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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1971

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

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PART 2

ECONOMIC ASSISTANCE

STATEMENT OF THE SECRETARY OF STATE

Printed for the use of the Committee on Appropriations

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Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1971

WEDNESDAY, MARCH 18, 1970

ECONOMIC ASSISTANCE

WITNESSES

HON. JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
HON. BERT TOLLEFSON, ASSISTANT ADMINISTRATOR FOR LEGISLATIVE AND PUBLIC AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS AND COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES PAOLILLO, DEPUTY DIRECTOR, LEGISLATIVE PROGRAMS AND COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
PETER KNAUR, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.

We shall continue our examination on the budget requests for the foreign assistance program for fiscal 1971. Today we shall hear the request of the Agency for International Development. We have as witnesses the Honorable John A. Hannah, Administrator for AID, accompanied by a list of distinguished witnesses, whose names will be spread upon the record.

Dr. HANNAH. I would assume, since you are the Administrator of the Agency, that you would be the lead witness?

Dr. HANNAH. If it is agreeable, sir.

Mr. PASSMAN. You do have, I believe, a statement for the committee?

Dr. HANNAH. Yes, sir.

GENERAL STATEMENT OF THE ADMINISTRATOR

Mr. Chairman and members of the committee, I am here to support the President's request for $1.8 billion in new appropriations for economic assistance under the Foreign Assistance Act.

The requirements of the poor nations for development assistance are far in excess of the funds available from all sources—the World Bank and regional banks, the U.N. agencies, the bilateral programs of other development assistance countries, plus AID's authorized levels of

support. Our contributions to this assistance effort have declined substantially during the last few years.

Last year the Congress passed a 2-year authorization which we supported and our fiscal year 1971 appropriation request is made within the context of that authorization. The fiscal year 1971 appropriation request is $397 million less than the request for fiscal year 1970 and $388 million more than the Congress appropriated for this year. It is less than the amount actually appropriated by the Congress, after all cuts had been made, for any year during the decade from fiscal year 1959 through fiscal year 1968.

We appreciate the increased appropriation for fiscal year 1970 of $80 million over the previous year. It is of first importance that the Congress appropriate the level of funds requested by the President for fiscal year 1971.

The Congress and the Administration both have recognized the need for a searching reappraisal of our foreign aid programs. The Foreign Assistance Act of 1968 called upon the President to review all foreign assistance programs and report his findings and results by the end of this month. The President established a task force on international development for that purpose.

The report of that task force recommending changes in the substance and administration of the foreign aid program—has recently been completed and sent to the President. The report will be reviewed by the executive branch and consultations will be undertaken with the Congress to insure that all views are considered before new legislation is drafted for submission to the Congress by the President early next year.

The economic and social development of the poor nations containing two-thirds of the world's population has proved to be much more complicated and difficult than was anticipated when President Truman first proposed his point 4 program in 1949.

Progress has been substantial although uneven.

The less developed countries vary widely in natural resources, in educational levels, and in many other ways. Even where progress has been slow, much of what has taken place would not have been possible had it not been for the support of the United States. Our country has learned much about the problems of development in the last 20 years and now possesses much of the skill and understanding of these problems that exists in the world.

The reports of the President's task force, the Pearson Commission of the World Bank, and other groups have emphasized the conviction that the industrialized nations of the world must support a greater and sustained effort in the decade of the 1970's if the LDC's are to be able to keep pace with pressing problems and continue the progress made toward improving the quality of human life.

With two-thirds of all the people on earth living in the less developed countries, what happens to them and in them will have a profound effect on the world of 25 years ahead and beyond. Our actions now will affect the shape of that future world. Whether we continue to encourage economic and social development and the improvement of life for all people—rich and poor—of all countries, all races and all religions can make a great difference in the kind of world in which our children and our children's children will live.

As the President's task force report stated:

"All peoples, rich and poor alike, have common interests in peace, in the eradication of poverty and disease, in a healthful environment, and in higher living standards. It should be a cardinal aim of U.S. foreign policy to help build an equitable political and economic order in which the world's people, their governments, and other institutions can effectively share resources and knowledge.

"This country should not look for gratitude or votes, or any specific short-term foreign policy gains from our participation in international development. Nor should it expect to influence others to adopt U.S. cultural values or institutions. Neither can it assume that development will necessarily bring political stability. Development implies change—political and social as well as economic—and such change, for a time, may be disruptive.

"What the United States should expect from participation in international development is steady progress toward its long-term goals: the building of self-reliant and healthy societies in developing countries, an expanding world economy from which all will benefit, and improved prospects for world peace."

The major thrust of the task force report is clear—"the downward trend in U.S. development assistance appropriations should be reversed," and "the United States should keep a steady course in foreign assistance, providing its fair share of resources to encourage those countries that show a determination to advance." In receiving the report, the President strongly endorsed this view and agreed that "the United States has a profound national interest to improve conditions of life in their societies."

The Nixon administration is providing a new direction in foreign policy of which development assistance is only a part. The strategy calls for a partnership of nations. It recognizes that the burden and responsibility of development must fall primarily on the less developed countries themselves—aided by the partnership of the developed world. And it recognizes that we in the United States must do our fair share. The other developed nations of the world are assuming a greater share of the burden of providing development assistance. The United States no longer shoulders most of the burden. As recently as 1968, we contributed over 51 percent of the free world's official development assistance. However, in 1970 our contributions will have been reduced to 44 percent of the total.

The President's approach to other countries is one in which the United States talks less and listens more—in which questions and problems are discussed and worked out together. This does not imply lessened support from the United States; it does imply fewer U.S. actions on a unilateral basis.

The poor nations cannot stand independently if they do not develop. We have learned that development requires much more than nobility of motive and generosity of spirit, and that in a setting of poverty, ignorance, disease, poor nutrition, and discouragement, progress does not come easily. The poorer countries must set solid and realistic goals for themselves and take the difficult steps necessary for progress. And they need the support and help of the more advantaged nations to supplement the primary efforts they are making themselves.

The principal goals of AID are to assist the poor countries in their efforts to attain self-sustaining economic growth in order to provide a better quality of life for all of their people. As the poor nations become economically self-reliant, they can become full partners in tomorrow's world. They can stand on their own feet economically, and politically, and concern themselves with providing better opportunities for their own people.

In recent years AID has reduced the number of countries to which assistance is provided, partly because some countries no longer require economic assistance and, in fact, are now helping others. In fiscal year 1971, 44 countries will have regular bilateral assistance programs. In addition, some 25 African countries will be eligible for small self-help funds.

Most of the funds we are requesting are concentrated in a relatively few countries. In fiscal year 1971, 87 percent of all country program funds will go to only 15 countries. Eight of these countries—Korea, Indonesia, Brazil, Colombia, Chile, India, Pakistan, and Turkey—are scheduled to get 83 percent of the development loan country programs. Three countries—Vietnam, Laos, and Thailand—are expected to get more than 98 percent of supporting assistance funds. Outside of Latin America, the technical assistance program has been reduced from 45 countries to 22 countries since fiscal year 1967.

The appropriations cuts in fiscal years 1969 and 1970 have drastically reduced the size of our assistance programs in many key developing countries.

Two of the emphasis countries—Turkey and Korea—are rapidly approaching the time when large amounts of concessional assistance will no longer be required. Others are making good progress. Stagnation of their efforts could occur unless continuing assistance is assured from the United States and other international donors. The uncertainty of levels of assistance from year to year disrupts the kind of coherent, constructive, long-range policies required for sustained development. Without adequate encouragement and funding, their task and ours will be longer and more difficult.

IMPROVED ADMINISTRATION

Since my last appearance before this committee, we have continued to tighten up administration of AID programs. And we will continue to strive for a more effectively managed program. Toward this end, the Office of the Auditor General and the new Technical Assistance Bureau are in operation and the Overseas Private Investment Corporation and the Inter-American Social Development Institute are in the process of establishment.

While concentrating on improvements in AID's management effectiveness, employment of U.S. Government personnel working on AID programs has steadily declined. From a peak of almost 10,000 such employees in June 1967, the number will drop below 8,600 by June 1971—a reduction of 15 percent. This includes a transfer of about 100 AID positions to the Overseas Private Investment Corporation. This reduction was possible despite the required increase of 200 positions in recent months in order to handle the Agency's expanded population programs, and to staff the new Technical Assistance Bureau and the Office of the Auditor General. The number of AID direct-hire foreign nationals will drop from almost 9,300 in 1968 to under 7,200 at the end of fiscal year 1971—a reduction of 23 percent.

Of the projected 8,600 Americans, 2,750 are to be in or supporting the special war zone programs in Vietnam, Thailand, and Laos. Of the 7,200 direct-hire foreign nationals 3,000 are employed in these three countries. All but 1,600 of the 4,200 direct-hire foreign nationals in

other AID missions are paid from trust funds provided by the host governments.

One of the very pleasant surprises I have had since assuming responsibility as Administrator of AID is that the Agency has a very large number of extremely able and dedicated employees, both in Washington and in the field. Much of all the top-quality "know-how" in the world in the whole field of international economic and social developments is in this Agency.

DEVELOPMENT ASSISTANCE PROGRAMS

Within the limited level of assistance proposed for fiscal year 1971, we have carefully allocated the resources to insure the greatest possible impact. Primary emphasis will continue to be given to agriculture and population. We propose to use over $500 million—more than a quarter of the total AID program—for agriculture, and $100 million is planned for programs to help reduce population growth. We also plan to provide about $175 million for assistance in education.

TECHNICAL ASSISTANCE

The fiscal year 1971 appropriation request includes $183.5 million for worldwide technical assistance and $90.8 million for Alliance for Progress technical assistance. The proposed fiscal year 1971 program also includes $96.3 million in development and alliance loan funds to be used for population technical assistance purposes under title X of the Foreign Assistance Act.

