar recommendation?

Mr. VAUGHN. I do know more about it than a lot of them do.

Mr. PASSMAN. I am sure you have all the answers, but the question is how much should it be cut? That is what we are interested in. We know you are smart, but we want to know how much we can cut it and use you as an authority since you said it was wasteful and ineffective. Would you say give them half of the $2.5 billion?

Mr. VAUGHN. I would say give them a good bit more, but——

Mr. PASSMAN. More than half?

Mr. VAUGHN (continuing). But let them have the flexibility so they could actually carry out what was originally——

Mr. PASSMAN. How long were you with AID?

Mr. VAUGHN. Twelve years.

Mr. PASSMAN. You recommended everything AID asked for. You were a proponent for the full budget estimate, as I remember your testimony for the program.

Mr. VAUGHN. I become increasingly disillusioned with the restrictions that you imposed and the nonsense of the annual appropriation in what has to be a long-term job.

Mr. PASSMAN. Like the rest of the one-worlders, Congress is just absolutely an unnecessary nuisance to you people who just want us to turn you loose and give money to you carte blanche—just come and get it and see how fast you can throw it away. While we go vote, come up with a figure, because I want to use you as an authority.

Mr. VAUGHN. I would say $5 billion.

Mr. PASSMAN. You are leaving that on the record? That is just about as exaggerated as everything else you say here.

(Brief recess.)

Mr. PASSMAN. The committee will come to order.

Before we recessed briefly for a vote, we were asking Mr. Vaughn about his statement which indicated the waste and inefficiency in AID. I thought that I had reached the point where I could commend the gentleman and that he was going to recommend a substantial cut in the AID budget, but his interpretation of what is right is that when they

ask for $2.5 billion, on account of their waste and inefficiency, we should raise it to $5 billion. I have always suspected that you operated that way but you have now confirmed it.

Mr. VAUGHN. The inefficient part, Mr. Chairman, is the fact that this, as I think you will agree, is a long-term job of building institutions and transferring resources, training people and the rest; and if you handle this on a short-term basis where you criticize and demand results on a short term for what is a long-term job, that is high inefficiency.

PROGRAM APPROPRIATIONS ON AN ANNUAL BASIS

Mr. PASSMAN. In other words, everything in this country should be on a long-term basis. When did we create the Post Office Department? About 1789, I believe, and they get their money on an annual basis; do they not?

Mr. VAUGHN. I am not talking about the service. I am talking about development, the process of development.

Mr. PASSMAN. How do you get your flood control, rivers and harbors development, and public works projects in America; don't we get it on an annual basis? Isn't that right?

Mr. VAUGHN. Yes, sir; there is——

Mr. PASSMAN. I believe even the military appropriations of some $70 billion a year; don't they get their appropriation on an annual basis?

Mr. VAUGHN. Yes; their ongoing costs——

Mr. PASSMAN. They get it on an annual basis. The Constitution intended for us to operate on an annual basis. The exception is always when you give them more than 1-year money. What you people want is to be turned loose to just throw money to the four winds. As far as I am concerned, you are not going to get it that way.

Let me say this about Bill Gaud, the Administrator of AID. Without a doubt he is the best informed man, the most honorable man, the most knowledgeable man that has ever appeared before this committee. I will put my money on Bill Gaud 365 days a year, day and night, because if there was ever a forthright man that knew his job and knew it well, it is Bill Gaud.

Mr. VAUGHN. I wish that——

Mr. PASSMAN. I wish you would spend an hour with him some day so you could be exposed to his knowledge, and at the proper time apologize to him for this attack. The man knows what he is doing. He is on top of it. Bill Gaud's complete forthrightness——

Mr. VAUGHN. Is that why you want to cut his budget this year?

Mr. PASSMAN. I am not going to cut it. The committee is going to cut it simply because we don't have the money. That is why we are going to cut it. We don't have the money, Mr. Vaughn. We don't know where we can get it. Do you have any idea where we are going to get the money to carry on these programs?

Mr. VAUGHN. I do know that we can afford——

Mr. PASSMAN. Do you know where we are going to get the money? We are going to have to borrow it. Do you know where we are borrowing it? From 17 foreign nations, now at about 7 percent interest.

You didn't know that, did you? We are borrowing money from countries all over the world just to be able to continue pouring it down

ratholes. We are pricing ourselves out of the world market, Mr. Vaughn. You are contributing to it.

Mr. VAUGHN. I don't think——

FOREIGN AID GIVEN TO THE UNITED STATES

Mr. PASSMAN. You have all the answers, but I wonder if you have the answer to this one. This country, which started out as an undeveloped country without any outside help became the greatest, freest, strongest, wealthiest, and the quickest built around hard work——

Mr. VAUGHN. We had great help from England.

Mr. PASSMAN. We didn't have any help.

We became free, great, strong, wealthy, quickly built around hard work. Today we are coming apart at the seams. We are spending money we don't have for things we don't need trying to be everything to everybody everywhere, and we are pricing ourselves out of the world market.

What help did we get from England?

Mr. VAUGHN. In building our railroads.

Mr. PASSMAN. Let us see what Dean Rusk said. I thought that you would be walking into that trap. This is page 1089 of the hearings of 1967:

Grant aid received by the United States from March 4, 1789, by State.

While a negative reply is difficult to document, research by this office has not revealed any grant aid received by the United States from any foreign nation since March 4, 1789. There have been instances of the receipt of the humanitarian aid such as the donation made in 1889 by the Sultan of Turkey to the sufferers of the Johnstown, Pa. flood.

COST OF FOREIGN AID

Mr. VAUGHN. Isn't that mainly on the basis of loans?

Mr. PASSMAN. What loans? Why don't you get wise to what is happening? Do you realize foreign aid has cost us $171,235 million, including interest, since World War II? Over $90 billion of the total disbursements of $118 billion has been in the form of grant aid. The loan portion, with the exception of Export-Import Bank long-term loans, is 60-percent grant aid on account of the interest rate——

Mr. VAUGHN. Isn't India paying up to $500 million a year to service its foreign debt?

Mr. PASSMAN. Not to us. We may get some local currency we cannot use.

Mr. VAUGHN. But how about the Alliance for Progress countries; aren't most of the capital inputs in the Alliance for Progress today being made on the basis of loans?

Mr. PASSMAN. They send back one and get four. Most of the so-called loans have a 10-year grace period, and a three-quarters of 1-percent service charge during the 10-year grace period. We have disbursed——

Mr. VAUGHN. Most of them are not on a 10-year grace period.

Mr. PASSMAN. At least 95 percent of all the loans made to date have a 10-year grace period. Of the $171,235 million, we have disbursed $52,803 million in interest payments on what we borrowed to give away. About $91 billion of the $118 billion disbursements have been outright grants. Not a dime of it is supposed to be repaid.

This is a new concept, giving away our wealth to secure ourselves. It is wrecking this country. If not, then men like Mr. Johnson, Mr.

Martin, and Mr. Fowler ought to be indicted for perjury. They say that we have the worst financial situation, the worst dollar crisis, that we have had in a century.

FISCAL 1969 FOREIGN AID REQUEST

Mr. VAUGHN. Do you feel, Mr. Passman, that giving away, as you put it, what amounts to one-half of 1 percent of our gross national product is all that dangerous?

Mr. PASSMAN. You don't do your homework. Do you know what the foreign aid request is this year?

Mr. VAUGHN. 3.——

Mr. PASSMAN. The total foreign-aid request this year is $11.2 billion in 20 different spigots. This year in the highest foreign aid request since I have been chairman of this subcommittee.

The GNP does not have any relationship whatsoever to what we give away. How much of the GNP do we own, and what relationship does it have to foreign aid? It has no relationship. We have a right to tax, and the only thing we can dispose of is tax revenues. Beyond that, we don't have a thing to do with it; the GNP belongs to the American people.

U.S. PUBLIC DEBT

We have balanced the budget only five times in 38 years. Because the people who administer these programs do not do their homework, we are in a deplorable fiscal mess. We have a true public debt of $1,650 billion. Since the adoption of the Constitution 180 years ago, including this year as projected by the Treasury, we have collected in total revenue $2,260 billion. Every time we collected a dollar in that entire 180 years and spent it, we have put the Nation in debt an additional 73 cents. Your true public debt and obligation is $1,650 billion.

By simple division, every man, woman, and child in America is indebted to Uncle Sam $8,250. Interest on the public debt is now costing us $1,750,000 an hour, or over $42 million a day.

We have not created any reserves for retired military personnel pensions, retired civil service employee pensions, pensions for veterans, and so on. We have to have inflation to be able to get money to meet this. It is like the drug addict; he says, "Give me one more shot, and I will go to the hospital." The alcoholic says, "Give me another half-pint and I will straighten out." They always want just a little bit more. That is what we are doing with this tax bill today.

If you want to know how frightening this is, listen to these statistics:

Total revenue collected in 157 years, Washington to Truman, $223 billion. Total revenue collected during the Truman administration, $337 billion. Total revenue collected during the Eisenhower administration, $624 billion.

Total revenue collected during the Kennedy-Johnson Administration, projected through December 31 by the Treasury, is $1,065 billion.

Harry Truman was a businessman. He would have laughed at you people if you had submitted this foolish program to him. He reduced the public debt $3.5 billion. Eisenhower spent his $624 billion, and increased the public debt from $259 billion to $291 billion by borrowing an additional $32 billion and spending that. In the eight years

under Kennedy and Johnson we will have collected $1,065 billion and also pushed the public debt from $291 billion to $355 billion.

If you confiscated all the wealth in America, you still would not have sufficient funds to do all the things labeled "desirable" by the liberal spenders. You just can't get that much money. What we have done, Mr. Vaughn, other countries have not been guilty of. We have disposed of all the people's security for our monetary system. First we went off the gold standard. Then we removed silver as backing for our currency. Now we are getting rid of our gold.

We have nothing to back up our currency other than my credit and your credit; the Government removed those things that we always required to support our currency. This is not true with other countries. We are trying to help these so-called underdeveloped nations but these foreign nationals can walk into any bank with their currency, and buy 24-carat gold. Gold is the ultimate in security, and our gold reserves are fast disappearing.

Mr. VAUGHN. The biggest expenditure is for war and that is what we are about to counter.

Mr. PASSMAN. And big expenditures for the Great Society program.

If you will get the Treasury statement for the first 10½ months of this fiscal year and look at the withdrawals out of the U.S. Treasury, you will find that Mr. Johnson withdrew $19 billion more in this 10½ months to run the Government than during the preceding 10½ months of fiscal year 1967. You will also find all military expenditures are up only $7 billion, and the other increase of $12 billion is for Great Society spending.

Mr. VAUGHN. There are some awfully basic—what is the comparison between Great Society spending and military programs?

Mr. PASSMAN. I was down in my district the other day driving toward Ruston, and I counted 19 Federal beautifiers putting periwinkles and pussy willows alongside the highway on borrowed money. I went back 3 days later. They were all dead and they were putting in new ones.

Mr. VAUGHN. This total comes to 10 percent of the military budget.

Mr. PASSMAN. It does not make any difference what percentage it is. It is the last straw that breaks the camel's back. Any astute businessman will tell you that it is the last 3 percent which decides whether he stays in business or goes out of business.

You people are up on cloud 49. You are not coming down until this thing starts falling of its own weight and you are going to come down all at once.

Mr. VAUGHN. We are working for peace, Mr. Chairman.

Mr. PASSMAN. I hope you succeed.

ABSORPTION OF CIVIL SERVICE PAY RAISES

On page 4 of your statement you state that "we are absorbing civil service pay raises totaling $1.2 million in both 1967 and 1968."

How much money did you absorb in fiscal year 1967 and 1968?

Put that in the record.

Mr. VAUGHN. Yes, sir.

(The information follows:)

The Peace Corps has absorbed civil service pay raises of $500,000 in fiscal year 1967 and $700,000 in fiscal year 1968.

Mr. PASSMAN. Does not the fact that you were able to absorb $1.2 million indicate that this committee overfunded you?

Mr. VAUGHN. No, sir. I think that this one area where we compensated for this has been in the area of training.

Mr. PASSMAN. Made some sacrifice?

Mr. VAUGHN. No. We have been able to reduce our training costs by over $1 million in 1967–68.

Mr. PASSMAN. Would you have turned that back to the Treasury if you had not had a pay increase?

Mr. VAUGHN. If we had not had to compensate for this pay increase, then the money would obviously be turned back to the Treasury.

Mr. PASSMAN. Then we overfunded you. It is just that simple. You have used different words, but if you had it left over, you were overfunded.

PRESENT AND PROJECTED PEACE CORPS VOLUNTEER STRENGTH

Would you furnish for the record a table showing the Corps strength overseas on June 30, 1968, and project that for June 30, 1969?

Mr. VAUGHN. Yes, sir.

(The information follows:)

PEACE CORPS VOLUNTEER STRENGTH OVERSEAS

	June 30, 1967 actual	June 30, 1968 estimate	June 30, 1969 estimate
All regions	11,912	10,904	10,000
Africa	3,427	2,882	2,455
Botswana	56	51	40
Cameroon	77	61	35
Chad	30	19	35
Dahomey	----	26	20
Ethiopia	432	407	370
Gabon	71	----	----
Gambia	----	16	15
Ghana	208	246	185
Ivory Coast	71	103	100
Kenya	229	257	210
Lesotho	----	66	65
Liberia	317	303	285
Malawi	153	101	100
Mauritania	11	----	----
Niger	129	104	90
Nigeria	719	254	200
Senegal	75	127	100
Sierra Leone	236	276	230
Somalia	96	63	90
Swaziland	----	----	40
Tanzania	290	147	50
Togo	109	88	75
Uganda	118	122	80
Upper Volta	----	45	40
East Asia and Pacific	2,045	2,466	2,333
Fiji	----	51	115
Korea	992	324	300
Malaysia	583	504	480
Micronesia	448	627	488
Philippines	601	500	500
Thailand	321	214	200
Tonga	----	114	110
Western Samo	----	132	140
Latin America	4,034	3,814	3,387
Bolivia	303	209	185
Brazil	601	566	500
British Honduras	42	45	40
Chile	392	277	200
Costa Rica	154	99	95
Dominican Republic	140	155	150
Eastern Caribbean	89	127	120
Ecuador	255	247	220
El Salvador	105	119	100
Guatemala	140	167	130
Guyana	44	51	47
Honduras	174	200	150
Jamaica	101	118	110
Nicaragua	----	----	40
Panama	171	176	150
Paraguay	35	56	65
Peru	349	285	250
Uruguay	65	30	30
Venezuela	352	287	255
Colombia	522	600	550
Nanesa	2,406	1,742	1,825
Afghanistan	207	142	170
Ceylon	----	45	45
India	1,133	722	650
Iran	267	209	200
Libya	18	13	160
Morocco	83	79	105
Nepal	221	212	200
Tunisia	252	215	160
Turkey	225	105	135

Mr. PASSMAN. If the Congress in its wisdom were to appropriate funds—in increments of $5 million beginning with $75 million—what would the volunteer strength overseas be; would you put that in the

record? Page B–2 indicates that whether or not a reduction is made in fiscal year 1969 funds is the major issue of your budget program.

Mr. VAUGHN. Yes, sir.

(The information follows:)

The following table illustrates the effect of progressive budget reductions on the future size of the Peace Corps:

	Total funds (in millions)	Estimated training input	Estimated number of volunteers overseas at end of—
Fiscal year 1966 actual	$113.2	10,200	Fiscal year 1967, 11,895.
Fiscal year 1967 actual	104.5	8,265	Fiscal year 1968, 10,900.
Fiscal year, 1968 estimate	107.5	8,000	Fiscal year 1969, 10,000.
Fiscal year 1969 budget	[1] 112.0	9,200	Fiscal year 1970, [2] 10,880.
Fiscal year 1969 reduced to	[1] 110.0	9,100	Fiscal year 1970, [2] 10,808.
Do	[1] 105.0	7,700	Fiscal year 1970, [2] 9,855.
Do	[1] 100.0	6,300	Fiscal year 1970, [2] 8,704.
Do	[1] 95.0	4,800	Fiscal year 1970, [2] 7,624.
Do	[1] 90.0	3,400	Fiscal year 1970, [2] 6,473.
Do	[1] 85.0	2,100	Fiscal year 1970, [2] 4,515.
Do	[1] 80.0	700	Fiscal year 1970, [2] 3,345.
Do	[1] 75.0	200	Fiscal year 1970, [2] 2,800.

[1] Total funds have been reduced by $800,000 to account for personnel reductions made by balance-of-payments review.
[2] 1970 program assumes same training input as 1969.

Since the bulk of the Peace Corps budget is needed for the support of programs already in progress overseas during fiscal year 1969, any sizable reduction in funds, such as those shown above, creates a correspondingly drastic cutback in the only area of any flexibility—the new training input.

Even with the full amount of $112 million in fiscal year 1969, the number of volunteers overseas by the end of fiscal year 1970 (June 30, 1970) will remain at about the same as the 10,900 onboard as of June 30, 1968. This is significantly below the 11,895 onboard 1 year ago on June 30, 1967.

With reductions in the 1969 funding level and training input, the future size of the Peace Corps would decline rapidly. For example, it is estimated that an appropriation of $100 million would provide a training input of only 6,300 and reduce volunteer strength to 8,704 by June 30, 1970. This would be a reduction of 20 percent below the June 30, 1968, strength of 10,900.

In projecting and estimating this data, it has been difficult to construct a meaningful and balanced program below the $100 million level. For example, an appropriation of $95 million would allow only 4,800 new trainees; this is virtually half the normal annual training input.

PEACE CORPS AND THE DRAFT

Mr. PASSMAN. I think it would be appropriate to insert in the record a copy of a letter sent to me by the Director from a former volunteer who felt that his role as a Peace Corps volunteer was "unjustly terminated" when he was drafted for military service—and he hopes, apparently, that the Selective Service System will "see the light" and not draft Peace Corps volunteers for military duty.

(The letter follows:)

OFFICE OF THE DIRECTOR,
PEACE CORPS.

I would like to share with you this letter from a former volunteer.

JACK VAUGHN, *Director.*

LOS ANGELES, CALIF.,
April 15, 1968.

DEAR MR. VAUGHN: On March 29, 1968, I terminated my commitment to the Peace Corps. Unfortunately, this termination took place 2½ months after arriving for incountry service to Western Samoa. After reading the Peace Corps volunteer magazine for April 1968, I realized a very ominous statistic of which I was a part.

Only two-tenths of 1 percent of all male Peace Corps volunteers have been recalled for military induction. I regret to say that I am a part of that statistic.

Though my sorrow is great, I will always cherish my 3 months of being a Peace Corps trainee and 2½ months of being a Peace Corps volunteer. The Peace Corps staff members in Washington, Molokai, and western Samoa are remarkable people and made my experience a most rewarding one. It consoles me to know that this type of foreign aid is in such good hands. I take great pride in saying "Yes, I was a Peace Corps volunteer." The words of our late President and founder of the Peace Corps, John F. Kennedy: "Ask not what your country can do for you, rather ask what you can do for your country," ring loud and clear in my mind. The Peace Corps gave me the opportunity to serve my country. Certain branches of the government see no justification for this Peace Corps involvement, and this is the real tragedy. I know from firsthand experience what Peace Corps means to these underdeveloped countries—a tomorrow when previously there was only today and a future when previously there was only the present. We must hope and pray that the decision-making bodies (selective service system in particular) will "see the light."

Although my official Peace Corps volunteer role has been unjustly terminated by such decision-making bodies, I still identify with the high ideals which the Peace Corps represents. By expressing these ideals to my fellow citizens, and becoming an unofficial Peace Corps recruiter, I hope to repay the Peace Corps for providing me with the opportunity of my life.

Sincerely,

(Signed by a Peace Corps volunteer.)

Mr. PASSMAN. What is the Peace Corps position on that question?

Mr. VAUGHN. Our position is generally in agreement with his; namely, that after a volunteer has been selected, trained, and is sent overseas at taxpayer's expense and is on the job and doing an effective job, and if at the end of his 2 years overseas will come back and still be at a draft-eligible age, it is unfair, and is a waste of money to bring him back prematurely. He is coming back——

Mr. PASSMAN. I am glad that people who think that way are in the minority.

Mr. VAUGHN. I am not sure they are.

Mr. PASSMAN. We are having to draft those persons now, with physical defects. They have lowered the standards a couple of times. I am wondering how these millions of people in the military service and over half a million in Vietnam—and some of them will die before the sun sets today—feel about these so-called volunteers getting one of these paid vacations. If they are needed and are not brought back home to be inducted into the service then I don't know what this country is coming to. Here is a recent release of mine. If you can disprove it, I will buy you a pouch of tobacco. Read the whole thing and even if it is about your wild spending program, I believe you would be impressed. Read it tonight, will you?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Let me have your comments after you read it. You might be converted. Some of the people that were so dogmatic make the best converts when they finally see the light. I can foresee the time when you will be on this side of the table helping me.

FINANCIAL HISTORY OF THE PEACE CORPS

Will you insert in the record at this point the table on page 10 of the Peace Corps statistics which show the financial history of the Peace Corps since fiscal year 1962?

Mr. VAUGHN. Yes, sir.

(The information follows:)

STATEMENT OF AUTHORIZATIONS AND APPROPRIATIONS

[In thousands]

Fiscal year	Original authorization and budget request	Amended budget	Authorized	Appropriated (including reappropriations)	Appropriation transfers to GSA	Obligated as of June 30	Unobligated as of June 30	Reappropriated
1962	$40,000		$40,000	$30,000		$29,496	$504	
1963	63,750		63,750	59,000	$444	54,692	3,864	$3,864
1964	108,000	$102,000	102,000	95,964		76,164	19,800	17,000
1965	115,000	106,100	115,000	104,100	7	85,449	18,644	12,100
1966	125,200		115,000	114,100		113,173	927	
1967	110,500	112,150	110,000	110,000	104	104,525	5,371	
1968	124,400	118,700	115,700	107,500		[1] 106,500	[1] 1,000	
1969	112,800							

[1] Estimated.

UNOBLIGATED FUNDS BY FISCAL YEARS

Mr. PASSMAN. To date the Congress has appropriated $621,064,000 for the Peace Corps. What has been the amount of unobligated funds for each fiscal year, 1962 through 1967, and your estimate for June 30, 1968? Insert that data in the record.

(The information follows:)

Unobligated funds as of June 30

Fiscal year—	
1962	$504,000
1963	3,864,000
1964	19,800,000
1965	18,644,000
1966	927,000
1967	5,371,000
1968 (estimate)	1,000,000
Total	50,110,000

RESEARCH PROJECTS

Mr. PASSMAN. Would you comment briefly on your estimate of the $400,000 fiscal year 1969 for research items? List the ongoing projects in fiscal year 1968, by title, purpose, and cost? Put that in the record.

Mr. VAUGHN. All right.

(The information follows:)

PEACE CORPS RESEARCH

Peace Corps research supports applied research that will help the Peace Corps better to carry out its operations. The strategy adopted capitalizes on Peace Corps staff talent through a program of in-house studies and selected contracted research. A major focus of Peace Corps research concentrates on overseas performance of the volunteers through studies of programing and impact. These studies are designed to measure the effectiveness, or impact, of volunteers in helping host countries, and to study systematically how Peace Corps programs can be improved to increase this impact. Other studies deal with improving Peace Corps recruiting; selection; training of volunteers in skills such as community development and teaching; language training of volunteers; programing in new areas such as tuberculosis control, agricultural improvement, etc. Much more research is needed than can be carried out under the budgetary amount requested; only the most crucial projects have been carried out in fiscal year 1968 and planned for fiscal year 1969. The Peace Corps research budget is less than one-half of 1 percent of its total budget.

PEACE CORPS RESEARCH, FISCAL YEAR 1968

EXTERNAL RESEARCH

Contractor	Title and specific use	Completion date	Cost
The Human Development Foundation (this is a nonprofit research institute whose trustees include experts in the study of social change.)	Title: Effectiveness of Peace Corps Volunteers in Uganda, Tanzania, and Ethiopia, and Design of a System for Assessing Overseas Impact in Education. Specific use: This study has developed methods of assessing volunteer impact in education in Uganda, Tanzania, and Ethiopia. It will also develop a method whereby the volunteers can make systematic inputs of information to improve future programing. Such methods will have applicability in other Peace Corps countries.	Dec. 31, 1968	$45,381.00
American Technical Assistance Corp.	Title: Design of an Information System to use Overseas Effectiveness Data for Peace Corps Programing and Decisionmaking. Specific use: This project will design a system for cataloging information and improving access to effectiveness data. A method will be devised for effective feedback of overseas information that will be immediately useful in Peace Corps programing.	Oct. 31, 1968	15,500.00
Training Corp. of America	Title: Information and Feedback Measures of the the Peace Corps. Specific use: This research developed a complex questionnaire for measuring the performance of Peace Corps projects in selected African countries.	Mar. 21, 1968	5,572.22
Chase & Associates	Title: Completion of Service Questionnaire Revision. Specific use: This study will undertake to revise the important completion of service questionnaire in order to make the volunteer input into future programing more effective. By modification of the present document, or by replacing it, the Peace Corps will be able to make better use of volunteer overseas experience.	Sept. 30, 1968	6,451.00
Yale University	Title: Serological studies of Peace Corps volunteers assigned to Latin American Countries. Specific use: This research produced data useful to Peace Corps programs for safeguarding the health of volunteers overseas. Blood samples were obtained to provide information on the health status of volunteers as it relates to lob, geographic location, sex, and age.	Oct. 31, 1968	11,100.00
The Human Development Foundation.	Title: Student Attitudes Toward the Peace Corps. Specific use: This study analyzed interviews with 50 students from Harvard University, Boston College, and Boston University relating to their perception of problems arising from joining the Peace Corps. This is one of a series of studies designed to measure current student attitudes toward the Peace Corps so that recruiting methods can be improved.	Jan. 15, 1968	1,250.00
Alfred Fiks Associates	Title: A Comprehensive Study of Language Training Techniques Being Used in All Peace Corps Training Centers; a Quantitative Analysis of Language Training in the Peace Corps. Specific use: These reports are the most recent in a series of studies to determine the most effective methods of language training for Peace Corps programs. The contractor assessed data on the comparative effectiveness of various language teaching techniques. Since the success of Peace Corps is greatly dependent on the ability of the volunteer to exchange ideas with his counterparts. The findings are being tested in summer training programs.	May 31, 1968	42,145.00
Syracuse University (Virginia Koehler).	Title: Short-term study of East African (Malawi) youth for Peace Corps Volunteers to enable them to ascertain need achievement and understand differences based on personality factors. Specific use: The purpose of this brief study is to provide volunteers with a profile (or description) of secondary school students in Malawi. It will be used (1) during training to acquaint volunteers with the aspirations and expectations of different Malawi student types; and (2) during the oversea tour to improve the efficiency of volunteer teachers. The profile will be drawn from 1,100 essays written by students from 12 secondary schools in Malawi.	Sept. 29, 1968	3,795.00

Contractor	Title and specific use	Completion date	Cost
Louis Harris & Associates	Title: A Study of the Attitudes of College Students Toward the Peace Corps. Specific use: Based on a national sample of 50 colleges and over 1,000 students, this study told us what information and misinformation the students have about Peace Corps. It also indicated which students are more motivated toward volunteer service.	Jan. 31, 1968	$24,900.00
Do	Title: A Study of Seniors in Predominantly Negro Colleges and Their Attitude Toward the Peace Corps. Specific use: This is a study of the attitudes of seniors in predominantly Negro colleges toward joining the Peace Corps. This study gave us a clearer picture of the strong career concerns of this group and indicated the ways in which Peace Corps service would be of benefit to them.	Apr. 15, 1968	17,900.00
Allen Bradford	Title: Bureaucracy in India. Specific use: This study examines the complex Indian bureaucratic system, and will be useful to India volunteers who must learn to deal with Indian officials at the local level. A manual is being prepared to increase the effectiveness of the volunteers by analyzing cross-cultural problems that they will be facing within the Indian bureaucratic system.	do	5,652.70
Oregon Research Institute	Title: An analysis of the Predictor Value of the Full Field Background Report in Overseas Performance: Follow-up Study. Specific use: This study is designed to measure the extent to which the full field overlaps with other assessments which are equivalent to the full field in predictive capability. While the prior study dealt with predicting performance during training, this project will carry the research one step further and study the ability of the full field in predicting overseas performance.	Apr. 14, 1969	43,624
Alfred Fiks Associates	Title: A Comprehensive Study of Peace Corps High Intensity Language Training. Specific use: This study will evaluate the effectiveness of HILT language training on an extensive basis. Rapid and accurate information on all aspects of language training can be obtained as a result of this research.	May 31, 1968	59,069
Joyce DeMille	Title: A Manual for Use in Training Peace Corps Volunteers for Health Projects in Brazil. Specific use: This research analyzes cross-cultural data important in Peace Corps health programs in Brazil, such as local health problems and facilities for care. Recommendations will be made for solutions to problems encountered by health volunteers overseas.	June 30, 1968	4,319
Daniel W. Gade	Title: Andean Peasant Agriculture: Agricultural Training Handbook for Peru. Specific use: This study was designed to obtain pertinent information on indigenous rural agricultural practices in Peru ,in order to assist program planning for Peace Corps agricultural projects.	Mar. 11, 1968	5,000
The Human Development Foundation.	Title: Work of the Basic Contract. Specific use: The contractor assists in the identification and delineation of research projects. They will develop significant research questions related to operational needs of the Peace Corps, and stimulate the development of such questions by other professional organizations and individuals. Upon request by the Peace Corps, they will also investigate the feasibility of projects considered for performance under this contract and recommend methods of implementation, including evolution of alternatives, as appropriate.	June 30, 1969	5,000.00
Total, external research			296,658.92

IN-HOUSE RESEARCH

Title	Specific use	Completion date	Cost
Peace Corps Teacher Training Effectiveness in the Dominican Republic.	This study interviewed Dominican teachers, Dominican pupils, host country officials, and parents of pupils, to see whether the work of Peace Corps volunteers in training Dominican Republic teachers was having measurable impact. Preliminary reports indicate that this innovative teacher training program is successful and is improving teaching in the Dominican Republic.	February 1968	$6,000
Programing and Effectiveness of the Bolivia Tuberculosis Control Program.	This research studies the activities and achievements of volunteers in tuberculin testing, diagnosis, and vaccination in a TB prevention and control program in the mountainous Yungas areas of Bolivia. The findings indicate that the volunteers will be able to diagnose about 80 percent of the cases and vaccinate 80 percent of the tuberculin negatives. This shows us, again, that A.B. generalists can be trained in specialist fields.	do	500
Literacy in Niger	This report analyzes in detail the impact made by the volunteers through their own activities and through their influence on host country conterparts in the Niger Literacy Service, in promoting adult literacy in Niger. Conclusions will be drawn for future literacy programing.	August 1968	5,000
Office of Planning, Program Review, and Research. Questionnaire Study.	This was an attempt to learn the extent to which volunteers can specify and evaluate their own effectiveness in Iran, Afghanistan, Colombia, Philippines, Thailand, Tunisia, and Turkey. Their responses assist us in effective program planning.	February 1968	3,500
Joint Effectiveness Study of Peace Corps Programs in Turkey.	This study was designed in Turkey by the Peace Corps, and by the Turkish Government. It is the first joint study of Peace Corps effectiveness. If successful, it will be the model for others in other Peace Corps countries.	Annual	3,000
Analysis of Peace Corps Overseas Reports.	This survey was done by the Research Division to extract and assemble meaningful information on effectiveness and impact of specific Peace Corps programs.	April 1968	3,500
Declination Study	This study determined why some applicants decline to join the Peace Corps after their initial interest. Some of the factors leading to the declination of invitations are timing (if there is a long delay between invitation and training), communication (invitees want more information), and preferences for geographical areas were often not honored. Corrections in procedures have been made as a result of these studies.	October 1967	3,000
Trainee Impressions of Campus Recruiting—1966.	Questionnaires were distributed to summer trainees to determine the influence of campus recruiting on their decision to join the Peace Corps. Results showed that recruiting is effective in disseminating information about the Peace Corps.	August 1967	1,500
Campus Recruiting	This study examined the attitude of college students toward the Peace Corps and results are based on interviews and questionnaires with students and faculty members in 12 universities.	May 1968	4,000
Measures of Predictability of Overseas Performance.	This study refined measures of predictability for overseas performance and was based on the volunteer application questionnaires and references. Analysis showed that careful use of these documents is of major importance in the selection of volunteers.	November 1967	7,700
Attrition	This study was designed to learn more about volunteers who return before completion of their service. We learned that the attrition rate is now 4 percent a year for personal adjustment reasons and is slightly higher among women, and in the Latin American region.	April 1968	2,000
Studies of Advanced Training Programs.	This study showed that ATP programs generate a higher commitment on the part of the volunteer, but do not offer significant advantages over regular training programs.	November 1967	1,000
Rural Transformation in Africa	This will provide the overseas staff with an agricultural manual that includes specific guidelines for the selection of potentially effective rural agricutlural programs. It is based largely on the experience of volunteers, and other development agencies.	September 1968	7,000
Comparative Study of All Peace Corps Programs in Peru.	This study attempted to determine the validity of Peace Corps objectives in Peru and the extent to which Peace Corps is meeting those objectives. It examined Peace Corps programs in education and urban community development.	May 1968	6,000
The Volunteer Views the Peace Corps.	This study analyzed the close of service questionnaires of 4,200 volunteers who completed service in 1966. Results show that the Peace Corps has a major influence on the career goals of the volunteers, and that there are considerable differences between programs in terms of job satisfaction.	October 1967	6,000

IN-HOUSE RESEARCH

Title	Specific use	Completion date	Cost
Study of Peace Corps Programs in Colombia.	This study is similar to the in-house research in Peru, and outlines for Colombia the objectives of the Peace Corps and the extent to which they are being met. It examined all projects except educational television.	November 1967	$7,800
Total			67,500

Mr. PASSMAN. List those projects proposed for fiscal 1969, if any, by title, purpose, and cost.

Mr. VAUGHN. Yes, sir.

(The information follows:)

PEACE CORPS RESEARCH FISCAL YEAR 1969

EXTERNAL RESEARCH

Title	Specific use	Estimated date of completion	Cost
Role of Overseas Technical Staff	This study will review the role and effectiveness of the program technical representative. It will determine the best way for a technical expert to feed his knowledge into the day-to-day job of the volunteer.	January 1969	$20,000
Study of the Reasons Volunteers Return to the United States Prior to Completion of Service.	The purpose of this study is to determine, systematically, the reasons for early terminations. We want to know the factors, within Peace Corps control, that could reduce the number of early returnees.	February 1969	25,000
Comparative Assessment of the Role of A.B. Generalists and Specialist Volunteers.	The Peace Corps intends to examine systematically the current evidence on the relative usefulness of A.B. generalists and specialist volunteers in various kinds of jobs. Earlier research in health projects suggests that generalists can be trained to do certain types of skilled work very successfully. This research will assist in modification of training and programing.	June 1969	30,000
A Comparative Study of National and Private Volunteer Groups.	This will examine the experiences of several types of volunteer groups in order to assess the relative effectiveness of different methods of selection, volunteer support, community development, etc. The Peace Corps may profit by the experiences of other volunteer groups, thereby strengthening future Peace Corps programing.	September 1968	20,000
Host Country Input into Programing.	This research will evaluate various methods for obtaining host country input into Peace Corps programing and will design procedures for increasing the effectiveness of this input.	do	30,000
Analysis of Peace Corps Leadership Training Programs in Selected Countries in Latin America.	This study will examine systematically the Peace Corps Latin America projects that train indigenous community leaders. Since the Peace Corps is planning to expand these programs, it is important to study the reasons for their apparent success and derive program recommendations to do the job even better.	November 1968	25,000
Staff Selection	This research will study the administrative style and performance of Peace Corps country directors who have been judged outstanding by both Washington and overseas staff. This will be a major input to staff selection procedures in the future since Peace Corps projects largely depend for success on the direction and support received from the country staff.	do	15,000
Studying Overseas Performance	This research will design an entirely new overseas rating form for volunteers, since those used in the past did not produce enough accurate information to assist in volunteer selection. This study will systematically examine the volunteer's job in relation to his performance so that better people can be sent overseas.	April 1969	35,000
High-Intensity Language Training and Field Success.	The Peace Corps plans to study the relationship between high-intensity language training and the success of volunteers. Recent research suggests that some trainees in the high-intensity language program speak with greater ease and fluency than those who are taught by standard methods. The critical phase of this research is to determine whether or not the difference in training procedure results in more effective inputs by volunteers in their project assignments.	May 1969	30,000

PEACE CORPS RESEARCH FISCAL YEAR 1969—Continued

EXTERNAL RESEARCH—Continued

Title	Specific use	Estimated date of completion	Cost
Effectiveness of Volunteers Trained in the Host Country.	The Peace Corps will analyze the relative effectiveness of volunteers trained in the host country and those trained elsewhere. Since increasing emphasis is being placed on host country training as a more efficient and realistic method of preparing volunteers for project assignments, it is essential to provide comparative data based on the performance of the two groups. The results of this research will be of immediate use to the regions in their selection of future training sites and in the design of training programs.	December 1968	$25,000
Analysis of Peace Corps Teacher Training Programs in Selected Countries in Latin America.	This study will examine systematically various Peace Corps teacher training projects in Latin America in order to assess the effectiveness of volunteers in the role of trainers of teachers, rather than as teachers themselves. Experience in Dominican Republic suggests that similar programs in Latin America should be studied in depth to strengthen programing.	November 1968	20,000
The Peace Corps as a Value-Oriented Movement.	The investigator will study the Peace Corps through a content-analysis of Peace Corps documents. Through an examination of volunteers in training and in the field, he will analyze the value-problems which must be resolved by Peace Corps volunteers in order to be effective.	September 1968	1,007
Cooperatives in Africa	This will be a study of cooperatives in Africa to measure their potential as a force for agricultural development. The study will attempt to determine: (1) general effectiveness of various types of co-ops; (2) specific studies of successful co-ops such as UNCC in Niger, and Chagga in Tanzania; and (3) whether the Peace Corps can play a role in making co-ops significant in agricultural development.	June 1969	30,000
Total			306,000

IN-HOUSE RESEARCH

Title	Specific use	Completion date	Cost
Pilot Study on Peace Corps Volunteers in a Malaria Control Program in the Philippines.	The Peace Corps volunteers are participating in a Malaria eradication program in the Philippines. We want to do a pilot study which will serve as a basis for analyzing the impact of volunteers in Malaria control programs in other developing countries.	January 1969	$9,000
Research in Peace Corps Training Programs.	This investigation will examine feasibility of initiating program effectiveness research at the training stage. We would like to follow various programs from their inception to completion so that we may get a full profile of the total program.	November 1968	8,000
The Process of Deselection	Methods of deselection vary considerably between Peace Corps training centers, resulting very often in upsetting experiences for the trainee. The Peace Corps will examine various procedures now in use and recommend changes that will both strengthen selection and assist the deselected trainee.	December 1968	11,000
Pilot Study on Community Development Projects.	Since Peace Corps is engaged in community development in several world areas, the research will survey a selected group of projects in 2 regions to determine the goals of these projects and how they are being implemented. On the basis of the results, a further study may be initiated to sharpen the program planning and effectiveness of volunteers in community development jobs.	March 1969	11,000
Cross-Cultural Perceptions of Peace Corps.	It is extremely important for Peace Corps to know what host country nationals think about the volunteers and about Peace Corps in general in order to reduce misunderstanding and maximize effective cooperation between the host country and the Peace Corps. The research division will interview selected host country nationals to learn their perceptions of Peace Corps. Both programing and effectiveness should be strengthened by this research.	April 1969	12,000
Effectiveness Overseas	An analysis of existing information—All sources of effectiveness information currently obtained by the Peace Corps will be comprehensively analyzed and compared. This study will review similarities and differences among the different sources of information on overseas effectiveness.	February 1969	11,000

PEACE CORPS RESEARCH—FISCAL YEAR 1969—Con.

IN-HOUSE RESEARCH—Con.

Title	Specific use	Completion date	Cost
Attrition and Extension	The Peace Corps plans to continue in-house research on volunteers who terminate service early and on those who extend their service for a year or more. By focusing on both dimensions in a parallel study, we will have a much more realistic view of volunteer attitudes and their overseas experiences.	May 1969	$9,000
Systematic Study of the Effectiveness of Recruiting.	This will be an examination of the newly established regional recruiting offices, their activities and their effect on our recruitment program.	April 1969	8,000
Assessment of Programs by Volunteers	A systematic procedure will be devised whereby the volunteer will be able to feed back into Peace Corps critical program information during the course of his overseas service. This system should help us improve training and programing without undue delay.	March 1969	8,000
Total			87,000

HISTORY OF THE DOMINICAN REPUBLIC

Mr. PASSMAN. Page 22 of the justifications states:

Over a 15-year period the Peace Corps hopes to reach 4,500 Dominican Republic primary teachers that have below standard classroom skills.

How long have they had a going civilization in the Dominican Republic as such, or as a part of some other country?

Mr. VAUGHN. How long?

Mr. PASSMAN. Yes.

Mr. VAUGHN. Well, I don't know quite how you would define a going civilization. There was a——

Mr. PASSMAN. You get out of the primitive stage and into some form of civilization, do you not, when people know how to cook food, and wash themselves, and wear clothes; would you not call that a beginning of a civilization?

Mr. VAUGHN. I suspect in those terms you would equate it with the arrival of Christopher Columbus late in the 15th century.

Mr. PASSMAN. How long have you had a Dominican Republic, then, as such? When did this country come into being?

Mr. VAUGHN. It started off at that point and was called Hispaniola. Later the French were able to take part of it which later became Haiti.

Mr. PASSMAN. The French were in there with their trade missions and doing business with them?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. They were accepted then as intelligent people—able to trade and manufacture in a primitive way, and raise and sell or trade agricultural commodities? How long ago was that?

Mr. VAUGHN. About 300 years ago.

Mr. PASSMAN. It could conceivably be much older than that; could it not?

Mr. VAUGHN. They obviously are.

CIVILIZATIONS IN LATIN AND NORTH AMERICA

Mr. PASSMAN. You had a lot of thriving civilizations, as we think of them, in that day and time, long before we had a North America.

Mr. VAUGHN. They didn't meet your description, your definition of a society.

Mr. PASSMAN. What is your definition? How about all those beautiful ruins, the interesting ruins we see in these Latin American countries? Some of them go back hundreds of years. They had reached a degree of perfection in architecture and construction in some of those countries long before we had a North America, did they not?

Mr. VAUGHN. We had a North America. We had our own civilization.

Mr. PASSMAN. I am talking about North America as we know it. At the time of the adoption of the Constitution, 180 years ago. we only had 3,750,000 people in the United States, and some of those countries had civilizations going down there for many hundreds of years?

Mr. VAUGHN. So have we. We had our Indians too.

Mr. PASSMAN. We have only been here over 300 years.

Mr. VAUGHN. I am talking about the first Americans.

Mr. PASSMAN. The first Americans. I guess you would pick it up at the adoption of the Constitution, about 1789, with 3.7 million people.

Mr. VAUGHN. I was referring to our American Indians. You are referring to South American Indians.

Mr. PASSMAN. I am talking about Americans. South Americans are still Indians, some of them?

Mr. VAUGHN. Some.

Mr. PASSMAN. You people dream and scheme, and you visualize things that will never come to pass. People have a way of doing whatever they want. We have seen so many of our so-called friends, turn on us in this situation over in Vietnam. We don't have actually an ally there on a voluntary basis. Only Australia, for peculiar reasons, and New Zealand.

Mr. VAUGHN. As long as we continue to deal with them as traders and in commodities and making investments, we are going to have this phenomena of their turning on us, until we start dealing with people.

Mr. PASSMAN. Until we finally go bankrupt?

Mr. VAUGHN. Understand people.

Mr. PASSMAN. Start getting aid from them?

Mr. VAUGHN. And relate to people. Especially our young people, I think, which are going to have this misunderstanding.

Mr. PASSMAN. Where did you get the understanding that 6 percent of the population is supposed to look after and solve the problems of the other 94 percent of the population of the world? Where did you people ever come up with that idea to start with?

Mr. VAUGHN. I don't have that idea.

Mr. PASSMAN. What kind of an idea do you have? You do have these kids scattered in some 57 nations.

Mr. VAUGHN. I have the idea that the only way that we can break down the misunderstanding, prejudice——

Mr. PASSMAN. What misunderstanding and prejudice?

Mr. VAUGHN. As to who we are and what we want, until we can start breaking through to relate to people and get their understanding and treat them as equals, we are going to have the polarization and building hate that ends up in war. What did we ever do in Vietnam before our military presence?

Mr. PASSMAN. What did we do?

Mr. VAUGHN. In trying to understand the Vietnamese people and live with them.

Mr. PASSMAN. We financed France in her effort to defeat the Vietnamese who were trying to achieve freedom. France lost 100,000 people and we poured millions of dollars, as you know, into Indochina. We were working both sides of the street; and then under Mr. Eisenhower we started a little economic aid program. They said, "We would like to have a few military advisers for internal security." Then we stepped right in the middle of a religious war.

Mr. VAUGHN. You have just made my case.

Mr. PASSMAN. Look where we are now. I say, stay out of other people's business. These youngsters you send out are interfering with people's business all over the world.

Mr. VAUGHN. No.

VOLUNTEER FREEDOM OF SPEECH

Mr. PASSMAN. How do you think these boys would feel who are fighting and dying in Vietnam if they knew these youngsters, called Peace Corpsmen were advocating possibly an overthrow of the form of Government that we have here, if not directly, at least indirectly; that our policies are wrong; that we should not be in that war? I think some of them have gone so far as to actually hope that the North Vietnamese win; have they not?

Mr. VAUGHN. Mr. Passman, the volunteers all take the same oath as Congressman take.

Mr. PASSMAN. What kind?

Mr. VAUGHN. The same one you took.

Mr. PASSMAN. Other witnesses that have appeared before this committee, including you, admit that they do not have to subscribe to our foreign policy when they go abroad.

Mr. VAUGHN. When they talk to you.

Mr. PASSMAN. What do they do when they talk to other people?

Mr. VAUGHN. I have no idea.

Mr. PASSMAN. You make my case, but aren't they in a different system from the State Department and our military personnel when they go abroad?

Mr. VAUGHN. They are not in the system.

Mr. PASSMAN. Not in what?

Mr. VAUGHN. They are not in a system that requires them——

Mr. PASSMAN. They are representatives of the U.S. Government, are they not?

Mr. VAUGHN. They are not. They are representatives of the U.S. people.

Mr. PASSMAN. Who pays them?

Mr. VAUGHN. The U.S. Government pays them.

Mr. PASSMAN. The taxpayer pays them, through the U.S. Government, just as we pay you staff people.

Mr. VAUGHN. Like they pay Fulbright scholars.

Mr. PASSMAN. But they are not Fulbright scholars. You and I know they are working for the U.S. Government and you just stated the U.S. Government paid them, or they are being compensated by our Government.

Mr. VAUGHN. They are not working for the U.S. Government. They are representing the U.S. people in all its——

Mr. PASSMAN. Who pays their salaries?

Mr. VAUGHN. The U.S. Government does.

Mr. PASSMAN. If they are not working for the United States, then why do you want this $112.8 million, if it is not to pay the Peace Corpsmen?

Mr. VAUGHN. They are not working for us——

Mr. PASSMAN. Who is "us"?

Mr. VAUGHN. The U.S. people.

Mr. PASSMAN. The people or the Government?

Mr. VAUGHN. The people.

Mr. PASSMAN. Who are the postal employees working for?

Mr. VAUGHN. The Post Office Department.

Mr. PASSMAN. Do you have a Peace Corps office space paid for by the Government? Don't these people get paid by the Government? Aren't you paid by the Government?

Mr. VAUGHN. I am. I am not a volunteer.

Mr. PASSMAN. That is a misnomer. Every person in the Federal Government, including Congress and the Judiciary branch, is a volunteer. Each person in the Peace Corps is compensated by the U.S. Government for his services, is he not?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. If I said water is water, you would swear it was milk, ink, or something else. I cannot make the record more abundantly clear than I have. They are working for the Government and are paid by the Government; are they not?

Mr. VAUGHN. They are not working for the Government. They are working for some other government. They are——

Mr. PASSMAN. How about the State Department personnel and the Ambassador; are they working for our Government or some other government?

Mr. VAUGHN. No.

Mr. PASSMAN. Who is the Ambassador working for?

Mr. VAUGHN. The U.S. Government.

Mr. PASSMAN. How about the AID technicians; who are they working for?

Mr. VAUGHN. They are advisers for the U.S. Government.

Mr. PASSMAN. They are overseas advising on rivers and harbors and flood control projects, working for my Government, but domiciled in another country; are they not?

RELATIONSHIP OF VOLUNTEERS TO HOST COUNTRIES

Mr. VAUGHN. Take a teacher in Thailand. He is working as a Peace Corps volunteer teacher. He is working for the Thai Government, specifically for the Thai Ministry of Education.

Mr. PASSMAN. Are they paying him?

Mr. VAUGHN. On their terms.

Mr. PASSMAN. Is the Thai Government paying him?

Mr. VAUGHN. In some cases the host government does.

Mr. PASSMAN. How much money do they pay him per month?

Mr. VAUGHN. In some cases they pay the entire living allowance.

Mr. PASSMAN. How much pay per month are the individuals compensated for in spending money; his money, that is?

Mr. VAUGHN. In some cases $100 and $125 a month.

Mr. PASSMAN. In cash?

What is the aggregate sum remitted to our Government to reimburse us for our expenditures of these Peace Corpsmen?

Mr. VAUGHN. They pay the volunteers.

Mr. PASSMAN. They don't pay the volunteers. You are talking about giving a man possibly some rent money or letting him stay all night with some family. You know, Mr. Vaughn, that is the trouble with you people. That is why I am suspicious of you. You won't give a statement of fact. These people are employed by our Government. They are working for our Government. They are being paid for by our Government. Our Government can send them overseas when it wants to, and it can bring them back home when it wants to.

Mr. VAUGHN. Let me give you an example, sir. The Government of Libya has just asked us for 500 more volunteers. We are going to send them about 160 or 170 this year and they are paying for housing, volunteers living allowance, food, incidental expenses, transportation, vacation allowance. In other words, all of the volunteer costs in the country.

COST OF VOLUNTEERS

Mr. PASSMAN. How much are we paying them? What does it cost us per Peace Corpsman to maintain them in Libya?

Mr. VAUGHN. It is whatever the average is.

Mr. PASSMAN. What is it? You ought to know. You are the Director.

Mr. VAUGHN. Worldwide it is about $7,700.

Mr. PASSMAN. Per year?

Mr. VAUGHN. Right.

Mr. PASSMAN. That is the average for each Peace Corpsman?

Mr. VAUGHN. Yes, sir. That won't be the average in——

Mr. PASSMAN. I am talking about the average per Peace Corpsman. Each and every one of them qualifies for the same benefits, does he not, from our Government?

Mr. VAUGHN. Some of the benefits are paid for——

Mr. PASSMAN. You have not answered my question. Every Peace Corpsman gets the same amount of compensation from the U.S. Government, does he not, for his services?

Mr. VAUGHN. No.

Mr. PASSMAN. What is the differential?

Mr. VAUGHN. The differential is that part that is caused by a different cost of living where, for example, a volunteer in Venezuela would receive a good bit more in allowances——

Mr. PASSMAN. I am talking about his base pay, and that you know. What is the basic pay of a Peace Corpsman?

Mr. VAUGHN. There is no basic pay. There is a readjustment allowance.

Mr. PASSMAN. What is the difference? What is that allowance?

Mr. VAUGHN. $75 a month before taxes.

Mr. PASSMAN. That is what the Peace Corpsman gets?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. He gets his transportation to and from the foreign country?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. What does he get when he comes back and is separated?

Mr. VAUGHN. He gets the readjustment allowance.

Mr. PASSMAN. How much is that?

Mr. VAUGHN. $75 a month.

Mr. PASSMAN. For how long?

Mr. VAUGHN. For every month that he has served overseas.

Mr. PASSMAN. If he is in the Corps 2 years he gets $1,800 completely free for his own?

Mr. VAUGHN. Less taxes.

Mr. PASSMAN. Everybody pays taxes. This man gets $1,800, does he not?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. That is good enough. We all know that but you make me get the information the hard way.

Mr. VAUGHN. I would like to make it clear that the Chairman was in error when he said that we paid all costs and these governments don't contribute to the volunteer's support.

Mr. PASSMAN. I am talking about the basic cost, this $621 million that you spent on this outfit since its inception.

HOST COUNTRY CONTRIBUTIONS

Mr. VAUGHN. It comes to some $4 million a year.

Mr. PASSMAN. They give it to us and it goes into the U.S. Treasury?

Mr. VAUGHN. To the volunteers.

Mr. PASSMAN. Why do you want an appropriation if somebody is giving you something? How much do they send back to the U.S. Treasury?

Mr. VAUGHN. We don't ask them to send anything.

Mr. PASSMAN. You are trying to say because these foreign nations may give them a place to sleep, or give them a meal or something, they are compensated. They do not put them on a monthly stipend, do they?

Mr. VAUGHN. Yes, sir, they do.

Mr. PASSMAN. In cash?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. How much?

Mr. VAUGHN. It comes to about $4 million a year. Sometimes they give them vehicles.

Do you have that list of countries?

VOLUNTEER LEAVE ALLOWANCE

Mr. PASSMAN. How much does it cost an average Peace Corpsman to travel when you have them aboard? What do you allow for travel allowance in these countries per year?

Mr. VAUGHN. During his vacation period he is given $7.50 a day.

Mr. PASSMAN. To travel? In addition to these other benefits?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. If I were in Bangkok, and I wanted to go north as a Peace Corpsman, I would get $7.50 a day to spend on my vacation?

Mr. VAUGHN. Yes, sir.

HOST COUNTRY CONTRIBUTIONS

I have a list here, sir, of all the host country contributions.

Mr. PASSMAN. Put it in the record.

(The information follows:)

Host country contributions, fiscal year 1968 estimates

Africa:	
Botswana	$21,000
Cameroon	77,000
Dahomey	10,000
Ethiopia	233,000
Gabon	7,000
Gambia	10,000
Ghana	165,000
Ivory Coast	74,000
Kenya	328,000
Lesotho	10,000
Liberia	290,000
Malawi	66,000
Niger	55,000
Nigeria	199,000
Senegal	123,000
Sierra Leone	121,000
Somalia	65,000
Tanzania	120,000
Togo	21,000
Uganda	259,000
Upper Volta	10,000
Total	2,264,000
East Asia and Pacific:	
Fiji	10,000
Malaysia	205,000
Philippines	61,000
Korea	69,000
Thailand	121,000
Tonga	10,000
Western Samoa	10,000
Total	486,000
North Africa, Near East and South Asia:	
Afghanistan	18,000
Ceylon	10,000
India	179,000
Iran	61,000
Morocco	7,000
Nepal	29,000
Tunisia	213,000
Turkey	4,000
Libya	29,000
Total	550,000

Host country contributions, fiscal year 1968 estimates—Continued

Latin America:	
Bolivia	$15,000
Brazil	29,000
British Honduras	1,200
Chile	35,000
Colombia	12,000
Costa Rica	2,000
Dominican Republic	800
Ecuador	5,000
Guatemala	5,000
Guyana	4,000
Honduras	10,000
Jamaica	10,000
Panama	4,000
Peru	1,000
Uruguay	2,000
Venezuela	38,000
West Indies	13,000
Total	187,000
Grand total	3,487,000

Mr. PASSMAN. You will need it, so far as my vote is concerned. Who established the value of these contributions?

Mr. VAUGHN. We don't put it on that basis.

Mr. PASSMAN. Who established the value? That is what I said. These people give food and lodging?

Mr. VAUGHN. If they pay the volunteer's monthly living allowance, we don't have to establish it on any basis. We have the cash figure.

Mr. PASSMAN. In other words, they actually give them the room and board; is that what you are saying?

Mr. VAUGHN. In some cases they do, but not board; they give them room, housing.

Mr. PASSMAN. Nothing to eat?

Mr. VAUGHN. In other cases they pay them a cash stipend for their expenses.

Mr. PASSMAN. To pay for their room and board?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Room and meals?

Mr. VAUGHN. Right.

ACTIVITIES OF RETURNED PEACE CORPS VOLUNTEERS

Mr. PASSMAN. That doesn't alter the fact when this so-called volunteer gets back to this country he gets $1,800 and then raises cain for 2 or 3 years until he——

Mr. VAUGHN. No, he does not.

Mr. PASSMAN. They have been pretty vocal all over this country. Now, if you don't know about that——

Mr. VAUGHN. You may be talking about one thirty-fifth of 1 percent.

Mr. PASSMAN. Let's not generalize. Off the record.

(Discussion off the record.)

Mr. VAUGHN. I would think, Mr. Chairman, we wouldn't be wise to generalize, preferring to be more specific.

Mr. PASSMAN. That is your opinion, not my opinion. I think this Peace Corps is the result of a con job done on Members of Congress. I

am going to try to expose it for what it is. You have not justified $75 this afternoon.

SENATE COMMITTEE REPORT ON PEACE CORPS

Mr. VAUGHN. Do you know what Chairman Fulbright said of the Peace Corps?

Mr. PASSMAN. I have no idea what he said.

Mr. VAUGHN. He said there is only one problem with the Peace Corps, it is not half big enough.

Mr. PASSMAN. He also said, in his committee report that "its tangible accomplishments are difficult to measure."

PEACE CORPS ACCOMPLISHMENTS

Mr. VAUGHN. By the nature of the job.

Mr. PASSMAN. It is strictly an "invisible" outfit—no accomplishments. None of you can pinpoint where it has been worth $6.85.

Mr. VAUGHN. You haven't given me the chance.

CRITICISM OF AID AGENCY

Mr. PASSMAN. Simply because you say that Mr. Gaud doesn't know what he is doing.

Mr. VAUGHN. I didn't say that.

Mr. PASSMAN. When a man talks like that, you are trying to give me a bunch of——

Mr. VAUGHN. No; you never gave me a chance.

Mr. PASSMAN. I asked you to pinpoint some real benefits. I have asked you that question five times and you got on a detour.

Mr. VAUGHN. I am not sure I got on the detour. I thought I was interrupted by you.

Mr. PASSMAN. You don't seem to be sure of anything.

Mr. ROONEY. I am going to ask the chairman to let you have 2 hours in rebuttal.

Mr. PASSMAN. He already has had 2 hours and hasn't said a thing. I think you are a very fine gentleman. I don't think you know what you are doing or you would not have jumped on Mr. Gaud.

Mr. VAUGHN. I didn't.

Mr. PASSMAN. I think he is one of the best Administrators to ever appear before this committee. He is terrific.

Mr. VAUGHN. I think——

Mr. PASSMAN. Did I not read that article into the record correctly?

Mr. VAUGHN. That isn't necessarily an accurate quotation of what I said.

AUTHORITY TO ESTABLISH REGIONAL RECRUITING OFFICES

Mr. PASSMAN. Last year we discussed the two regional recruiting offices that you established in fiscal year 1967 without justification to the Congress, and you stated that if a case could be made to you that it would be more efficient and economical you would establish an additional regional office in the South. Did you establish such an office in the South?

Mr. VAUGHN. I did, sir.

Mr. PASSMAN. Where do you get your authority to establish these regional offices?

Mr. VAUGHN. Well, we have since the beginning of the Peace Corps maintained a recruiting office and it has now been divided into subregions. After a good bit of experience we determined that it was in the interest of recruiting, economy, and efficiency to have small subregional offices where we would not have people coming in and out of Washington constantly. We wanted to have a better chance to get our message out to the people, to be considered resident of that town or area. On the basis of the pilot project we undertook in Chicago and San Francisco we decided to continue this and establish offices in Boston and Atlanta, which we have done. We have been highly pleased with the improved efficiency, the lower cost, and the greater impact we are having.

Mr. PASSMAN. You made a good statement, but you never answered my question. I asked you where did you get the authority? I want you to cite the authority that you have for opening regional offices. That is a simple question.

Mr. VAUGHN. I advised this committee of my intention. It seemed the appropriate step to take and I feel that is all the authority I need.

Mr. PASSMAN. You do?

Mr. VAUGHN. Yes.

Mr. PASSMAN. The one office?

Mr. VAUGHN. No, sir. We had two offices last year. You asked me whether there was any intention to open——

Mr. PASSMAN. Let's see if it was not one office. Just hitch your horse and let's go to the record and see what you said. I think we were discussing the establishment of one office in the South; is that correct?

Mr. VAUGHN. You asked me whether we intended to establish other offices, regional recruiting offices.

Mr. PASSMAN. Let's see what you said last year.

Mr. VAUGHN. My response was that I did not have any plans for the moment because it was too early in the season, that we were going to formulate——

Mr. PASSMAN. Were we notified after the fact or before?

Mr. VAUGHN. During our hearings, if you will check there, you will see that your query was, "Do you intend to establish any other office," and my answer was I don't know for the moment because we have not formulated our recruiting plans for 1967–1968.

Mr. PASSMAN. The very fact that you mentioned that to the committee, I believe you just said, gave you your authority?

Mr. VAUGHN. No. I said that having advised the committee and having already had two regional public affairs offices in existence, I didn't feel I needed any further authority.

Mr. PASSMAN. That is what I said, except you said it in different words. That is where you feel that you get your authority?

Mr. VAUGHN. No; I said I didn't feel I needed an additional authority.

Mr. PASSMAN. This feeling of the lack of need for authorization for projects is running all through Government. We had one AID witness who asked permission to insert in the record a list of projects that conceivably they might start some day. He is no longer with the agency, but he thought if he could come up to the Congress with a list

of a thousand projects and say, "Some day we may start some of these projects," that that within itself would be sufficient justification. And that is why I asked you the question. A lot of executive branch witnesses feel they should be able to operate that way. Just list everything that conceivably you may some day do and get away from specific authority.

Mr. VAUGHN. These aren't really projects.

Mr. PASSMAN. What do you call them if they are not projects?

Mr. VAUGHN. They are a mere extension——

Mr. PASSMAN. Do you plan to establish any more regional recruiting offices in fiscal 1969?

Mr. VAUGHN. We do not plan to establish any additional.

Mr. PASSMAN. Thank you.

STAFF OF REGIONAL RECRUITING OFFICES

Last year you indicated each of the regional recruiting offices were manned by a regional director and a deputy director, secretary, and recruiters; is that correct?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. How many personnel are in one of these offices?

Mr. VAUGHN. Well, in our four offices——

Mr. PASSMAN. Give me the staff in the one office in the South.

Mr. VAUGHN. Well, in the Atlanta office there are either three or four people. There is a director, deputy director, secretary, and public affairs representative.

Mr. PASSMAN. What is their specific purpose?

Mr. VAUGHN. To recruit and to coordinate——

Mr. PASSMAN. What is the cost of each office, average?

Mr. VAUGHN. The staff that I cited, in the four offices there are four in each office, and in addition San Francisco has five. There are two secretaries in the San Francisco office. In addition to these, there have been on a temporary basis 122 returned volunteers who are the campus recruiters. So that——

Mr. PASSMAN. The campus what?

Mr. VAUGHN. Campus recruiters. So that is a permanent or semipermanent staff and——

Mr. PASSMAN. You say semipermanent?

Mr. VAUGHN. Yes. Many of them stay for a year.

Mr. PASSMAN. 132 at each office?

Mr. VAUGHN. The 122 total ex-volunteer recruiters.

Mr. PASSMAN. How many offices?

Mr. VAUGHN. They usually work for us for 7 to 8 months.

Mr. PASSMAN. That is an average of 32 returnees per office, isn't it?

Mr. VAUGHN. The Northeast office has 30, Atlanta 31, San Francisco 32, and Chicago 29.

Mr. PASSMAN. That is in addition to the regular staff?

Mr. VAUGHN. That is correct.

COST PER REGIONAL RECRUITING OFFICE

Mr. PASSMAN. Now, the annual cost per office?

Mr. VAUGHN. Northeast, $213,000; Atlanta, $263,000; San Francisco, $272,000; and Chicago, $224,000, for a total of $972,000. The average annual salary of the recruiters is $4,033.

Mr. PASSMAN. I want the grand total, rent included, per office.

Mr. VAUGHN. The average annual figure, sir, is $243,000.

Mr. PASSMAN. Including rent?

Mr. VAUGHN. Yes, sir; and supplies and travel.

Mr. PASSMAN. You have how many offices?

Mr. VAUGHN. Four. That includes all costs.

Mr. PASSMAN. Five permanent people in your west coast office?

Mr. VAUGHN. That is correct.

JUSTIFICATION OF NORTHEAST RECRUITING OFFICE

Mr. PASSMAN. So it costs about $1 million a year for this newfangled operation.

Can you tell us specifically where you justified this Northeast regional office in the hearings last year?

Mr. VAUGHN. No; I can't, other than to say that when you asked me if I planned to open additional offices I said not at the time. You tried to——

Mr. PASSMAN. I accepted that as an answer that you would possibly justify it before the committee before you proceeded.

Mr. VAUGHN. I went on to explain that if in our view the need justified another office, and if we felt it would be more efficient and more economical, then we would open another.

Mr. PASSMAN. Page 344 of last year's hearings is as follows:

Mr. PASSMAN. Couldn't you wait until it has been presented to the Congress? This is pretty serious busines. 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.

Well, this program will fall of its own weight sooner or later. There is no need for me to incur your ill will.

When I look at you fellows, I wonder how many years of business experience you have had, and I think you are all good Americans. Yet you can justify the Peace Corps being completely separate and apart from our Government. You even said they didn't work for our Government, and that is in the record. Yet, you are here asking for an appropriation of over $112 million to operate in fiscal 1969. I am going to try to get mileage out of that statement when I handle this bill.

Mr. VAUGHN. Tell them the volunteers work for the United States.

Mr. PASSMAN. That is just like the Peace Corps promoting this business. People get promotions for thinking up names that have an appeal to the American people.

Mr. VAUGHN. Always I have had the impression that you have tried to equate Peace Corps with other oversea agencies, with AID and the whole concept——

Mr. PASSMAN. Why shouldn't I? They are strictly a technical aid group.

Mr. VAUGHN. No; they aren't.

Mr. PASSMAN. They are out teaching, they are out showing people how to build better chickenhouses, or they are building roads. It has been testified heretofore that they are in that field of endeavor. You said most of them are teachers, did you not?

Mr. VAUGHN. Yes.

AID TEACHERS

Mr. PASSMAN. Don't you have a lot of teachers in the AID program?

Mr. VAUGHN. No; you don't have any.

Mr. PASSMAN. Yes; you do. I beg your pardon.

Mr. VAUGHN. I thought we had just advisers.

Mr. PASSMAN. No. AID has plenty of teachers. They even hire college professors during their vacation time and pay them $75 per day, 6 days per week, for 6 weeks. I expect that is also true of you—you bring these kids back from overseas and give them about a year's work playing around Atlanta, Chicago, San Francisco, and Boston, as Goodtime Charlies.

RETURNED PEACE CORPS VOLUNTEERS IN REGIONAL RECRUITING OFFICES

These youngsters when they leave the recruiting offices, do you bring in others to take their place or do you dry them up? For example, at Atlanta you have 31 of these returnees. You are going to give them 8 months or a year's work. When they finish their tour of duty, do you turn them loose and then bring in new returnees?

Mr. VAUGHN. Yes. We have kept the outstanding ones. In many cases they stay on. Yet 85 to 90 percent leave and go to other occupations.

Mr. PASSMAN. You are a very nice fellow, but you never answer a question. If you have an average of 30 of these returnees at each one of these four regional offices, when this 30 goes out do you bring in 30 more to take their places, so that it is continuing employment for 30 Peace Corps returnees?

Mr. VAUGHN. Yes. But I said that a certain few——

Mr. PASSMAN. It is permanent employment, is it not, for an average of 30 returned volunteers?

Mr. VAUGHN. No; it isn't.

Mr. PASSMAN. Is it continuing employment?

Mr. VAUGHN. Yes; it is.

Mr. PASSMAN. What is the difference, now? You have a permanent staff of—either Jones, Brown, Smith, or Brahams—30 of these returnees at each one of these centers?

Mr. VAUGHN. Right.

SALARY OF RECRUITERS

Mr. PASSMAN. How much do you pay these boys and girls, or whatever they are?

Mr. VAUGHN. They are paid $27 a day.

Mr. PASSMAN. Twenty-seven dollars a day. Do you have any openings?

Mr. VAUGHN. Well, they——

Mr. PASSMAN. Do you want to take my application now or wait until later?

Mr. VAUGHN. Would you work for $4,000 a year?

Mr. PASSMAN. I have worked for $10 a month and saved $3 of that as a youngster.

Mr. VAUGHN. So did I.