Technical assistance continues to be one of the most effective means of insuring efficient use of the developing countries' physical and human resources. Development requires the adaptation of modern technology and scientific knowledge to the skills and needs of the developing countries. While external capital assistance can provide material resources necessary to achieve development, the recipient countries must develop the human skills required to achieve economic and social development and to use external assistance effectively and wisely.

Encouragement of agricultural production and family planning will receive primary emphasis in the technical assistance program. The new Technical Assistance Bureau improves the Agency's capacity to make an effective contribution toward the solution of problems and to mobilize competent American talent to address the most pressing problems of development.

Some $13 million of Alliance for Progress technical assistance funds will be used in fiscal year 1971 for continued support of Inter-American organizations, particularly the Organization of American States. We propose to allocate $8 million of fiscal year 1970 funds to support the President's new initiatives in this direction announced last December at the Inter-American Economic and Social Council meeting. The funds are to be used to strengthen the staff of the Inter-American Committee on the Alliance for Progress (CIAP), to accelerate the development of Latin American capital markets and to establish an inter-American fund to finance project preparation.

DEVELOPMENT LOANS

Development loans have been and will remain one of the most important parts of our assistance efforts. They fund the cost of commodities and technical services necessary to accelerate provision of adequate schools, irrigation works and roads in countries devoting their own resources to these essential investments. They finance imports of fertilizer, farm and industrial equipment, raw materials and spare parts to prevent shortages of foreign exchange from stifling agricultural and industrial production. Development loans are AID's primary means of supporting the self-help steps borrowing countries are prepared to adopt. For example, such loans have been provided to countries which have undertaken to reform import systems, increase tax collections, allocate more of their budgets to agriculture or education, reduce inflation, or carry out other actions designed to make faster progress in both economic and social development.

The President is requesting $570 million for worldwide development loans in fiscal year 1971. This request includes $350 million authorized to be appropriated for fiscal year 1971, as well as $220 million authorized but unappropriated in prior fiscal years and available for appropriation in fiscal year 1971 under section 202(a) of the Foreign Assistance Act of 1961.

The appropriation request plus estimated repayments and receipts on past loans, less $66 million for population grants, will make $625.1 million available for lending in fiscal year 1971. Of this total $483 million is proposed for five countries—India, Pakistan, Turkey, Indonesia, and Korea—with a combined population of over 850 million people.

ALLIANCE FOR PROGRESS LOANS

The $337.5 million appropriation request for development loans for the Alliance for Progress, plus receipts and recoveries, less $31 million for population grants and $9 million for transfer to the Inter-American Social Development Institute, will make $418.1 million available for lending in fiscal year 1971. Of this amount, $313 million is for Brazil, Colombia, and the Central American Common Market countries. Another $10 million will be made available to the Inter-American Development Bank to complete funding of President Nixon's $15 million pledge in support of an inter-American project preparation fund.

Beginning in fiscal year 1970, the President proposes to provide increased support in four major areas—export promotion, tourism promotion, science and technology assistance, and strengthening of capital markets. Some $15 million in Alliance loans in fiscal year 1971 will support the export promotion activity. Over $30 million will be made available in fiscal year 1971 to support the modernization of capital markets in the Latin America area. Nearly $20 million in loans will support activities related to development of potential tourist attractions. Additional funds will provide increased support for scientific and technological improvements in various Latin American countries.

SUPPORTING ASSISTANCE

The appropriation request for supporting assistance provides $414.6 million in addition to an estimated $59.7 million in reimbursements and recoveries for a total program of $474.3 million. All but a small fraction of these funds are for three southeast Asian countries—Vietnam, Laos and Thailand—to help maintain economic and political stability in these countries threatened by Communist insurgency.

As recently as fiscal year 1962, supporting assistance was furnished to 41 countries. With supporting assistance in Korea scheduled to terminate this year, we propose to furnish bilateral supporting assistance in fiscal year 1971 to only five countries—most of it for Vietnam, Laos, and Thailand. For Vietnam, $366.3 million is proposed in fiscal year 1971. At least this amount is needed to continue the Vietnamization effort now underway in that country. Laos is scheduled to receive $35.1 million in supporting assistance and $26.3 million is proposed for Thailand. The balance of the fiscal year 1971 program will be used for relief, rehabilitation, and reconstruction in Nigeria, a small malaria eradication program in Haiti, small assistance grants for regional projects in Africa and east Asia, interregional support, and $19.3 million to support the U.N. peacekeeping and refugee programs in Cyprus and the Middle East.

We expect increases in financing requirements for commercial imports for Vietnam resulting from Vietnamization and the corresponding reduction in the contribution of U.S. troop expenditures to the Vietnam economy. The fiscal year 1971 supporting assistance authorization passed last year—$414.6 million—will probably not provide enough supporting assistance funds to carry the Vietnam program through June 30, 1971, and finance other essential programs in Southeast Asia as well.

The President's budget contains an estimated additional $100 million supporting assistance funds for this purpose. When the additional economic support requirement for Vietnam is determined, and if it cannot be met by other means, a request for authorization and appropriation of additional supporting assistance funds will be transmitted to the Congress. This decision will be made as soon as we are reasonably certain of what will be required.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The fiscal year 1971 appropriation request for voluntary contributions to international organizations technical assistance activities amounts to $122.6 million. The bulk of the U.S. contributions to these U.N. activities—$100 million—is for the United Nations development program (UNDP) to which other nations contribute over 60 percent of the funds. Most of the balance of the funds requested for fiscal year 1971 is for the U.N. Children's Fund ($13 million).

We are also requesting $5.8 million in grants and $8 million in loans for the Indus Basin Development Fund and $1 million for UNRWA training programs for Arab refugees.

OTHER FUNDING CATEGORIES

The balance of the AID appropriations request is for the contingency fund ($15 million), American schools and hospitals abroad

($8.9 million) and administrative expenses ($51.1 million for AID and $4.2 million for administrative services provided to AID by the State Department).

Mr. Chairman, 20 years ago the United States launched a bold new program. To meet changing circumstances, the program has been redefined and improved many times since then. The prospect for continued progress and constructive change in the poor countries is real. We need sufficient funds to help sustain their efforts. We urge appropriation of the full amount of the President's requests for economic assistance.

Mr. PASSMAN. Thank you very much, Dr. Hannah for your statement.

May I assure you, Dr. Hannah, that this year is no different than prior years—that our type of examination is not intended to be personal nor offensive. We certainly hope you will accept that statement at face value. But as a member of this committee, and having the privilege of chairing the committee for 16 years, I find myself somewhat frustrated, if not disappointed, over the trend that the so-called foreign aid program has taken.

TOTAL FOREIGN AID AND ASSISTANCE REQUEST

Attempting to put together the many, many pieces of foreign aid is a difficult task, and when you finally put them together and add them up—we have to be honest and say that it is all inclusive, the direct grant aid, the disguised grant aid, and the so-called aid in between—you have a staggering sum. But all this aid has to do with providing American money for people abroad whether it is for 1 year or for 40 years. You have to put it all together in one place, Dr. Hannah, so that the taxpayer can understand what we mean by foreign aid, foreign help, foreign assistance—good, bad, or that part in between.

In so doing, we are only applying the broad interpretation of "aid" as defined by AID itself which is as follows: "Broadly speaking, foreign assistance is any aid—military or economic—which is extended by one country to another country as loans or grants," et cetera, et cetera, "such as the United Nations—as well as that which is on a strictly bilateral basis. Used in this context, 'foreign aid' includes not only those programs carried out by AID, but also a number of programs authorized by Congress" and so on.

I brought up your definition again, Dr. Hannah, only for this reason. Certainly I recognize that you handle only one faucet or one spigot of foreign aid, which is only a small percentage of the total. Last year we put all these figures together and we had a total of over $10.5 billion. This year when we go through the budget and pick up all of the same pieces, and then include the additional spigots that have been added this year, the total, as of now, is $12,133,525,000, which is over $1,600 million more than the total foreign aid program request of last year.

TREND TOWARD MULTILATERAL ASSISTANCE

I think it is good that this fact should be brought to the attention of the Administrator and the other witnesses because you do have

an element in America—some outstanding bankers, and other people who are for a one world government—who believe if you are going to give your wealth away, it makes it a lot easier for the underdeveloped nations to accept aid if you do not identify it as coming from the United States. We have been hearing that statement in this committee ever since we have had a foreign program.

This is the 18th year I have been on the committee, and during that time there have been those who insisted that aid should be handled on a multilateral basis or through international organizations, so it would not embarrass the recipients. That is one of the arguments advanced.

There are some Members in the Congress, who seem to be very influential and who have been successful in supporting your legislation, that would take a part of this so-called sacred development loan fund and make that available to international organizations. So far we have been able with limitations to prevent that. It is quite appropriate to discuss this as I have, or to make the statement that I have, because there is a lot of pressure to put our aid program on a multilateral basis so that we cannot stay on top of it as we do now where we have the right of examination in great detail. If you ever move aid out of its bilateral nature and turn it over to an international organization, we will lose the right of detailed examination, and it virtually becomes "untouchable."

ASIAN DEVELOPMENT BANK

Let me make this one point. We had one agency before us the other day—the Asian Development Bank, which is domiciled in Manila. Our contribution to the bank to date has been $180 million, with a request for an additional $20 million this year.

We found that there were 11 Americans working for the Bank. We asked what the salaries were of these 11 American employees. Our U.S. Director did not want to give this committee the information. That gives you an idea of what happens when we get involved in an international organization.