Mr. PASSMAN. I am quite interested in one of these assignments. I know they don't have anything to do except possibly to hang around poolhalls and tell about their experiences in order to get other youngsters into the program. How many Army and Navy recruiters do we usually have in one of these towns? One or two?

Mr. VAUGHN. Yes; but we have them in towns all over the United States.

Mr. PASSMAN. I know, I know. Let's say in Atlanta. Chances are you have a total of maybe 10 in the Army, Air Force, Marines, and Navy.

Mr. VAUGHN. We aren't recruiting for war. We are recruiting for peace.

NUMBER OF STAFF IN REGIONAL RECRUITING OFFICES

Mr. PASSMAN. I didn't say you were. I said you are bringing these kids back and absorbing them into Government at $27 a day. You have a staff of 33 or 34 at each one of these offices; do you not?

Mr. VAUGHN. Not now; no, sir.

Mr. PASSMAN. You have the 30 recruiters plus the director, a deputy director, a public affairs officer, and a secretary.

Mr. VAUGHN. No. Our recruiting season is over, and virtually all of these people have left our payroll, left the Peace Corps.

Mr. PASSMAN. You told me just a moment ago that it was continuous.

Mr. VAUGHN. It is.

Mr. PASSMAN. What do you mean by "continuous"?

Mr. VAUGHN. Next year we will have another new group, about 85 to 90 percent of them will be recently returned Peace Corps volunteers.

Mr. PASSMAN. But it is a continuing payroll?

Mr. VAUGHN. No.

Mr. PASSMAN. You said a while ago "Yes." How many months out of 12 do you pay the 30 returnees?

Mr. VAUGHN. Seven or 8 months. It generally coincides with the academic year, starting in October and ending in May.

Mr. PASSMAN. Which one do you want to use? Do you want to say seven and a half months?

Mr. VAUGHN. Let's say 7.

Mr. PASSMAN. All right; 7 months. No; let's say what it is. You say 7 to 8. Let me say seven and a half.

Mr. VAUGHN. No.

Mr. PASSMAN. You take 30 of these returnees and they get $27 a day for either 7, 7½, or 8 months at each one of these centers.

Mr. VAUGHN. Yes.

DESCRIPTION OF RECRUITERS' WORK

Mr. PASSMAN. What do they do?

Mr. VAUGHN. They use this center as their base of operations.

Mr. PASSMAN. Base of operations for what?

Mr. VAUGHN. For campus recruiting.

Mr. PASSMAN. I want to know what they do.

Mr. VAUGHN. For campus recruiting. They go out for a week, 2, 3 weeks at a time to meet with students, talk to faculty, take the word of the Peace Corps and their experience with them. Mr. Chairman, we feel that this is not only the most effective way but the most honest way of doing it, to talk to prospective candidates and to really tell them what it can be and of what importance it is.

Mr. PASSMAN. The college kids of today tear up the campuses, form marches for one reason or another, grow long hair, lock up professors, and close universities down. Have your recruiters participated in any of these extracurricular activities?

Mr. VAUGHN. Not to my knowledge.

Mr. PASSMAN. Not to your knowledge?

Mr. VAUGHN. No. And I would know——

Mr. PASSMAN. You are familiar with the campus troubles I am talking about?

Mr. VAUGHN. No.

Mr. PASSMAN. Really?

Mr. VAUGHN. A specific case?

Mr. PASSMAN. I am not surprised.

Mr. VAUGHN. A specific case?

Mr. PASSMAN. You have kept up with some of your schools, have you not? You have a place called Berkeley, don't you——

Mr. VAUGHN. I suspect I am better informed on that topic than you are.

Mr. PASSMAN. I know you are smart, but you just indicated you didn't know anything about it. Now you say you know more than I do. You tell me. How many do we have?

Mr. VAUGHN. I thought you were referring to a specific case.

Mr. PASSMAN. It is so specific, it is just about nationwide. I am asking to what extent do they participate?

Mr. VAUGHN. They don't.

Mr. PASSMAN. You said just a moment ago not to your knowledge.

Mr. VAUGHN. I would know about it if they did.

Mr. PASSMAN. Maybe you would.

LACK OF JUSTIFICATION FOR NEW TRAINING CENTERS

Page 19 indicates that you opened two new training centers in the fall of 1967 in California and Louisiana. Did you justify these two new training camps to the Congress last year, Mr. Vaughn?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Thank you.

COST OF TRAINING CENTERS

What is the cost estimate for fiscal 1969 for each of these two unjustified training centers?

Mr. VAUGHN. May I say first that we train——

Mr. PASSMAN. Answer the question, first, and then I will let you filibuster all you please. I asked you for the cost.

Mr. VAUGHN. Are you asking for 1968?

Mr. PASSMAN. I asked for 1969 but give it to me for 1968 and 1969, if you have it.

Mr. VAUGHN. $1,092,000 for the California training camp at Escondido, and $519,000 for the training center at Leland, La.

Mr. PASSMAN. Where?

Mr. VAUGHN. Leland, or near Leland. It is at Baker, actually.

Could I answer the rest of your questions where you talk about unauthorized establishment? We have continuing training all over the United States. We train every year at Montana State, at Bozeman, and at Dartmouth. We have a number of places where we go, and I have never felt it was appropriate or necessary to seek congressional approval for contracting with these people.

Mr. PASSMAN. Certainly not. If all the other bureaucrats got to where they feel as arrogant about that as you do——

Mr. VAUGHN. Would you want me to come to this committee every year?

Mr. PASSMAN. Certainly. Why not?

Mr. VAUGHN. And say we plan to train at the following 82 universities?

Mr. PASSMAN. Certainly we do. I know that you don't think so or you wouldn't start these things without any justification. I think you should. It may be that my district is entitled to better representation than they are getting, but sitting over here I represent the first branch of Government. You are supposed to justify this money in detail to the Congress. When you submit your justifications we either approve or disapprove. You people branch off into all directions without any justifications. It is not new in this giveaway program.

Mr. VAUGHN. We justified the training.

Mr. PASSMAN. The AID agency does likewise.

Mr. VAUGHN. We justified the training expenditure, but I didn't think you were interested in having a justification for each training site.

Mr. PASSMAN. Then you are surprised that I am interested in opening up these things which cost millions of dollars without any prior justification.

TRAINING COST FOR FISCAL YEARS 1968 AND 1969

Would you furnish for the record a table showing the training costs per volunteer in fiscal 1968 and 1969 by each of the methods used: one, by contract; two, by training centers; three, in-country; four, advanced training; five, intern program; six, advance training program.

Mr. VAUGHN. Yes, sir.

(The information follows:)

TRAINING COSTS (PER TRAINEE)

	Fiscal year 1968 estimate	Fiscal year 1969 estimate
Regular complete training:		
Contract	$2,725	$2,725
Peace Corps training center	2,504	2,504
In-host country:		
Complete in-country	1,900	1,900
Contract and in-country	2,650	2,650
Advance training:		
ATP	(1)	(1)
Degree program	2,725	2,725
Intern program	2,300	(1)
Peace Corps/Vista associates	(1)	(1)

(1) No program initiated.

Mr. PASSMAN. I believe originally you said the cost was about $7,500.

Mr. VAUGHN. No.

Mr. PASSMAN. That is the cost per volunteer?

Mr. VAUGHN. For a year.

Mr. PASSMAN. Did you justify to Congress the initiation of the intern training program, Mr. Vaughn?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Thank you. How much have you obligated for the initial 24 trainees?

Mr. VAUGHN. $34,000.

Mr. PASSMAN. Don't get excited. This is par for the course.

Mr. VAUGHN. I am not excited.

Mr. PASSMAN. The bureaucrats do these things without any authorization. But I think the primaries that have been held to date indicate that the people are getting pretty fed up with this monkey business.

ACCOMPLISHMENTS OF PEACE CORPS

Mr. VAUGHN. If you support the Peace Corps in Louisiana I am sure it will be a strong point in getting reelected.

Mr. PASSMAN. If I do, and you hear of it, get me under psychiatric treatment.

I would abolish this program because it is an intellectual fraud——

Mr. VAUGHN. It turned out to be the most effective program——

Mr. PASSMAN. You justify it with a lot of mythical accomplishments but you can't pin down one single accomplishment, other than to say it is good.

Mr. VAUGHN. It has turned out to be the most successful program we have overseas.

Mr. PASSMAN. According to your interpretation.

Mr. VAUGHN. No. According to the President of Niger, the President of Tunisia, the President of Colombia.

Mr. PASSMAN. In their opinion, but not in my opinion. I guess that would place me way down on the totem pole, wouldn't it?

Mr. VAUGHN. Yes.

COUNTRIES WHERE PEACE CORPS TERMINATED

Mr. PASSMAN. They find out that you idealists—people of this strange philosophy who want to get these kids assigned overseas to their country—and they know very well there is a man with a black satchel full of U.S. dollars waiting in the next room. They think they are doing us a favor giving these kids a place for a vacation, especially with the return that they get for their countries. We have established in the record that seven nations have asked you to get them out, haven't we?

Mr. VAUGHN. No.

Mr. PASSMAN. You said yes in the beginning. I asked you that question.

Mr. VAUGHN. They didn't all ask us.

Mr. PASSMAN. Put it this way then: You terminated, did you not, the program in seven nations?

Mr. VAUGHN. For a variety of reasons.

Mr. PASSMAN. It doesn't make any difference. How about Gabon——

Mr. VAUGHN. None of these reasons had anything to do with the Peace Corps or the lack of effectiveness.

Mr. PASSMAN. In effect, we agreed that the President of Pakistan wanted more mature people, didn't he?

Mr. VAUGHN. That was one of the reasons he gave.

Mr. PASSMAN. You don't need any better reason, do you, to get them out?

Mr. VAUGHN. We don't need any reason. If they ask us to leave we will leave freely and quickly.

Mr. PASSMAN. You will?

Mr. VAUGHN. Sure.

Mr. PASSMAN. Gabon, I think, is the last country that you had some difficulty with; is that correct?

Mr. VAUGHN. Yes.

Mr. PASSMAN. What is the status of that program?

Mr. VAUGHN. The volunteers left there at the request of the——

Mr. PASSMAN. Government?

Mr. VAUGHN (continuing). Gabonese Government.

Mr. PASSMAN. The Government; thank you. There will be more of them leaving.

Mr. ROONEY. Why?

Mr. PASSMAN. Simply because they don't support our Government's foreign policy. We have been over that bridge a dozen times already, Mr. Rooney. These youngsters, apparently, can do and say whatever they please in these countries.

VOLUNTEER ALLOWANCES

In addition to the $75 per month readjustment allowance, or let's say severance allowance that each volunteer receives, would you furnish for the record what each volunteer receives per month for living allowance, leave, and all other items?

Mr. VAUGHN. Yes, sir.

(The information follows:)

Allowances paid to volunteers

FROM BEGINNING OF TRAINING THROUGH FIRST YEAR OF TOUR[1]

Training:	
84 days at $1.50	$126.00
Laundry allowance during training	24.00
Per diem—intransit allowances	66.00
Clothing allowance	100.00
Field training alowance, 21 days at $8 (average)	168.00
Total	484.00
Overseas:	
Settling-in allowance (host country), first year only	125.00
Living allowance, 9 months at $97 (average)	873.00
Annual leave, 18 days at $9[2]	162.00
Readjustment allowance (accrued, but not advanced to volunteer until he completes service) (12 months at $75)	900.00
Total	2,544.00

See footnote at end of table

Allowances paid to volunteers—Continued

DURING 2D YEAR TOUR

Living allowance, 12 months at $97	1,164.00
Annual leave, 24 days at $9	216.00
Clothing allowance, 2d year	50.00
Day of travel after completion of service	12.00
Readjustment allowance	900.00
Total	2,342.00

[1] Includes 3 months training, 9 months overseas service.
[2] Effective July 1, 1968.

Mr. PASSMAN. What is the total, the average?

Mr. VAUGHN. It comes to $7,762 per year, per volunteer.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. How much, percentagewise, of the annual appropriation do you spend for administrative purposes?

Mr. VAUGHN. It has been, I think, 26.3 percent.

NATIONAL ADVERTISING COUNCIL

Mr. PASSMAN. What is the allocation for advertising?

Mr. VAUGHN. The advertising costs we incur are in material support, not personnel, who are contributed, but the supplies and equipment needed by Young & Rubicam who do materials for the National Advertising Council. They give us about $26 million a year in free advertising. But our costs come to about $95,000. We just use that one agency, over the years.

Mr. PASSMAN. You get $26 million of free advertising?

Mr. VAUGHN. Yes.

Mr. PASSMAN. How many people do you have out soliciting this free service?

Mr. VAUGHN. This is done on the decision of the National Advertising Council. They meet each year and determine which of the most important ventures they would like to support as a public service. I think Peace Corps is one of five.

Mr. PASSMAN. Are they associated with any university or college?

Mr. VAUGHN. No.

Mr. PASSMAN. How many individuals do you have on the payroll in the advertising end?

Mr. VAUGHN. We don't have any in advertising, sir.

Mr. PASSMAN. Not per se, but do you have individuals who spend part of their time working up proposed advertisements for the Peace Corps?

Mr. VAUGHN. No. These are worked up by Young & Rubicam for us and for the Ad Council.

Mr. PASSMAN. What is their compensation, indirectly if not directly?

Mr. VAUGHN. Their talent, that is, the artists and the rest, are donated to the Peace Corps and we pay for their costs of materials, supplies and travel. It comes to $95,000 a year.

CUMULATIVE APPROPRIATION TOTAL

Mr. PASSMAN. I believe that you have had, not including fiscal 1969, over $621 million in appropriations for this outfit; haven't you?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Thank you.

COST FOR MEDICAL TREATMENT

I note on page B–36 that the estimate for the annual required payments to the Department of Labor under the Federal Employees Compensation Act has increased from $185,000 in fiscal 1967 to $513,000 for fiscal 1969. What is the reason for that substantial increase?

Mr. VAUGHN. The reason is the continuing increase in the number of volunteers who have returned to the United States, some of whom have had need for medical treatment. About 7,000 to 8,000 return every year. So the cost is not only up but it is going to continue to go up as we have more returned volunteers who need medical care.

Mr. PASSMAN. An unending, continuing increase in the medical expenses of returned corpsmen.

EMPLOYMENT CONSIDERATION FOR FORMER VOLUNTEERS

What obligation, if any, does the Government owe these youngsters when they get back from these vacations or, as you would say, tours? Is there any special consideration for jobs?

Mr. VAUGHN. Yes. If they have Peace Corps service-connected or incurred injury or disease——

Mr. PASSMAN. I am not talking about health. What special consideration, if any, does the Government give these people for Federal employment?

Mr. VAUGHN. For Federal employment?

Mr. PASSMAN. Yes; employment with other Federal agencies when they return.

Mr. VAUGHN. It is the individual agency itself that gives them special consideration. For example, the State Department upon hiring a former volunteer brings them in at the second step as an FSO–7.

Mr. PASSMAN. Is there any implied commitment at the time the volunteer goes into the Corps that when he returns you will fit him into a Federal job?

Mr. VAUGHN. Absolutely none.

Mr. PASSMAN. All right, sir.

CONTRACTORS' OVERSEA REPRESENTATIVES

Will you furnish for the record a list of your contractor's overseas representatives, their assignment, and the cost of each for fiscal 1968 and the estimate for fiscal 1969?

Mr. VAUGHN. Yes, sir.

(The information follows:)

CONTRACTORS' OVERSEAS REPRESENTATIVES, FISCAL YEAR, 1968 AND 1969 FUNDING PROGRAMS

Country	Firm or organization	Type of program	Number of contractors'	Duration of service (in months)	Man-years	Total cost
Fiscal year 1968:						
Brazil	Experiment in International Living (Walter Frazer and Robert Backus)	Community development	2	30	5.0	$163,468
Chile	University of Washington (Lorenzo Garay)	Forestry	1	36	3.0	115,752
Ecuador	American Association of Health, Physical Education, and Recreation (John Paul Ornelaz).	Education	1	14	1.2	56,986
Ecuador	Heifer Project, Inc. (Tomas Guerrero and Eduardo Sotomayor)	Agriculture	2	27	4.5	145,000
Micronesia	University of Hawaii (Jimmy Kada)	Public health	1	9	.8	[1] 74,034
Total					14.5	555,240
Fiscal year 1969:						
Bolivia	(2)	Agricultural extension	1	12	1.0	[3] 30,000
Colombia	(2)	Education	1	24	2.0	[3] 60,000
Venezuela	(2)	do	1	12	1.0	[3] 30,000
Liberia	(2)	do	1	24	2.0	[3] 76,000
India	(2)	Agricultural extension	1	24	2.0	[3] 80,000
Iran	(2)	Education	1	24	2.0	[3] 76,000
Morocco	(2)	Agriculture	1	24	2.0	[3] 86,000
Totals					12.0	[3] 428,000

[1] Apparent high "average cost" of $98,712 per year is misleading since total contract cost also includes considerable additional technical support being given by University of Hawaii for the Micronesia public health program.
[2] Contractors will not be selected until fiscal year 1969.
[3] Since contractors have not been selected and no negotiations have been conducted, cost estimates are best approximation which can be made at this time.

PROGRAM TECHNICAL REPRESENTATIVES

Mr. PASSMAN. Where are you recruiting your new program technical representatives, Mr. Vaughn?

Mr. VAUGHN. We are phasing down our technical representatives who are with universities or other institutions and we are hiring more and more of them direct ourselves. In some cases they are former volunteers.

Mr. PASSMAN. What percentage of them are former volunteers?

Mr. VAUGHN. I don't know.

Mr. PASSMAN. Where can we get that information?

Mr. VAUGHN. From us.

Mr. PASSMAN. He has it right there. Why do you want to give me a blunt "I don't know" answer when the man sitting right beside you can give it to us?

Mr. VAUGHN. I said merely, "I didn't know."

Mr. PASSMAN. You do know.

Mr. VAUGHN. You asked me how many. I said I don't know.

Mr. PASSMAN. Just a minute. He is going to give you the answer.

Mr. VAUGHN. We don't have that, sir.

Mr. PASSMAN. You don't have any record as to how many former Peace Corps employees you place in these program technical representative positions?

Mr. VAUGHN. We don't—I don't.

Mr. PASSMAN. How long have you been doing this?

Mr. VAUGHN. Since, I would say, 1965 or maybe 1966.

Mr. PASSMAN. Is this on a competitive basis or is it just special consideration for former Peace Corpsmen?

Mr. VAUGHN. We think that the volunteer in most cases when he knows the language well, knows the country, has demonstrated his effectiveness as a volunteer, has the leg up.

Mr. PASSMAN. What does one of them get? What is the salary arrangement under this program?

Mr. VAUGHN. They are brought in. Mr. Chairman, on exactly the same basis as former volunteers hired by AID, USIA, and the State Department. That is, they are brought in on an FSR–7, step 1.

Mr. PASSMAN. Give me the amount, if you will.

Mr. VAUGHN. About $7,000.

Mr. PASSMAN. Plus other expenses such as travel and overseas allowance?

Mr. VAUGHN. It depends on where he is working.

Mr. PASSMAN. That is the beginning. What is the top level?

Mr. VAUGHN. No; if he is working in Washington, he doesn't have any allowances.

Mr. PASSMAN. You can get any kind of an answer you want if you just sit and be patient. Your own justifications state the average cost is estimated to remain relatively constant at $21,000 per man-year. You just said $7,000.

Mr. VAUGHN. No.

Mr. PASSMAN. Please look at your justification book and tell me if I am to believe it, or what you just said.

Mr. VAUGHN. I am talking about former Peace Corps volunteers who are hired as staff. That was in answer to your question specifically.

Mr. PASSMAN. I am talking about the program technical representatives.

Mr. VAUGHN. Yes.

Mr. PASSMAN. That is exactly what I am talking about.

Mr. VAUGHN. Most of whom are not former volunteers.

Mr. PASSMAN. Do you pay the volunteers the same as you would pay any other person if he is on a competitive basis, pulled from an eligibility register?

Mr. VAUGHN. We pay him at the $7,000-a-year level.

Mr. PASSMAN. If you had a man equally qualified that you hired out of a store, would you pay him the same amount?

Mr. VAUGHN. Who had been making $15,000 or $16,000? Then he would be competitive; we have to be.

Mr. PASSMAN. Again, I have no more idea of what you are saying than you do. Page B–38 of the justification states:

PTR's—an average strength of 80 PTR's is projected for fiscal 1968. The average cost is estimated to remain relatively constant at $21,000 per man-year. Obligation requirements total $1,680,000.

The book states $21,000 a year and now you tell me it is $7,000. Which is the correct figure?

Mr. VAUGHN. We are not talking about the same thing.

Mr. PASSMAN. We are talking about the PTR's.

Mr. VAUGHN. All right. If you want to exclude former volunteers, the few we have who are PTR's, this is what we are talking about——

Mr. PASSMAN. Mr. Vaughn, if you have a returned volunteer and you have some other individual, they both have the same qualifications, they are on this register and you pull two of them off, do they get the same salary?

Mr. VAUGHN. No, sir; they don't. Well, let's take one of our PTR's who is a professor at the university making $15,000 a year and he is a master teacher. We bring him over to provide professional technical support to 100 volunteer teachers. We can't pay him $7,000 a year. The man making $15,000 or $16,000, when you transport his family and count his housing allowance, it comes out to over $21,000.

Mr. PASSMAN. All I can ask you to do is to furnish a list to the committee of each one.

Mr. VAUGHN. Fine. You will find——

COR'S AND PTR'S

Mr. PASSMAN. Wait a minute. I want a list of all the COR's, what they did before and what you pay them, and I also want a list of the PTR's.

Mr. VAUGHN. Good.

(The information follows:)

COR's

Region and COR	Country	Contractor	Former occupation	Salary
NANESA:				
James Grider	Nepal	Agri Research, Inc., Manhatten, Kans.	Vocational agriculture teacher	$11,300
Ralph Anderson	Turkey	University of Texas	Assistant professor, linguist	14,000
Illar Sirk	Tunisia	Leo A. Daly Co., Omaha, Nebr.	Architect for Leo A. Daly Co., Omaha, Nebr.	12,875
Africa:				
John Bigelow	Ethiopia	ESI	Staff member of the ESI, Watertown, Mass.	9,200
Richard Sovde	Liberia	San Francisco State College.	Principal and teacher in South Tahoe High School District of San Francisco, Calif.	12,540
Robert Eberhart	Nigeria	UCLA	Instructor, Ventura Union High School District, Ventura, Calif.	14,800
Don Hartman	do	D. & R	Assistant to the vice president of U.S.P. Corp.	16,500
Liliane Giesseler	Senegal	Kaiser Foundation	Health education consultant, California State Department of Public Health, Berkeley.	11,000
Fred Robinson	Tanzania	Syracuse University	Research associate, School of Education, Syracuse University.	9,500
Latin America:				
Jerry Perkins	Bolivia	Heifer	Graduate student, South Dakota University.	8,000
Geronimo Chavez	Brazil	4-H	Rural youth adviser, U.S. AID	12,075
Ronald Faas	do	do	Extension leader, Iowa State University.	10,500
Walter Frazer	do	EIL	Project director, EIL	8,843
Robert Backus	do	do	do	9,000
Norman Moe	Chile	Humboldt College	PC training staff, Humboldt College.	9,466
Paul Mosney	Colombia	AAHPER	Graduate student, Springfield College.	8,843
Washington Fernandez	do	EDC	PC training staff, Brandeis University.	9,600
Lorenzo Garay	Chile	University of Washington	Division chief, Forestry Department, Chilean Ministry of Agriculture.	12,000
Tom Reynolds	Costa Rica	AAHPER	Region officer, university relations, PC.	14,000
Thomas Guerrero	Ecuador	Heifer	Rockefeller Foundation scholar, University of California.	7,865
Eduardo Sotomayor	do	do	Livestock and 4-H adviser, Servicio Coop. Interamericano de Agri.	7,383
John Ornelaz	do	AAHPER	Eastern Union High School District, teacher.	13,000
Albertano c'de Baca	El Salvador	4-H	Agriculture extension adviser U.S. AID.	17,000
Aquiles Lanao	Peru	CLUSA	Assistant training director, Latin America Training Center.	12,500
Marco Campos	do	CLUSA	Civil engineer, Corp. Nacional de Abastecimientos del Peru.	8,510
Justino Melgar	do	Teachers College CU	Division chief, teacher education, Peru Ministry of education.	9,300
James Johnson	Venezuela	AAHPER	Sports specialist, North American Association of Venezuela.	14,000
Jim Stevens	do	AAHPER	Project director, PC	10,602
Fred Pertsch	do	Agri	Dairy farmer, self-employed	15,000
East Asia and Pacific:				
John McColgan	Micronesia	Westinghouse	Education specialist, Westinghouse.	14,316
Howard Raik	do	do	RPCV, Westinghouse	7,800
Richard Straw	Malaysia	California State, Los Angeles.	Professor Los Angeles State	20,590
Norwood Teague	do	do	do	17,990
John Roades	Philippines	San Jose State	Professor, San Jose State	16,404
Jimmy Kada	Micronesia	University of Hawaii	Statistics analyst, University of Hawaii.	[1] 13,600

[1] Per annum.

PROGRAM TECHNICAL REPRESENTATIVES ON PEACE CORPS ROLLS AS OF MAY 31, 1968

Name	Previous employment	Current salary
Alemian, A. C.	PCV, teacher and headmaster, Kampala, Uganda	$9,267
Anderson, V. L.	Professor of modern languages, Brigham Young University, Provo, Utah.	15,757
Andrews, J. A.	Acting principal, Palo Alto Unified School District, Palo Alto, Calif.	17,724
Archbald, T. F.	Intern (seminars) USIS, university program, Bombay, India	9,576
Bellotti, A. C.	Agriculture instructor, Peace Corps training, New Mexico State University.	9,267
Bingham, H. S.	Associate dean of students, Clarkson College of Technology, Potsdam, N.Y.	13,346
Bourne, D. W.	Research associate, oceanographic research, Woods Hole Oceanographic Institute, Woods Hole, Mass.	10,812
Brenneman, W. E.	Foreign affairs officer, U.S. Atomic Energy Commission, Germantown, Md.	15,841
Brotzman, I. W.	PCV, teaching improved farming practices, India	9,576
Brown, D. G.	Technical instructor, Development & Resources Col, Sacramento, Calif.	8,596
Buchanan, J. L.	Director of teacher education, North Carolina Advancement School, Winston-Salem, N.C.	13,321
Butler, E. F., Jr.	PCV, community development work, Panama	8,076
Cantlon, P. R.	Technical studies coordinator and assistant project director, Williams College, Williamstown, Mass.	8,336
Chromy, J. W.	Planning assistant, city government, St. Cloud, Minn.	8,076
Cierniak, J. P.	Teacher, Hennepin County Home School for Boys, Minnetonka, Minn.	10,812
Christians, D. L.	Teacher-counselor, public school system, San Francisco, Calif.	14,857
Clark, D. L.	Assistant professor, counseling courses, University of Kentucky, Lexington, Ky.	13,957
Clark, E. S.	Director of nursing and auxiliary personnel, Project Hope, Washington, D.C.	9,885
Clowes, D. A.	Assistant professor of humanities, Jefferson Community College, Watertown, N.Y.	9,576
Coats, K. R.	PCV, industrial vocational school, Brazil	11,862
Cook, H. B.	Assistant professor, American Language Institute, Georgetown University, Washington, D.C.	12,233
Crawford, C. M.	Teacher, English, District of Columbia Board of Education, Washington, D.C.	9,885
Crocker, W. A.	Job Corps center, teaching team coordinator, Science Research Association, New Bedford, Mass.	11,120
Damstrom, C. S.	Peace Corps volunteer, community development, Guatemala	8,076
Deville, C. J.	Peace Corps volunteer leader, rural extension service, Brazil	11,120
Dewey, W. A.	Peace Corps volunteer, agriculture and rural community development, Guatemala.	9,267
Dillard, J. M.	Project director, education, Peace Corps training, University of Hawaii, Peace Corps Training Center, Hilo, Hawaii.	11,491
Dorry, G. N.	Engaged in writing textbooks (study of English as a foreign language); volunteer representative for experiment in international living in Iran, Fulbright lecturer, Iran.	14,407
Dudley, R. J.	Peace Corps volunteer, agriculture and community development, Ecuador, and personal services contract agriculture, Peace Corps Ecuador, and personal services contract agriculture, Peace Corps, Ecuador.	7,816
Dungan, J. L.	Rural development consultant, Church World Service, New York, N.Y.	11,120
Dyer, J. A.	Peace Corps recruiter; PCV, teacher (physical education), Sierra Leone.	9,267
Engstrom, R. A.	Farmer; agriculture instructor, University of California, P. C. training, Berkeley, Calif.	8,596
Farmer, C. M.	Project director, P. C. training program, community development, agriculture, education and rural health, University of Hawaii.	9,885
Fiscus, C. R.	Teacher, vocational agriculture, Mitchell Community School, Mitchell, Ind.	15,757
Flores, R. F.	PCV, agriculture, Colombia	7,816
Floyd, V. B.	Executive director, Towsend Community Center, Richmond, Ind.	11,862
Fox, J. F.	Lead technical instructor (P. C. trainees), Westinghouse, Claysburg, Pa.	11,120
Frazer, P. A.	English teacher as a foreign language P.C. training program, Center for Research and Education, Estes Park, Colo.	8,596
Fricke, C. A.	Area director, Near East Foundation, rural development, Tehran, Iran.	14,407
Gonzalez, R. J.	PCV, agriculture, Chile	7,816
Gschwend, W. J.	Administrator, Family Counseilng Service, Chicago Heights, Ill.	12,233
Hamlin, C. S.	PCV, fisheries project, Togo	11,120
Harms, L. W.	PCV, agriculture extension project, Guinea	8,596
Harris, J. G.	Peace Corps programs; University of Washington, Seattle, Wash. Field supervisor, hired and trained local natives as teachers of Aymara.	10,194
Holtam, J. G.	Agriculturalist, Holy Cross Monastery, West Park, N.Y (Agriculture and Rural Development Cooperatives).	12,233
Jibaja, H. J.	Teacher-administrator, Bi-National Cultural Center Institute, Guatemala.	9,576
Johnston, K. L.	Area director of Aedes aegypti eradication, D/HEW–USPHS–NCDC, Atlanta, Ga.	13,507

PROGRAM TECHNICAL REPRESENTATIVES OF PEACE CORPS ROLLS AS OF MAY 31, 1968—Continued

Name	Previous employment	Current salary
Kelly, T. F.	Coordinator youth opportunities (conducted dropout research) Orange County School System, Santa Ana, Calif.	$15,113
Kepferle, L. T.	Assistant director for Inter Tribal Council of Nevada, Reno, Nev.	11,120
Kitson, D. S.	PCV, staff assistant [education and training program, Philippines.	10,190
Knamiller, G. W.	Graduate student in public health P.C. training staff, UCLA Los Angeles, Calif.	11,124
Krieger, T. J.	PCV, community development rural	7,816
Larsh, E. B.	Teacher and coach, Monterey Public Schools, Monterey, Calif.	13,507
Larrick, K. D.	PCV, teaching repair and maintenance/machinery	7,020
Mahoney, K. J.	Teacher and coach, Wilson High School, Wilson, Kans.	13,507
McPhetres, S. F.	Teacher (social sciences) District of Columbia Board of Education, Washington, D.C.	9,576
McVicker, S. R.	Math/science coordinator, San Juan Unified School District, Carmichael, Calif.	17,170
Mersereau, A. F.	Coordinator Thailand training center, P.C. training center, Hilo, Hawaii.	8,336
Messina, S. M.	Associate professor of education, Trenton State College, Trenton, N.J.	15,757
Michaelis, V. E.	Teacher of world geography and director of student activities, Long Beach City School System, Long Beach, N.Y.	10,812
Morris, R. W.	Teacher (English) San Diego City Schools, San Diego, Calif.	13,507
Mosconi, E. E.	Elementary school principal, Jefferson Elementary school district, Daly City, Calif.	17,170
Murphy, R. K.	Resident in public health (Assistant health officer) USPHS, Yold County Health Department, California.	18,278
Norris, S. E.	General consultant (educational trouble shooter) Lowell Joint School District, Whittier, Calif.	12,442
Opel, W. A.	Rector, St. Thomas' Episcopal Church, McLean, Va.	13,507
Peterson, E. P.	Peace Corps volunteer, agriculture, India	9,267
Reed, I. F. Y.	Nurse, State Department, Indonesia	6,905
Riggan, J. E.	Peace Corps volunteer, advisory work, human development factors, Kenya.	8,569
Ristuben, P. J.	Associate professor of history, Pacific Lutheran University, Tacoma, Wash.	14,407
Rivera, L. A.	Director, Consumer Cooperative Technical Division, Government of Puerto Rico, San Juan, Puerto Rico.	13,957
Robinson, G. D.	International Services Division, Southern Illinois University, Peace Corps training projects (teaching English as a foreign language, bridge construction, heavy equipment/diesel mechanics).	11,120
Rogosch, J. A.	Peace Corps volunteer, rural public works programs, East Pakistan and Iran.	9,267
Russell, T. L.	Physics teacher, Shaker Heights City School District, Shaker Heights, Ohio.	9,267
Sanders, O.	Executive director, Karamu House (in charge of Interracial Center Arts and Social Services), Cleveland, Ohio.	17,170
Scheinost, H. J.	Instructor for recreation, Peace Corps Virgin Islands Training Center.	9,576
Scherr, M. I.	Discussion leader, San Jose State College, Peace Corps (information about Philippine Islands living and health), San Jose, Calif.	11,862
Schuierer, F. W.	Instructor (biology), Cabrillo College, Aptos, Calif.	16,616
Scott, E. M.	Language consultant for Peace Corps, Manila, Philippines (language program).	11,491
Seay, H. R.	Instructor of oceanography, Monterey Peninsula Junior College, Monterey, Calif.	12,975
Siegel, R.	Peace Corps volunteer, English teacher, Malawi	11,120
Slattery, J. B.	Peace Corps volunteer leader, community development, India	10,194
Smith, G. F.	Insturctor (agriculture) and university liaison officer (Peace Corps training program), Montana University, Boseman, Mont.	9,575
Song, H. K. K.	Research assistant (mental impairment), New York Medical Center, New York, N.Y.	10,503
Solomon, G. A. C.	Peace Corps volunteer, provincial public health nurse, Ethiopia.	10,059
Spencer, G. E.	Community development adviser, U.S. A.I.D. Manila, Philippines.	19,940
Walker, D. L.	Peace Corps volunteer, agriculture and education, Guatemala	11,120
Walsh, J. P.	Deputy project director, technical training in physical education, Peace Corps Training Center, Hilo, Hawaii.	8,336
Wilson, J. A.	Peace Corps volunteer, English teacher, Liberia	11,120
Wood, J. H.	Fieldman, agriculture, Utah-Idaho Sugar Co., Idaho Falls, Idaho	17,724
Worth G. C.	Education worker, teaching in college and secondary school; Consultant on college administration, United Presbyterian Church, New York, N.Y.	11,120

Mr. PASSMAN. You have an average man-year cost of $21,000 and are requesting $1,680,000. How many do you have all together?

Mr. VAUGHN. PTR's, 80 at the end of 1968; COR's, contractors' overseas representatives, 44 at the end of 1968.

Mr. PASSMAN. You are going to list these people in the record?

Mr. VAUGHN. By name and salaries.

Mr. PASSMAN. And where they came from.

Mr. VAUGHN. Yes.

Mr. PASSMAN. The average is $21,000 per man year, for the PTR's, and the COR's averages $35,660. Have I read those figures into the record correctly?

Mr. VAUGHN. Yes. That is why we are moving to——

SALARIES OF RETURNED VOLUNTEERS

Mr. PASSMAN. I can't associate an average of $35,660 in one instance, $21,000 in another instance, with $7,000. I am going to ask the question again. If you don't understand it, let's clear it up before you attempt to answer it. If you need two men for a specific program and you have the qualifications that these people must meet; one is with, we will say, the Ford Foundation and the other is a Peace Corps returnee. They are required to do identical work and they possess identical qualifications. Would they get the same salary?

Mr. VAUGHN. No, sir.

Mr. PASSMAN. Why not?

Mr. VAUGHN. Because salary in the Peace Corps staff is an——

Mr. PASSMAN. I am talking about a PTR.

Mr. VAUGHN (continuing). Is based on previous earnings more than anything else.

Mr. PASSMAN. Not his degrees or his qualifications?

Mr. VAUGHN. Just partly.

Mr. PASSMAN. Wait a minute, now. If this returnee met all of the qualifications as to educational background, and measured up the same as a college professor, would you pay him the same salary?

Mr. VAUGHN. No.

Mr. PASSMAN. How much less would you pay him, and for what reason?

Mr. VAUGHN. We would pay the college professor roughly the equivalent of what he had been earning at the university. We would pay the former volunteer at the level of Foreign Service Reserve class 7 unless he had advanced degrees, in which case——

Mr. PASSMAN. What if this returnee had so many diplomas he didn't have enough wall space to hang them all; what would you pay him as a PTR?

Mr. VAUGHN. If he would like to work for us that way, we would pay him a nominal salary.

Mr. PASSMAN. What is a nominal salary?

Mr. VAUGHN. $8,000, $9,000.

Mr. PASSMAN. Even though he has the same qualifications that this college professor has, you are going to pay him less?

Mr. VAUGHN. Yes.

Mr. PASSMAN. If this makes sense——

Mr. VAUGHN. You will see, Mr. Chairman, when we furnish you this list that——

Mr. PASSMAN. I will look it over.

Mr. VAUGHN. You will see there is an emormous range between and among these people.

Mr. PASSMAN. I expect an enormous range in their qualifications, too.

Mr. VAUGHN. No; I don't think so.

Mr. PASSMAN. You don't think so?

Mr. VAUGHN. No.

Mr. PASSMAN. In how many States do you have recruiters, even though they are not working out of one of your four regional offices?

Mr. VAUGHN. In how many States do we have——

Mr. PASSMAN. Do you have traveling recruiters from the Peace Corps?

Mr. VAUGHN. Forty-eight.

Mr. PASSMAN. What two States are you leaving out?

Mr. VAUGHN. Hawaii and Alaska. We are well known there so we don't have to send recruiters out there.

Mr. PASSMAN. Why is that?

Mr. VAUGHN. We have a major training facility with the University of Hawaii year-round so we are well known there and have a lot of contacts on campus so we don't need recruiters there. I don't believe we have ever sent recruiters to Alaska, not to my knowledge.

REDUCTION OF OVERSEA PERSONNEL

Mr. PASSMAN. Your estimate for fiscal 1969 for administrative expenses is $30,300,000, an increase of $1,600,000 above the limitation for fiscal 1968; is that correct?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Are you reducing personnel overseas in response to the President's directive of January 1968?

Mr. VAUGHN. We are.

Mr. PASSMAN. By what number, and from what figure down to what figure?

Mr. VAUGHN. We are reducing them—as we understand it now, and it is still being negotiated in certain countries, we will be reducing the number by 51, of whom 23 are medical doctors.

Mr. PASSMAN. Was this decision made prior to or subsequent to the President's directive?

Mr. WHALLEN. Prior to.

Mr. PASSMAN. Prior to?

Mr. WHALEN. Yes.

Mr. PASSMAN. What is the amount of annual savings?

Mr. VAUGHN. It is $800,000.

Mr. PASSMAN. I note on page B–50 that most of the estimate of $1,500,000 for part-time employees is for recruiters. What kind of part-time recruiters do you use and what do you pay them?

Mr. VAUGHN. This is the same group we were referring to before, who work from 7 to 8 months, and we pay them $27 a day.

OFFICE SPACE

Mr. PASSMAN. What office space are you renting in Washington at a cost of $100,000 for fiscal 1969?

Mr. VAUGHN. This is about a block from our building and it is called the Matomic Building.

Mr. PASSMAN. For what purpose?

USE OF COMPUTER

Mr. VAUGHN. It is where our budget, fiscal, and computer operations and selection offices are located.

Mr. PASSMAN. Do you rent the computers or buy them?

Mr. VAUGHN. Rent.

Mr. PASSMAN. At what cost per year?

Mr. WHALEN. $103,000 for computer rental.

Mr. PASSMAN. What do they compute?

Mr. VAUGHN. We have a wide range of uses with regard to our budget, fiscal and collection data, our personnel records, volunteer payments.

PAYMENT OF VOLUNTEERS

Mr. PASSMAN. When these people are separated from the Peace Corps, are they given a U.S. Treasury check, or is it a check from some foundation?

Mr. VAUGHN. U.S. Treasury check.

Mr. PASSMAN. The amount that they get monthly is a U.S. Treasury check; is it not?

Mr. VAUGHN. No. They are paid in local currency.

Mr. PASSMAN. Whatever they get comes out of the U.S. Treasury, either in local currency account or by check. It is paid for by U.S.-owned local currency?

Mr. VAUGHN. Yes; where possible. I think there are four countries where this is done. India is the principal one.

Mr. PASSMAN. Either you pay them with a Treasury check or you pay them in U.S.-owned local currencies, is that not right?

Mr. VAUGHN. No.

Mr. PASSMAN. He says yes and you say no. Who is right?

Mr. VAUGHN. In every case, Mr. Chairman, we pay the volunteer his monthly allowance in the local currency of that country.

Mr. PASSMAN. U.S.-owned local currency, though.

Mr. VAUGHN. No.

Mr. PASSMAN. Let us get this straight. The local paymaster, if we may call him a paymaster, takes a U.S. check or U.S. cash and purchases local currency with which he pays them.

Mr. VAUGHN. Yes.

Mr. PASSMAN. That is exactly what I said. It is certainly U.S.-owned, purchased with a U.S. check, until such time as it is disbursed, is it not?

Mr. VAUGHN. Yes, sir. There are those cases, too, especially in Africa, where the host government pays them as its contribution.

Mr. PASSMAN. Is your salary paid by some foundation, or is yours paid by a U.S. check?

Mr. VAUGHN. The latter.

VOLUNTEERS RELATIONSHIP TO U.S. GOVERNMENT

Mr. PASSMAN. All of you people here this afternoon are paid out of the U.S. Treasury with a U.S. check, are you not?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Is the Peace Corps authorized by the Congress?

Mr. VAUGHN. Yes.

Mr. PASSMAN. It is under the executive branch of the Government?

Mr. VAUGHN. Yes.

Mr. PASSMAN. Responsible to the same President as I am.

Mr. VAUGHN. Yes.

Mr. PASSMAN. So, then, it is a branch of or an agency of the United States of America, is it not?

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. Why didn't you say that earlier today, and we would have saved a lot of argument. I knew you would have to say it in the end. That is all I wanted you to say, because you knew it and I knew it.

Mr. VAUGHN. We were talking about volunteers, not staff.

Mr. PASSMAN. The volunteers are under the Peace Corps. It is the Peace Corps who hires them, the Peace Corps who puts them on the payroll, the Peace Corps who is responsible for them, and the Peace Corps who pays them the $1,800 with a U.S. check when they come back.

Mr. VAUGHN. Yes, sir.

Mr. PASSMAN. If they are not working for the Government then it is just too funny for words even to discuss any further your attempt to pretend they are not working for the Government.

ENTERTAINMENT EXPENSES

I note you are requesting $5,000 for entertainment expense in Washington, and $5,000 for representation allowance overseas. Is that correct?

Mr. VAUGHN. This has been the request since the Peace Corps started.

Mr. PASSMAN. That is not what I asked you. Is that what you are asking?

Mr. VAUGHN. Yes. It has been the same request since the Peace Corps started.

Mr. PASSMAN. I did not ask that question, but if you want to put that information in the record it is all right.

Mr. VAUGHN. I wanted to show——

Mr. PASSMAN. Let me ask the question again. You are requesting $5,000 for entertainment expense in Washington, and $5,000 for representation allowance overseas for fiscal 1969. Is that correct?

Mr. VAUGHN. That is correct.

NUMBER OF STAFF POSITIONS

Mr. PASSMAN. What is the number of staff positions and the cost in Washington and overseas?

Mr. VAUGHN. The level of administrative staff in Washington today is about 685, which compares to 711 in 1963. Overseas we have 445, as of May 31 in 57 countries.

(Discussion off the record.)

Mr. PASSMAN. I yield to Mrs. Hansen from Washington.

VOLUNTEER PROGRAM CATEGORIES

Mrs. HANSEN. Mr. Vaughn, you have it by charts here. Do you have a complete total you can give me very quickly, of how many of these

young people are in education, how many in agriculture, in health, and so on?

Mr. VAUGHN. Yes. I can give it to you, I think, specifically, and there is a slight trend visible. We have just under 50 percent who are teachers in the formal classroom sense. We have 25 percent who are in community development.

Mrs. HANSEN. By community development, do you mean they are working in such things as sewerage projects and water projects?

Mr. VAUGHN. We give a broad definition to community development in the sense there can be a number of skills employed; but it is working with communities to try to stimulate self-help and new organizations.

Mrs. HANSEN. Where do you have most of these community development projects?

Mr. VAUGHN. In Latin America. But worldwide, 25 percent. In Latin America it would be closer to 50 percent.

Mrs. HANSEN. Where are the other 50 percent? Some of them, I know, are in Micronesia.

Mr. VAUGHN. Relatively few in Micronesia.

Mrs. HANSEN. They are mostly in the teaching field?

Mr. VAUGHN. Yes.

Mrs. HANSEN. And the health field?

Mr. VAUGHN. Yes; and in small industry and in agriculture.

Mrs. HANSEN. It would have to be very small, because that is one of their problems.

Mr. VAUGHN. And one in fishing and legal services. The worldwide total in agriculture is about 11 percent, and it is about 10 percent for health. That adds up to 95 percent. Five percent, all other. So, it is 50 percent education, 25 percent community development, about 10 each for agriculture and health, and then 5 percent all other.

PEACE CORPS PROGRAM IN LATIN AMERICA

Mrs. HANSEN. I visited your Peace Corps people in three countries—Colombia, Peru, and a few in Chile working in one of the slum areas of Santiago. I do want to compliment you on the kind of work they were conducting. I saw a young woman, in Ciudad Kennedy (Bogotá), who was doing a splendid job teaching a remedial class.

Mr. VAUGHN. She was a gal married to an all-American football player from Princeton.

Mrs. HANSEN. Yes. It was a very inspirational afternoon. We spent quite a little time talking to her, and then talking to the students.

I also want to say I saw Peace Corps workers in the same area working on a mother's club to teach nutrition and trying to get them to do better meal planning, and this type of thing—most successfully.

I went on to Lima, and I heard no end of favorable comment from people about what they considered to be the new spirit of American young people.

Then I visited in an area in Santiago, the John F. Kennedy School, where there is a large school population of 1,200, so large in fact that they have to have a split shift—boys in the afternoon and girls in the morning. I saw the direct result of the work that they were doing out in the slum area. I also saw in that same area homemaking and dressmaking classes with excellent work.

Mr. VAUGHN. The thing I think is so wonderful is that the young lady in Ciudad Kennedy is a specialist in teaching the deaf. She would go out and find youngsters who had been given up as mentally retarded when actually all that was wrong was that they were deaf. They were perfectly normal otherwise. She picked these people out of oblivion, so to speak.

Mrs. HANSEN. The story of a girl, who happened to be a University of Washington girl, in Peru is also interesting. There had never been a bridge across a certain canyon; therefore, the children on the far side of the canyon could not attend school. She decided one could be built and with some Indian help constructed the bridge. For the first time those youngsters had a chance to attend school.

I also noted there was work proceeding in the rural areas of Colombia.

I certainly thought that the image benefit they gave was excellent—sometimes America has been accused of being only a nation of guns. These youngsters were doing constructive programs.

STATES OF ORIGIN OF PEACE CORPS VOLUNTEERS

I am interested in where they come from. The Western States, as you know, the States of Washington, Oregon, and California, are quite high in the number of volunteers. Then I notice as you go into the Rocky Mountain area, it is very low, except for Colorado. Why is this?

Mr. VAUGHN. The difference, I believe, is made up largely because of the surprising number we get from the University of Colorado. The University of Colorado for years has been in our top 10.

Mrs. HANSEN. Why would you think the States of Montana, Wyoming, Idaho, Nevada, Utah, New Mexico, are as low as the southern contribution?

Mr. VAUGHN. Ed Barker, who is our head of research, may have something to contribute.

Mr. BARKER. The Plains States and the South have been the lowest quite consistently. The explanation for that, from our studies, is that there is less interest in international affairs in those areas than on the west coast, the east coast and, in the Midwest.

PEACE CORPS SUCCESS

Mrs. HANSEN. Now I want to ask you about Ethiopia, for example, where you have a program of education and where the literacy rate, I think, is only 5 percent. Has there been any diminution of that illiteracy rate because of the Peace Corps efforts?

Mr. VAUGHN. I am not sure I understand.

Mrs. HANSEN. These are some of the hard figures that you will have to bring up, I should think, to show what you have done in the field of creating a more literate people.

Mr. VAUGHN. Our problem is that if we are not teaching literacy, it is difficult to arrive at a figure of literacy improvement. If you have teachers mainly at the secondary level—incidentally, in Ethiopia now they are moving into teacher training.

Mrs. HANSEN. Is not teacher training one of the things that almost every country needs more than anything else?

Mr. VAUGHN. Yes. This is one of the major new trends in the Peace Corps.

Mrs. HANSEN. For instance, let us go back to the history of Micronesia, and the educational programs there that my subcommittee down the hall has struggled with. We discovered, I think it was 6 years ago, that they had a great many teachers who were certainly not even high school graduates who were teaching in the so-called public schools of Micronesia.

Mr. VAUGHN. This has been one of our problems as we have sought to quantify the changes that have occurred, where most of our volunteers have been teachers. In this school, one of eight teachers is a Peace Corps volunteer—in many cases he is the best teacher there, the best trained, the best educated; if he is teaching English, he is the best English teacher they have ever had. How do you determine after 2 years of that what this individual has accomplished where he has opened up the minds of youngsters, where he has switched from rote learning to stimulate them to think and reason for themselves, where he has treated them in a democratic way, has not whipped them or caned them, where they rally to him or to her as a peer and as a democratic person.

All these things we think are extremely valuable, but it is hard to put it on a chart.

INDIA FAMILY PLANNING PROGRAM

Mrs. HANSEN. On page 28 of your presentation you discuss the India family planning program. Who are the people who are carrying on this family planning project—doctors, nurses, or what? I would not think you could send a group of young people out to give advice in family planning.

Mr. VAUGHN. Most of them are married couples. Mr. Ashabranner is our expert on India, having been director there, and also on family planning.

Have you any comment?

Mr. ASHABRANNER. If I could address myself to the question for just a moment, Mrs. Hansen, I am sure the Indian Government has been tremendously interested in family planning because of its great problem of population. One of the problems has been implementing the family planning program at the grassroots level.

They have a very effective program on paper in the planning stages, but getting it executed in the villages has been very difficult.

We started with a program of 50 volunteers in the State of Maharashtra a little over a year ago. These volunteers, as Mr. Vaughn said, are almost entirely married couples, trained to work in the educational aspects of family planning—why it is better economically in terms of health to have fewer children than a big family. The volunteers were trained to work in the statistical aspects of family planning.

One of the problems was followup services, simply to help get the primary health centers better organized so the service could be better rendered. So, it is in the educational, the promotional, and the organizational aspects that we have been able to work and make, we think, an effective contribution in this field.

Mrs. HANSEN. How successful are they in India?

Mr. ASHABRANNER. Again, it is impossible to quantify this at this stage. We have been only a little over a year in this effort. It has been successful at least to the extent that the Government of India has asked for two more groups in family planning.

We believe that their presence there is useful, but we cannot quantify it at this stage.

FEASIBILITY OF CONCENTRATING PEACE CORPS IN A FEW COUNTRIES

Mrs. HANSEN. This is a rather philosophical question that I shall ask. As we have observed our activities, we have probably tried to do too much, and not doing some of it too well. Would it be better to have a select number of countries that are highly receptive to the idea and where you can achieve success with the Peace Corps workers?

I refer again, for example, to the fact that there are more Peace Corps workers in Latin America because of their dearth of teachers, their lack of know-how in agriculture, their lack of know-how in teaching basic skills. Each one of those countries has enormous problems of malnutrition, underemployment, and undereducation.

They say in Lima there are about a million Andes Indians who have almost no part of the city's life because of their low economic status due to undereducation, lack of training, and particularly the lack of even the ability to speak the Spanish language. Would it be better to concentrate, say, in 10 countries that are favorable and do an extremely good job in the educational field or in the fields of agriculture and health, than to scatter your program over so many countries?

Mr. VAUGHN. From the practical point of view, at this stage of the game it would be difficult to do.

Mrs. HANSEN. Why?

Mr. VAUGHN. As you know, this committee equates our withdrawing from a country as failure. Each year we spend about an hour on this.

Mrs. HANSEN. I am just asking you because——

Mr. VAUGHN. In all four committees we go to, the question comes up every year over the same terrain: Why did you leave? The inference is that you failed.

The fact is, we did not fail in any of those seven countries. To say, for example, to half or two-thirds of the 57 countries, "We have decided it is too difficult to work here, and you don't really want us and we are going to withdraw," I think would be a pretty hard thing to bring off.

Mrs. HANSEN. But as you look forward to your programing in the future, would it be better to have a limit of countries and develop better programs in those nations? India, for example, and, as I say, Latin America, you could certainly use a great many more people and probably do a much better job with the same amount of money. Then, as you do an outstanding job in any one of these areas, move to another area.

This has been true in foreign aid. I think if I had been the State Department, managing foreign aid, I would have started with fewer countries as receipents and done a much better job in developing the economy or whatever we are developing, perhaps in the field of transportation or perhaps in the fields of education and health.

If we had been spectacularly successful in a relatively few countries, it would have been far better.

Mr. VAUGHN. On the other hand, if you contemplate that today, when you have to tell a friend and ally, "We are sorry, we are working on a select few countries, and you will have to wait your turn. Maybe in 10 years we will come around to you," it doesn't strike me as a very practical way.

Mrs. HANSEN. But we are doing it in the AID program in Africa right now. I do not think, as you mentioned a while ago in your own statement, that you would be doing it to an ally. You state you are not an arm of the State Department. Therefore, you are not interested in the question of allies, and so on. You are interested in doing something, as I understand it, for humanity, as a commitment to a sense of service to better the lot of human beings in a given country.

I think you might equate it with the missionary concept we had in the early part of the 19th century, if you please, people who in their way wanted to create a beter world. You today want to create a better world for human beings in various parts of the world.

Mr. VAUGHN. I guess where I am not in step is the implication that there are countries where we are not doing a good and needed job——

Mrs. HANSEN. No; but when we have limited funds, Mr. Vaughn, I think the question comes up.

For example, this morning we were discussing in the full Appropriations Committee the HEW budget, and we have a tax bill on the floor and are facing a $6 billion expenditure cut. We have programs in our own country. I shall refer specifically to some of them that were discussed this morning.

In elementary and secondary education, there was a reduction of $200 million. This is from the equipment account, which includes audiovisual, desks, chairs, and so on.

We have another item of money taken from economic professions development activities, a reduction in the Teacher Corps. The Teacher Corps would be equating our own teaching goals in the United States for underprivileged youngsters in areas that need assistance in our own type of educational program.

We have a reduction in the vocational education program, the library and community services, and educational improvement for the handicapped.

Down in the public health field I notice a cut in the child and mother program, which is one of the areas we are rather deficient in; for example, on television the night before last I saw an item that the United States had gone from sixth in the infant mortality rate to 13th. When we have to pick and choose, it is not a fair assumption to say we can spend as generously as usual around the world and at the same time curtail the same type of programs at home which are of importance to the well-being of Americans.

This is not spoken as an "America first" type of approach, it is just taken as a realistic one. If you have a budget and you had planned to have two cars and suddenly you must pay a lot more taxes, you are going to have just one car. This is the type of thing that I referred to. Rather than to make it a poor operation worldwide, I would rather see it a successful operation in certain areas.

PEACE CORPS IN MICRONESIA

I raised the question last year. I would like to have seen the funding for the Peace Corps for Micronesia in the Interior budget because it makes sense. The Interior Department and its Office of Territories is directed to conduct the affairs of Micronesia. When we had our hearings we discussed the problems of the Peace Corps in relationship to the Interior operations and it is very hard to explain to the Micronesians why we consider them part of the American world in one category and in the next category place them under a foreign operations context. I thought it would have been much better not to have had the Peace Corps program funded out of this bill. However, that has not been done and our committee is no more desirous than any other of adding to the burden of spending, but it makes administrative common sense.

Mr. VAUGHN. I agree it would have been better. One of the questions we face is how do you get the quality of talent in large numbers if you do not go to the Peace Corps.

Mrs. HANSEN. I have no objection to the Peace Corps doing the training. But when they go out to Micronesia they could call it the Micronesian Corps or that type of designation. I think it is a rather sad commentary on our own commitment that we are not as committed to our own efforts as we are international efforts. Micronesia is far more important, I would think, to the United States in a wide number of ways than are some other places I might mention.

Here is the far western window on the Pacific in the kind of programs that an imaginative, creative America should be able to do. Certainly if we are going to the moon it would seem to me we could get water lines in Saipan.

I was at a hearing this afternoon on the $16 million proposed supplemental item for typhoon damage there. I come fresh from it realizing that we have some necessity, I would think, of making this a showcase of what American participation and administration can do. This is why I ask the question as to a fewer number of countries. I would like to see such a highly successful program in Colombia or Peru or Chile, that it could be pointed out, "This is what the Peace Corps did here. This is what its meaning was. This is the commitment of American young people to the human beings in Latin America."

NEED FOR ECONOMY

You have to cut your cloth to the economy, and it seems rather sad that we have to economize in a wide way instead of doing it in an orderly way.

Mr. VAUGHN. Speaking of economy, I think it is worth noting that we are asking for fiscal year 1969 for less money than we asked for in 1965 and 1968.

Mrs. HANSEN. I realize that.

Mr. VAUGHN. And 1968.

Mrs. HANSEN. There is less money available. When you face the kind of deficits that we face, it is the same in every agency. I have read you cuts made in the very basic parts of American life. In education it is very difficult to explain to the Indian reservations, for example,

and to an Indian village in Alaska why there will have to be personnel cuts because we have to spend our money abroad.

I know there are going to be cuts, and broad ones, in this foreign aid program.

Mr. VAUGHN. What we are faced with, Mrs. Hansen, is a question of given our extraordinary input of new trainees, volunteers in the summer of 1966, we put 10,200 men into training in 1966. These people will be finishing this summer.

Mrs. HANSEN. Finishing their work?

Mr. VAUGHN. Yes. What we are talking about are just staying even. We are talking about almost exclusively replacements.

COST PER VOLUNTEER

Mrs. HANSEN. What is the total cost of the trainee from the moment recruitment begins until he leaves the Peace Corps?

Mr. VAUGHN. It is a little over $15,000.

Mrs. HANSEN. Per person?

Mr. VAUGHN. It is $7,765, in that range, per volunteer year. That is all costs from the beginning, including recruitment and pretraining.

Mrs. HANSEN. And the cost in the country?

Mr. VAUGHN. Everything. Readjustment allowance ($1,800) other costs. This is down from over $9,000 in the early years of the Peace Corps.

VIETNAM

Mrs. HANSEN. How many Peace Corps workers do you have in Vietnam?

Mr. VAUGHN. 151 former Peace Corps volunteers——

Mrs. HANSEN. How many Peace Corps people do you have working in the pacification program in Vietnam?

Mr. VAUGHN. We have never been requested to provide them.

Mrs. HANSEN. Why?

Mr. VAUGHN. I don't know. My philosophy is that Peace Corps work is not an instrument of pacification after hostilities have started. Instead, volunteers are people who can work on the causes of hostilities.

PEACE CORPS IN KOREA

Mrs. HANSEN. You are not in South Korea?

Mr. VAUGHN. Yes. Hostilities were over there when we went in.

Mrs. HANSEN. That is, relatively speaking.

Mr. VAUGHN. The infiltration and the border incidents had not started when the volunteers arrived.

Mrs. HANSEN. I read a comment about deficiencies in Korea, which said the level of the health infrastructure is a weak link in the public health program. The government plans to cope with this problem by establishing a network of more than 1,300 health centers in rural areas, making use of health auxiliaries for health counseling services.

Why should these conditions exist when they have a great deal of military expenditures? You would think they could afford the health programs if they want a successful military program.

Mr. VAUGHN. Yes. A heavy percentage of their budget has gone for military. They have gone through, as you know, in the last 10 years a

process of industrialization. As so often happens, the rural areas are left behind in many of these improvements.

Mrs. HANSEN. You have prevention and eradication of specific diseases, such as malaria, TB, et cetera. Wouldn't you think that is important to erase?

Mr. VAUGHN. Yes, ma'am.

TRAINING FACILITIES AND COST

Mrs. HANSEN. How many colleges do you make contracts with?

Mr. VAUGHN. For training?

Mrs. HANSEN. What profit do they make?

Mr. VAUGHN. The number has run between 80 and 100 in the last couple of years. It is down slightly since we have done more in-country training and more in-house on our own facilities.

Mrs. HANSEN. How many facilities do you maintain for training?

Mr. VAUGHN. We maintain five.

Mrs. HANSEN. Where?

Mr. VAUGHN. At Escondido, Calif., for the Andean countries in South America; at Baker, La., for French-speaking African countries; at Puerto Rico, which is our in-house center for Carribean countries; St. Croix and St. Thomas in the Virgin Islands for mainly English-speaking Africa.

Mrs. HANSEN. How were those places selected?

Mr. VAUGHN. On the basis of proximity to universities that could help us, on the basis of conditions similar to the conditions volunteers would meet in the country they were going to serve, such as tropical climate.

In the case of Louisiana, it was because of the subtropical conditions, the kind of agriculture practiced there and the proximity to French-speaking people.

Mrs. HANSEN. How much did those centers cost to operate as training centers?

Mr. VAUGHN. We are closing the one down in Louisiana at the end of the summer. Three million seven hundred seventy-seven thousand dollars.

Mrs. HANSEN. That is for Louisiana?

Mr. VAUGHN. Yes.

Mrs. HANSEN. That is for all centers?

Mr. VAUGHN. Yes, ma'am.

Mrs. HANSEN. About how many are trained at each center per year?

Mr. VAUGHN. Our costs are lower for training at these centers than they are for those volunteers trained on a contract basis with, say, a university.

Mr. ASHBRANNER. Isn't it about $2,500?

Mr. WHALEN. Yes, sir.

Mrs. HANSEN. Do they operate the year round?

Mr. VAUGHN. Yes, ma'am.

Mrs. HANSEN. How long does the training take?

Mr. VAUGHN. The scheduling of our French-speaking African programs is not of the nature that would allow us to keep that full all year round. Thus we cannot keep it full to balance the cost.

Mrs. HANSEN. How long is the training period?

Mr. VAUGHN. It is normally 12 to 14 weeks. This varies since we do so much incountry training. There are few projects that don't have a little segment done in the country. We have situations where they will be in the training camp only 6 or 8 weeks and then will spend 6 or 8 weeks in the country where they are going to serve.

Mrs. HANSEN. Who does the training in the country?

Mr. VAUGHN. The local staff, partly. The host country officials, largely. And then——

Mrs. HANSEN. Do we have an administrative staff in every country?

Mr. VAUGHN. Yes, ma'am. For purposes of continuity, we will send along the language coordinator. We will send along perhaps a person in technical studies and an administrative person to help out. Our overseas staff is fully employed, believe me. I have never known anybody anywhere to work as long hours as our overseas staffs. To ask them to do the incountry training, as well, is impossible. We draw on other people both from the country and from the United States to do the training.

Mrs. HANSON. What is the profit ratio for these universities? Obviously the Government training centers are nonprofit?

Mr. VAUGHN Yes, ma'am.

Mrs. HANSEN. What does the average university get?

Mr. VAUGHN. Our Director of the Office of Financial Management is the former Director of Contracts. I think that he can tell us better than I can.

Mr. SATENSTEIN. The universities are nonprofit institutions. They receive no profit whatsoever. They work strictly on a cost reimbursement basis.

Mrs. HANSEN. Write off part of their costs against that, their own costs? Universities are not notably philanthropic about that.

Mr. ASHABRANNER. They have overhead.

Mr. SATENSTEIN. Their costs are audited.

Mrs. HANSEN. I know. But where it is a State university they have to take care of the costs. The taxpayers of that State are not going to pick up the tab for the U.S. Government.

Mr. VAUGHN. What would the average overhead rate be?

Mrs. HANSEN. That is what I am asking. What is the average overhead rate?

Mr. SATENSTEIN. The overhead would run about 14 percent on the average.

Mrs. HANSEN. Is it the same length of training time at a university as it is in your own training centers?

Mr. VAUGHN. It is the same mix. As I mentioned, more and more we are having a shorter period on campus and incountry.

Mrs. HANSEN. What is your overhead cost compared to that of the fixed university overhead costs?

Mr. VAUGHN. For our in-house centers?

Mrs. HANSEN. Yes.

Mr. VAUGHN. What is the cost? He said it couldn't be more than 10 percent. We don't keep our books on that basis.

Mrs. HANSEN. Surely when you get through with your accounting you must have an idea of what is a comparative overhead to what they

include as their comparative overhead charge. That would measure out, I would imagine.

Mr. VAUGHN. I think that is the only indicator that we have had, the average per-trainee cost.

Mrs. HANSEN. That is what I mean. What is it?

Mr. VAUGHN. The cost is about $2,700 for a contract, and our training centers is about $2,500.

Mrs. HANSEN. You still have not given me a good answer. If you are confronted with x number of dollars, are you going to spread them around or are you going to begin to concentrate more in certain areas? Nobody likes to commit himself on cuts, but I don't think it would be entirely fair if I didn't ask you. For example, if you had x number of dollars cut which meant that you would have to reduce staff employees, the volunteers going into the service overseas, or take in less trainees, then do you propose to scatter them around as many countries and have fewer volunteers, or do you propose to begin to have a fewer number of countries?

Mr. VAUGHN. The former.

NEW COUNTRIES

Mrs. HANSEN. Which were your two new countries?

Mr. VAUGHN. Nicaragua and Swaziland, I would say.

Mrs. HANSEN. Do you need the last one?

Mr. VAUGHN. Given the constraints and the history of our programs, the way they have developed, and the commitment that we have to these governments, our decision would be to cut back selectively in the countries where we are now serving, but not to eliminate countries.

Mrs. HANSEN. Do you have a commitment to Swaziland?

Mr. VAUGHN. Yes, ma'am.

Mrs. HANSEN. When was that made?

Mr. VAUGHN. Negotiations were a long time coming. We have done our project exploration as we have in Nicaragua. These don't come, you know, overnight. This is a long-time process. I would think that we would do everything that we could to keep our commitment.

Mrs. HANSEN. I think we should do everything we can to keep our commitment to American kids, too.

Mr. VAUGHN. Surely. Your question was, would you eliminate or reduce the number of countries?

Mrs. HANSEN. That is right.

Mr. VAUGHN. Would you cut back selectively in the countries you already have?

Mrs. HANSEN. What was the particular reason for going to Swaziland?

Mr. VAUGHN. They said they wanted and needed us. They had heard and seen what volunteers were doing in neighboring countries.

Mrs. HANSEN. Those neighboring countries were——

Mr. VAUGHN. Were all in this area.

Mrs. HANSEN. Name them.

Mr. ASHABRANNER. Could I speak to that? One was Lesotho. Swaziland is along with Lesotho, entirely landlocked. That is surrounded by the Union of South Africa in a little enclave. Very poor.

Mrs. HANSEN. That is true of half of Africa.

Mr. ASHABRANNER. Yes; but extremely—just beginning to free itself from South Africa. It has this particular problem facing it. It has no access to the outside world.

Mr. VAUGHN. The same is true of Botswana.

AFRICAN UNITY

Mrs. HANSEN. I don't think I was here when we had testimony on the AID program in Africa, but I am going to be very frank. We have about 36 or 38 nations where you could have fewer. I don't see how, with as many nations in Africa as there are, they are going to be able to sustain themselves in the sophisticated world of the 20th century with the economic pressures that we have. It was a vastly different thing to emerge into freedom in the sailing ship era than it is to emerge into freedom in the jet era. The appetite of any country emerging is at first rather small, but as they mingle with the more sophisticated countries their appetite for the things that will make them happy is going to be far beyond their ability to provide. It would seem to me that the greatest thing Africa could begin to do would be in some way to create a federation or confederation of states or work toward that, at least regional participation. The expense of a country's government, the maintenance of any national capital is costly, maintenance of embassies, the maintenance of all the trappings that go with the international concept of participation in the world as it is today are high.

It seems rather too bad that this amount of money is siphoned off for these things that could be so well used for their own economic well-being. I think last year, recalling the testimony of several of the people working with the African nations, they were in short supply of even qualified administrators, plain ordinary tax collectors, people to serve as peace officers, people to serve in the ordinary functions of what we in the United States almost put at a county level of government. This is one of the major problems. It would seem to me that some of the Africans themselves would begin to dedicate themselves to working for a better economy for all of them through a joint regional approach to highways, universities, tax problems, and a multiplicity of other things.