I think it is a pretty sad state of affairs, when a congressional committee cannot secure the salaries of the 11 American employees of the Bank.

AID GRANT TO THE DEPARTMENT OF JUSTICE

I think I have amply covered the disclaimer of trying to be offensive in my interrogation. Also, I would not want any witness to believe that this committee is insignificant simply because of our actions last year in accommodating our President on several appropriation items that he said should be increased.

We would not want you to think that we have become so insignificant that certain things can be done without this committee registering some strenuous objections.

As a courtesy, I would think that when you were transferring funds out of the AID contingency fund to Mexico for the control of narcotics, that is so completely ridiculous in my way of thinking that at the very least it should have been discussed with us.

This grant was made to the Justice Department, is that not correct?

Dr. HANNAH. The Bureau of Narcotics and Dangerous Drugs in the Department of Justice.

Mr. PASSMAN. That would normally come under the jurisdiction of what subcommittee?

Dr. HANNAH. Justice.

Mr. PASSMAN. Heretofore when these unusual things had been planned—so it would not catch this committee completely off guard trying to explain to other Members of Congress—we preferred to be told what was going to happen. I hope this so-called contingency fund does not become a slush fund to finance projects which it normally would not.

Dr. HANNAH. I would assure you, sir, that is not true.

Mr. PASSMAN. What is not true?

Dr. HANNAH. It is not a slush fund.

Mr. PASSMAN. I said I hope it did not become one. I did not put a positive label on it, but I could do it if you want me to.

Dr. HANNAH. I sent a letter to you on this matter a day or two ago in response to a telephone request and one or two other requests that came in.

That letter is the factual accounting of what happened. If it is going into the record, there is no reason for me to repeat it.

Mr. PASSMAN. We will put the letter in the record at this point.

(The letter follows:)

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., March 17, 1970.

Hon. OTTO E. PASSMAN,
House of Representatives,
Washington, D.C.

DEAR MR. PASSMAN: In our telephone conversation a few days ago, you raised a question about the contingency fund appropriation to the Bureau of Narcotics and Dangerous Drugs designed to reduce the inflow of narcotics from Mexico.

In response to my inquiry about this entire matter, I have been given the following information:

SCOPE OF THE PROBLEM

President Nixon has assigned the highest priority to resolving the narcotics problem in the United States.

Mexico is the source of nearly all the high potency marihuana and about 20 percent of the heroin imported into the United States.

Interdiction of illicit narcotics traffic at the border, or within Mexico, can only control a portion of the traffic and can, as with Operation Intercept, result in serious economic dislocations on both sides of the border.

Complementary efforts must be made to eradicate marihuana and opium poppy production at their source.

MEXICAN EFFORTS TO ERADICATE PRODUCTION

The Mexican Government is employing light planes and helicopters on spotting missions. The scarcity of equipment and funds, as well as the inaccessibility of the production areas, severely limit these operations. Over 6,000 soldiers and police have been involved in the latest eradication campaign.

UNITED STATES ASSISTANCE TO MEXICO

President Diaz Ordaz made the initial request for equipment during their visit at Amistad after President Nixon expressed his concern over narcotics traffic.

President Nixon in a November letter reviewing topics discussed at Amistad stated the U.S. Government's willingness to provide assistance.

The Deputy Administrator approved a recommendation from Mr. Meyer on October 8, 1969, that up to $1 million be made available to Mexico from the continugency fund.

Contingency funds were used because we were responding in as rapid a manner as possible to an unforeseen political and diplomatic crisis in our relations with Mexico.

It was considered proper for AID to provide the funds because (*a*) two previous grants to Mexico for narcotics control (1961 and 1965) totaling $627,000 had been made by AID; (*b*) assistance is being provided to other countries such as Turkey for the same purpose; (*c*) AID was the only agency with the funds and the authority to provide the assistance; other agencies do not have legal authority to make grants to foreign governments.

During bilateral talks held October 8–10, 1969, in Washington and reconvened later in Mexico City, the U.S. delegation expressed our willingness to provide assistance, and a Joint Working Group was established to work out the details.

All of the above decisions and commitments were made before the House-Senate conference rejection of the Tunney amendment.

The conference report on the rejection of the Tunney amendment indicated that other agencies were better equipped to handle such a program, and also indicated that such assistance was not a proper use of technical assistance funds. The decisions (*a*) to transfer the funds to the BNDD, and (*b*) to use contingency funds, were in concert with the opinion of Congress.

The JWG report recommended that the U.S. Government provide $1 million in assistance to Mexico as follows:

(*a*) $815,000 for 3 light planes and 5 helicopters;
(*b*) $150,000 for a remote sensing experiment; and
(*c*) $35,000 for equipment and chemicals for crop eradication.

This assistance will allow Mexico to improve its technique for locating and eradicating opium poppy and marihuana production. The major areas of production will be covered more intensively and more efficiently."

Sincerely,

JOHN A. HANNAH.

Mr. PASSMAN. I would think in the future it might be wise for you to discuss such a proposal with this subcommittee. If you are going to allow the contingency fund to operate on this basis, you certainly could not call it foreign aid.

I must admit that your legislation is broad enough so that you can do anything you want. We recognize that. But this is the first time that a thing like this has happened where someone from the Agency did not discuss it with the members of this committee. It is an unusual procedure to transfer funds out of the AID agency to the Justice Department.

Mr. SHRIVER. Would you yield to me?

Mr. PASSMAN. Certainly.

Mr. SHRIVER. I am not disagreeing with you about the importance of discussing this with the committee, but I cannot think of a better use of our funds than the control of narcotics coming into this country. It is extremely important in my judgment to do something about this crime situation, and much of it is dependent upon the stopping of the narcotics coming into this country.

Mr. PASSMAN. I might say this: I am on another subcommittee, the Treasury and Post Office Subcommittee. We have always been very cooperative in the past and tried to allow the full budget request for the Bureau of Narcotics or the Customs Bureau because we felt they needed the money to stay on top of this problem. I am only discussing the procedure of using foreign aid funds and allocating them to another U.S. Government agency. To me, that is very unusual, but I have always contended that the AID program is so loose that it could spend the money for whatever purpose it wanted to.

In February, the International Bank for Reconstruction and Development, the World Bank, made a loan of $125 million combined with $40 million from export financing institutions in major supplier countries to help finance Mexico's nationwide electric power expansion program during 1970–71. The terms of this loan are 20 years, 4 year grace period, and interest rate of 7 percent. If Mexico is able to finance such a loan, I don't see why AID had to allocate $1 million to the Department of Justice from the contingency fund to help Mexico fight the production of the opium poppy and marihuana.

Dr. HANNAH. May I comment, Mr. Chairman? The matter of control of narcotics is of real concern to this country and the President. This allocation you are talking about grew out of a conference between President Nixon and the President of Mexico when they were talking about ways of controlling the drug problem at the Mexican border.

As you recall, shortly after that conference the border was closed in California to the great inconvenience of the people who were moving back and forth across it. The decision was made by the President, and I am sure it was in the national interest, that we should do whatever we can to reduce the production of marijuana and the poppies that are the source of heroin, in Mexico and in Turkey. These countries are the principal sources of these drugs.

The President made the commitment since Mexico indicated if they were going to be effective in identifying these fields that were generally in remote areas, they needed some airplanes and helicopters and so on that they did not have.

The decision was made that we would finance up to a million dollars of the cost of this program. This was really done to convenience us. The growers and the traders in Mexico probably found it economically advantageous to continue doing what they were doing. It was decided that it was appropriate to use AID contingency funds inasmuch as in 1965 and 1966 a total of $627,000 of AID funds had been used for a somewhat similar purpose.

It seemed to be a desirable purpose and the money was made available.

Mr. PASSMAN. I am not going to get into any arguments about it. I have been on another subcommittee for 22 years which appropriated money for the Bureau of Narcotics and I am very familiar with their procedures. This drug situation is perhaps as serious as it has ever been. Some people think it is better; I do not think so. I have made trips to New York and gone into customs warehouses where they had huge amounts of drugs they had confiscated. I am not quarreling with the purpose; I am questioning the procedure of taking AID funds and transferring them to the Justice Department of the U.S. Government. Last year you had a provision in the House authorization to provide a grant of $500,000 to Mexico that was knocked out in conference. Is that correct?

Dr. HANNAH. Yes. There was an amendment that was taken out in the conference committee that would have earmarked for the purpose $500,000 in alliance technical assistance funds.

It was deleted in the authorization conference.

I point out that these decisions were made on October 8, long before the conference committee met.

Mr. PASSMAN. I repeat that you had ample time to notify the committee of the proposal. I am not quarreling with the purpose as I think it is absolutely imperative to do something to control the flow of narcotics into the United States. But if you can transfer a million dollars to the Justice Department, you can also transfer funds to the Post Office Department or any other Federal agency.

I think you are making a very good case against multilateral or international organizations distributing our AID funds. We do not seem to be able to control it even when it is a bilateral program, where we have the right of detailed examination. Off the record.

(Discussion off the record.)

Mr. PASSMAN. If you had discussed the proposal with us it would have saved me some embarrassment. I hope we can get on top of this drug problem because it is a serious problem.

Dr. HANNAH. Let me respond now to the point you are making that it would have been better to have discussed it with you and members of the committee. I agree it would have been and in the future we will. I do not question at all——

Mr. PASSMAN. It is the first time it happened and that is why I am making the point.

If you ever get our aid program out of the hands of a committee which has the right of detailed examination, this type of transaction could happen a thousand times and there is nothing the Congress could do about it except to decide that it will approve additional appropriations to the multilateral organizations.

FISCAL YEAR 1971 APPROPRIATION REQUEST

Dr. Hannah, your fiscal 1971 estimate is $1,813 million. That exceeds the fiscal 1970 appropriation by $388,120,000; is that correct?