The United States had to do this. Even in the very earliest times, had you had 13 colonies with 13 national capitals, can you imagine what they would be? What is the Peace Corps doing to better this regional concept?

Mr. VAUGHN. The problem that we didn't face was one of having been colonized by a number of nations and broken up into these little artificial entities with different languages.

Mrs. HANSEN. Separating all the trials and tribulations of the colonial era, America could not do it alone. This is what has been very costly, I think. The thing that you are fundamentally interested in is human beings.

Mr. VAUGHN. And we are less concerned——

CONCENTRATING PEACE CORPS EFFORTS

Mrs. HANSEN. You have a commitment to Swaziland and they have seen you. You are talking as if you were an Under Secretary of the

State Department instead of the Director of the Peace Corps dedicated to the well-being of human beings.

I asked you if you only had so much money, would it not be better to concentrate with more effective educational programs say in Latin America than it would be to go hunting for more countries in Africa.

Mr. VAUGHN. My answer is, "No." I think that what we are——

Mrs. HANSEN. You are going to have quite some difficulties obtaining all the money you wish and I speak as a friend of the Peace Corps.

Mr. VAUGHN. Let me put it this way: Let us talk about country X in Latin America that has 600 volunteers. The question is: Do you send another 100 volunteers to that country? What is the additional impact?

Mrs. HANSEN. You are not going to have additional volunteers. We are talking about curtailment.

Mr. VAUGHN. That was not your earlier assumption. Your earlier assumption——

Mrs. HANSEN. The assumption is if you have less money you are going to have less people. What you are going to do is to take some of them out of some of the successful countries but you are still determined to go to Swaziland even though you may have to take some out of Peru, Colombia, or someplace else?

Mr. VAUGHN. Yes. I don't know how my colleagues feel, but my judgment is if it is a question of reducing by 50 the number of 600 or 700 in country X, and sending these 50 to new countries, I would prefer that. I think that is a better investment for the international community, for our people, for our volunteers, than to continue with just a few countries. I feel that——

Mrs. HANSEN. You testified a while ago you were not an arm of the foreign policy of the Department of State.

Mr. VAUGHN. That does not follow. We are more in the international community than any group I know.

Mrs. HANSEN. That is true.

Mr. VAUGHN. We are proposing communication between peoples, between classes, between nations, and religions. That is what we are all about.

Mrs. HANSEN. I know that. This is what I am asking you, whether——

Mr. VAUGHN. I wouldn't like to see the Peace Corps segregated and play favorites. I don't think that is the proper course for us.

Mrs. HANSEN. You don't have enough to go around now.

Mr. ASHABRANNER. In another sense, we have a program in Swaziland and the people there are as important as the people in Peru or in India even though the country may not be as important.

Mr. VAUGHN. We found greater numbers don't necessarily imply greater success. In fact, there are extra special problems that accrue to us in having larger numbers.

Mr. ASHABRANNER. If I could address myself just a moment to that?

Mrs. HANSEN. That is what I am trying to get at. What is the basic reasoning between deciding whether you do a better job in one country with perhaps more volunteers in one country or fewer in some other place?

Mr. VAUGHN. I doubt that that is measurable or determinable. I think that what we know is what makes a good program. If you get the right people and orient and train them correctly, program them

well, and they get host country support, it is a good program. I don't think it has anything to do with size, although size complicates the job.

Mrs. HANSEN. That is true.

Mr. ASHABRANNER. I just wanted to comment a moment on your remarks about Africa with which I personally agree. I think that that area of development would be a great thing. I hope it will come eventually. I think it may come in time. All the things that you said about the advantages are true.

LANGUAGES IN AFRICA

At the present time, however, in Africa there are some 1,200 difference languages, distinct languages spoken in Africa. The tribes are very, very much separate.

Mrs. HANSEN. That brings me to this question: What does the Peace Corps do about trying to minimize the language difficulties between tribes?

Mr. ASHABRANNER. I will come to that in a moment.

The tribalism is very, very strong. It is another form of nationalism, of course. We have seen the power of nationalism today all around us. Every tribe has its own religion. The cosmology of each tribe is very different. They are in a different world. It is going to take a very long time.

We saw the sweeping of Pan-Africanism a few years ago under Nkrumah. That is all gone today. You don't see it at all. It is nationalism, tribalism.

What the Peace Corps can do to foster African unity I am not too certain about. For example, we are teaching English all over Africa. That may be one bridge by which the different tribes can begin to speak to each other. We are interested in some places in helping in various ways with the infrastructure which, as you said, is very important. We are contributing to this only indirectly, for example, to roads through educating engineers and scientists. They are going to have to build their own infrastructure. They know it and we know it very well.

Mrs. HANSEN. It is said of Asia with a great many centuries of sophisticated civilization that they will topple rather easily to other philosophies. Let us think of the emerging nations and dissatisfaction with their freedom after the emergence into freedom because problems aren't solved. As we have seen repeatedly, someone comes along with a promise of what could happen under some other kind of philosophy. Since they have no place to go but up, they accept. Some of these problems could be eliminated. You wouldn't get into wars, if people would be sensible and try to devise a national governmental and economic structure that would make them stronger instead of weaker.

PEACE CORPS DETERMINATION OF PRIORITIES

Mr. VAUGHN. Could I make one other point in this regard as to our selectivity and our decision of priorities?

Some of our discussion has sounded like we were making the decisions like AID, as to where we spend our money. Actually, we don't program. We go to them and say "We would like to help. What kind

of help would you like?" We don't say "We will concentrate on this. We will give you a large number." It is more of a two-way street, much more than that. It is largely on their terms. So if we wanted to concentrate, to be more selective, it would in a sense fly in the face of what we have been doing, which has been to say "How many do you need and in what areas and when?"

Mrs. HANSEN. It may get down to the point where "You can have what we can afford."

Mr. VAUGHN. We understand that.

Mrs. HANSEN. I speak very bluntly. I am well aware of the realities of the American budget right now.

Mr. VAUGHN. In that case, I am rather certain we would have to withdraw across the board and not stop programs in certain countries.

Mrs. HANSEN. Then you would receive less training, I presume, in the context of planning.

Mr. VAUGHN. That is right. We would be turning away larger numbers than we have turned away heretofore.

INTEREST IN JOINING PEACE CORPS

Mrs. HANSEN. Do you find in the people an increasing desire to enter the Peace Corps or has it leveled off or is it less desirable?

Mr. VAUGHN. You recall the days of the Kennedy charisma and the "New Frontier," the new idea, when you would have thought that so many more people would have been rushing to joint the Peace Corps. Well, in 1963 we had a Peace Corps of under 4,000. It wasn't because we didn't have funds.

Mrs. HANSEN. You didn't have volunteers.

Mr. VAUGHN. That is right. Now we have over 12,000 and it has been leveling off. It has leveled off, but it is up in that range. There is much more interest now than in the early days.

Mrs. HANSEN. To what do you attribute that?

Mr. VAUGHN. To the fact that it has worked out. In the early days we didn't know what it was, what a volunteer experience abroad would consist of, whether it would be worthwhile.

Mrs. HANSEN. Don't you think that it is true young people in America are a great deal more committed to service than they ever have been in the history of this country?

Mr. VAUGHN. Yes; and they are also deeply committed to honesty. This is what they talk about, "Say it as it is, baby." They recognize the Peace Corps as being an honest operation that they can perform in freedom, in spite of what Mr. Passman says. It is very clear to me, Mrs. Hansen, that if there were any inference that the Peace Corps volunteer would be gagged or brainwashed or held to a certain philosophy and told he had to take a party line of some kind, we would have no volunteers. Young people today are just not willing to put up with this kind of thing.

Mrs. HANSEN. They aren't even willing to put up with status quo in this country.

Mr. VAUGHN. They sure aren't. I frankly wouldn't want it any other way. Would you?

Mrs. HANSEN. This is what democracy is really all about. It is its great strength. When the day comes that we have to say exactly what some governmental department says, then God help us, we have had it.

Mr. VAUGHN. You can imagine the kind of tough questions the volunteers get about civil rights and about our foreign policy and the rest.

Mrs. HANSEN. I hope they can explain our foreign policy. I can't. Very frankly, I think on the whole the Peace Corps has been a very successful reflection of an idealism that exists in American young people about their commitment to solving the problems of humanity.

Mr. VAUGHN. Thank you.

Mrs. HANSEN. I know a great many of them who want to get in for pure service. They do not want to escape military service, but are young people who want to do something about something.

Mr. VAUGHN. Yes, ma'am. It just seems to them an opportunity to serve. Can you imagine what their reaction would be, with the feeling they have today about older people and about the establishment, if word got out "You know what they have done? They have cut the Peace Corps."

Mrs. HANSEN. The generation gap would widen.

Mr. VAUGHN. That's right.

Mrs. HANSEN. I may say that I think when you are young is the time to do these things because these people are going to take with them creativity. I don't believe that we are going to have as narrow a world in 20 years as we have had.

Mr. VAUGHN. That is right.

Mrs. HANSEN. How did they react last year when it was cut?

Mr. VAUGHN. It was not, I think, widely known. It was not a major cut, you know. It was a 3 percent cut and it was still enough money to fund at the level at which we have been operating. What we are faced with now is a cut which would result in a decline in the number of volunteers, which is the first time that has been a prospect.

Mrs. HANSEN. At a time when your volunteers are increasing.

Mr. ASHBRANNER. We had a questionnaire and one of the standard responses of the college student was that the Peace Corps is too small. This did trouble them. This was in a questionnaire about college attitudes.

Mr. VAUGHN. We had Lou Harris do a survey for us to see what is going on.

Mrs. HANSEN. I have had hundreds of people ask me about the Peace Corps and talk to me about it, young people committed to ideas and ideals and there is nothing that the older generation can do about them except to accept them because they are here to stay.

Mr. VAUGHN. And to take over.

NUMBER OF APPLICATIONS

Mr. SHRIVER. Mr. Vaughn, on page 3 of your statement you say that through the first 5 months of 1968, the number of applications to the Peace Corps has increased 10 percent over the corresponding period of 1967. Later, on page 5, you say that due to the lower numbers of new trainees who entered in 1967 and 1968, volunteer strength overseas * * * will drop. These two statements would seem to be contradictory, or at least confusing, in regard to the number of 1968 applicants and trainees. Would you clarify this point?

Mr. VAUGHN. The confusion results because the applicants to the Peace Corps during the first 5 months of 1968 will not become volun-

teers until after June 1968 or until early 1969. Volunteer strength overseas is calculated on June 30. Trainees are not included in that calculation: consequently, the applicants who apply in the first 5 months of 1968 will become trainees during June to November of the same year and will not become volunteers until September or later.

The June 30, 1967 and 1968 volunteer strength overseas included principally trainees who entered Peace Corps training during the months June, July, and August 1966 and 1967, respectively.

FUNCTIONS OF VOLUNTEERS

Mr. SHRIVER. On the first page of the fact sheet you have furnished there is a percentage breakdown of the functions of the volunteers. This chart shows that in 1962, 64.2 percent of the volunteers were working in the field of education. This ratio has dropped every year since then, and it had decreased to 49.4 percent for education in 1967. Since it is the general feeling of most experts that these less-developed countries will benefit most from education in the long run, why are you putting less and less emphasis on this area?

Mr. VAUGHN. There are several reasons for the reduction in the proportion of Peace Corps volunteers in the field of education:

1. In a number of countries, Peace Corps volunteers were requested to fill teaching positions until qualified host country nationals should become available. The success of education programs themselves has made qualified host country nations available in a number of countries and a number of education systems, reducing the need for assistance from the Peace Corps.

2. The program planning exercises described in the congressional presentation have caused us to conclude that we were disproportionately involved in education activities. In many countries, we found we were paying insufficient attention to the problems of agricultural development and disease control.

3. The main reason, however, for this shift in program emphasis is the fact that we respond to host country requests. The Peace Corps does not make a unilateral decision on the nature of projects. In recent years, our hosts have called for increasing numbers of volunteers in areas other than education.

REASONS FOR REDUCTION IN NUMBERS OF VOLUNTEERS IN CERTAIN COUNTRIES

Mr. SHRIVER. On page 4 of the fact sheet the table shows substantial drops in the number of volunteers programed for 1968 in Nigeria, Tanzania-Tanganyika, Malawi-Nyasaland, and the Somali Republic. Would you explain the circumstances which caused these reductions?

(The information follows:)

a. *Nigeria.*—The Peace Corps program in Nigeria is being reduced from 719 in 1967 to 254 in 1968 because of the conditions of warfare which presently exist in Nigeria and which would make the safety of volunteers in certain areas of the country precarious and make constructive programing or planning impossible.

b. *Tanzania.*—The program in Tanzania is being reduced largely because a year ago the Government of Tanzania decided it did not want any foreign volunteers teaching at the elementary school level. This decision was not aimed at the Peace Corps. It also included Japanese, German, British, and Canadian volunteers, all of whom were working in Tanzania. Today there are no foreign volunteers teaching in elementary schools.

c. *Malawi and Somalia.*—In the case of both Malawi and Somalia the total number of volunteers over a 12-month period was approximately the same in 1967 and 1968. The difference between the 1967 and 1968 totals in the chart can be accounted for by the fact that the table reflects volunteer strength as of June 30, 1968. Groups terminated in May and June; and their replacements are arriving in July and September—too late to be included in the June 30 count.

In the case of Malawi a group of 54 health volunteers terminated their assignments in June of 1968. Their replacements are scheduled to arrive in country in September 1968.

In Somalia an education group of 30 volunteers will arrive July 8 replacing a group of 32 which left in May. There was, therefore, no significant change in the total number of volunteers in either country in 1968.

ADMINISTRATIVE EXPENSES

Mr. SHRIVER. The table on page 11 of the fact sheet shows that administrative expenses have risen from 20.9 percent of your total obligations in fiscal year 1966 to 26.9 percent in fiscal year 1969. What is the reason for this 6-percent increase? Do you expect this percentage to continue increasing in the future?

Mr. VAUGHN. The percentage relationship between administrative expenses and the appropriation total can be significantly affected by the total funds obligated for training costs. For example, in fiscal year 1966, when the Peace Corps experienced its largest training input, the percentage of administrative expenses was 20.9 percent. However, in fiscal year 1967, the training input was lower and administrative expenses accounted for a more normal proportion of the appropriation—23.6 percent, or only slightly above the 23.2 percent in fiscal year 1965.

The growth in the percentage of administrative expenses is therefore, to some extent, affected in an after-the-fact manner by the scope of each year's training program, which was at its highest in fiscal year 1966 and is smaller in fiscal years 1967, 1968, and 1969. In addition, the percentage has been increased by the buildup of overseas staff which occurred during fiscal year 1967—largely because of new countries—the continuing impact of Federal pay raises which have been enacted every year, and increased administrative support from the Department of State—again because of new country programs. We do not expect the percentage to increase to the degree which has occurred between fiscal year 1966 and fiscal year 1969. Hopefully, it can be held at or about the 27-percent level and we will attempt to do so. However, the percentage will be increased by the forthcoming Federal pay raise—which is effective July 1, 1968, and is not yet included in the fiscal year 1969 total of $112.8 million—or if the Peace Corps' fiscal year 1969 appropriation is significantly reduced—since any major cut must be borne in training costs which constitute the only area of any appreciable flexibility to absorb a large cut.

EFFECTIVENESS STUDY IN TURKEY

Mr. SHRIVER. On page 9 of the justifications you mention the joint effectiveness study of Peace Corps programs in Turkey, which is now in the feasibility-determination status. I would hope that this is the type of study which this committee has been recommending for several years. Would you explain the purposes of this study in greater detail? When do you expect to have the results?

Mr. VAUGHN. It is our long-range goal that all nations served by Peace Corps will themselves conduct regular objective evaluations of the effectiveness of Peace Corps programs in meeting the goals set for us by them. However, the methods involved in rigorous impact measurement or objective cost-effectiveness studies are not widely practiced in our host nations. Thus, we are attempting to assist the appropriate government ministries in educating their officials as to the benefits to them of careful evaluations of the strengths and weaknesses of Peace Corps programs. By this means, they will be able to tell us which Peace Corps activities are most useful to them—and should be emphasized—which ones are less effective—and need modification—and which ones may be ineffective—and should be phased out.

We have had informal discussions on this topic in many countries, and formal planning discussions have been held in a few countries this year. The Government of Iran is now considering an annual evaluation of Peace Corps effectiveness. In Turkey, the Ministry of Education has agreed to share with us their informal evaluations of Peace Corps volunteers working in their educational system. We hope to receive the first of these in 1968. In addition, they are now considering conducting an objective research study of the effectiveness of the volunteer teachers. Peace Corps has offered to assist them in any way possible. It is not clear whether the study will be done by them alone, or jointly with our aid. Either would be desirable. It is our hope that we will receive their evaluation of our program annually, beginning in 1969.

ACCOMPLISHMENTS OF PEACE CORPS

Mr. SHRIVER. On page 11 of the justifications it is stated: "The foreign political arena is an area over which the Peace Corps has no control and effectively no influence, and properly so." I congratulate you on your candor. Can we interpret this statement to mean that the Peace Corps is not designed to serve as an effective tool of our foreign policy?

This program has been jusified from the outset in terms of images, and, of course, the first image which comes to mind when we hear the term "Peace Corps" is a contribution to world peace. In specific terms, what has the Peace Corps accomplished in the individual countries and in the world as a whole concerning the successful promotion of world peace?

Mr. VAUGHN. The statement you quoted refers to our apolitical nature. We don't get involved in politics. Dean Rusk has said from the beginning of the Peace Corps that it is not an arm of American foreign policy because to make it so would rob it of its contributions to foreign policy.

I don't agree that this program has been justified in terms of images. Further, in order to judge its accomplishments, we should look at its purpose.

The Peace Corps Act states as the declaration of purpose for the Peace Corps:

> The Congress of the United States declares that it is the policy of the United States and the purpose of this act to promote world peace and friendship through a Peace Corps, which shall make available to interested countries and areas men and women of the United States qualified for service abroad and willing to serve, under conditions of hardship if necessary, to help the peoples of such

countries and areas in meeting their needs for trained manpower, and to help promote a better understanding of the American people on the part of the peoples served and a better understanding of other peoples on the part of the American people.

The question of peace in the world is more than complicated, but there are some things we know about it. We know that we won't have peace as long as so many people live in poverty while others have much; as long as misunderstanding and the consequent distrust and suspicion of other people is a major part of many lives; as long as there are people whose participation in the life and benefits of their society is minimal through no fault of their own; and as long as people of all nations and at all levels are not communicating freely with one another.

It is these areas to which the Peace Corps is addressing itself. The Peace Corps is allowing people from this country to activize the concept of neighbor. It believes that one is not a neighbor by geographical proximity but by action in serving another. A good neighbor fosters peace in the neighborhood; a good volunteer fosters peace in the world. And that is what the Peace Corps does: it fosters, it promotes world peace.

I can't imagine, for instance, present or former Peace Corps volunteers taking up arms against the people of the country where they served.

Finally, it seems to me that having an organization whose purpose specifically is to promote world peace focuses attention on the fact that we need peace. That there are so many people working for peace, also, I think, brightens the prospects for peace.

PERU

Mr. SHRIVER. Concerning the criteria which you use to determine whether or not to establish a Peace Corps program in those countries which request it, do you take into consideration the existence of self-help measures being undertaken within those countries?

Last year, Congress expressed legislatively a very strong objection to continued assistance to those less-developed countries which used their scarce reserves to purchase sophisticated military hardware instead of for much-needed economic development programs. The Government of Peru has ignored these objections, and our AID program is being cut back, so we are told. The Peace Corps is a form of foreign aid, is it not? Are you planning to reduce or curtail your program in Peru in line with the intent of Congress?

Mr. VAUGHN. The answer to your first question is that we do take into consideration the existence of self-help measures.

The action taken regarding the AID program in Peru is based upon the congressional direction found in section 620(s) of the Foreign Assistance Act of 1961, as amended. However, section 638 of that act provides that none of its provisions shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act. In adopting this section in 1963, the committee of conference of the Senate and the House explained that the Peace Corps and other activities exempted "* * * have been separately authorized by the Congress * * * to serve other U.S. objectives. Such assistance as they provide is of a kind different from that envisioned by the Foreign Assistance Act. Hence prohibi-

tions on assistance provided for in the act should not embrace assistance that is different in character and has different objectives. * * *" Thus the continuation of the Peace Corps program in Peru is consistent with the congressional recognition that the design and thrust of the Peace Corps—the provision of services directly to the people of the particular host country—are distinguishable from financial and commodity assistance provided for the use of foreign governments.

ADVANCE TRAINEE PROGRAMS

Mr. SHRIVER. On page B–24 of the justifications you say that no further trainees are planned for advance trainee programs in 1968 and 1969 pending further evaluation of advance training methods. This would seem to be in order since this program has been more expensive on a unit basis than other trainee programs, has it not? What is the status of your evaluation of this program?

Mr. VAUGHN. Peace Corps' evaluation of advance training methods began with an analysis of the cost of training a single volunteer by this means. Since the attrition rate in advance training is higher than for regular training, the cost of training an ATP volunteer is higher. By current analysis (prior to the start of summer, 1968, programs) the cost per trainee is estimated at approximately $3,300, or $575 higher than the cost to train one regular trainee.

Present indications are that the key to advance training lies in concentrating on (1) program needs which cannot be satisfied by normal training and (2) on the schools which have both the facilities and the Peace Corps applicants to mount advance training programs that can make real use of the senior year period.

The Peace Corps is now experimenting with other special programs, attempting to combine the benefits of ATP with those of regular programs to produce the best possible volunteer at the lowest cost.

USE OF CHARTER AIRCRAFT

Mr. SHRIVER. On page B–9 of the justifications you say that the use of charter aircraft for volunteer assignment travel has produced savings in ticket costs and in the shipment of personal effects. When was this change to charter aircraft made? * * * The information on page B–30 shows that the per trip cost for international travel was $626 per trip in fiscal year 1967 and $625 per trip in fiscal years 1968 and 1969. Why is this per trip reduction so small in view of the increased use of charter aircraft?

Mr. VAUGHN. The use of charter aircraft increased significantly in fiscal year 1966. The cost reduction of $325,000 is a separate calculation which illustrates the annual savings due to the continuing use of charter flights. The amount is based on a trip-by-trip comparison of costs for charters versus regular commercial rates.

Like all other items shown in the summary of cost reduction actions, the saving is resulting from charter flights are already reflected in the cost factors and cost computations in the budget.

The per-trip reduction, small as it is, is a result of better scheduling and coordination of group travel, thus allowing us to get better rates on charter flights and on scheduled flights through group fares.

INCREASE IN HEALTH CARE COSTS

Mr. SHRIVER. On page B–33 you explain that health care costs have gone up partly because of the change in the Selective Service laws which necessitated the use of direct hire physicians instead of public health service physicians. Would you explain this further?

Concerning these direct hire physicians, why is it necessary to pay them $30,000 per year? Have you made any efforts to interest new medical school graduates in your program, perhaps at a lower salary?

Mr. VAUGHN. Prior to the changes in the Selective Service laws made by the Military Selective Service Act of 1967, service by Public Health Service physicians assigned to the Peace Corps was credited toward the fulfillment of these physicians' military service obligation. Due to the changes in the law, such service with the Peace Corps and certain other agencies no longer satisfies the PHS physicians' military obligation. This change has virtually eliminated the Public Health Service as a source of physicians for the Peace Corps. It has, therefore, been necessary to hire physicians directly in order to replace those PHS physicians who are completing their service.

The estimated average cost for these direct-hire physicians is $30,000. This figure includes not only salaries but all costs necessary to support a doctor overseas—such as post assignment travel and transportation for himself and his family, his in-country travel, quarters rental (or quarters allowance where applicable), education allowances for dependent children, etc. This all-inclusive average cost is about $5,000 higher than the similar all-inclusive average cost of $25,000 for PHS physicians. This $5,000 increase has been made in recognition of the higher salaries which the Peace Corps must pay to these physicians who generally have been in private practice for some years and, almost without exception, have taken a drastic reduction in their personal income in order to enter the Peace Corps.

The Peace Corps has made particular effort to interest new medical school graduates who have completed internship and would be qualified to serve as overseas physicians. Approximately eight of these doctors, who were willing to serve 2 years in the Peace Corps and then, if necessary, 2 additional years in military service, applied and were accepted on the condition that they would be given a draft deferment by their local boards. However, except in three instances, the local boards chose not to defer these physicians and their services were therefore lost to us. We would be more than happy to consider any younger physicians just out of internship in the event a deferment can be arranged.

VEHICLES

Mr. SHRIVER. On page B–36 you are requesting $576,000 in fiscal year 1969 for the purchase of 200 program vehicles at a unit cost of $2,880 and $160,000 to ship these vehicles overseas at a cost of $800 apiece. What kind of vehicles are these? For what are they to be used? Are these replacement vehicles or are they in addition to those purchased in previous years?

Mr. VAUGHN. The Peace Corps buys and uses utility-type vehicles (carryalls and jeeps) in its overseas programs.

The majority of Peace Corps vehicles are used by staff personnel in fulfilling their supervisory responsibilities for overseas operations.

Almost all of the vehicles requested are for replacement purposes, with the exception of several to be used for expanded programs, such as Libya, and for new programs such as Swaziland and Nicaragua.

MISCELLANEOUS COSTS

Mr. SHRIVER. You are requesting $2.8 million, or $248 per man-year, for miscellaneous costs. Would you furnish a more detailed breakdown of this item? How much represents reimbursement for lost property, and what is the background of this latter item?

(The information follows:)

Detail of miscellaneous supporting costs, fiscal year 1969 estimates

[Dollar amounts in thousands]

Rents and utilities for volunteer housing when housing is not included under living allowance	$499
Other volunteer housing costs (maintenance, repairs, supplies, and equipment)	165
Operation and maintenance of Peace Corps vehicles (gas, parts, and repairs)	524
Printing costs	129
Miscellaneous transportation costs	100
Overseas language training of volunteers	140
Reimbursement for lost, stolen, or damaged property	31
Completion of service conferences	75
Inservice training programs, orientations and group meetings including mid-term conferences	425
Miscellaneous supplies (cooking and heating fuel, custodial supplies, technical magazines, etc.)	189
All other miscellaneous supporting costs not otherwise classified	481
Total	2,758

Peace Corps volunteers are not reimbursed for lost, damaged, or stolen personal property, except (1) where all, or almost all, of a volunteer's property is lost, damaged, or stolen, or (2) other cases where, in the judgment of the Peace Corps country Director, a failure to reimburse will create severe hardship for the volunteer. Reimbursement under exceptions (1) or (2) however, may not be provided for personal cash of the volunteer. When, in the judgment of the Peace Corps country Director, a loss falls within one of the exceptions and therefore warrants reimbursement it is referred to the Director of the Peace Corps for decision.

Reimbusement or replacement for loss, damage, or theft of allowances or of supplies or equipment provided volunteers by the Peace Corps lies within the discretion of the country Director. In exercising this authority, the country Director takes into account the volunteer's need for the property and whether or not negligence on the part of the volunteer was involved.

REDUCTION IN OVERSEAS PERSONNEL

Mr. SHRIVER. The table on page B–47 shows an increase of 13 percent in 1968 in the number of U.S. administrative personnel serving overseas in your program, and an increase of 133 percent during the same year in the number of foreign nationals. Was the Peace Corps exempted from the President's directive that these overseas personnel be reduced to assist our balance-of-payments deficit? What is the total effect on our balance of payments of your overseas programs?

Mr. VAUGHN. The Peace Corps overseas staff has not been exempted from the President's directive to reduce the numbers of U.S. personnel overseas. As part of the country-by-country review of personnel re-

quirements, reductions have been recommended and are being made in our overseas staff. The total Peace Corps funds affecting our balance of payments is estimated to be $25.4 million for fiscal year 1968.

ADMINISTRATIVE EXPENSES

Mrs. REID. I note on page 9 of your statistics that 27 percent of your budget is allocated for administrative expenses. Will you submit a tabulation for the record of the civil service classifications and grade levels of your administrative personnel and the number in each category?

(The information follows:)

ADMINISTRATIVELY FUNDED PERSONNEL ON PEACE CORPS ROLLS AS OF MAY 31, 1968

GS grade:	Total in grade
15	1
14	3
13	7
12	5
11	3
10	1
9	11
8	3
7	17
6	9
5	7
4	0
3	1
2	0
1	0
Total	68
FSR grade:	
1	14
2	43
3	104
4	92
5	122
6	159
7	163
8	34
Total	731

FSS grade:	Total in grade
1	0
2	0
3	0
4	2
5	4
6	23
7	65
8	50
9	51
10	30
3 [1]	20
2 [1]	2
1 [1]	2
Total	249
Grand total	1,048

[1] Unenumerated Foreign Service, Staff paid comparable rates of GS-1, 2, and 3 pay schedule.

DRAFT ELIGIBLE TRAINEES

Mrs. REID. According to an article which appeared in the Wall Street Journal on March 28, only about 40 out of the 25,000 draft eligible trainees or volunteers serving abroad have been inducted into the Armed Forces. The article went on to say that while the Corps does not encourage draft avoidance, the answers given by your recruiters tend to reassure any youth hoping to defer military service.

The New York Times on March 22 also commented that "Draft dodgers mix with altruists in seeking posts" in the Peace Corps.

A. Just how much do you emphasize draft avoidance in your recruiting effort?

B. How many corpsmen were deferred from the draft last year, for instance?

C. What criteria do you employ to determine an applicant's true motivation?

Mr. VAUGHN. Draft avoidance is not mentioned, much less emphasized, by Peace Corps recruiters. In fact, the term is not really relevant to the Peace Corps.

Section 23 of the Peace Corps Act specifically provides that Peace Corps service shall not provide an exemption from the draft. Thus, it is more accurate to say that an individual merely postpones service. Accordingly, the Peace Corps makes clear that a draft-eligible applicant will be eligible for military service immediately following Peace Corps service, and perhaps earlier if his local board refuses to grant the initial deferment or refuses to renew one already granted.

The vast majority of draft-eligible Peace Corps volunteers currently in service have been deferred by the Selective Service System. We estimate the number to be currently about 6,000.

Experience has shown that the desire to be a Peace Corps volunteer, the source of energy and direction on toward productive volunteer service which we refer to as true motivation is rarely the result of any one factor. Rather, most individuals who apply do so because of a variety of positive reasons and emotions operating at once and in spite of a variety of reasons and emotions operating against such service. To further complicate this situation, the individual applicant may himself be aware of only a few of the factors motivating him. Because of these complexities, we must employ several criteria at various levels in the invitational and field assessment process to determine the strength and nature of the applicant's motivation and to help him determine these himself.

During the invitational process we examine the applicant's own written statement of his reasons for wishing to join the Peace Corps and what his references have to say about his motivation toward Peace Corps or related service activities. We also examine the organizations to which he has belonged and his list of activities to try to ascertain long-term interest patterns which may or may not be consistent with his stated motivation and interest in the Peace Corps.

Similarly, when the Civil Service Commission background report is received, either before or during training, the reader attempts to gain a picture of the applicant's or trainee's general motivational pattern as it may relate to Peace Corps as well as the reasons he has given other people and their opinions regarding why he is interested.

Once the applicant begins training, his motivation is examined in a different manner. Here his motivation is discussed with him by the field assessment officer and may also be discussed with him by the project psychiatrist, and field selection officer. His performance in training is examined on terms of the degree of enthusiasm, interest, and commitment which he demonstrates. Here he is also repeatedly reminded of his obligation to carefully examine his own motivation and desire to serve in light of his experiences in training and what he has learned about the country, people, and job so that he can decide whether he really wishes to continue. Finally, peer comments which are routinely gathered in almost every program are analyzed to discover how his peers view his motivation.

Some motivational variables which we have found it important to focus on are:

1. The presence or absence of supporting values and interest. Our experience has been that a narrow or purely academic interest in the country are less likely to sustain the person overseas for 2 years than are interests in the job and broad values of social service.

2. Relevance of Peace Corps service to long term personal goals and interests. The more relevant, the greater the chances seem for maintaining service.

3. Presence or absence of competing motives. Attraction to graduate school, a sweetheart back home, or uneasyness about leaving parents who may need help are strong competing motives which may interfere with successful service.

4. Whether the individual is attracted to Peace Corps or escaping from some unpleasant situation at home. Positive attraction to Peace Corps seems far more likely to produce success.

5. The degree of realism as well as idealism included in the individual's desires and expectations. It is important he bases his desire and commitment on realistic expectations.

Thus the criteria employed to determine an applicant's true motivation are designed to yield a picture of far more than he says about his reasons for wanting to be a Volunteer and to test these against what he demonstrates in terms of commitment through his actual performance. Motivation is always examined from the standpoint of whether it will generate 2 full years of usefulness, of creative engagement with other people, and of satisfaction for the Volunteer, the host, and the Peace Corps.

RECRUITMENT OF TRAINEES

Mrs. REID. In a recent address before the Public Affairs Forum at the Harvard School of Business you called on the business community to encourage its own recruits from campuses to spend a year or 2 in volunteer service before settling into life careers. What response have you had to this proposal?

Mr. VAUGHN. We have had some interest. One executive from a major corporation came to visit—to explore ways of implementing the idea. Members of my staff have had discussions with businessmen on the idea. Nothing definite or formal has developed to date.

Mrs. REID. I understand that for the first time the Peace Corps is now subject to recruitment restrictions on some campuses this semester. What is the reason for this?

Mr. VAUGHN. Recently, on-campus recruiting activities of many organizations have been restricted by some universities. I am not aware of a single instance in which restrictions on campus recruiting were directed specifically, or individually, against the Peace Corps. Active expressions of student dissatisfaction with the presence of recruiting representatives of certain organizations sometimes led to the blanket restrictions on all outside recruiters. This happened at several major universities in the midwest and on the west coast. We are pleased to note, however, that in many cases exceptions to these regulations were made in behalf of Peace Corps recruiters.

In my opinion, most of the antagonism expressed by students toward recruiting activities was due to the fact that recruiters came from outside the university community and appeared to the students to represent various ulterior interests of the so-called establishment. I would suspect this attitude will spread, at least during the first months of the next academic year. We in the Peace Corps, for our own reasons, had already begun plans to work increasingly through returned Peace Corps volunteers on campus and other student support groups. Our recruiters will function as support personnel for these on-campus

activities. We are convinced that in this way we can better present the relevance of Peace Corps service to student concerns for their education and for opportunities for meaningful action. Also, in this way we can assist the returned volunteer in fulfilling the important third goal as defined under the Peace Corps Act, "Help promote a better understanding of other peoples on the part of the American people."