Dr. HANNAH. That is right.

Mr. PASSMAN. I think the same statement would apply this year as it did last year. This is the asking price. The taking price will be worked out subsequently? That is a good question; is it not?

Dr. HANNAH. It is a good question.

Mr. PASSMAN. You made the statement last year about the $2.285 million being the asking price.

Dr. HANNAH. You are going to make the decision in the end and I hope it will be as near as possible to what it is the President is requesting.

Mr. PASSMAN. Let us get something else in the record at this point. If a man is running a corner filling station on a cash basis with two employees, 40 percent of all the decisions made to run that filling station would be made by those two subordinates. You would not quarrel with that estimate, would you?

Dr. HANNAH. I think that is generally right.

Mr. PASSMAN. This is a nation of 204 million people, of which about 7 million are on the Federal payroll—military and civilians; there are 2,868 Federal departments, agencies, and bureaus. We have embassies or some type of representation in 125 nations of the world. It is also estimated that it would take 1,293 people to do all the things issued in the name of the President.

All of these proposals come to Congress in the name of the President. I want the record to indicate that if the story is true about the filling station, to which you agreed, imagine what the situation is like in the Federal Government. I question whether the President could go into possibly one-thousandth of 1 percent of the vast detail involved in all these legislative proposals and budget figures. It would take 1,293 men to do it. So let us say that this is the bureaucrat's aid program endorsed by the President. That will keep the situation like it is.

NUMBER OF NATIONS AND TERRITORIES RECEIVING FOREIGN AID

Dr. Hannah, could you tell us how many countries presently exist in the world?

Dr. HANNAH. I do not know exactly. It is somewhere around 130 and 140. There are about 130 in the U.N. There are a few that are not.

I have been informed it is 136.

Mr. PASSMAN. In how many of the 136 countries do we have some form of diplomatic relations?

Dr. HANNAH. Do you have that?

Mr. FLINNER. I do not have it exactly. Over the years we have had some type of diplomatic relations with all of them.

Mr. PASSMAN. As of this time?

Mr. FLINNER. I do not have the exact figure. We can get that. I would say it is around 110 or 115. We have some type of representation in most of them.

(Discussion off the record.)

Mr. PASSMAN. Let me ask the question again.

An independent nation is an area that is independent from other nations, whether we have diplomatic relations with it or not. Would that be a fair definition of an independent nation?

Dr. HANNAH. That would suit me, yes.

Mr. PASSMAN. How many nations are there on the face of the earth?

Dr. HANNAH. Let us find out accurately.

Somewhere between 135 and 150, I would guess.

(Clerk's note: The following information was subsequently furnished for the record:)

NUMBER OF NATIONAL STATES

In addition to the 136 national states that have been generally accepted as independent in the World Community there are five political areas and regimes; The People's Republic of Korea, The Democratic People's Republic of Viet-Nam, German Democratic Republic, and Mongolian People's Republic which are recognized by some as independent national states.

The concept of independence referred to above means statehood without foreign jurisdiction. The United States has diplomatic relations with 117 of the 136 independent states.

(Discussion off the record.)

Mr. PASSMAN. Doctor, in how many nations in fiscal 1971 will we disburse some type of aid funds out of the 27 spigots? I am speaking

of planned disbursements. I am not talking about new allocations because that would have to come later.

Dr. HANNAH. I understand that in 1971 we will have some kind of assistance programs, AID, or Public Law 480, or military, in 96 countries, and six territories.

Mr. PASSMAN. Let me ask the bookkeeper—and I say that affectionately because he is a prince of a fellow—that means we dropped three nations. Do you have the three we dropped? There were 99 last year.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Plus how many territories?

Mr. FLINNER. Six territories. Yes, sir; we dropped four countries and we picked up one.

We have a net reduction of three.

Mr. PASSMAN. So you have 96 nations and six territories. Where are those six territories located?

Dr. HANNAH. Mr. Chairman, I wonder if it would not be more meaningful if we indicated the countries that came off.

Mr. PASSMAN. Surely. Name the ones you dropped.

Dr. HANNAH. UAR because of a pipeline that was finally paid out. Grant military assistance to Japan——

Mr. PASSMAN. UAR is what country?

Dr. HANNAH. United Arab Republic.

Mr. PASSMAN. I think we planned to make available to them last year $45 million in Egyptian pounds; did we not?

Dr. HANNAH. No, you are talking about the American University in Cairo.

Mr. PASSMAN. That is right. That university is in Egypt. Have we disbursed those funds?

Dr. HANNAH. The endowment grant for the American University in Cairo has not yet been activated.

Mr. PASSMAN. It is still pending?

Dr. HANNAH. It is pending until they meet the conditions they are supposed to. They have not yet. In the meantime, in order to keep this institution in operation we have authorized disbursements from this fund to meet certain of their current local currency operating costs.

Mr. PASSMAN. If they meet the conditions as planned, then some disposition will be made of the $45 million during fiscal 1971; will it not? If that be true, you would add that country to the total?

Dr. HANNAH. We could. Normally we do not consider such grants as assistance to a country because they are made to American sponsored institutions rather than to the government of countries in which they are located.

Mr. PASSMAN. You would, if you want to be accurate.

Dr. HANNAH. We will not argue. Yes, that is right.

Mr. PASSMAN. Let us have the others. I think we will increase the total back up to a hundred with a little cooperation.

Dr. HANNAH. With Japan the military assistance pipeline has been paid out, so Japan goes off the list.

Mr. PASSMAN. Do you have anything to the credit of Japan at this time?

Dr. HANNAH. No, sir.

Mr. PASSMAN. Now we are back up to 97 if you disburse the $45 million to Egypt; which is the new nation?

Dr. HANNAH. Barbados. That is Public Law 480.

Mr. PASSMAN. What size nation is Barbados?

Dr. HANNAH. That is one of the West Indies British Islands that is now independent.

Mr. PASSMAN. What is the population?

Dr. HANNAH. I cannot tell you.

Mr. PASSMAN. How about you, Mr. Controller? You are a walking statistical machine.

Mr. FLINNER. The population is 245,000.

Mr. PASSMAN. Do you know the size of their army?

Mr. FLINNER. They have a volunteer force of 600 people

Mr. PASSMAN. You don't have a military program for them yet?

Mr. FLINNER. No, sir; I do not believe there is one.

Dr. HANNAH. The territory added was Surinam, formerly Dutch Guiana.

Mr. PASSMAN. They went out of the program, but you finally got them back in.

Dr. HANNAH. They receive support from FAO's world food program, to which we provide commodities.

Mr. PASSMAN. They were out once, and they are now back in. Was it much of a job to get them back in?

Dr. HANNAH. They needed food commodities.

Mr. PASSMAN. I am not going to congratulate you.

Mr. SHRIVER. If the Chairman will yield, what was the other country? You mentioned Japan and the United Arab Republic.

Dr. HANNAH. Belgium. The military assistance pipeline has now been disbursed; UAR, Japan, Belgium, and Poland. Poland was Public Law 480. United Arab Republic was an old AID item, Belgium and Japan were military assistance. Barbados went on with some Public Law 480.

Mr. SHRIVER. You mean we have been giving Public Law 480 commodities to Poland? A Communist nation?

Dr. HANNAH. Up until last year there was a small title II program, through Church World Aid or Catholic Relief. Some aid is still being provided under the program of assistance to American schools and hospitals abroad from prior year funds for the American Research Hospital in Poland, Inc., which supervised the building of a children's hospital in Krakow.

Mr. PASSMAN. Let us be sure not to leave the record as indicating you removed four countries. You have removed three and one is in suspense, depending on whether it meets your conditions and then the $45 million of Egyptian pounds will be transferred. We will stay on top of that one. You have not canceled it out and assigned the funds elsewhere.

Dr. HANNAH. No; we cannot.

Mr. PASSMAN. We have a commitment if the conditions are met.

Dr. HANNAH. That is right.

Mr. PASSMAN. I think we will have to include it.

Dr. HANNAH. Let the record show, as you know, Mr. Chairman, these are from Public Law 480 U.S.-owned local currency funds that were set aside as an endowment for the American University in Cairo so as to provide it with a continuing source of financial support.

Mr. PASSMAN. I understand. But they were owned by the United States. When you break down the Egyptian pound into dollars there is a value, if we pay the regular exchange rate, of $45 million.

Dr. HANNAH. Yes.

Mr. PASSMAN. I believe there is also $200,000 in the budget for this school in Cairo for fiscal year 1971.

Dr. HANNAH. That is right. Under the section 214 program of assistance to American Schools and Hospitals Abroad.

Mr. PASSMAN. That puts them solidly back in the AID program. We are only trying to help you make the case as to the number of nations getting aid. Let us not read them out too readily.

Dr. HANNAH. Let us make it clear that the American University in Cairo is not regarded by the Egyptians as one of their programs. It is an American-established financed and operated university.

We set aside or tried to work out this arrangement to create an endowment fund so we would not have to contribute to the operating expenses.

Mr. PASSMAN. Have you been contributing to the operating expenses of Cairo University?

Dr. HANNAH. You have.

Mr. PASSMAN. I have not. The American taxpayers have. Let me say, Dr. Hannah, that the President's daughter and his relatives are attending the University of Cairo, which is located in Egypt. Did you know the President of Egypt's daughter is a student at Cairo University?

Dr. HANNAH. I did not know. But I am not surprised.

Mr. PASSMAN. You have two pieces now. Do you know of any other fund for Egypt?

Dr. HANNAH. No.

Mr. PASSMAN. If we run into anything we will bring it to your attention.

Dr. HANNAH. All right.

Mr. PASSMAN. Now I believe we are up to 97 countries. Before we are finished maybe we will get another one or two for you.

NUMBER OF INDIVIDUALS INVOLVED IN FOREIGN AID PROGRAM

I should like at this point to ask the Controller the total number of individuals, Americans, foreign nationals, students, or any other category that draw monthly subsistence, the same all-inclusive category you have given us in past years. What is the total for this year?

Mr. FLINNER. Mr. Chairman, as of December 31, 1969—and I must say this is tentative and we still have to check out a few of the figures—

it is 48,105. This includes, as you indicated, the participants.

Mr. PASSMAN. They get a monthly check of some kind.

Mr. FLINNER. They get some payment during the time they are in training.

Mr. PASSMAN. That is monthly; is it not? You do not pay them more often than that?

Mr. FLINNER. No, sir.

Mr. PASSMAN. Thank you.

Dr. HANNAH. The point made is this includes all students in training.

Mr. PASSMAN. I made the question all-inclusive. It does not make any difference whether they are students or bootleggers. If they are getting a monthly check from the U.S. Treasury, they are on the rolls. You have just that many ambassadors. Does that include your contract personnel from colleges and universities?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. If you have a contract with a university, do you know the number of personnel that are assigned under that contract. Is that information made available to you?

Mr. FLINNER. Yes.

Mr. PASSMAN. This is all-inclusive.

Mr. FLINNER. Yes.

Mr. PASSMAN. Does this include the Peace Corps and other aid programs? Let us make it all-inclusive, everything that is encompassed in this aid package. Do you have that?

Mr. FLINNER. No, sir. I do not have the Peace Corps. I have the economic and military under title I.

Mr. PASSMAN. What is that figure?

Mr. FLINNER. 48,105.

Mr. PASSMAN. This is just AID and military?

Mr. FLINNER. It is AID and military.

Mr. PASSMAN. It does not include Public Law 480 personnel, it does not include the MAAGs, and the Peace Corps. All those employees would be additional.

Mr. FLINNER. It does have the MAAG's included but not the Peace Corps or embassy people overseas.

Mr. PASSMAN. We had agricultural attachés prior to the give-away program. I believe Peace Corpsmen, if they are still going to call them by that name, cost about $9,000 a year.

Dr. HANNAH. We have nothing to do with the Peace Corps.

Mr. PASSMAN. It is still in the aid package, and we would like a table so that the taxpayers will get a general idea how they are getting rooked.

Those are my words. If the Peace Corps is 10,000, you will have to add that figure to the total number getting a monthly subsistence check.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. If you think of any others, add it to the list, will you?

(The information follows:)

SUMMARY OF PERSONNEL EMPLOYED DIRECTLY, CERTAIN CONTRACTOR EMPLOYEES, MAN-YEAR EQUIVALENT OF SUPPORTING SERVICES RECEIVED, AND FOREIGN NATIONALS BEING TRAINED

	Actual at Dec. 31, 1969		
	U.S. nationals	Foreign nationals	Total
Economic and military assistance:			
1. Direct-hire personnel (includes U.S. nationals, foreign nationals paid from appropriated funds, and trust funds):			
Economic	7,436	7,827	15,263
Military[1] [2]	4,908	867	5,775
Total, direct hire	12,344	8,694	21,038
2. Persons participating in program other than direct hire (includes certain contractor employees and man-year equivalent of reimbursable supporting services of other agencies):			
Economic	4,295	1,311	5,606
Military [1]	139	254	393
Total, other than direct hire	4,434	1,565	5,999
3. Number of foreign national trainees programed during the year (number in training at any given date is approximately half this number): [3]			
Economic		11,774	11,774
Military		9,294	9,294
Total, foreign national trainees programed		21,068	21,068
Total economic and military assistance	16,778	31,327	48,105
Peace Corps:			
1. Direct-hire personnel	1,246	107	1,353
2. Volunteers and trainees:			
Volunteers	7,691	----------	7,691
Trainees	1,445	----------	1,445
Total, volunteers and trainees	9,136	----------	9,136
3. Contractor and reimbursable detail employees	1,260	----------	1,260
Total, Peace Corps	11,642	107	11,749

[1] Entries for military programs are estimated.
[2] Includes military personnel paid from DOD appropriations.
[3] Represents number of foreign national trainees programed during the year. Foreign nationals receiving training are not paid wages or salaries from foreign assistance funds; they are in no sense employees of the U.S. Government. The average period of training per participant is less than 6 months.

Note: Information concerning the individual contracts was furnished to the committee.

AMOUNT OF DEVELOPMENT ASSISTANCE IN 1968

Dr. Hannah, in the February 25, 1970 issue of Front Lines it is stated that the member countries of the Development Assistance Committee provided $6,430,600,000 in development assistance for 1968. Is that correct?

Dr. HANNAH. I assume if it is in this newspaper, it must be correct. It must have been taken from our record.

Mr. PASSMAN. $6,430,600,000 in development assistance.

Dr. HANNAH. That is by all of the aid-giving countries in the free world.

Mr. PASSMAN. Let us not say aid-giving countries. I am afraid we are the only country that is possibly giving aid without a selfish motive. Some of the other countries send out $1 and get back $3.

Dr. Hannah, after your trip last month to Southeast Asia, you stated in a press conference that you expect economic assistance to increase slightly as military spending decreased in Vietnam. It is my understanding we are now giving those people so much grant aid it is running out of their ears and they cannot absorb it all, and that you can get things in Vietnam you cannot get in New York City. Is it that bad?

Dr. HANNAH. It is not, sir. If we are going to talk about aid in Vietnam——

Mr. PASSMAN. We surely are.

Dr. HANNAH. Let us make sure that we understand what we are talking about.

Mr. PASSMAN. I know what I am talking about. You just make sure you know.

Dr. HANNAH. The decision was made some years ago for reasons that I am sure were good at that time, and probably continue to be good, that in Vietnam the Defense Department would fight the war and AID would be responsible for most other operations—controlling inflation, helping with the pacification program, being concerned with the refugee camps and providing hospitals for the civilian population. We have helped the Government develop an infrastructure of trained competent people for all the various governmental activities that are required if the Government is to be effective. We have helped reopen schools and have built schools where they were none before. We have also helped increase their agricultural production, and a great variety of other things.

Since the bulk of this program is not the kind of a program that AID has ordinarily been concerned with, funds are provided in the category known as "Supporting assistance" and justified for that purpose. I am sure this has been called to the attention of the members of this committee and the members of the Congress since the inception of this program many years ago.

You asked the question whether or not it was possible to buy luxury goods in Vietnam. I think it is. But they are not financed by AID. There are no luxury goods permitted in the AID-financed commercial import program.

The CIP program is limited to nonluxury, essential items jointly agreed upon and produced in this country for the most part, except for a very small quantity that comes from Korea, Taiwan, and the Philippines, and then only in certain categories. Vietnam is an independent country, and they have an entrepreneurial class as they have in many other countries.

They import all sorts of goods for sale for commercial enterprises.

Mr. PASSMAN. Indeed they do.

Dr. HANNAH. All of this explanation is only for the purpose of differentiating what may be available in Vietnam through a commercial entrepreneurs that is not in any way related to the AID program.

Mr. PASSMAN. Doctor, you have just said what I have said thousands of times. It is a nice statement but you have not answered my question. It is a foregone conclusion that if you appropriate dollars to pay for commodities of a country like Vietnam, and you fur-

nish those commodities in abundance, then what they earn out of their own economy they can use to fill up lock boxes in Switzerland, or they can buy luxury items.

You said they are an independent nation. In reality you are saying we have to exert some control over what they spend their own dollars for. I have known that for a long time. If you over finance them so that they do not have to spend the earnings of their own economy, they can take those earnings and buy luxury goods, create savings, or do whatever they want to. I am afraid, Dr. Hannah—I am not saying you are a party to this—many people are laughing at our program over there. If we should conclude the war, we have built them up to a standard of living they could not possibly sustain in the future. Those people have been fighting wars 2,000 years. It is the same as a game with them. I am afraid our aid program is going to create an awful lot of dissatisfaction, and it is going to be impossible for those people to maintain the standard of living we have catapulted them to as a result of this AID program.

It is something we cannot do anything about is my guess.

Incidentally, I noted in the press that the Prime Minister of Cambodia was just ousted. Is that the correct title?

Dr. HANNAH. He is the Prince.

I think the Prime Minister took over.

Mr. PASSMAN. I wonder if he is a friendlier foe.

Dr. HANNAH. All I know is what I have read in the newspaper.

Mr. PASSMAN. You may be starting an AID program in Cambodia next week; you better find out something about it.

Dr. HANNAH. I hope he is friendly.

Mr. PASSMAN. They may be conniving like they were in Laos when several years ago they had a brother, a half brother, and a cousin getting our aid which they sliced into three pieces. I hope they do not repeat that practice.

Dr. HANNAH. I do not rise to defend everything that is taking place in Vietnam, and I am sure you are familiar with the situation, perhaps as familiar as I am.

Mr. PASSMAN. I wish I were less familiar with it. I am not going into any great detail in examining about it because we know we are getting rooked, and I do not know that we can do anything about it.

Dr. HANNAH. Let me make you feel a little bit better.

Mr. PASSMAN. I need to be made to feel better.

Dr. HANNAH. I spent a week in Vietnam last month. I was there last May. I have been going to Vietnam every year or so for 15 years and have watched Vietnam ever since the partition.

While there are some places in the world I am not familiar with, I do know something about Vietnam. I have the same hope you have that the program will succeed, and that we can wind down the war and get our men out of the fighting situation. As this happens, however, there is no question that Vietnam will have to increase the size of its armed forces and we will undertake to train them and equip them, they are going to have to take over whatever military requirement there is to defend themselves and to win the objectives that were set some years ago. The recent government is the first one that I have seen in which the president, and at least some of the ministers

have an understanding of the kind of service the government has to provide for the people if the people are going to support it.