Mrs. REID. In your article in the "Saturday Review" on January 6, 1968, you indicated that one of your unsolved problems was finding enough qualified and motivated people to meet the demand. You say you still have hundreds of unfilled requests from countries for volunteers. What is your backlog of requests this year? How does it compare with previous years?

Mr. VAUGHN. The Peace Corps does not keep any record of unfilled requests for volunteers and does not allocate volunteers to overseas programs on the basis of filling a backlog of orders on a "date of receipt" basis. Allocation of volunteers is made four times a year for four different training matrixes: fall, spring, summer 1, and 2. At the time each of these matrixes is made up, all program requests are analyzed according to criteria for good programing developed by the Peace Corps through its 6 years of experience and on the basis of the planning, programing and budgeting analysis of host country needs and Peace Corps program objectives.

While programs which are not approved for a given matrix may be resubmitted by the host country and Peace Corps overseas staff for the next matrix, this is usually not the case. For instance, requests for teachers (who make up half the Peace Corps) to teach in a given school year could not be practically resubmitted 3 months later midway during the school year.

Mrs. REID. The Peace Corps has been criticized for ignoring the talents and availability of retirees—those over 60. How many over the age of 60 do you now have?

(The information follows:)

VOLUNTEERS AND TRAINEES OVER 60 YEARS OLD AS OF JUNE 1968

BY REGION OF ASSIGNMENT

	Total	Volunteers	Trainees
Africa	16	16	
East Asia and Pacific	12	10	2
Latin America	22	21	1
NANESA	17	16	1
Total	67	63	4

By Age, Sex, and Type Program

Age[1]	Sex		Total	Type program				
	Male	Female		Agriculture	Community development	Education	Health	Other
61		2	2		1		1	
62		5	5	1		1	2	1
63	3	7	10	2		6	2	
64	3	3	6		1	3		2
65		3	3		1	2		
66	2	6	8		3	4		1
67	3	4	7	1		4	2	
68		3	3			2	1	
69	1	4	5		1	3		1
70		5	5		1	4		
71	2	6	8	1	1	4	2	
72		1	1			1		
73		1	1	1				
74		1	1			1		
75	1		1			1		
78	1		1	1				
Total	16	51	67	7	9	36	10	5

[1] Ages computed as of June 30, 1968.

Note: Tables do not include June registrations.

Mrs. REID. I have also heard the criticism that those who have been accepted over the age of 60 are not placed in their area of specialty and, hence, their talents are dissipated. Do you have a special training program for retirees and do they get special placement consideration?

Mr. VAUGHN. Older applicants for Peace Corps service are evaluated for possible placement according to their area and job preference and their qualifications, as are all applicants. We have no special programs for applicants over 60 years of age. I must say that I have never heard before the criticism that they are not placed in their area of specialty.

Older applicants present some unique problems related to their age, physical conditions, language learning potential, adaptability.

During the past year the Peace Corps analyzed the elderly applicant population to determine reasons for rejection. Of those not invited, approximately 66 percent could not be placed because the applicant did not possess the necessary skill or language requirements. Approximately 27 percent were seen as rigid and inflexible by their referrents and the remaining 17 percent were not medically qualified for Peace Corps service.

Mrs. REID. I have heard the criticism, too, that Negroes and other minority groups tend to stay out of the Peace Corps. What is the percentage of nonwhite volunteers to white at present? What is your past record on this? Why has it been this way?

Mr. VAUGHN. We don't know what percentage of our volunteers are minority-group members. We don't keep a count, and all we know is that there are not enough.

Minority-group members who would qualify for the Peace Corps face different and difficult problems. For instance, often their financial help is needed at home and thus they just cannot afford Peace Corps service. We want minority-group members and we are trying to get this message out.

FOREIGN POLICY EFFECT ON PEACE CORPS

Mrs. REID. Do you feel, as some have charged, that the war in Vietnam is undercutting the work of the Peace Corps—making it more difficult or even impossible to attain your objectives?

Mr. VAUGHN. My position on the war in Vietnam is that if we some years ago had a Peace Corps there we would not be in the situation we now are. Our work in 57 countries will greatly help avoid Vietnams in the future.

If, because of our expenditures in Vietnam, the Congress were to reduce our appropriations and thus force us to turn away interested and qualified applicants, the war in Vietnam certainly would undercut the work of the Peace Corps.

I also feel that to draft volunteers from their posts of duty undercuts our work. You know that the Peace Corps volunteers are not exempted from military service, but usually are deferred. When volunteers are drafted from overseas, I get pretty upset.

Mrs. REID. I understand that when Vice President Humphrey was in the Ivory Coast earlier this year Peace Corps volunteers there presented him with petitions protesting the Vietnam war. This was reported in the New York Times on February 9. Why is this type of publicity allowed by the Corps? It seems to me that this must have been somewhat embarrassing to the Vice President.

Mr. VAUGHN. Actually, the Vice President is one of the strongest supporters of the Peace Corps. He is one of the originators of the Peace Corps and is Chairman of our National Advisory Council.

The Vice President firmly believes in the right to protest and in the freedom Peace Corps volunteers have. In the instance you mention, the volunteers disagreed with our policy in Vietnam and wanted to express their opinion. They did so in a dignified manner, and the Vice President was not embarrassed.

TERMINATION OF PEACE CORPS IN GABON

Mrs. REID. What was the reason for the ouster of the Peace Corps in the African state of Gabon?

Mr. VAUGHN. On December 21, 1967, the American Embassy in Libreville, Gabon, received a note from the Government of Gabon requesting the termination of the Peace Corps program there and the withdrawal of its personnel from Gabon by January 1, 1968. Although the note expressed the appreciation of the Government of Gabon for the services rendered by the volunteers, no reason for the program's termination was given. The American Embassy responded on December 24 with a request for more time to effectuate the termination and withdrawal. That request was denied in a second note from the Government of Gabon which was received on January 4, 1968, after the volunteers had departed pursuant to the original request of the Government of Gabon. The second note explained that the termination was required by budgetary deficiencies which had made it impossible for the Government of Gabon to continue its contribution to the program.

NIGERIA

Mrs. REID. You have had some problems with your program in Nigeria. What restrictions are now in effect on Peace Corps volunteers in that country?

Mr. VAUGHN. At present there are 249 Peace Corps volunteers assigned to Nigeria working in the areas of secondary education teacher-training colleges, teacher inservice education, and agricutural/rural development. These volunteers are located in eight of the present 12 States of Nigeria; there are no Peace Corps programs in the South-East State, the East-Central State, the Rivers State and the Mid-West State.

The only restriction placed on Peace Corps volunteers in Nigeria as a result of the conflict between the Federal Military Government and the area designated as Biafra is that volunteers may not travel to or in the latter area, or areas designated or known to be nonsecure. The Peace Corps maintains in Nigeria its agency-wide position that volunteers shall not express themselves on political issues of the country they serve.

COMMUNIST NATIONS' YOUTH CORPS

Mrs. REID. What progress is being made by the Communist nations' peace corps—which I believe is called the International Service for Solidarity and Friendship of Youth? How does it differ from our operation?

Mr. VAUGHN. We really don't hear much about them. They differ from us in several ways. For example, they don't serve for as long a time as our volunteers; they can sign up for as little as a 3-month tour. They also have an age limit of 30, whereas we encourage older people who have the skills and the desire. The service is also a multinational body, its volunteers coming from eight or nine nations. Perhaps the biggest difference is the large amount of freedom U.S. volunteers have overseas to represent the diversity of their society compared to the rather limited freedom of the volunteers of The International Service for Solidarity and Friendship of Youth.

INTERNATIONAL PEACE CORPS

Mrs. REID. According to the New York Times last November 14, Peace Corps volunteers in Ecuador have recommended that the Corps become an international organization and that its activities be planned and directed by the countries in which it works. Japan has also urged the United Nations to set up an international peace corps. Do you have any thoughts on this?

Mr. VAUGHN. Yes, I do. I have thought about this idea for a number of years, and in fact, I have discussed it with host countries and I have talked in terms of combining efforts of, for example, the Canadian, British, West German, Swedish, and U.S. Peace Corps voluntary programs, for a program in a recipient country. In no case have I found a favorable response. The host countries have told me that they would like to be the ones to choose the volunteers from the countries they prefer. They also seem to feel that they would not be able to control a multinational group as well as a group from one nation. Neither have the countries which have volunteer programs of their own

reacted favorably. They prefer to maintain a direct exchange with their host countries. So, although it is an interesting idea, I have not found much support for it in our host countries and in countries with volunteer groups. I have also discussed this possibility with several U.N. officials. They view it as being impractical.

Mrs. REID. In your program book you outline new trends in programing, and it seems to me that many of the new program goals for individual countries tend to overlap with or are closely related to those of the Agency for International Development. Family planning is one example—agricultural programs another.

Do you envision the possibility that the Peace Corps might eventually take over some of AID's programs—possibly with less cost?

Mr. VAUGHN. While it is correct that many of the program goals of the Peace Corps tend to overlap or be closely related with those of the Agency for International Development, our approach to achievement of those goals is markedly different. The largest portion of AID's activities are in the form of financial contributions through grants in aid or loans. The Peace Corps concentrates on supplying people rather than funds.

There is obviously some overlap between Peace Corps as a supplier of middle or lower middle level manpower and AID technical assistance programs as a source of upper and middle level manpower, but the degree of overlap is not great in terms of numbers of positions or percentage of our programs, nor is it likely to become so.

The major reason why there is little chance of overlap in AID and Peace Corps activities is that volunteers work for host government agencies as their employees. AID technicians are advisers.

DRUG PROBLEM IN TUNISIA

Mrs. REID. I think there are many people who question the value of the Peace Corps because of news items which appear from time to time about questionable practices. For instance, the Washington Star, on September 20, 1967, reported that five corpsmen were ejected from Tunisia for taking dope. A Peace Corps administrator was quoted as saying that drugs had been a problem. These people were placed on probation but apparently were not discharged. What is your policy regarding the use of drugs? Is it a basis for discharge?

Mr. VAUGHN. During the month of September 1967, several articles appeared in the American press about the Peace Corps in Tunisia, stating that some volunteers had used marihuana. These reports resulted from disciplinary action taken by Tunisia Peace Corps Director Francis Macy against three volunteers who were implicated in experimenting on one occasion with local forms of marihuana.

The Peace Corps policy is that cultivation or use of drugs is grounds for a volunteer's immediate dismissal. The Peace Corps will not support a volunteer overseas who has anything to do with drugs.

PUBLIC ACCEPTANCE OF PEACE CORPSMEN

Mrs. REID. Another example: The New York Times, on July 28, 1967, reported that Peace Corps volunteers in Chile were appearing as "hootenanny" entertainers—but while they were appearing on television, scenes of the Vietnam war were superimposed on the screen,

along with scenes of race riots in this country, et cetera. Apparently, corpsmen were being used by leftist political groups for anti-American propaganda. What action did you take in this instance? Is there no supervision to prevent this type of situation from happening?

Mr. VAUGHN. The program on channel 9—University of Chile—in July 1967, resulted in the following: Any invitation to a volunteer to appear on radio or television has to be approved in advance by the Peace Corps representative in Santiago.

The above policy has prevented any recurrence of the program of a year ago.

Mrs. REID. Another example: the Washington Post of September 25, 1967, reported that Peace Corps volunteers in Caracas quit because local authorities refused to let them hold a psychedelic dance to raise money for the slum in which they were working. Aren't there any guidelines in such situations?

Mr. VAUGHN. The volunteers in Caracas were involved in the legitimate activity of helping the people of their barrio plan a dance to help raise funds for a community center. Their involvement was approved by Peace Corps, Venezuela, and the dance was not regarded as at all controversial until an officer of the department of health suggested in a letter to local officials that such dances were "usually connected with the use of drugs" and recommended that the dance be canceled. The local newspapers then labeled the "Dance of Lights," as it was billed by those in the barrio, as being psychedelic. Any allegations of drug use were completely false, but, because of the publicity, the role of these volunteers was compromised. The three volunteers resigned in Venezuela on September 20, 1967, before they returned to the United States.

ACCUSATIONS OF INVOLVEMENT WITH CIA

Mrs. REID. I noticed a Reuters news bulletin in the New York Times just several weeks ago, May 28, 1968, to the effect that there was a spreading suspicion in Africa that the Peace Corps is associated with CIA. You will recall that last year we had a discussion about ties to CIA—but I am wondering what steps you have taken to dispel this suspicion?

Mr. VAUGHN. The Peace Corps continues to believe that the most effective means to combat suspicion and accusations of involvement with CIA and other intelligence arms of the Government is to insure that Peace Corps staff and volunteers completely avoid any conduct which would support even the appearance of any such relationship. We continue to bar the employment as staff or the enrollment as volunteers of any persons previously connected with intelligence activities. As a corollary to this policy, former Peace Corps staff and volunteers continue to be barred from employment with intelligence agencies for a period of years after termination of their Peace Corps service.

There has been a noticeable increase in the CIA charges emanating from Radio Moscow, Havana, and Peking in the last 6 to 8 months. These barrages have been heard from the Communist media since the Peace Corps began. We know of no practical means to counter them.

RECRUITMENT OF TRAINEES

Mrs. REID. Going back to recruitment, it seems to me that the Peace Corps may be responsible for some of the campus cynicism we hear about. The Wall Street Journal on March 28 carried a story about some of your Los Angeles recruiters who called a press conference to volunteer information that signups were down 30 percent from a year ago. It seems to me that such public relations is detrimental to the entire effort.

Mr. VAUGHN. I think the case can be made that the Peace Corps puts more trust and belief in young people than just about any organization, and such an attitude fosters the very opposite of cynicism.

The recruiters who announced that applications were down 30 percent in November 1967 from a year earlier felt that such information would be helpful in focusing attention on the Peace Corps. They also felt that it was an honest statement. My opinion is that they weren't able to foresee that the statement would be interpreted to indicate a trend toward fewer applications, rather than an accounting for that month.

Mrs. HANSEN. Thank you very much, Mr. Vaughn, and we also thank the members of your staff.

THURSDAY, JUNE 20, 1968.

TECHNICAL DEVELOPMENT ASSISTANCE

WITNESSES

DR. GWENDOLEN M. CARTER, ASSOCIATION AREA REPRESENTATIVE FOR WORLD PROBLEMS, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

MRS. ALISON G. BELL, STAFF MEMBER FOR LEGISLATIVE PROGRAM, NATIONAL OFFICE, AAUW

Mr. PASSMAN. The committee will come to order.

We shall, this morning, hear testimony of outside witnesses, some testifying for the program or for certain portions thereof; others in opposition to them.

The first witness will be Dr. Carter, of the American Association of University Women.

Dr. Carter, we shall be very pleased to hear from you at this time.

Dr. CARTER. Thank you very much, Mr. Chairman.

I have two roles to fulfill. If I may, I would like simply to have the statement from the American Association of University Women placed in the record.

Mr. PASSMAN. Without objection, the statement will be inserted in the record, and you may wish to enlarge upon the statement.

(The statement follows:)

STATEMENT IN SUPPORT OF APPROPRIATIONS FOR FISCAL 1969 FOR THE U.S. FOREIGN ASSISTANCE ACT, AS AMENDED

I am Professor Gwendolen Carter, Director of African Studies at Northwestern University, Evanston, Illinois. I am here today as a representative of the American Association of University Women, an organization with a membership of

approximately 175,000 organized into 1638 branches in the fifty states, Guam and the District of Columbia. AAUW is an affiliate of the International Federation of University Women.

We in AAUW greatly appreciate the opportunity to appear before this Committee in support of United States's programs of technical development assistance.

AAUW has long supported this country's obligation to assist the people of the less developed countries in their efforts toward growth not only in their interest but in the interest of the future of this country. We feel such a commitment works toward the best interests of this country as well as those we assist. We are in accord with the statement of policy of the Foreign Assistance Act of 1961 as amended, a portion of which reads: ". . . the freedom, security, and prosperity of the United States are best sustained in a community of free, secure, and prospering nations." In our opinion foreign assistance programs have made a contribution to this goal.

Approximately 700 of the 1638 branches of the Association are studying the growing gap between the rich and the poor nations at the present time. This study is a search for greater understanding on our part of the forces of change in the developing world. We cite this Association study to demonstrate to you that there is more quiet general citizen support for foreign aid programs than is generally recognized.

We in AAUW believe that a complementary fusion of both bilateral and multilateral assistance to the developing nations' programs is necessary to further the desired development of these countries.

In our opinion emphasis upon education, agriculture, and population problems is basic to meeting immediate needs. Our current foreign aid program which centers upon those countries making the greatest self help efforts provides such emphasis.

We also believe it would be unfortunate to erode development assistance through curtailment this year of the modest share of the federal budget—less than 1% of the GNP—which goes to these programs. It would be short-sighted if the United States, through cutting its development and technical assistance programs under AID, were to fail to develop future productivity, particularly in the light of the fact that well over ninety percent of the commodities financed by AID in fiscal 1967 were purchased in this country.

AAUW urges the full economic appropriations for the fiscal 1969.

Mr. Passman, members of the Committee, I would also like to speak on behalf of the foreign aid bill from another role that I fulfill: that of Director of the Program of African Studies at Northwestern University, the oldest and one of the two largest such programs in the country. We have 24 faculty members concerned with training and research on Africa, about 125 graduate students, of whom between 15 & 20 are in Africa or about to go there to do original research on issues of significance, most of them related to advanced research being undertaken by members of the faculty. We also participate in exchange programs with African institutions and maintain close links with our colleagues throughout Africa.

In urging continuity in our American aid program I plan to concentrate upon Africa because it is the area of which I and my colleagues have the most intimate knowledge. It is, as you well know, an area recently emerged from colonial control, with as yet a low level of socioeconomic development but with vitality and determination to advance. Its leaders are well aware of the danger of depending solely on one or two primary products, as has been true in the past for most sub-Saharan African-controlled countries, since these products are at the mercy of fluctuating commodity prices outside their control. I need mention only the case of Ghana whose considerably expanded cocoa production was yielding less return to that country in the early 1960s than it had received for a smaller crop a number of years earlier.

In sub-Saharan Africa the primary obstacles to economic growth arise from the all-encompassing nature of the tribal social structure. In order to break down traditional social constraints on economic activity, extratribal forces are required. It seems clear that the primary motivations for the process of breakdown are provided by an economic force—the expansion of the market economy. Typically, a small foreign or expatriate market sector provides a set of economic incentives that continually erode the structure of tribal society. The gradual penetration of economic ideas into the subsistence sector sooner or later weakens the dominance of tribal structure and values sufficiently to permit a significant

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We also believe it would be unfortunate to erode development assistance through curtailment this year of the modest share of the federal budget—less than 1% of the GNP—which goes to these programs. It would be short-sighted if the United States, through cutting its development and technical assistance programs under AID, were to fail to develop future productivity, particularly in the light of the fact that well over ninety percent of the commodities financed by AID in fiscal 1967 were purchased in this country.

AAUW urges the full economic appropriations for the fiscal 1969.

Mr. Passman, members of the Committee, I would also like to speak on behalf of the foreign aid bill from another role that I fulfill: that of Director of the Program of African Studies at Northwestern University, the oldest and one of the two largest such programs in the country. We have 24 faculty members concerned with training and research on Africa, about 125 graduate students, of whom between 15 & 20 are in Africa or about to go there to do original research on issues of significance, most of them related to advanced research being undertaken by members of the faculty. We also participate in exchange programs with African institutions and maintain close links with our colleagues throughout Africa.

In urging continuity in our American aid program I plan to concentrate upon Africa because it is the area of which I and my colleagues have the most intimate knowledge. It is, as you well know, an area recently emerged from colonial control, with as yet a low level of socioeconomic development but with vitality and determination to advance. Its leaders are well aware of the danger of depending solely on one or two primary products, as has been true in the past for most sub-Saharan African-controlled countries, since these products are at the mercy of fluctuating commodity prices outside their control. I need mention only the case of Ghana whose considerably expanded cocoa production was yielding less return to that country in the early 1960s than it had received for a smaller crop a number of years earlier.

In sub-Saharan Africa the primary obstacles to economic growth arise from the all-encompassing nature of the tribal social structure. In order to break down traditional social constraints on economic activity, extratribal forces are required. It seems clear that the primary motivations for the process of breakdown are provided by an economic force—the expansion of the market economy. Typically, a small foreign or expatriate market sector provides a set of economic incentives that continually erode the structure of tribal society. The gradual penetration of economic ideas into the subsistence sector sooner or later weakens the dominance of tribal structure and values sufficiently to permit a significant

democracy over a period as short as one generation. A donor nation should not consider foreign assistance as a tool for developing democracy unless it is willing to adopt a very long view. At the same time, there is sufficient evidence of a positive, net long-run relationship between growth and representative government to support the expectation that a far-sighted and consistent program of aid can lead eventually to a larger proportion of the world's population being governed in accordance with participant democratic ideals.

Mr. Chairman, throughout this analysis I have stressed the word consistent. What is most needed by developing countries is the assurance of long term programs suited to their particular needs. By removing support from a program already under way, the U.S. could in fact be creating or at the least intensifying that instability that it is our avowed purpose to reduce. At so critical a stage of development as are most African and many other developing countries, the termination or major reduction of a program can have a far more unsettling effect than merely slowing down that aspect of growth. The very interrelationship of the political, economical and social factors that only economic growth can separate means a more far reaching impact particularly at the intermediate and lower levels than the experience of developed countries might suggest. It is for all these reasons that both on behalf of the AAUW and of that portion of the academic community with which I am most closely in touch, I urge passage of the Foreign Assistance Act of 1968.

Dr. CARTER. I should like to add the fact that, as area representative for world problems I have met with a great many of the local branches, and in particular with State conventions. Within the last month I have been to both the New Mexico and the California State conventions, which represented a very substantial membership of both groups, and confirmed to my own satisfaction, and I think it would have been to yours, too, that there is a great deal more quiet citizen support for the foreign aid bill than perhaps appears on the surface.

Mr. PASSMAN. There are about 200,000 people lobbying for foreign aid in all 50 States, so I say with that kind of lobbying organization there should be a lot of support for it.

Dr. CARTER. May I use my other hat, sir. I am the director of the program for African studies at Northwestern University. It is the oldest. We were established formally in 1948. We have trained many of those who have been concerned with African studies. We have 24 faculty members concerned with training research on Africa, with 125 graduate students, of whom between 15 and 20 are in Africa at the present time or are about to be there, doing research on issues of significance, most of which are related to advanced research being done by members of the faculty.

We also participate in cultural exchanges with our opposite numbers in Africa, and have close contact with African institutions. In making what will be, in effect, a fairly general statement in regard to economic development, I am drawing primarily on our knowledge of Africa, which I think is pretty well established, but this also has relevance, I believe, generally to the developing world.

Africa, as you know, sir, is an area which has recently emerged from colonial control, with as yet a low level of socioeconomic development but with great vitality and determination to advance.

I could say parenthetically, sir, that I wish you and other members of the committee could visit some of these countries. Perhaps you have done so. There is a sense there of drive which I think is very difficult to transmit in secondhand reports. Its leaders are well aware of the dangers of depending solely on one or two primary products, which has been true basically in the past, since these products are at the mercy of fluctuating commodity prices beyond their control. I need

only mention the case of Ghana, which is the most developed economically of the sub-Saharan African countries, whose very major effort to expand their cocoa production resulted in a lower return for a very much enlarged crop because of the lower commodity prices.

While I cannot check this figure, I understand that they have lost a great deal more in lower commodity prices than they have gained in foreign aid.

Mr. PASSMAN. What business is that of ours?

Dr. CARTER. I am just coming to that in a moment, as a problem which they confront.

The primary obstacle to economic growth is the nature of the tribal system and the subsistence economy. At this point I believe that foreign aid has a very real role to play because there are certain basic factors which need to be aided, such as communications and literacy, which will aid these countries to move to the point where they have the opportunity for certain self-sustaining economic growth.

Mr. PASSMAN. This country became great, free, strong, wealthy quickly by minding our own business, and not by trying to develop the world. It is a beautiful statement, but what business is it of ours as to how those people get along out there? It is a brandnew concept to give away our wealth all over the world to secure friends. I have to ask you to state for the record where we are going to get the money. We are facing the worst financial crisis that we have had in a hundred years.

Dr. CARTER. Mr. Chairman, it seems to me that America's business is to have a stable world. I think you would agree——

Mr. PASSMAN. I think the world has become unstable as a result of this foreign aid program. We have more turmoil and trouble in the past 20 years than we have ever had. We have kept this world in a state of turmoil creating new nations, some of them not as big as a Texas farm. There are some nations now with a population of 6,000, and a land area of 8 square miles. We will have 300 nations in another 10 years if we do not slow down.

I want you to tell us where we are to get the money, because that is important. We will drop the curtain on fiscal year 1968 in a few days with a $20 billion deficit. We are now taking 37 percent of all the earnings of the American people at the municipal level, the county level, the State level, and the Federal level. The pair of shoes you have on have had 109 taxes placed on them from the time the hide left the cow's back until they reached your feet. You are making a good statement, but you have not told us what business it is of ours to be involving ourselves in other people's business in Africa, when we have to borrow the money that we are giving away. If you will give us something on that, we would be grateful, because the full committee is meeting this morning on a major appropriation bill, and we will have the tax increase bill before the House today. I should say that there never has been the pressure on any bill as there has been on this bill to increase taxes, so we will have more money to pump into the Great Society spending program.

So please tell us where we are going to get the money. Will you do that, Doctor?

Dr. CARTER. I must confess I think as a Member of Congress who is concerned with appropriations and with the tax bill, you probably are

much more closely in touch with how, but I am prepared as a taxpayer to pay my share. I think the 10-percent increase has been justified.

Mr. PASSMAN. In what way has it been justified?

Dr. CARTER. I think it is justified in order to help to support the major social problems.

Mr. PASSMAN. On what basis? We have not heard any justification for it, other than we need the money. Nobody has agreed to cut back spending. There is some kind of rescission proposition, but the bill does not indicate where a nickel of cuts will be made.

I have a very high regard for you, Doctor, but there is more than just testifying for money. We want you to start testifying as to where we are going to get the money, because all these things we are proposing to do, we are doing on borrowed money.

Mr. RIEGLE. Mr. Chairman, would you yield for a minute?

Mr. PASSMAN. Yes.

Mr. RIEGLE. I appreciate your statement as well. The chairman makes an excellent point. There is another aspect of this which I would like to touch on. That is that, with all the financial problems that we do have, we have urgent problems in this country to solve. We just do not have the resources to solve them. The chairman needs hospitals down in his district, but we just do not have the Hill-Burton funds that we need to build hospitals for our own people. The same is true of my district in Michigan.

There is a very real question when you run out of money, depleting the resources to the point that you create a financial problem. Is it better to concentrate on our own problems at home and do that job and do it well, so you offer some hope to the world that there is some country somewhere that can take care of its affairs properly, or do you cut back and do half a job here and try to do half a job throughout the world, and end up doing nothing well?

It seems to me this is part of our problem today.

I serve on another subcommittee, the District of Columbia Subcommittee. We have heard the need to build more schools in the District. We have outdated schools in many areas. We just do not have the funds.

Yet, we can go out and spend this money in Micronesia, in Africa, and so forth. When we cannot do the job here at home within a quarter of a mile of this Capitol Building, there is a very real question in my mind.

I am sympathetic to human needs, whether here or in other countries of the world, but there is a question of priorities. Unfortunately, we are at the point where we have to make priority decisions.

Speaking just for myself, I think we have to address our problems here at home first before we take on the problems of the world, and then I think we should think in terms of this earth before we move on out into outer space and spend money there.

I thank the chairman for yielding.

Mr. PASSMAN. Doctor, you would not really appreciate this committee's sitting here silently permitting you to make a statement, for which we are grateful, without making a statement or two so we may have your comments. We are in serious trouble financially.

To show you how far afield we have gone, Doctor, first let me say giving away our wealth to secure America is a new concept in foreign

policy. The Founding Fathers warned us to stay out of foreign entanglements. Too few people realize that we have a foreign aid program going this year in 103 nations and territories of the world, and the overall foreign aid program has been in 120 nations and six territories—Communist nations, unfriendly nations, friendly nations.

We have given away $171,235 million of our wealth since the end of World War II. Those who look at the record closely know we have fewer friends now than we had when we started the program.

I asked this question of Secretary Rusk last year, so you will understand our position:

> Mr. PASSMAN. Mr. Secretary, I believe during this generation, or shall we say the past generation, we have actually had more turmoil, heartaches, and uncertainty than in any other 20-year period in the history of our country. Would you say that would be a statement of fact?
>
> Secretary RUSK. I think that is probably correct.

We have people so messed up all over the world with this foreign aid program, jockeying for position to see how much they can get, that we have created a world of turmoil, not stability. You do not have to give people caviar, pink champagne, and filets for them to be happy. A lot of people are happy with what they have, and we are making them unhappy because we are trying to reform the world in our own image.

I am grateful for your views, Doctor. I shall read your statement with interest. Each member of the committee will have an opportunity to read it, and we will certainly take your recommendations into account, but we just wish that, with your capacity for understanding these things, you would look at the other side of the coin, because all of these programs cost money.

Dr. CARTER. May I be allowed to say something?

Mr. PASSMAN. Surely.

Dr. CARTER. That is splendid, because I think there are two factors in here. I think it is perfectly clear that, whenever you have societies which are developing, you have tension. I think we see it in our own country. I would be surprised if you, too, would not wish to have a certain amount of healthy tension and desire for improvement in your own constituency.

Mr. PASSMAN. Do you think this problem would also pertain to the Far East, too?

Dr. CARTER. Yes. I think this problem is covering the world, and I think it is not the foreign-aid program which is producing this. The whole keynote of what I am asking here is for consistency; that is, I think you, again, gentlemen, would agree if you start a program in your own constituencies and then suddenly terminate it, it will make for more tension even, in effect, than if you were starting a new one.

Mr. PASSMAN. That is what is happening to the Hill-Burton hospital construction program in our own country. We have given away so freely of our wealth to other countries that we do not have money for Hill-Burton hospital construction in our own country.

Dr. CARTER. Excuse me, Mr. Passman. You know 90 percent of the foreign aid appropriations have been spent in this country. Nor do I think—could I say something——

Mr. PASSMAN. Yes, but I would like to correct the record at this point. You have been misinformed. Let's get this in proper perspective. This claim that 90 percent of the foreign aid funds is spent in this country is as phony as a three dollar bill. I say so respectfully. One

hundred percent of it is spent in this country, not 90, not 70, but 100 percent. But what is it spent for? Our commodities, our gold, and our securities. When these ships leave our shores loaded with goods, we do not get anything back. The bill goes to the U.S. Treasury for payment.

Let me tell you what this has gotten us into. Since we give people free what they would normally spend their dollars for, it releases to foreign nations their earnings from their exports to buy our gold and buy our securities. Foreign nations have reduced our gold reserves from $23 billion to $10.5 billion since 1950. We do not get too excited about that, but the number of dollars floating around the world in 1950 was only $8.6 billion, and we had $23 billion in gold to pay for them. Today we have $10.5 billion in gold reserves, and there are $36 billion in short-term dollar claims floating around the world. We are now borrowing money from 17 nations of the world, and we are paying them at least 6 percent. We have people out today while you are testifying, trying to borrow money from foreign nations. We are even borrowing money from Thailand and the fiscal year 1969 budget estimate for Thailand is $62.8 million. We are borrowing money from the Asian Development Bank. We gave it to them originally, but now we are borrowing it back from them.

Take this statement of mine home with you and, if you do not agree with it, I will fly over and discuss it with you again. You have not looked at the other side of the ledger.

We are in serious financial trouble in this country as a result of throwing away our money.

Mrs. BELL. Perhaps we have to raise our taxes.

Mr. PASSMAN. You do not have to do that. Let me say, ladies, you could confiscate all the wealth in America and you still would not have sufficient funds to do everything labeled desirable by the do-gooders and liberal politicians. You just cannot take in that much money. We are now taking 37 percent of all the people's earnings, either at the city, county, State, or Federal level. We are going to have a damaging depression if we do not straighten out our fiscal affairs. The businessman is not going to continue pumping his money into the economy.

Let me illustrate this point. I have a friend who invested half a million dollars in bank certificates at 5 percent. That pays him $25,000, but in his tax bracket he has to pay Uncle Sam 52 percent. That leaves him $12,500 which is 2.5 percent. By our wild spending, inflation is decreasing the purchasing power of that half a million dollars by 4 percent, which is $20,000, and he is only getting a net after taxes of $12,500. He actually is losing $7,500 every year on his investment, all because of Washington's policy of seeing how many different ways and in how many different places we can find to spend money.

Will you take this statement home with you and read it?

Mrs. BELL. Of course I will.

Mr. RIEGLE. May I add this point. You ladies have twice said we should raise taxes. It may well be there will be enough votes to raise the taxes, but raising the taxes will not provide the revenue for this particular bill, because we are running a deficit now somewhere between $20 and $30 billion. So, if we have the tax increase and maybe generate $10 billion in revenue, that cuts the deficit down somewhere between $10 and $20 billion. But where does that money come from? That is money we do not have today which you are

recommending that we spend. The chairman's point is: Where does that come from? That is a very good question. Where does it come from?

There is only one place that it can come from, even after we have the new tax increase, which I happen to think is not sound for our country and is not the thing to do. That is to go out and borrow it. We will have to borrow it and pay interest on it. If we borrow it in this country, you know where the interest rates are today because there is not enough money around to borrow. People cannot borrow money now to buy homes. We have people in communities all across the country that would like to buy homes or move out of the homes they are in and move into new homes. They cannot do it because they cannot get the money.

You are really telling us to go ahead and spend money we do not have and go out and let the Government borrow it, when we have an impossible and untenable situation here at home. Until you can offer a plausible remedy for the problems at home—don't say tax increase, because that is the mildest pass in the direction of an answer. It is not really fair to do that. It is not fair to you to do that.

Dr. CARTER. Am I allowed to mention Vietnam? Obviously, if our expenditures in Vietnam were curtailed or virtually dropped, if we were not putting vast amounts in our foreign aid program there, which I do not find anything like as constructive as what I could see for a smaller amount in countries which I know very well in Africa——

Mr. PASSMAN. What business is it of ours, anyway, to get involved in the internal affairs of foreign countries? Why do we not leave people alone and let them run their own business? That is the way nations of the world have operated from time immemorial in every tongue and civilization. We were an underdeveloped country 180 years ago. By attending to our own business and by hard work, we became the greatest, the freest, the strongest, the wealthiest of any nation in recorded history, not by people giving us aid but on our own initiative.