I have met and visited with most of the present Ministers. I am impressed with the fact that they understand that people are interested in being able to control their own affairs and their own communities. They have gone back to the old philosophy of many years ago, decades ago, where the control of the local government in the hamlet, in the village, in the town is in the control of the local people. They have their own elections. They make their own decisions in the context of civilian requests. They are going to put the money which they have collected locally in local projects.

Mr. PASSMAN. Completely free of any outside interference.

Dr. HANNAH. Maybe it is not complete freedom, but it is much more so than it has been in the past.

(Recess.)

DIVERSIFICATION OF THE AID PROGRAM

Mr. PASSMAN. Doctor, all of us use different approaches in making what at least I consider pertinent points about the diversification of this program. If you had a million dollars that you wanted to invest and you were given two choices as to whether it would be repaid in 40 years at 3 percent interest per annum, or you could invest it for 40 years, no interest, just a three-fourths-of-1-percent service charge each year, in which area would you invest your million dollars?

Dr. HANNAH. Ordinarily you would invest it where you get 3-percent interest as against none.

Mr. PASSMAN. Thank you very much. As I have said many times before—and certainly it is no reflection on you or your position because you are a dedicated individual—the AID budget requests in the past were greatly inflated. But the point I made just before answering the bells verifies without any question whatsoever the accuracy of my previous statements. If ever a man has been proven correct, I have, by Mr. Tollefson's statement, by your confirmation, and even that notwithstanding, we cut last year's budget by over $800 million.

Mr. TOLLEFSON. Mr. Chairman, I did express concern.

Mr. PASSMAN. Let me be honest with you. Off the record.

(Discussion off the record.)

PURCHASE OF MILITARY EQUIPMENT BY AID-RECEIVING COUNTRIES

Mr. PASSMAN. Dr. Hannah, last week we held hearings on the military assistance portion of the foreign aid program. It was noted during these hearings that our military assistance program in some countries had been temporarily discontinued for many reasons. But these people turned around and purchased military equipment from other sources. Also, many countries receive U.S. economic aid and no doubt use part of these economic aid funds or their own resources to purchase military equipment. Doesn't it make sense that this is what has happened? It seems to be one of the things we have to contend with.

I might put it in the form of a question: most countries, if not all, are determined to have some type of a military establishment, and if we credit them with economic aid so that they can purchase with dollars what they need for their developing economy, that releases to

them some portion of their earnings of their own economy to pay for their military purchases, does it not?

Dr. HANNAH. It could, it is not necessarily so, but it is possible.

Mr. PASSMAN. That is a rather vague answer, but that is the way you gave it to me.

Do you concur with me that most nations insist on having some type of a military establishment?

Dr. HANNAH. They do when they are concerned about their neighbors.

Mr. PASSMAN. The equipment for their military establishment, if it is not given to them, has to be paid for.

Dr. HANNAH. Ordinarily, unless somebody else gives it to them.

Mr. PASSMAN. If it is not given to them, they have to pay for it. If they do not have sufficient earnings from their own economy to take care of the necessities of life and their military budget, and if we pick up the tab for the necessities of life, it is easier for them to take their own resources to finance the military, is it not?

Dr. HANNAH. The answer would be yes.

(Discussion off the record.)

Mr. PASSMAN. Has any economic aid been withheld this year from countries purchasing sophisticated military equipment from other countries?

Dr. HANNAH. I think the answer is no.

Mr. PASSMAN. Thank you.

Dr. HANNAH. Inquiries have been made of a country or two where we suspected it might be true, and I think we are satisfied with the answers they gave us, that they have not violated the amendment.

Mr. PASSMAN. Wouldn't it be true that certain countries, such as Peru and others who are determined to purchase sophisticated weapons equipment, but because of the Conte-Long-Passman amendment, could be cut off if they did? Do you have an aid program in Peru at the present time?

Dr. HANNAH. Yes. It has been in abeyance for the past many months. We are carrying forward some technical assistance programs.

Mr. PASSMAN. You have some disbursements going on now?

Dr. HANNAH. Yes, for past commitments.

Mr. PASSMAN. They are spending money out of their own economy for sophisticated military equipment too, are they not?

Dr. HANNAH. I would have to assume they are.

(Discussion off the record.)

Mr. PASSMAN. Did Peru last year buy any sophisticated weapons from any foreign country?

Mr. KNAUR. Not that I am aware of, sir.

Mr. PASSMAN. In the last 3 years?

Mr. KNAUR. Yes, sir, Peru bought 16 Mirage aircraft in 1968.

Mr. PASSMAN. What has been our total aid to Peru from all spigots?

Dr. HANNAH. The total is $452 million economic and military from the beginning of the program.

Mr. PASSMAN. Is that net?

Dr. HANNAH. That is the net amount.

Mr. PASSMAN. After any small repayments, if any.

Dr. HANNAH. That is what this record shows.

Mr. PASSMAN. You would have to add any disbursements made in fiscal year 1970 to get the grand total?

Dr. HANNAH. Yes. We have a small technical assistance program for Peru in fiscal 1970. The AID program is $3.7 million.

Mr. PASSMAN. I am interested in the overall program because we have so many brands of it. Let us get all brands. That is what I want in the record. This fragmentation has not been as successful as those who practice that art thought it would be.

You are familiar with the Inter-American Development Bank?

Dr. HANNAH. Yes.

Mr. PASSMAN. It is not administered by you?

Dr. HANNAH. Not at all.

Mr. PASSMAN. It is my understanding that they have millions of dollars undisbursed, and yet they have a request now for a supplemental appropriation. Are you familiar with that?

Dr. HANNAH. Only in a casual way because that is not in my area of responsibility. I understand that is true.

Mr. PASSMAN. Would you like to know about some of these other spigots of aid?

Dr. HANNAH. I am always interested.

Mr. PASSMAN. I did not think you knew anything about it and that is exactly why I brought it up.

TRANSFER OF AID FUNDS TO THE INTER-AMERICAN DEVELOPMENT BANK

I note from your statement that for Alliance for Progress loans, an appropriation of $337.5 million is being requested, plus the use of receipts and recoveries, less $31 million for population grants, and $9 million for transfer to the Inter-American Social Development Institute, which will make $418.1 million available for lending in fiscal 1971. Of this amount $313 million is for Brazil, Colombia, and Central America Common Market countries. Another $10 million will be made available to the Inter-American Development Bank to complete funding of President Nixon's $15 million pledge in support of an Inter-American project preparation fund. You are proposing to take money out of AID and give it to the Inter-American Bank?

Dr. HANNAH. That is our proposal. This requires an amendment at some stage. I assumed that it will be taken up when our Latin American people are here.

Mr. PASSMAN. It involves AID; therefore, I thought it would concern you.

Dr. HANNAH. It does concern us, and before that transfer can be made it takes an amendment to our appropriations act.

Mr. PASSMAN. It is being proposed?

Dr. HANNAH. It is, and this is a commitment that has been made by the President.

Mr. PASSMAN. The Inter-American Bank would get AID funds?

Dr. HANNAH. It would mean we would turn over $10 million to them for this purpose.

Mr. PASSMAN. Would you indicate for the record at this point what type of amendment you need to be able to transfer this $10 million to the IDB?

Dr. HANNAH. My expert tells me no funds can be transferred in fiscal 1970 under section 205 or 251(h) of the Foreign Assistance Act

because section 121 of the appropriation act, prohibits such transfers. However, it is proposed that there be a $10 million transfer in Alliance loan funds to the IDB for the Inter-American project preparation fund.

The present restriction on transfer under section 251(h) will have to be lifted before that can be done.

Mr. PASSMAN. But you are contemplating transferring AID funds to the Inter-American Development Bank.

Dr. HANNAH. That has been proposed.

Mr. PASSMAN. Why don't you bring to the President's attention the millions of dollars they have undisbursed, and the amount of money that is rolling into the Bank. It would appear to me that this committee, or at least the chairman, owes the Agency an apology for yielding to the Senate last year on these large sums of money. Somebody has an idea that since you have an inflated appropriation this year you will be able to use some of the excess money to give to an international organization such as the Inter-American Development Bank. I just do not think it is good practice to handle AID funds as loosely as this would appear. I think you would want to have a hard look at it, Doctor.

PAKISTAN'S DEBT SERVICING CAPACITY

In our hearings with the International Development Association it was stated a World Bank-sponsored group met recently in Paris to consult on the debt servicing capacity of Pakistan to the creditor countries. Did you take part in such a meeting?

Dr. HANNAH. I did not take part in it.

Mr. PASSMAN. Thank you.

Dr. HANNAH. But I believe that we had someone there.

Mr. PASSMAN. Did you have a member there?

Dr. HANNAH. I assume if anyone was there from AID, it would be Maury Williams who is the Assistant Administrator for Near East and South Asia.

Mr. PASSMAN. If you do not know, who would?

Dr. HANNAH. He would be it.

(Discussion off the record.)

Dr. HANNAH. If we were represented we were most likely represented by Maury Williams, the NESA Assistant Administrator, a very competent and able fellow.

Mr. PASSMAN. Let us know whether you had a representatice there.

Dr. HANNAH. I am informed that Mr. Curtis Fairar, Mr. Williams' deputy, represented AID at the meeting.

Mr. CONTE. Mr. Chairman, I think what the doctor is saying is that you do not pass all these meetings, do you?

Dr. HANNAH. I do not.

Mr. PASSMAN. I am not discussing the fact whether Williams, Brown, or Smith attended, I am inquiring about the subject discussed. We are dealing with hundreds of millions of dollars in this rollover and debt-servicing rearrangement, are we not?

Dr. HANNAH. In total it is a very large problem.

Mr. PASSMAN. That is the only reason I asked the question. It is not a question of who attended.

If you are getting into an area where you are going to roll over, roll back, or update all these delinquent loan accounts, and there are hundreds of millions of dollars involved, I should think that the AID director would want to be in on such a meeting.

Dr. HANNAH. Let me read this into the record. At the February 1970 Pakistan Consortium Working Party on Debt, members generally agreed with the World Bank analysis that Pakistan's debt burden soon would cut net aid to that country sharply, thus jeopardizing her development prospects. It was agreed that members should seek a system for sharing net aid more equitably. Pakistan announced its intention to advance from 1985 to 1980 the target date for zero net aid on concessional terms, to place a ceiling on harder term credit and restrict its supplier credit to donors which also supply soft loans.

If I understand what Pakistan indicated, they were aware of the fact that they had an imminent debt problem and they were to move forward the target year from 1985 to 1980 when they hope to be standing on their own feet as far as their economic aid is concerned. That is a pious hope. I hope they reach it.

Mr. PASSMAN. They have a problem and that problem is going to help them improve their situation; is that the way the statement reads?

Dr. HANNAH. Good management requires that borrowing countries recognize that as they borrow money they not only contract obligations to pay interest but to eventually pay the principal. Some of these people may be a little unsophisticated and they are like some individuals in this country, they do not face up to the day when they are going to have a hard fence to climb.

Mr. PASSMAN. You are including our own Government in that statement, are you not?

Dr. HANNAH. I am talking about individuals and Government. I am not talking about our Government as being unsophisticated. I am not talking about Pakistan being unsophisticated. I am talking about the leaders of some governments being unsophisticated on this matter. We think it is very appropriate to put this problem front and center so they keep in their planning the fact that we and other creditors expect them to keep their commitment and pay their interest and principal on loans.

Mr. PASSMAN. The fact is that most of our loans to Pakistan contain a 10-year grace period, no interest but only a three-quarters of 1 percent service charge.

Dr. HANNAH I assume most of our loans are soft loans.

Mr. PASSMAN. If they want a concession on the three-quarters of 1 percent service charge it is beyond my comprehension. These loans are just now beginning to reach the point where the borrowing country would have to start paying some small amount on the principal. If they cannot pay that small amount of interest, if you have to roll over the interest and capitalize it, which we are doing in some instances, it looks to me as if you are wasting an awful lot of paper and ink. Aren't other countries faced with the same situation?

Dr. HANNAH. Yes. Servicing debt is a problem for many of the developing countries.

Mr. PASSMAN. I don't think I would have much trouble servicing any debt if I were getting loans with a 10-year grace period and in-

terest free. I could handle that pretty well, at least for the first 10 years.

Dr. HANNAH. Those days of 10-year grace periods without interest are over.

Mr. PASSMAN. That is not what they are worrying about servicing now. It is the old loans which had 10-year grace periods.

Dr. HANNAH. Their new loans are 2 percent during the 10-year grace period and 3 percent thereafter.

Mr. PASSMAN. This subject matter does not relate to new loans. We are talking about the old loans where they are getting dangerously close to the end of the 10-year grace periods and they are not going to be able to meet their annual principal repayment obligations.

U.S. SUGAR ACT AND INTERNATIONAL COFFEE ACT CONSIDERED FOREIGN AID

Dr. Hannah, a GAO report of October 23, 1969, stated that "Commodity trade assistance is provided by the United States to less-developed countries primarily through the operations of the United States Sugar Act and the International Coffee Agreement." The report further states that these agreements are a form of foreign aid.

Dr. HANNAH. I would consider it foreign aid, but not development assistance in the normal sense of the word.

Mr. PASSMAN. What would these two items amount to? I wonder if you could help us establish what these programs of aid amount to?

Dr. HANNAH. We have no responsibility for those programs, but will be glad to get it for the record.

Mr. PASSMAN. You have a responsibility to this committee to furnish us any information we request.

Dr. HANNAH. If you ask us, we will get it for you.

Mr. PASSMAN. We want the sugar subsidy and the coffee subsidy so we can include them in our tabulation. We would like to have it for 1969, the program for 1970, and the estimate for 1971. We will need the estimates for fiscal 1971 immediately because you will assist me in getting out the recapitulation sheet on the total foreign aid request to date this year.

Dr. HANNAH. We will get it even if we have to get it from other agencies of Government.

Mr. PASSMAN. Those agreements would be handled by the Department of Agriculture.

Dr. HANNAH. I think it is Commerce, but we will get it.

Mr. PASSMAN. It might be a combination of three.

Dr. HANNAH. Agriculture, Commerce, and Treasury may all be involved.

Mr. PASSMAN. If you could comply with the request as quickly as possible, we will withhold publishing our sheet of different brands of foreign aid until that can be included. As you know, Cuba, actually was the largest recipient of aid of any nation in the world, when you take into account the tremendous sugar subsidy paid to them.

Dr. HANNAH. You mean in the past. We are not taking any sugar now.

Mr. PASSMAN. I am talking about the past, naturally.

But it gives you an idea that you cannot buy your own children, much less strangers, because on a per capita basis Cuba was the greatest recipient of our generosity of any nation in the world. We lost them and they are only 90 miles from our shores.

I believe that the GAO report establishes or claims that U.S. sugar assistance averaged between $290 million and $342 million a year during 1965–67. I am reading that date into the record so it may be a little easier for you to trace this down. If the GAO report is available, no doubt, it could tell you what source you could use to get this information readily. So we will amend our request to include 1965–70 by year, for the two categories of subsidy, as well as the estimated amounts for fiscal 1971.

Now, as friends equally interested in bringing what appears to be an uncontrollable program under control, I can tell by your expression that this causes you some concern the same as it causes me some concern. This is a part of the system under which we operate, and it has been going on for a mighty long time. You were very fair when you said you would consider it foreign aid. I have never included it before in my tabulation but it is aid, and it is understood that it is aid.

(The information follows:)

The administration of the U.S. Sugar Act and the operations of the International Coffee Agreement cannot be considered as development assistance expenditures because they involve no Federal Government outlays as subsidies to producing countries overseas.

Both mechanisms act to regulate the flow of imports of the relevant commodities and to insure the U.S. consumer an adequate supply without widely fluctuating prices.

Neither USDA, which administers these programs, nor the State and Commerce Departments or AID accept the assumptions of the GAO on what coffee and sugar prices would be without these stabilizing mechanisms. The difference between the sales receipts of suppliers of sugar to the U.S. market in 1965–67 and the receipts they theoretically would have obtained for the same quantity of sugar sold at "world market prices" is calculated by the GAO at about $300 million a year. However, it is obvious that if the United States were bidding for sugar without the controlled quota-price system, the "world market prices" could be considerably higher than those used by the GAO. Consequently it is impossible to calculate with any accuracy the financial benefits of the scheme to either the U.S. sugar producer or the foreign producer. In the case of coffee, there is no significant world market outside the agreement, and the difficulty of calculating its financial benefits to suppliers is even greater. Therefore, the GAO estimate of $300 million is very unreliable.

All American transactions in the distribution and consumption of both commodities are private commercial transactions. In this respect the mechanisms which regulate these transactions are similar to import regulations maintained by the United States and other countries on items entering international trade. If a U.S. commodity import scheme which increases the sales receipts of a less developed country is called foreign aid, by the same logic it can be said that a U.S. tariff which restricts that country's export sales of products such as textiles, shoes, and petroleum to the United States should be deducted from the calculations of U.S. aid to that country because of the substantial reduction in LDC export earnings.

The principal features of the U.S. sugar system are limitations on the total supply available to U.S. consumers, quota allocations to domestic and foreign producers, an excise tax on all sugar marketed in the United States and a tariff on sugar imports. There are U.S. Government subsidy payments to domestic growers only. There is no transfer of Government funds to foreign producers. In fact, the only outflow of Federal funds is to domestic producers.

The International Coffee Agreement, signed by 62 countries which account for 98 percent of world coffee production and consumption, acts (1) to achieve a balance between supply and demand; (2) to avoid excessive price fluctuations; and (3) to encourage the consumption of coffee. The main mechanism for controlling

prices is a restriction on the volume of exports. Each year the International Coffee Council makes a determination of the annual global export quota. The Council then distributes this quota among the member exporting countries, limiting the amount of their exports to member importing countries, including the United States.

In fiscal year 1971, the Treasury will provide $260,000 for the administrative budget of the ICA. Another feature of the International Coffee Agreement will eventually entail expenditure from the U.S. Treasury—the Coffee Diversification Fund which was established to complement the objective of restricting coffee production. The Fund is financed through compulsory contributions from 29 major member exporting countries and voluntary contributions from others; the United States has allocated $7.5 million in fiscal year 1970 and fiscal year 1971. No fiscal year 1970 funds have been released because the proposed projects have yet to be finalized. In any case, these funds are part of the AID appropriation and already counted as official U.S. aid.

Therefore, the International Coffee Agreement, like the U.S. Sugar Act, entails no cost to the U.S. Treasury for foreign recipients except a small amount for the Coffee Diversification Fund already included in the aid program and the $260,000 mentioned above.

(Discussion off the record.)

PRESENTATION OF FACTS ABOUT AID TO THE PUBLIC

Mr. PASSMAN. According to the January 28, 1970, issue of Front Lines—that is an AID newspaper; is it not?

Mr. TOLLEFSON. Yes, sir.