Literally millions of people around the world are surviving on a dole. They are willing to survive on the dole as long as we continue handing it out. Unfortunately, there are many of them in America, too.

So, the time has come for the intellectuals of this country to look at the other side of the coin and see what they find. If you read this statement, I am of the opinion I will get an airmail letter from you asking us to cut foreign aid in two. All you have to do is read those statistics.

Do you believe in your country going out and borrowing money from 17 nations of the world and paying them a higher rate of interest than we pay in America? They have $36 billion in short-term dollar claims and we have only $10.5 billion in gold against that $36 billion. They balanced their accounts, paid for their commerce, and wound up with these surplus dollars. They do not want those dollars to remain dormant, so they say, "Either give us gold for those dollars or give us some interest-bearing securities." So now we are borrowing money from foreign nations. The mess that we have gotten ourselves into is simply ridiculous.

Here is another interesting bit of information for you to consider. From the time we adopted our Constitution 180 years ago, if we include this year, we have collected $2,260 billion in revenue from the

American people; but for every dollar we have collected and spent, we have put this Nation in debt an additional 73 cents against each one of those dollars, and we have a true public debt of $1,650 billion, which means that each and every one of the 200 million Americans is indebted to Uncle Sam for his extravagance, $8,250.

Most people think only of the borrowed money, or our public debt of $350 billion, but we pass laws saying, "We like you so well we are going to give you something in subsequent years for something you previously did," and that is costing $1,300 billion.

The purchasing power of the dollar has dropped 61 percent since 1940. It has dropped 12½ percent since Mr. Johnson has been President. It dropped 4.5 percent last year, and it is losing its purchasing power at the rate of 5 percent now, simply because the Government is trying to do everything for everybody everywhere on borrowed money, not only at home but abroad.

Mr. RIEGLE. Would you yield for one other point?

You raised an issue on Vietnam, and I think it well to discuss that for a moment. We do not like the Vietnam war, either. Let me say it might be well, Mr. Chairman, for some of the record to be read here as to how this war started. We had a foreign aid program in Vietnam before there was a war there. We got into Vietnam to do various things, if I am not mistaken. Is this a statement of fact?

Mr. PASSMAN. We started an economic aid program only.

Mr. RIEGLE. One thing led to another, and now we are spending $30 billion a year and have lost 25,000 men.

I ask you the question: How do we know that these various thrusts that we make into these various countries in the way of foreign aid will change things in the direction we want to see them go? How do we know what the next Vietnam is to be? You speak about Africa. I am concerned about Africa. I am also concerned about our ability to go in and tell people in other parts of the world how they ought to run their affairs as we have done in the Vietnam situation and have not been very successful at it. It has cost us a lot of blood.

Dr. CARTER. I think American foreign policy is also wrong when it tries to tell other people what they ought to do. What I think is extremely important is to find out in individual countries those minimal things which a relatively small amount of intelligently provided foreign aid for vital programs can help to get over the kind of hump that we encountered in Vietnam. It is just in this position that I know the developing countries that I know best are being torn because of a degree of social imbalance, change out of the system that I was starting to describe, this rather static system which no country is today satisfied to remain in.

I think our only hope is to aid them. I am not asking for giveaways. I am not asking for something in which they are not matching their own energies and their own money.

Mr. PASSMAN. Matching for their benefit, not ours.

Dr. CARTER. Matching in order to provide stable——

Mr. PASSMAN. They are not matching anything. They are spending some of their own resources for their own benefit and letting us pick up the difference. This is not a matching formula. What they spend in their own country is for their own country.

Dr. CARTER. Could I simply say, whatever percentages of money, there is a great deal more effort going into it in those countries that we do not begin to measure.

Mr. PASSMAN. But for their benefit, not ours.

Dr. CARTER. In the long run—and I think, at least I would hope, the perspective of Congress and of the American people was longer than just the immediate situation—in the long run, we want to avoid these kinds of turmoil in Southeast Asia. What I am putting forward is simply a plea for a program which is sufficiently consistent so it can be associated with that amount of aid which is being given by other countries.

Mr. PASSMAN. What other countries are giving what aid to whom and where?

Dr. CARTER. We are fifth in the list of giving foreign aid in Africa. We are eighth——

Mr. PASSMAN. We give over 50 percent of all the aid in the world. Let me say to you, respectfully, that you have not done your homework. Your emerging African countries are former territories or colonies of European countries. They have very strong trade ties. Most of their aid is hardboiled cash loans with high rates of interest. You say Russia is giving India economic aid. It is a hard deal they are driving. They are getting more back than they are giving.

Remember this: In most of these aid programs we put up 80 percent. Some of the other nations put up 1 percent. Under the U.N. we put up 40 percent, and 111 nations put up the other 60 percent, some of them less than one-half of 1 percent. In many instances nations under IDA put up 1 percent and draw back 11 percent.

These emerging countries were originally territories or colonies of European nations and they have strong trade ties. They make loans and they get something back.

I am in favor of loans. But our program is a giveaway. It is not loans. Of the $171 billion in foreign aid and assistance that we have given away since the end of World War II, when you include the interest, do you realize only about $10 billion is in Export-Import Bank loans, that over $90 billion was actually grant aid and the so-called loan portion is the equivalent of 60 percent grant aid, because of the interest terms.

To say the least, we respect your views. We just hope that you will look at the other side of the ledger and tell us where we are going to get the money, and tell us whether you think it is good or bad for our country to be borrowing money from 17 nations of the world at interest rates of at least 6 percent so as to continue these giveaway programs. That is what we are having to do. Many of the European nations are waxing fat in wealth. They say, "Why spend ours when Uncle Sam will do it?"

If you can find one friend on the face of the earth that we have, I wish you would write me a line and tell me who it is, other than some of the industrialized European countries.

Dr. CARTER. This is not true for Africa, sir. I know that area. I go to it twice a year. I think you would be amazed at the closeness.

Mr. PASSMAN. Do you realize, Doctor, that we are so headstrong in trying to run other people's business that we actually now are spending American taxpayers' money to send attorneys into sovereign na-

tions of Africa trying to put down discrimination? How would you feel some morning when you pick up the newspaper and see where Red China and Russia had sent attorneys to this country to try to keep Americans from discriminating against some group of people in this country? We are doing some of the craziest things you ever heard of.

We have fewer friends in Africa now than before they emerged as free nations. All you have to do is look at the record and look at the actions they are taking. Look at the other side of the ledger and drop us a line and recommend where we are going to get the money to do it. If you are right, please tell us where we are going to get the money.

We have balanced the budget only five times in 38 years, and we are financing this program on borrowed money, and the American people are fed up with it. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you, Dr. Carter. We shall read your statement with interest.

THURSDAY, JUNE 20, 1968.

UNITED NATIONS CHILDREN'S FUND

WITNESS

MRS. LOIS VAN VALKENBURGH, CITIZENS COMMITTEE FOR UNICEF

Mr. PASSMAN. Next we shall hear from Mrs. Van Valkenburgh.

Mrs. VAN VALKENBURGH. I am appearing for the Citizens Committee for UNICEF, and I am representing Mrs. Virginia Gray, who is unable to be here this morning.

Mr. PASSMAN. She is a very lovable lady. Our prayer is that she will have a quick recovery.

Mrs. VAN VALKENBURGH. She has one of those infernal summer flus. She wanted very badly to be here.

I have filed our statement with you, Mr. Passman. I want to say in view of the reports in the papers of what the House Foreign Affairs Committee did in recommending the additional million dollars for the United Nations Children's Fund, I am only here to ask the committee's consideration of that request.

Mr. PASSMAN. You are a very excellent witness, but if I may kid you a little bit, I think the biggest mistake we have made in the past is to recommend everything that you have asked for every year. I think you people are now going out trying to get a supplemental request. You are not satisfied to have a friendly committee that has given you everything that you requested. Your attitudes seem to be: "They are so easy, let's see if we can get more."

Mrs. VAN VALKENBURGH. I have no comment, Mr. Passman.

(Statements of Mrs. Virginia M. Gray and Mrs. Edward F. Ryan follow:)

STATEMENT OF MRS. VIRGINIA M. GRAY, EXECUTIVE SECRETARY, CITIZENS COMMITTEE FOR UNICEF, ON BEHALF OF AN APPROPRIATION FOR THE UNITED NATIONS CHILDREN'S FUND

I am Mrs. Virginia M. Gray, Executive Secretary of the Citizens Committee for UNICEF. The Citizens Committee for UNICEF is an informal clearing house of legislative information serving a number of national organizations which support continued participation by the United States in the United Nations Children's Fund (UNICEF). Some of these organizations send their individual representative to present their views to you. Others, listed below, have authorized this joint statement:

American Association of University Women.
American Baptist Convention, Division of Christian Social Concern.
American Federation of Teachers, AFL–CIO.
American Nurses' Association.
American Parents Committee.
American Veterans Committee.
Association for Childhood Education International.
Child Study Association of America.
Child Welfare League of America, Inc.
Church Women United.
Cooperative League of the U.S.A.
Friends Committee on National Legislation.
Industrial Union Department, AFL–CIO.
Jewish War Veterans of the U.S.A.
Methodist Church, Woman's Division of Christian Service, Board of Missions.
National Association of Colored Women's Clubs, Inc.
National Association of Social Workers, Inc.
National Council of Jewish Women.
National Council of Negro Women, Inc.
National Jewish Welfare Board.
National Education Association, Department of Rural Education.
Unitarian Universalist Women's Federation.
United World Federalists.
Women's International League for Peace and Freedom.
Y.W.C.A., National Board.

This year these 25 national organizations have joined in endorsing the views which follow. Fifteen years ago, in 1953, the Citizens Committee for UNICEF testified on behalf of 9 national organizations.

This impressive increase in the number of organizations which has taken place is, nevertheless, only a small indication of the growth of citizen approval for the work which UNICEF is doing to aid sick and hungry children around the world. In addition, many Americans demonstrate their interest and support for UNICEF directly by their purchase of UNICEF's charming greeting cards at the holiday season and by the encouragement of their young people in the Trick-or-Treat for UNICEF drive at Halloween. On the occasion of UNICEF's 21st birthday anniversary, December 11, 1967, copies of a volume of commendations of UNICEF, prepared by the U.S. Committee for UNICEF, were presented to President Johnson, U.N. Secretary General U Thant, and UNICEF's Executive Director, Henry R. Labouisse. The book contained official statements from over 80 non-governmental organizations.

A $13 MILLION CONTRIBUTION BY THE UNITED STATES TO UNICEF IS REQUESTED

The members of the organizations endorsing this statement urge your approval of a contribution of $13 million to UNICEF in Fiscal 1969. For the past 8 years (9 years if the State Department recommendation stands) the U.S. regular contribution to the Children's Fund has remained at the same figure: $12 million. In a period when most costs are increasing at an alarming rate, it would be equivalent to a decrease in material support if the U.S. contribution to the work

of the Children's Fund did not make some allowance for this fact. An increase to $15 million could be well justified but we limit our request to a $1 million increase over Fiscal 1968.

We request your specific approval of a contribution of $13 million to UNICEF. In this year when billions can be spent without hesitation for military purposes, surely this sum can be found to assist sick and hungry children around the world, including emergency aid in Viet-Nam and the Middle East.

INCREASES IN UNICEF CONTRIBUTION ARE BEING SOUGHT FROM ALL GOVERNMENTS

UNICEF's assistance policies have been reviewed and endorsed by its Executive Board, by ECOSOC and by the General Assembly of the U.N. Indeed, the soundness of its policies is reflected by the assisted governments themselves in the rising volume of requests for aid which are being submitted. All governments in the world's family of nations should now give effective substance to their own laudatory speeches of commendation. In 1967, 35 governments increased their contributions, compared with 1966. A number of these have made several increases since 1960, while the U.S. contribution has remained the same. In 1967, 123 governments contributed to UNICEF's Central Account. These contributions are, of course, in addition to internal matching funds provided by UNICEF assisted countries.

JUSTIFICATION FOR AN INCREASE IN THIS PERIOD OF WORLD TENSIONS

Even after taking into account the growing volume of private contributions to UNICEF resulting from the increased activities of national UNICEF committees in 24 countries, the Children's Fund could usefully allocate $10 million more at the upcoming June session of its Executive Board, solely on the basis of valid project requests ready for submission if the funds were available to finance them.

It is estimated, for example, that 40 percent of the population in the developing countries is under 15 years of age. Of these, 450 million live in countries with a national per capita income of under $100.

In the face of the enormous needs of children in the developing countries, the question might well be asked whether there is anything effective that UNICEF could do, even if the funds were available.

The Executive Board's response to this kind of question has been to base its grants to projects on a country approach: to support those projects most likely to advance the welfare and development of children according to the priorities of the country concerned. UNICEF assistance is focused on the problems of health, nutrition, responsible parenthood and education. Its aid represents a contribution to both welfare and economic development, both for the individual and for the nation. One of the main criteria for the coherence of a country's policy for children and youth is that it take into account the growth cycle of the child thru various ages, each with successive and somewhat different needs. An appendix to this statement gives a table showing the main fields of UNICEF assistance and the amount allocated to each by the Executive Board in 1967 arranged by age grouping of beneficiaries. UNICEF is currently assisting 496 projects in 119 countries.

Although UNICEF's main role is to aid projects for the long-range benefit of children in developing countries, the present period of world tensions has brought added demands on UNICEF's resources. A needy child is a chronic emergency, of course. But, in addition, world events have forced UNICEF to provide assistance in three regions because of circumstances dictated by natural disaster or conflicts. These are India, the Middle East and Viet-Nam. An allocation of $1.4 million was made to drought-stricken India in 1967. For the Middle East, $496,000 was approved last June for emergency refugee relief, and an additional $512,000 was approved by a recent mail poll of Executive Board members. For Viet-Nam, close to $1 million has been approved during the past year for health and social services, for education, for tuberculosis control and for emergency aid.

UNICEF'S COMPARATIVELY MODEST GROWTH

During the past 8 years when the U.S. regular contribution has remained at the same figure, other governments and private contributions have accounted for a modest growth in UNICEF's income. It should be pointed out, however, that governments have made a very substantial increase in contributions to various other organizations. Since 1963 WHO's budget has more than doubled, as has

FAO's; other agencies have increased almost as much. During the same period UNICEF's income has risen only 26.8 percent. Members of our organizations are reluctant to draw these comparisons. We have no intention of disparaging the excellent work done by these other agencies and hasten to point out the close cooperation which UNICEF continues to maintain with them. It is only realistic, however, to recognize the fact that some of these increases have come about because the financing of the agency is determined by assessments which are voted by member countries. Thus the individual member government has little control over the level of financial support which they must be prepared to render. We submit that the increasing demands upon many governments, with rigidly limited resources, by such increases in assessments have operated to restrict an increase in the amount of the voluntary contribution which such government is in a position to make to the Children's Fund. Indeed, it is primarily the main donors to UNICEF that have been compelled to face a higher volume of obligations thru increasing assessments for the Specialized Agencies. We believe that there is merit in the system of voluntary support for humanitarian causes—a principle which the United States has traditionally supported—and we recommend that our government now demonstrate its leadership towards the world's children by free choice instead of under the pressure of an imposed assessment. Essential as the programs are in all of these organizations, none is more fundamental than UNICEF's primary goal of aiding the health and preparation for a useful life of the oncoming generations of the world's children.

CHILDREN: THE BEST INVESTMENT IN THE FUTURE

What the nations of the world do or do not do for the world's children in the next decade may well determine whether development becomes indeed a reality and the path to peace, or whether it is merely an empty slogan. UNICEF cannot, of course, aspire to do all that needs to be done but it could make a much greater contribution with additional resources. In his State of the Union address, President Johnson issued a clear call to action when he stated that "But we must also improve the lives of children who are already born in the villages, in the towns and the cities on this earth." It is noted also that he mentioned aid to the world's children at least three times in his Foreign Aid message "To Build the Peace." In the same vein, Mr. Labouisse, the Executive Director of UNICEF, said in his report to UNICEF's Executive Board, "In an era when the words 'reaching for the moon' no longer means striving for the impossible, but simply describes a practical possibility, there is no longer any excuse for the world to permit its children to go hungry in body or in mind, to be deprived of the essentials of life—food, medical care and education opportunities." Can we do less in this session of the 90th Congress, than urge a contribution of $13 million to UNICEF this year?

Thank you.

APPENDIX

Allocations approved by the UNICEF executive board, June 1967, by main beneficiary age-groups and type of program

Main beneficiary age-groups	*1967 allocations (millions)*
Infants and young children:	
Maternal and child health:	
Structure of basic maternal and child health services in rural areas, including family planning in countries that have decided to provide this service	$14.6
Village water supply and environmental sanitation	1.1
Control campaigns against diseases particularly affecting young children	6.2
Nutrition:	
"Applied nutrition" in rural areas—help to families and communities to grow and use the foods their children need	3.4
Processing of milk and other weaning foods in urban areas	1.7
Family and child welfare	2.4
Education of women in child care, through women's sections of community development organizations.	
Day-care centers for children of working mothers in shanty towns.	
Elementary school-age children	9.4
Support for teacher training, pre-service and in-service, and for teaching science and rural life subjects.	
Adolescents	0.5
Pre-vocational training for farming, rural handicrafts and factory work.	
Other programs and services:	
Emergencies	2.1
Handicapped children	0
Planning and other services	0.6
Operational services	5.6
Administrative services	3.1
Total	50.7

Source: UNICEF Headquarters.

STATEMENT IN SUPPORT OF AN APPROPRIATION FOR THE UNITED NATIONS CHILDREN'S FUND (UNICEF), SUBMITTED BY MRS. EDWARD F. RYAN, CHAIRMAN, NATIONAL PTA COMMITTEE ON LEGISLATION, JUNE 20, 1968

Mr. Chairman and Members of the Committee: I am Mrs. Edward F. Ryan, of Manchester, Massachusetts, chairman of the National PTA Committee on Legislation. On behalf of our membership we wish to reaffirm our established policy of support for the United Nations Children's Fund (UNICEF), and urge your approval for a contribution of $13,000,000 for the fiscal year 1969. Costs are rising at an alarming rate and it would be equivalent to a decrease in material support if the U.S. contribution to the work of UNICEF was not increased this year. In fact, it is sincerely felt that an increase to $15 million could be well justified.

The National PTA comprises more than 11 million memberships in fifty states, in the District of Columbia, and in the American overseas dependents schools. It has been dedicated since its beginning, in 1897, to the health, education, and welfare of American children, and has been in the forefront in encouraging the development of UNICEF into a permanent organization concerned with the welfare of all children in the world.

It is reliably estimated that there are one billion children in the world today, and three out of four of them live in the "developing" countries. Six hundred million of these children suffer from hunger, disease, or lack of education, and frequently all three. Poverty entails ignorance, one of the causes of malnutrition; malnutrition brings disease and this in turn produces poverty and want. This vicious circle is fearsome in its consequences.

UNICEF has always been in the forefront of the fight for the preservation of the world's greatest resources—its children. It is known that UNICEF could usefully allocate $10 million more at the meeting this month of its executive board. These are all valid requests if funds were available. This is even after

considering the growing volume of private contributions to UNICEF resulting from increased activities of national UNICEF committees in 24 countries. UNICEF is currently assisting 496 projects in 119 countries. Its aid represents a contribution to both the welfare and economic development for the individual and the nation.

UNICEF's assistance policies have been reviewed and endorsed by its executive board by ECOSOC (Economic and Social Council), and by the General Assembly of the United Nations. It is believed that all governments in the family of nations should now give effective substance to their many laudatory speeches of commendation in connection with the Nobel Peace Prize received by UNICEF in 1965. In 1967, 34 governments did increase their contributions and some of these have made several increases since 1960, while the U.S. contribution has remained the same for 8 years. In 1967, 123 governments contributed to UNICEF's central account. The assisted countries, of course, provided matching funds, usually $2.32 for each UNICEF dollar.

UNICEF's role has always been to aid projects for the long-range benefit of children and youth, but the present world tensions have brought added demands. Natural disaster and conflicts have created urgent needs in three areas—India, the Middle East, and Vietnam. An allocation of $1.4 million was made to India in 1967. Emergency relief of $496,000 was approved for the Middle East last June, and an additional $512,000 was recently approved by the UNICEF executive board. Nearly $1 million has been approved during the last year for health, social services, education, tuberculosis control, and emergency aid for the war-torn country of Vietnam.

What we do here, along with the other nations of the world, may well determine whether development becomes indeed a reality and the path to peace, or an empty slogan. UNICEF cannot, alone, do all that needs to be done, but it could, with additional resources, make an even greater contribution above its already outstanding record of assistance. The consequences for good of this care and training is incalculable for these children are the potential leaders of tomorrow. These are the children who will work alongside our children as adults in an increasingly interdependent world.

It is a sad commentary on our world to note that UNICEF continues to help millions of mothers and children each year with less money than the governments of the world spend on armaments in less than two hours of a single day. Would that we could spend more of our money and talents in efforts to solve these health, poverty, and education needs!

With this awareness of our country's leadership in building this better world for our heirs, we are grateful for this committee's careful consideration of this request for at least $13 million for UNICEF this year.

Thank you very much.

FOREIGN AID PROGRAM

WITNESSES

WALTER HARNISCHFEGER, HONORARY CHAIRMAN, THE TAXPAYERS COMMITTEE TO END FOREIGN AID
BRIG. GEN. BONNER FELLERS, NATIONAL CHAIRMAN

Mr. PASSMAN. Our next witnesses are Mr. Walter Harnischfeger and Gen. Bonner Fellers.

Incidentally, the general here was on the staff of Gen. Douglas MacArthur.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Harnischfeger, you own and operate a large and complex business and you have to meet a payroll of 7,000 employees every day in seven plants. I imagine that you have to know a little something about business. Inasmuch as you are the only witness ever to appear before this committee in opposition to this worldwide spending program, I want to commend you.

I know of your record and that you have some dealings with the Government. You would forgo a Government contract rather than to sacrifice your principles. I have heard men like General Woods, of Chicago; Howard Pugh, chairman of the board of directors, Sun Oil Co.; and Mr. Kemper, head of Kemper Insurance Agency, state that you have the finest business mind of any man they have ever met in America. Let me say that you honor this committee very, very much to come to Washington to testify. Therefore, if you have a statement we would be very pleased to hear from you. I can assure you that the other members will read your statement, as we will the professor's, with interest and in great detail.

Mr. HARNISCHFEGER. I appreciate those kind remarks. My philosophy is my country first and my business second.

Mr. PASSMAN. That we know, and I want to commend you for this attitude.

Mr. HARNISCHFEGER. If this situation does not turn, we will all be working for the Government or some form of controlled society and our freedoms will be gone.

In the interest of saving time I will read my statement.

Mr. Chairman and members of the committee, since the 1959 inception of the Citizens Foreign Aid Committee—now the Taxpayers Committee To End Foreign Aid—I have appeared about 20 times before various congressional committees which act on foreign aid. In the light of our present fiscal situation, I wish to state emphatically that if the advice of the Citizens Foreign Aid Committee had been followed at its inception, we would not be locked into the serious fiscal situation in which we find ourselves today.

SOUND FORMER RECOMMENDATIONS

The 50 years' experience in doing business nationally and internationally has put me in close contact with a great many basic mining and construction companies around the world.

I might add I attended a great many international conferences and heard both sides of the story.

I wish to start my remarks by enumerating the final recommendations I made in my last report which are as follows:

1. To improve our trade balance, foreign and domestic restrictions should be lifted on foreign investment of our private capital, which alone provides the know-how and builds up underdeveloped countries on a self-liquidating basis without boondoggling.

2. American citizens, the same as foreigners, should be permitted to own gold in order to maintain their own solvency with sound money.

3. I urge the Congress to make no further foreign aid appropriations for fiscal 1968.

4. Military assistance, armed intervention, and foreign alliances should be undertaken only with congressional approval. Existing one should be reviewed and our troops in Europe should be cut back systematically while our industrial allies should carry their share of the military effort.

5. Excessive foreign economic aid and military assistance have caused us to neglect our own defense. We are short in the development of modern fighter aircraft, including intercontinental bombers.

We have no armed spacecraft, no defense against strikes from space, and no effective antimissile defense.

Our Navy, particularly the Polaris submarine, no longer outdistance our opponents. I served on the national defense committee for 12 years, and by virtue of my experience in heavy industry, I am sure that this is a very serious condition because it takes years to build up an efficient striking power. And, of course, General Fellers knows more about the uses of that than I.

FISCAL CRISIS

I reiterate the above fundamental recommendations as conditions have changed for the worse. The present fiscal crisis has accelerated the necessity of broad, prompt action by the Congress. Immediate remedial measures are essential in our national and international fiscal policy in order to avoid a complete financial collapse, violent inflation, or both. The time has arrived when some drastic belt tightening is required of our internal as well as our foreign expenditures and give-away programs. To restore order out of chaos will mean substantial sacrifices on the part of all segments of our society now.

THE GOLD DEBACLE

To the fiasco of 4 years of war in Vietnam and our overextended commitments throughout the world is now added the burden of rebuilding riot-desolated areas of our cities and restoring an economy that has been badly shaken by riots and civil disturbances. In view of our many commitments and continuous large deficits, a carefully developed timetable of action is necessary to avoid fiscal chaos and bankruptcy. If we are to find money to finance the most essential cost of Government, we must make a huge reduction in expenditures at home and abroad.

Actually, our Government is already bankrupt, but the fact is concealed by a skillfully engineered camouflage. By bankrupt, I mean the Government no longer is able to meet its dollar obligations. By Act of Congress, the dollar is defined as one thirty-fifth ounce of fine gold. As of the first of this year, the U.S. Treasury had upwards of $12,160 million in notes and other obligations owing to foreign central banks and international institutions, all payable in gold. In addition, foreigners hold a further $18 billion plus in the form of bank deposits, dollar acceptances, and other due bills.

On March 17, the Treasury announced in effect it would not meet these obligations in gold. It did not say so directly. What it said was it would not pay out gold to any foreign central bank that in turn would redeem dollars from the public in gold, or in fact pay out gold to the public.

Six central banks agreed to this restriction, but more than a hundred other central banks did not agree. But to the six banks the U.S. Treasury said in effect, "Since you are not paying out gold to the public, you don't need to acquire gold from us." Consequently, since March 17, the U.S. gold stock has been stationary and, whatever official denials are issued, the United States has in effect put an embargo on gold. The shortcoming of this arrangement is more than a hundred other central banks may demand we sell them gold. They have about $14 billion claims against our gold.

All this means the end of that famous phrase, "a dollar is as good as gold." The dollar is not as good as gold and since March 17, has been selling at a discount with gold. And it will continue to do so until we put our financial house in order.

What is the meaning of this for the world economy? The money managers have facile arguments. They say, "What does it matter if the dollar is selling at a discount to gold? You can buy all the English pounds you want at $2.40, or French francs at 20¢." But who wants pounds or francs? What is a franc worth and what will a pound be worth next year?

And so we have today an unstable basis of international trade. No one knows what the dollar or the pound or the franc are worth, or what they will be worth 6 months hence, and the result is throwing a damper on all forward contracts.

A brave attempt is being made to shore up this shaky structure with a new piece of paper called SDR—special drawing rights—or paper gold. Paper gold is a flimsy device, and can't last long. Soon we will see a confusion in the international exchange.

Mr. PASSMAN. Will the gentleman yield there? I do not like to interrupt, but in effect what we are doing is to develop an indirect way for the United States to borrow money? Each of these countries who are members of the International Monetary Fund pledge a certain amount of money?

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. They pledge so much Italian lire, Swiss francs, the German deutschemarks, and Japanese yen. Any country who is experiencing a balance-of-payments deficit is then eligible to borrow out of that account. The facts are that this is another indirect way we have of borrowing money from foreign nations, but we do it through an international organization so as to take the stigma off if we were to do it by a direct loan. Is that correct?

Mr. HARNISCHFEGER. That is correct.

Mr. PASSMAN. Only those who are experiencing a balance-of-payments deficit are eligible to borrow funds from the International Monetary Fund. This so-called "paper gold" device really creates a fund by which we can borrow money from foreign nations indirectly rather than to have the stigma from continuing to borrow directly. Is that properly stated?

Mr. HARNISCHFEGER. Yes. Also that is limited, and if we go down the road farther, at the end of a year we may not have any more borrowing capacity.

Mr. PASSMAN. That is true.

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. It is to set up a scheme whereby we can borrow money indirectly and take the stigma off these direct loans.

Mr. HARNISCHFEGER. So we will see a——

Mr. PASSMAN. We call it "paper gold" so as to give it an air of respectability.

Mr. HARNISCHFEGER. Yes.

This may disrupt the economies of the world and precipitate a worldwide depression. Thus, by squandering billions in foreign aid we have actually lit the fuse that may blow up the economies of the very countries we have sought to help.

Another attempted solution for the gold problem is the so-called dual gold price policy. The most recent conference of the international bankers, representing the seven major countries whose currency is backed by gold, resulted in a plan for central banks and the U.S. Treasury to maintain the $35 an ounce for their own gold reserves. However, in the open market speculators permit their gold to seek its own value. I do not believe a dual gold policy will stand up very long.

It would appear to me that our country must recognize the serious consequences of not taking some prompt realistic action. In order to meet international commitments, I am sure, a single price for gold is essential although in the light of the present precarious situation it is desirable to raise the price of gold. All other commodities have gone up since the present price of gold was established. Consequently, today gold is the greatest bargain of any basic commodity. This in turn brings about the speculation and hoarding which have further reduced our gold reserves.

Mr. PASSMAN. Would the gentleman yield again?

Under this system, the very thing that we are denying our own citizens, that is, the right to acquire a basic wealth which is gold, most all other foreign nationals can acquire?

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. We have taken away everything that supports the dollar. We have removed the gold and silver backing. The Government has no assets of its own to turn into money. Therefore, it issues currency against your credit and my credit and other business people's credit. There is nothing basically backing up our currency other than the people's resources, while foreign governments back their currency with silver and/or gold; is that correctly stated?

Mr. HARNISCHFEGER. That is right.

This in turn brings about the speculation and hoarding which have further reduced our gold reserves.

To gain the necessary time to readjust our internal economy, we should establish an embargo on gold for a period of sufficient duration to retain essential gold resources and provide some gold cover for our total outstanding securities. While this may have the effect of devaluation, it appears to me that such a move is inevitable.

Mr. PASSMAN. If you would yield again. What would actually happen if the President, and he has the power, placed an embargo upon gold, for a period of 10 years? That would give us an opportunity to cut out this wild spending at home and abroad, become competitive again and then we could build up a trade surplus and bring back home the $36 billion of short-term dollar credits that are floating around the world.

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. At such time as we do bring these dollars back we could then revert back to the present standards. If we don't do it, we are not going to have enough gold to fill our teeth after another 3 or 4 years, are we?

Mr. HARNISCHFEGER. That is right. It will bring about social chaos.

Mr. PASSMAN. Thank you.

I will try not to interrupt you any more.

Mr. HARNISCHFEGER. Furthermore, until such time as American nationals have the same right to own gold as foreign nations, we are

putting our own citizens at a decided disadvantage in protecting their life savings.

PRIVATE CAPITAL

Restrictions on the free movement of private capital should be removed. It is the flow of private capital which maintains prosperity and international trade. Private capital builds underdeveloped countries, provides know-how and furnishes employment. At the same time, it pays taxes, dividends and is self-liquidating.

I just returned from a trip to South America. There I ran into a number of projects where additional private capital to expand refining plants enables U.S.-owned companies to improve their competitive position and expand their operations. In Venezuela, $300 million in private investment was authorized. This will afford employment and do more to build up underdeveloped countries than our giveaway programs. It will also enable American-owned companies to rebuild their plants to improve efficiency and enable them to remain competitive in the international markets. This is an extremely important point and is essential if American-owned companies want to maintain leadership in the highly competitive international markets.

Another illustration of dislocating an economy by our unsound giveaway program is Chile. Here is a country of 9 million people which has tremendous mineral and agricultural resources.

I might say it is about the size of Japan which supports 65 million people.

Chile certainly could be self-sustaining. However, Chile has used some of our give-away to nationalize her copper mines which were originally controlled and efficiently operated by private American capital.

Unfortunately, Chile's "agrarian reform" has been indirectly promoted by our Alliance for Progress. Large tracts of privately owned land, productive and well financed, have been cut up into small farms. As a result, we are now giving aid dollars, tractors, and farm equipment which formerly had been purchased by local private enterprise.

As Chile moved into socialism there has been a complete dislocation of her economy. Today Chile is importing meat and has meatless days, where formerly it exported beef. Inflation and devaluation of their own currency has followed.

With regard to the overworked philosophy of America having to build up all underdeveloped countries, I quote from a recent article in the Wall Street Journal:

> The most common explanation is that the wealthier nations haven't been liberal enough with aid, and it's true that the United States and some other countries have been cutting back on economic assistance. But obviously the problem is a great deal more complex than that.
>
> Economist Roger A. Freeman is one analyst who believes that the troubles of the underdeveloped nations are in considerable part traceable to their governmental policies, especially their economic policies.
>
> Mr. Freeman's method is to contrast Malaysia, where the accent has been on private enterprise, with Indonesia, where socialism has been the rule. The results could scarcely be more divergent.
>
> Malaysia's per capita income has risen to more than $300, second only to Japan among Asian nations and five or six times that of Indonesia. The gross domestic product of Malaysia, in constant prices, grew by 6.9 percent a year between 1955

and 1965, compared with 1.7 percent for Indonesia. Between 1952–53 and 1964–65 food production on a per capita basis rose by 40 percent in Malaysia but actually declined in neighboring Indonesia.

The comparison, Mr. Freeman is careful to stress, is imperfect. Until the military takeover in 1965, Indonesia suffered from the corruption and inefficiency of the Sukarno regime. Malaysia got its independence from Britain through peaceful negotiations, while Indonesia fought a costly 4-year war against the Dutch. Malaysia, moreover, benefits from the enterprise of a large and energetic Chinese minority among its population.

Other factors, however, are not in Malaysia's favor. Indonesia has a more fertile soil, certain major resources (such as oil) which Malaysia lacks, a much larger domestic market, and a lower rate of population growth. Indonesia has received about $700 million in foreign aid in the postwar years, Malaysia almost none.

In any case, an atmosphere of freedom has aided Malaysia in highly specific ways. It has induced badly needed foreign technicians to remain in the country, and it has provided a climate conducive to a large inflow of foreign private capital. The attitudes and actions of Sukarno's government, by contrast, either frightened or forced out foreign workers and foreign companies.

Malaysia's reliance on free markets has helped to preserve its market for natural rubber. As the development of synthetic rubber pushed down prices, Malaysia tried with some success to make its production more efficient. While the future is anything but secure, it's not as bleak as it would be if the country had instead tried, as other less-developed nations have done, to fix the price of its product and live on foreign aid as well as travel the road of socialism.

In fact, Malaysia's future in general looks happier than Indonesia's. No matter how hard and sincerely the new Jakarta government tries, it will take years to repair the havoc wrought by Sukarno's socialism. Neither foreign governments nor foreign private investors will be eager to pour funds into the country until there is clearer assurance of stability and an altered economic course.

As Mr. Freeman says, further studies would be needed to explain this Asian contrast. The available evidence, though, strongly suggests that economic policy has played a major role. Since many of the newly independent countries are firmly committed to socialism, the implications of the example are broad.

The same applies to India. We have given billions in food there and they have socialized everything and their standard of living is going down instead of up.

Mr. PASSMAN. Mr. Harnischfeger, my apologies, if you will yield there.

It is my understanding that we have given India in the neighborhood of $7 billion of our wealth and for some reason or other they are pro-Russia?

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. Russia built a MIG fighter plant in India and a big steel plant? Is that your understanding?

Mr. HARNISCHFEGER. A big steel plant.

Mr. PASSMAN. It is a very profitable deal for Russia; they are now manufacturing MIG fighters in India in a plant which Russia built? It sounds to me like stupidity that we continue to pour billions of dollars into this country. Regardless of how hungry they get, they are pro-Russian and are willing to permit Russia to build military installations in their own country. This is a frightful story.

Mr. HARNISCHFEGER. Look at the years of British control of India. They did business with them but they practically gave them nothing. India was more prosperous in those days than today.

Mr. PASSMAN. Actually the birth rate is greater than the economic growth. They are backing up rather than going forward. Many outstanding Indians say we should get out and leave them alone, let them work out their own problems.

A lot of your high Indian officials feel that way. They must be left alone to solve their own problems. It seems, though, Russia recognized that. They built this big steel plant on a hard loan basis, a high rate of interest. Now they are building a MIG factory and no doubt will be manufacturing planes in India that will go out to North Vietnam. It could be that way.

Portugal, the poorest nation of Europe said, "We are the poorest nation in Europe but we love it, and get out with your aid. We refuse to accept a dime other than the rent on the Azores. Get out."

Doctor, I don't know whether you know it or not, but 13 countries have said, "Get out. We don't want any part of your aid because you are going to upset what we have become accustomed to."

General FELLERS. Mr. Chairman, we had a letter from five Guatemalans, outstanding citizens, begging us to stop foreign aid. They said it was destroying the country.

Mr. PASSMAN. A lot of people are asking us to get out. We are upsetting what they are going to have to live with.

Putting it another way, they say this: "We were developed while you were underdeveloped. Now we are underdeveloped while you are developed. Now you are becoming underdeveloped trying to help us, so when we become developed we are not going to promise to come to your aid when you are an underdeveloped country."

Mr. HARNISCHFEGER. One of the important points is that we poured so much money into a great many of the underdeveloped countries that we have created inflation. It was more than the country could digest.

Mr. RIEGLE. Mr. Chairman, if you would yield?

Mr. PASSMAN. Yes.

Mr. RIEGLE. We have made this point many other times. There might be more of an argument if the foreign aid money was being well spent. We have had it in the justification books. They are not able to justify programs before the fact or after the fact. They cannot even come in after they have spent the money and show us what they have accomplished. I have asked a hundred different AID witnesses to do that. They say, "We cannot get that information."

Mr. HARNISCHFEGER. I also quote from the booklet, "Operation Suicide," by Eugene Lyons who spent 6 years in Russia as a correspondent:

> The policies of our Government are divided on the issue of communism. On the one hand we support the defense of South Vietnam, even to the extent of risking the lives of half a million Americans. On the other hand, we make it possible for Hanoi to attack us and our allies. The administration wants nothing more than it wants to extend billions of dollars in credit to the Communist bloc.
>
> Diplomacy used to be a question of strengthening your friends and weakening your enemies. But the bridge builder today seems totally unaware of who are enemies are. They want to strengthen the hand that sends the Migs and missiles against us. They want to build bridges to our executioners.
>
> We are not just strengthening the enemy with free trade, we are sending him dollars in order for him to buy strategic goods from us. We are intoxicated with the idea, not of killing him with kindness, but of strengthening his war machine in the hope that he will change all his thinking so that we can win him over. It is a dangerous game, and the whole world is at stake.
>
> In short, the bridge, built at the cost of at least a half a billion taxpayer dollars, plus the billions paid to Russia's satellites, has accomplished none of the things Washington now promises to achieve by the same methods in the U.S.S.R. and its satellites. It has not even brought us relief from hate-America propaganda, in which Warsaw matches Moscow. This despite the fact that our

openhanded credits to Gomulka, extending beyond the year 2000, are in truth more aid than trade: the first dollar payment, due in 1967, found Poland strapped and our State Department working out face-saving devices for taking it in nearly worthless zlotys.

Auberon Waugh, writing in the National Review (Dec. 27, 1966) put the matter rudely but logically: "Only an idiot would suppose that by bolstering a Communist regime he could make it less of a danger to world peace." Alluding to the argument that trade and aid would spread "good will," he said: "It is surely the very reverse of good will, indeed evidence of an almost insane malice to underwrite a process which keeps half the world enslaved."

Mr. PASSMAN. That means we are trying to have different brands of communism?

Mr. HARNISCHFEGER. That is right.

Mr. PASSMAN. We gave Yugoslavia $2.6 billion of our wealth, almost insisting that they accept it, and they themselves cut it off, not our country. On December 27, 1957, they wired us they would accept no more aid, and shipments on the high seas had to be diverted to other countries. I thought I would mention that for the record.

Mr. RIEGLE. It is good to have that in the record.

Mr. HARNISCHFEGER (reading):

In this matter we are trying in effect to protect our own skins, in the doubtful belief that a fat Communist is less dangerous than a thin one, while simultaneously indulging our distorted appetite for the consumer product which is sold under the label of good will.

FOREIGN COMPETITION

In the early days of foreign aid, the United States replaced foreign war-damaged industry with our most modern machinery. Initially, our economy was not affected as foreign industry was in the process of reconstruction. Now, however, foreign industry with low-cost labor and favorable taxes, has become highly competitive. In many instances our own high wages and confiscatory taxes have priced us out of the market.

For example, in 1950, there were only 32 steel-producing nations in the world. In 1965, there were 33 additional steel-producing countries. As a result, the United States has become the world's largest importer of steel. Many of these new mills set up with our aid dollars are government owned and operated. In order to keep them operating, their governments endorse and frequently subsidize sales prices below costs, with U.S. AID dollars. This item alone——

Mr. RIEGLE. Would you yield at that point?

Mr. HARNISCHFEGER. Yes.

Mr. RIEGLE. I think it is well for us to point out if we don't do something about continuing wage increases in this country in excess of productivity, just accumulating one on top of the other, there is not going to be any foreign market left.

Mr. PASSMAN. Let us put on another layer. You are an industrialist, but let us be realistic. When the politicians at all levels—city, county, State, and National—keep increasing taxes, you are taking money away from the laboring man, and when you pump billions of dollars into the nonproductive programs of our Federal Government you create inflation.

This causes the poor laboring man to get less. If you don't increase his wages, he couldn't exist. When you increase wages, that goes into

the price of the commodity because the businessman has to make a profit on his investment.

But when the commodity gets to the marketplace, all of these taxes, wage increase, increasing cost of materials and so forth, must be included in the price of the commodity. In addition, you must have something left for a profit or for a dividend. If you pump billions of dollars into the economy and create inflation, this means the laboring man can buy less. You have to compensate him with an increased wage.

You don't disagree?

Mr. HARNISCHFEGER. I do agree.

Mr. PASSMAN. You can blame Washington for most of these ills, not industry, not the laboring man, but the liberal politicians' appetite to promise everything to everybody everywhere on borrowed money regardless of cost.

Mr. HARNISCHFEGER. This item alone exercises a most adverse effect on our balance-of-payments problems.

The Wall Street Journal of April 25, 1968, reports:

> First quarter steel imports rose to a record of 3.4 million tons valued at $386 million—may add as much as $500 million to the U.S. balance-of-payments deficit . . .

On April 25, the Commerce Department reported:

> Today's report put exports in March, seasonally adjusted, at $2,454,700,000 and imports at $2,612,400,000 . . . Today's report was disappointing news at a time when a major national priority is to reduce the deficit in the balance of international payments.

I hasten to add that our balance of payments will cease to run deficits, when—and only when—foreign aid is drastically reduced. Our payments deficits began coincident with foreign aid and will continue as long as foreign aid continues. Only in 1957, as a result of the Suez Crisis, have foreign payments failed to run a deficit.

U.S. confiscatory taxes, high cost of labor without regard to productivity, and foreign aid to keen foreign competitors are pricing us out of many of the world markets.

My conviction is that it is essential to create a competent nonpartisan Tariff Commission. This Commission would be the sole government representative to hear testimony from various industries which have the necessary knowledge of cost and trade conditions on which to base equitable findings on tariffs or quotas to further protect our balance of payment. As conditions change, these findings should be altered.

Unless our fiscal house is put in order promptly, we will have price control, wage control, and suspension of free markets resulting in socialism. Finally, this will mean the end of free enterprise, a free society and constitutional government.

SCOPE OF FOREIGN AID

Our total giveaway, interest included, amounts to over $170 billion. I understand there are now a total of 20 different appropriation items that are diverting our resources so that the total foreign-aid appropriations being considered in this field today are over $11 billion. This figure does not include the cost of the war in Vietnam, nor does it include cost of maintaining our troops in Europe and Korea.

It is of paramount importance to rescreen all unexpended foreign aid funds from prior years' authorizations. These funds total more

than $15 billion. As much of this amount as possible should be recommitted to our Treasury. This will substantially assist in balancing our budget.

A portion of uncommitted foreign aid appropriations should be made available to the Export-Import Bank to reinsure American export credits to Western-oriented countries only. Another portion of Eximbank funds should be used to finance carefully screened self-liquidating public works which have been approved by top American engineering firms.

Highways, gasoline and electric power should be taxed. In each case, loans should be amortized yearly and pay interest of ¼ to 1 percent higher than the percentage paid by the Treasury on its certificates. The Export-Import Bank should be restored to its original function—to make only sound self-liquidating loans. This quite properly precludes foreign military loans.

The foregoing program as far as reorganization of Export-Import Bank and producing reasonable funds plus removing the restriction of private capital is very essential to finance sound trade during the period of readjustment brought about by the elimination of giveaway funds.

Furthermore, our Military Establishment in Europe is in fact a form of foreign aid. We should pull our surface forces out of Europe and encourage our industrial allies to provide thier own defenses. Once our troops are home, our balance-of-payments deficit would be reduced annually by more than $2 billion.

BUDGET CUTS

A substantial foreign-aid cut could, and should also be made in the fiscal 1969 budget. Such deep cuts of $8 or $9 billion in the $11.3 billion foreign-aid request for fiscal 1969, and the withdrawal of our European troops would readily eliminate our balance-of-payments deficit. Additional deep cuts in spending at home would contribute to a balanced budget. These economy measures would work wonders to overcome our threatened fiscal situation. The dollar would thus be strengthened.

If our spending at home and abroad continues at current levels the dollar will continue to inflate at an ever-increasing rate. Internationally respected economist Dr. Ludwig von Mises warns: "If it (inflation) is not radically stopped in time, it must lead to a complete breakdown." If inflation is to be "radically stopped in time," that time is now.

CONCLUSION

There are only two routes we can travel in order to restore fiscal sanity. The huge total debt internally and internationally must be refinanced on a long-term basis and our obligations paid in orderly installments. The second route is one of violent inflation and currency devalutaion. This would result in the write-down of assets and working capital of industry, cause widespread unemployment, devalued savings and pensions of the people and of endowments of free institutions. Once the public loses confidence in the dollar, it will result in an economic crash that will make the depression of the 1930's look like a sideshow.

There is only one answer to our present unenviable fiscal plight. It is to get back our fiscal solvency, balance the budget, restore a favorable balance of payments, increase the price of gold, and revert to the gold standard. By this, I mean make the dollar convertible into gold both by U.S. citizens as well as foreigners, and stop foreign and domestic boondoggling.

Finally, I cannot overemphasize the importance of prompt constructive action in bringing about the necessary legislation to avoid chaos. I sincerely hope that Congress lives up to its most serious responsibilities.

Mr. PASSMAN. At the expense of being repetitious, let me say again that there are over 200,000 people who are proponents of foreign aid. So that the witnesses appearing here won't think that I am just reaching into the air for this figure, I must state that there are some 62,000 on the AID payroll, participants who get a monthly subsistence check, American and foreign employees, and contract personnel. We have contracts in 50 States with consulting firms, colleges and universities, trade unions and almost any other type of organization you can think of. These people all become ambassadors for foreign aid. We have a foreign-aid program going in 103 countries and territories of the world.

The State Department and their personnel abroad, all of them are ambassadors for foreign aid.

Of course, all the military personnel assigned to the military assistance program are for it. Then if you include the recipients in industry—and a lot of people are very selfish about this, they figure all the money is going down the drain anyway, so "I will get my share while I can."

Mr. Harnischfeger, we are extremely appreciative of your appearance. I would be very happy if I could get more people to read what has been said by a man who knows the direction in which we are traveling and that history will repeat itself. You just cannot spend more than you take in, as an individual, or as a nation, indefinitely, without getting into financial trouble.

Mr. HARNISCHFEGER. I would like to say in connection with the doctor's testimony, if there is any disposition, as the young lady indicated, that she would be glad to pay more taxes, the religious organizations, the Catholics, Quakers, and Methodists should move in and assist, on a systematic basis, in the birth control program and some of the other fundamental programs in order to help these people.

Mr. PASSMAN. The foundations, also.

Dr. CARTER. They all are doing it. I am contributing to all of them.

Mr. PASSMAN. But they have selected groups to which they extend their assistance. They are letting Uncle Sam do all of it that they think he will do. I know several institutions who, if we were to cut off our program, would pick up their share. But as long as we are feeding the kitty, they won't come in.

Dr. CARTER. Unfortunately, I have to leave now. Might I ask for a copy of the testimony?

Mr. PASSMAN. We are very happy to let you have it, because it is food for thought.

Now we are going to hear from Gen. Bonner Fellers, a former member of the staff of General MacArthur. General, we would be happy to hear from you at this time.

STATEMENT OF BRIG. GEN. BONNER FELLERS

General FELLERS. Thank you.

Mr. Chairman and members of the committee, my name is Bonner Fellers. I am grateful for the opportunity again to appear before this distinguished committee. For 30 years I served in the Regular Army. For 2 years, 1940–42, I was with the British as the U.S. observer of combat in the Libyan Desert campaigns. In 1943–45 I participated in the war in the Pacific. There my principal assignments were MacArthur's chief of joint planning, his military secretary, and chief of psychological warfare against the Japanese forces and homeland.

MILITARY ASSISTANCE

General.—Since 1961 the Pentagon has sold—more probably given away—more than $12 billion worth of munitions to foreign states. This, together with $38 billion in AID's foreign munitions gifts, totals $50 billion for global military assistance. The American people are entitled to know whether or not this munitions program is worth its cost.

It must be a frustrating disillusionment for foreign aiders to realize that today the United States while at war, is being compelled to stand practically alone. And even worse than standing alone, several allies for whom we fought in two world wars now give aid and comfort to our enemy. Our military assistance program is making it crystal-clear allies cannot be bought.

State and Defense Department officials testify military assistance is essential to our own survival. President Eisenhower spoke of military assistance in glowing terms. On March 3, 1959, he advised the Congress:

> Our friends among the free world make available to us for the use of our forces:
> 250 strategic bases * * *
> 5 million ground forces * * *
> 30,000 aircraft * * *
> 2,500 combat vessels.

The continuous optimism of most foreign aiders toward our $50 billion military assistance program is not justifiable. Except for South Korean forces and those of South Vietnam—both countries victims of Communist aggression—only token military assistance has been extended to us in our two most recent Asian wars. Token military assistance in Vietnam by Japan, the Philippines, Thailand, Australia and New Zealand is being given largely because if the Reds win in Vietnam, these countries may soon be next. And they are eager to align themselves with the only help in sight—faithful Uncle Sam.

More than once, and quite recently, the President has called for support of foreign aid in order to avoid future Vietnams. Nevertheless, at Las Vegas, February 16, 1966, Secretary of State Rusk gave as one of five reasons for our present armed intervention in Vietnam:

> We are committed to assist South Vietnam to resist aggression * * * by the aid approved by bipartisan majorities in Congress over a period of 12 years.

Our foreign aid entangles us in the internal affairs of each recipient country. This, recipients resent. Three measures are necessary to "reduce the chances of future Vietnams" and foreign miiltary assistance is not one of them. Future Vietnams can be avoided by—

Achieving prompt victory in Vietnam.
Increasing U.S. war deterrent power, especially heavy bombers.
Terminating foreign aid as rapidly as possible.

Meantime, while we arm the globe, we ourselves are dangerously disarming. The intercontinental bomber with the nuclear bomb is the one war deterrent Russia fears. To ease tension with Russia, we have not built an intercontinental bomber since July 1962. This was not the decision of the Congress. It was President Kennedy's decision, enforced by Secretary McNamara. Moreover, we have not developed a defense against enemy missiles and strikes from space. Nor have we developed space orbital deterrent power.

Let us now turn to our military assistance program around the globe. However, in assessing U.S. military assistance, it is essential to weigh U.S. economic aid also. While economic aid might not directly be applied to military goals, it establishes credit and buys food, clothing, shelter, transportation and many other appurtenances which further military effort.

Near East and South Asia.—The Near East is the most strategic region in the world. It is the bridgehead to three continents, birthplace of three religions—there east meets west and north meets south. Its Suez Canal, one of the four great defiles of the globe, opens the Mediterranean to the Indian Ocean. No wonder cold Russia, desperate for warm outlets, seeks Arab oil and friendship, finances the Aswam Dam and gives huge military assistance.

The President has asked for increased military assistance for Turkey, Greece and Iran. These countries already have received more than $5.7 billion in U.S. military assistance and $5.2 billion in economic aid. Military assistance to Pakistan and India has been enormous but is classified. With weapons provided principally by the U.S., Pakistan and India fought a major war.

Traditional enemies, Greece and Turkey have long been at sword's point over Cyprus; more military assistance to them could trigger a war. Iran enjoys rich oil resources; during fiscal 1965 Iran exported more than $1 billion worth of oil.

During fiscal 1969 there is no need for military assistance in the Near East and South Asia.

Latin America in past years has been given more than $1 billion in U.S. military assistance, and more than $12 billion in economic aid. These countries receive incidental hemisphere protection from the U.S. air and sea power; their only other military need is small arms for internal security. Surely the billion dollar gift should have provided ample small arms.

Today, Chile, Peru, Argentina, and Brazil reportedly are buying modern fighter aircraft for which they have no need. Latin America's foreign investments and purchase of fighter aircraft cause one to wonder how much alliance for progress aid trickles down to the people who need help.

The argument is being presented that military assistance is necessary so the Latin countries can defend against Castro's Communist penetration. The answer to that one is to reaffirm the Monroe Doctrine. Then, with the Organization of American States, quickly eliminate Castro from Cuba.

Not one penny in U.S. military assistance for fiscal 1969 should be granted to Latin America.

In *East Asia* our Vietnam war nears the end of its 6th year. Few people realize our foreign-aid program has played a leading role in our entry into the war in Vietnam. Our involvement in Vietnam began with a seemingly innocent Marshall plan gift of $292 million to Indochina. To strengthen the French forces, shortly before their surrender at Dien Bien Phu in May 1954, the Hoover report lists a gift to France of $745 million authorized by President Eisenhower. This military assistance to France's Indochina war was the beginning of our present Vietnam entanglement.

The war in Vietnam is a monumental blunder. It could have been won shortly after our entry. Instead of full exploitation of our air and seapower; we selected tropical jungle surface combat where the enemy had every advantage. Our air and seapower has the capability of quickly destroying enemy munitions at the point of arrival in North Vietnam. This requires no attack against foreign ships, no surface invasion. Our failure to destroy enemy bullets at the source, rather than with the bodies of American and allied youth, is tragic.

Now we are engaged in the long drawn out Paris talks with an enemy who has not been defeated and who stubbornly sits as our equal. The day may finally come when we must win in combat, or perhaps bribe the enemy into a cease-fire by promising complete rehabilitation of both North and South Vietnam.

Throughout the East Asian theater such U.S. military assistance as is necessary to win must be granted.

Africa's only military need is for internal police protection; Africa has been given more than $186 million military assistance. To entrust Africans with more weapons would be tragically wrong.

Europe.—The population of Europe is twice that of the United States. Europe's economy is flourishing. Since foreign aid began, Europe has been given $16 billion in U.S. military assistance, and $31 billion in economic aid. In addition, the U.S. 6th Fleet has been and is stationed in the Mediterranean; U.S. tactical air units and six depleted U.S. divisions are stationed in Europe; the U.S. Strategic Air Command, based in the United States, offers Europe air protection.

Meantime, Europe drags her feet, depends on the United States for most of her protection. There is no slightest need for U.S. ground forces being stationed in Europe; they should be withdrawn. Europe is perfectly capable of providing such military forces as she deems necessary.

Containment forces.—In recent years, the Department of Defense stressed military assistance to countries contiguous to the southern border of the Eurasian Communist bloc. To these areas, the United States has doled out an amount far in excess of $15 billion in military assistance.

However, if the Red forces decided to invade areas contiguous to their borders, except in the present war zone, resistance would be slight. Red forces would enjoy the element of surprise, overwhelming concentration of power and air support. More U.S. military assistance to these contiguous countries—the war theater excepted—would be a waste of valuable means.

There is no way of knowing whether or not Russia and Red China have aggressive intent against Europe, and against the border states

south of the Red frontiers, thence north throughout the offshore archipelagos. But if Red aggressive intent does exist, it is not the U.S. military assistance program which deters attack; the true deterrent is U.S. air and sea power.

Conclusions

1. U.S. military assistance contributes little or nothing toward U.S. security rather than "reduce chances of future Vietnams" our military assistance has made possible a number of wars. Dependence upon allies with U.S. arms has caused us dangerously to neglect our own war deterrent.

2. Foreign military assistance should not be given to any country without the specific consent of the Congress.

3. Emerging countries need only small arms for internal security; in most, if not all of these countries, the United States has already met this need.

4. Military assistance contributed to our armed intervention in Vietnam.

5. For years Europe has been in a position to stand on her own. Our surface forces should be pulled out; token forces should be left in Berlin.

6. On the Eurasian mainland, the Communist armies and air forces are too powerful to be contained by the forces of neighboring states. The threat of U.S. bomber and missile strikes are the only effective war deterrent.

7. Including interest on the money we have borrowed to give away, foreign aid has cost American taxpayers $171 billion; this is the equivalent of half the U.S. public debt. Foreign aid should be discontinued now.

Mr. PASSMAN. Thank you, General.

Mr. HARNISCHFEGER. It is a good statement.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Harnischfeger and General Fellers, I want to thank both of you for the statements you have made this morning. I realize Mr. Harnischfeger that you took time out of a very busy life, and a very busy schedule, to appear before this committee. You are the only industrialist to come before this committee and point out some of the things happening in our country. I have nothing but respect for you, sir, and I just hope it will be the will of the Supreme Architect of the universe that you continue to have good health so that you can keep up your fight. I wouldn't be surprised to hear that you were in Tokyo 48 hours from now. I have never known your equal.

Mr. HARNISCHFEGER. I just want to return the compliment. Of all the years that I have appeared in Congress—and years ago I used to appear in behalf of national defense, and so on—I have never seen a man as dedicated as you are. I sincerely hope that Congress will recognize the fundamentals.

As far as I am concerned, the people represented on this committee, men like General Wood who built up Sears Roebuck, he is not an isolationist. Howard Pew is operating around the world. Ed Tittmann of American Smelting & Refining, these are all hard-boiled business people. As a matter of information, you take in that city in Peru where American Smelting & Refining spent $300 million. They built up that

area—all of those towns in the vicinity which were all run down. The money they spent stimulated the economy. In addition to that, they built churches, hospitals, and schools. They don't pay subnormal wages; they pay the top wages. If we let American capital flow, something would come back.

Mr. PASSMAN. And you are dealing within the free enterprise system.

Mr. HARNISCHFEGER. That is right.

Mr. SHRIVER. I regret that I was not able to be here for all of your statement. I do have both yours and General Fellers' statements. I assure you I will read them. We were having a meeting of the full Committee on Appropriations and another subcommittee, on which I serve, had its bill before the full committee. I wanted to be here. I, too, want to express appreciation to you and to the organization that you represent for the dedicated service throughout the years that you have performed in pointing up to the country the need for containment of a program of this kind. I have cooperated with and worked with Mr. Passman and other members of this committee to try to do this. I think we are on the right track.

Mr. HARNISCHFEGER. To General Fellers goes the credit. I have often said he could have made a fortune in private industry in the last 10 years. Instead of that he gave us all of his time. Of course, you know when you talk of international global conditions, you have to have people who have seen it, who have lived in it. To be perfectly frank, I am not unmindful that there is great privation in some countries. Ten years ago I had a Russian delegation in my office and I asked them "What is happening in parts of Russia? Is there a lot of starvation?" His answer was "You are closer in Milwaukee to certain parts of the Russian empire than Moscow is. What do you know about it?" I said, "Not too much." He said, "That is as much as Moscow knows about what is happening in some of these areas." He said, "It is just like years ago when you had cattle scourges." Sure, we have human scourges. But the facts of life are—and we are talking about the population explosion—well, maybe nature had a way of taking care of it rather than through wars or what have you. I am certainly always hopeful that I have a little milk of human kindness in me. By the same token, it is very impractical to figure that 6 percent of the population of the world can support the other 94 percent at our standard of living.

Mr. PASSMAN. It cannot be done.

Mr. HARNISCHFEGER. Do we want to go down to the level of a Chinese coolie? That is the position they may put us in.

Mr. PASSMAN. I am grateful, and I know Mr. Shriver feels the same way, for your appearance here. We work as a team. Both of us are working to contain foreign aid; we do not want to destroy that part of the program that can be justified, such as the Export-Import Bank on sound loans. But I think that institution has now been weakened until a portion of its program will be the equivalent of foreign aid. I don't know of any way to do other than to do what we have been doing, and that is to discuss it and try to do the best we can to contain it until the people come to their senses.

Mr. HARNISCHFEGER. On Export-Import Bank, in my business I will sell you steel, or General Motors, and so on, and I will take an order. Then I will also sell to a contractor who is living on a shoestring.

Sure, he goes through our credit department and we draw up a contract and we finance them on time and we have a repossession clause. The Export-Import Bank used to, under law, run like that. In other words, if America has $2 billion to loan, let's pick the good loans.

Mr. PASSMAN. Right.

Mr. HARNISCHFEGER. You will do more good with the good loans in building up underdeveloped countries. I can tell you another case: In Bolivia and Venezuela where they put up dams twice the capacity of the current that could be absorbed, they put in all that expensive machinery in the form of turbines and it stands there and rots. That is why I say topflight American engineering corporations—there are some very top ones—should go to work and study that as they do in America when we hire them, to determine what is self-liquidating and what is essential instead of squandering our resources all over the world.

Mr. PASSMAN. The facts are that the Export-Import Bank's loans used to run 2, 3, 4, 5 years. The first thing they did, they moved it out to a 25-year period for industrial equipment. That is aid when you extend terms of up to 25 years. You don't extend terms of that type unless they are in need. Then 4 or 5 years ago, they weakened the Bank by permitting it to finance the sale of military equipment all over the world. They further weakened it the other day by permitting Export-Import Bank to lower its credit criteria, and even provided in the bill the method by which they can charge off the bad loans when these losses occur. So I can only say that we are going to do the best we can.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you, gentlemen.

ADDITIONAL STATEMENTS

The record will remain open until June 26 for the filing of statements by other interested individuals or organizations.

(Statements subsequently supplied, follow:)

STATEMENT WITH REGARD TO U.S. PARTICIPATION IN INTERGOVERNMENTAL AND INTERNATIONAL COOPERATING PROGRAMS FOR REFUGEES AND MIGRANTS

Mr. Chairman, I am Rev. John W. Schauer, chairman of the Committee on Migration and Refugee Problems of the American Council.

As director of immigration and refugee program, Church World Service, Inc., National Council of Churches of Christ of the U.S.A., I am a member of the Committee on Migration and Refugee Problems.

As chairman, I have been asked to submit this statement on behalf of the member voluntary agencies of the American council which are directly concerned with refugees and refugee assistance programs in all areas of the world.

The American Council of Voluntary Agencies for Foreign Service, Inc., was established in 1943 to "provide a means for consultation, coordination, and planning so that relief and reconstruction programs abroad may be carried on in a most effective way." Today 44 voluntary agencies constitute the membership of this council. A listing of these agencies is attached to this statement which, upon examination, will give an indication of the broad spectrum of the American public which has representation within this council.

The interest which the American people have exhibited in programs conducted by these agencies is significant and worthy of note. We believe that this interest demonstrates the continuing deep concern of Americans for refugee assistance programs involving material relief, food, clothing, technical assistance, self-help projects, community development projects, agricultural proj-

ects, as well as educational and medical services. It is only through voluntary contributions that these programs, sponsored by member agencies of the American Council of Voluntary Agenices become possible. Inasmuch as these voluntary programs are often in partnership with various governmental and intergovernmental programs, we further believe that they also reflect the average American's interest, concern, and support for our Govenment's progams for refugees and migrants.

The deep interest which Americans have and continue to have for refugee and relief programs is further evidenced by the fact that our voluntary agency programs continue to be operated in over 100 countries. Through our agencies almost $5 billion have been contributed to these programs since 1939.

We, therefore, urge that the Appropriations Committee take note of the deep commitment which Americans from all walks of life have made through their voluntary organizations to refugee and relief programs as it considers governmental financial support for intergovernmental and international programs as well as those programs maintained by various U.S. governmental agencies for refugee and migration assistance.

The concern of member voluntary agencies of the American Council for adequate appropriations of Government funds for refugee programs was expressed in the following telegram of December 8, 1967, addressed to members of the Appropriations Committee, to the President of the United States, and other Government officials:

"* * * Voluntary agencies are deeply disturbed by the continuing reduction of appropriations for refugee and migrant programs. Although the appropriations involved are relatively small, we underscore that the programs these funds affect are of major import to those Americans represented through voluntary agencies and to American foreign policy. We have previously indicated that the original request to Congress was already inadequate to meet the human needs of refugees and migrants. Proposed additional reductions will seriously affect the programs of Intergovernmental Committee for European Migration, United Nations High Commissioner for Refugees, and U.S. escapee programs which are already operating on budgets wholly inadequate to deal with the human needs that must be met. It is urgently requested that immediate consideration be given to the restoration of reductions in the appropriations for refugee and migrant programs.

Respectfully."

May we take this opportunity to reiterate our concerns and to point out further that refugee needs around the world are continuing and the number of refugees in Africa, Asia, and Latin America also continue at a dramatically increasing rate.

To resolve the critical problems resulting from the continued uprooting of people, it is essential that large-scale governmental and voluntary agency assistance continue if there is to be peace in the world.

The burden of these programs cannot be assumed by the voluntary agencies alone. It is only through continued partnership of the voluntary agencies with governmental programs that the accomplishments of the past can be continued.

It is our firm belief that it is the responsibility of the U.S. Government to continue to assert its rightful place and leadership in this field by making adequate financial provision for intergovernmental and international bodies in keeping with the Migration and Refugees Assistance Act of 1962.

Therefore, it is urgently recommended that as the 1969 budgetary appropriations are considered, the effectiveness of assistance programs for refugees and migrants should be taken into account in such a way as to meet unmet needs and to uphold the image of the United States in relation to both its humanitarian and foreign policy interest.

This would continue to demonstrate in a tangible fashion the humanitarian concern of the pepole of the United States for the welfare of uprooted and homeless persons.

* * *

Mr. Chairman, the Committee on Migration and Refugee Problems wishes to express appreciation for your committee's consideration of the problems presented in this statement.

MEMBERSHIP LIST

A listing of the member agencies of the American Council follows:
American Baptist Relief, 1628 16th Street NW., Washington, D.C.

American Council for Judaism Philanthropic Fund, Inc., 201 East 57th Street, New York, N.Y.
American Friends Service Committee, Inc., 160 North 15th Street, Philadelphia, Pa.
American Fund for Czechoslovak Refugees, Inc., 1775 Broadway, Room 430, New York, N.Y.
American Jewish Joint Distribution Committee, Inc., 60 East 42d Street, Suite 1915, New York, N.Y.
American Leprosy Missions, Inc., 297 Park Avenue South, New York, N.Y.
American Middle East Rehabilitation, Inc., 777 United Nations Plaza, New York, N.Y.
American National Committee to Aid Homeless Armenians (ANCHA), 207 Powell Street, San Francisco, Calif.
American ORT Federation, Inc., 222 Park Avenue South, New York, N.Y.
American Relief for Poland, Inc., 1200 North Ashland Avenue, Chicago, Ill.
Assemblies of God, Foreign Service Committee, General Council of the, 1445 Boonville Avenue, Springfield, Mo.
Brethren Service Commission, 1451 Dundee Avenue, Elgin, Ill.
CARE, Inc. (Cooperative for American Relief Everywhere), 660 First Avenue, New York, N.Y.
Catholic Relief Services, U.S. Catholic Conference, Inc., 350 Fifth Avenue, New York, N.Y.
Church World Service Department, Division of Overseas Ministries, National Council of Churches of Christ in the U.S.A., 475 Riverside Drive, New York, N.Y.
Community Development Foundation, Inc., Boston Post Road, Norwalk, Conn.
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Heifer Project, Inc., 1115 North Wayne Street, North Manchester, Ind.
International Rescue Committee, Inc., 386 Park Avenue South, New York, N.Y.
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Iran Foundation, Inc., 350 Fifth Avenue, Room 8020, New York, N.Y.
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United Lithuanian Relief Fund of America, Inc., 105 Grand Street, Brooklyn, N.Y.
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