Mr. PASSMAN. One of the officials stated that a greater attempt must be made to present the facts about AID to the public. The article said that plans were being considered for holding frequent public discussions in Washington and possibly other cities to provide information on AID programs. Is that a statement of fact?

Mr. TOLLEFSON. There are a lot of interested private groups which hold informational meetings——

Mr. PASSMAN. I know, but is this a statement of fact?

Mr. HANNAH. Why don't you ask me? I will say "Yes."

Mr. PASSMAN. As you know, as a Member of Congress and chairman of this committee, I do not have millions of dollars of funds available so that I can point out the other side. This causes me some concern. I do not know of a thing I can do about it. But you people started a newspaper and now you are going to get out and sell AID and I do not know how it can be combated.

Mr. TOLLEFSON. It is an internal newspaper.

Mr. PASSMAN. But these things have a way of getting out.

Dr. HANNAH. Yes; that is true.

Mr. PASSMAN. Gentlemen, don't go too far with this proposal. People know very well what this giveaway program is. If you people are going to start having public meetings to disseminate this aid propaganda, I think you are carrying it too far. Have any definite plans been made to implement this program as of this time?

Mr. TOLLEFSON. We do not have any programs around the country sponsored by the Agency. There are a lot of interested private groups holding meetings.

Mr. PASSMAN. I quoted what you were proposing and you answered in the affirmative. My next question was: Have any definite plans been made to implement the public information program?

Mr. TOLLEFSON. As an agency, Mr. Chairman, we refer requests for

information to different sections of the Agency and we do respond to requests for information.

Mr. PASSMAN. The article said that plans were being considered for holding frequent public discussions in Washington and possibly other cities to provide information on AID programs; is that correct?

Mr. TOLLEFSON. Yes, sponsored by private groups.

Mr. PASSMAN. I believe Dr. Hannah also said it was correct.

Mr. TOLLEFSON. That is correct.

Mr. PASSMAN. I am going to ask the question again. Have any definite plans been made to implement this program I just referred to?

Mr. TOLLEFSON. Yes; plans have been made by various organizations to hold informational meetings. AID does not spend money arranging meetings but sometimes a representative is invited to participate.

Mr. PASSMAN. What type of plans?

Mr. TOLLEFSON. For example, I was in Louisiana last week with representatives of the State Department at a regional meeting. I spoke to the board of trade in New Orleans and the export people. A number of your friends asked for our participation.

Mr. PASSMAN. Did you pay for that trip out of your own earnings?

Mr. TOLLEFSON. No; they picked up the expense for that.

Mr. PASSMAN. If you start holding these seminars all over the United States, will AID pay the expenses of all these people?

Mr. TOLLEFSON. No. As I said, we were in Louisiana at their invitation and their expense.

Mr. PASSMAN. I know. You said that three times. I am also asking the question for the third time. As the article stated the proposal is to hold public discussions in Washington and possibly other cities to provide information on AID programs. If you go to other cities, will AID pick up the travel expense, or do you pay for it out of your own pocket?

Mr. TOLLEFSON. It depends on the type of meeting.

Mr. PASSMAN. If you hold these meetings in these cities, will it be at the expense of the public or will it be personal?

Mr. TOLLEFSON. A meeting of the type you described such as the one in New Orleans was paid for by the organizations that held the meeting.

Mr. PASSMAN. Who are the organizations?

Mr. TOLLEFSON. One was the New Orleans International Club.

Mr. PASSMAN. I am a member. Proceed.

Mr. TOLLEFSON. I thought you were. Several sent their greetings to you.

Mr. PASSMAN. You give them my greetings if you happen to go back again.

Mr. TOLLEFSON. You have a lot of friends there.

Mr. PASSMAN. I have a lot of friends everywhere.

Mr. TOLLEFSON. Some of the shipping people——

Mr. PASSMAN. They benefit from aid, do they not?

Mr. TOLLEFSON. The World Affairs Council?

Mr. PASSMAN. Don't the shipping groups benefit from aid?

Mr. TOLLEFSON. Yes. I was interested that one of the shipping lines in New Orleans operates without a subsidy.

Mr. PASSMAN. Don't go past that too quickly. Let us pin that down. They move the commodities at the prevailing ocean rates,

Mr. TOLLEFSON. Yes, there is substantial benefit to that area.

Mr. PASSMAN. Do you think this fact prompted them to ask you down there?

Mr. TOLLEFSON. I think it is good business for America as well as the recipient countries resulting from the foreign aid program.

Mr. PASSMAN. We may have to ask you more questions. In other instances AID will pick up the check.

Mr. TOLLEFSON. If we go out to speak to a group of university students, AID might respond like another agency in terms of sending a representative. We have done this. We do not have much opportunity to do this, but we do some of it.

Mr. PASSMAN. Do you have agents generating this interest?

Mr. TOLLEFSON. No, sir.

Dr. HANNAH. No, sir.

Mr. PASSMAN. This is a new program.

Mr. TOLLEFSON. There have always been interested people around the country who hold meetings——

Mr. PASSMAN. I am sure of that.

This plan to hold these seminars or public meetings and public discussions in Washington and other cities to provide information on aid programs, this is a new program.

Can you give the committee any estimate as to where you are going to hold these meetings and at what cost?

Mr. TOLLEFSON. AID is not paying that, sir, as I say. It is other private groups in business and labor and education that are sponsoring these meetings.

Mr. PASSMAN. Is it part of your job to travel all over the country and to try to sell people on this giveaway program when you should be in your office tending to your business? What is your official assignment?

Mr. TOLLEFSON. Dr. Hannah gives some speeches, I give some. I am the Assistant Administrator for Legislative and Public Affairs and work on projects across the board in the Agency.

Mr. PASSMAN. Don't you think you would know more about this program if you made fewer speeches and stayed in Washington and studied it?

Mr. TOLLEFSON. Yes, sir, I was at the office at 9:30 last night.

Mr. PASSMAN. I was at the office at 9:30, too.

(Discussion off the record.)

EFFECT OF POSTWAR AID

Dr. HANNAH. Let me conclude that I am pretty encouraged. I think there is a good probability that the Vietnamization program will succeed.

Mr. PASSMAN. I have a lot of faith in President Nixon. I think he has a positive plan to conclude the war.

Dr. HANNAH. I think he has, too. Beyond that, I remember very well being in Korea in 1952 and 1953 and 1954 right after the Korean war and if there ever was a discouraged place on earth, it was Korea. The fact of the matter is that Korea is about to stand on its own feet economically. They have come a long way.

Mr. PASSMAN. Have the American taxpayers put a lot of money into Korea?

Dr. HANNAH. We put a lot of money as we did in Japan or Germany. They made good progress and we helped them.

The final point I would like to make is that if you and I could come back to this world 30 or 40 or 50 years from now, the probabilities are pretty good that we would see a vigorous people in Vietnam able to run their own Government and own economic system and very effectively.

Mr. PASSMAN. Reading history, you know that fighting is a way of life in Indochina. It used to be that both sides would call off the war temporarily, go to a big dance, and have a good time, and the next day they would go back to fighting each other again.

(Discussion off the record.)

Mr. PASSMAN. Cut your aid in half and these people will start respecting you. I think that our President realizes there is no reason why a South Vietnamese soldier should not fight as good as a North Vietnamese soldier. They are the same people, same tongue, same training. I think the President recognizes that and I think he is going to give them a chance to secure a stable government. I read recently where 86 percent of the Vietnamese are slightly molested by the war and are living perfectly normal lives. Did you see that statement?

Dr. HANNAH. I would not believe it if I saw it in the paper because I have been there too often.

Mr. PASSMAN. I have been there several times since 1956. Off the record.

(Discussion off the record.)

POSSIBLE POSTWAR AID PROGRAM FOR NORTH VIETNAM

Mr. PASSMAN. Dr. Hannah, it is my understanding that at a press conference you made a statement to the effect that if North Vietnam asked for economic aid after the war there should be no reason why we should not consider it.

Dr. HANNAH. If you have the transcript when the question was asked, that had to do with whether or not other nations of the world were going to participate in trying to help the South Vietnamese, somebody asked the question as to whether or not I thought that when the war was over if North Vietnam should be eligible for assistance, and I commented something to the affect that—if they wanted it. I doubted if they would ask for it. I said that we ought to take a look at it at that time. That is what I feel.

Mr. PASSMAN. I do not see how you could answer the question any better. But I hope you change your mind. We are in a bad enough mess as it is now with our international balance of payments. We are losing our world markets because we are pricing ourselves out of the market. I just hope we do not add North Vietnam.

Dr. HANNAH. I am not advocating that we add them on.

Mr. PASSMAN. I did not say you were, but I think your answer was in the affirmative to the press and it is affirmative today. You have

a right to answer the questions the way you feel. I do not have the right to criticize. I hope you change your mind. The first thing you know China will be getting in the program. Wouldn't that be something?

Mr. SHRIVER. Which China?

Mr. PASSMAN. Red China. If he is going to let North Vietnam in the program, I do not know why you would not consider Red China as a possibility. This doctrine is not new. I think a former President held out the grab bag and said, "Come and get it."

Dr. HANNAH. I do not want to explain the statement, but as you know, the Swedes have indicated and set aside some money for North Vietnam and South Vietnam. The question has been raised elsewhere in the world, when the war is over, whether North Vietnam should be eligible for some kind of assistance from somebody. It is my belief you cross that bridge when you get to it.

(Discussion off the record.)

Dr. HANNAH. Mr. Chairman, let us make it straight, I am not advocating assistance for Communist countries or Communist North Vietnam. I think as the world changes we ought to be openminded and take a look at the situation at the time the matter comes up. I would not preclude the possibility if the South Vietnamese would win the war, and the North Vietnamese decide they want to change their ways, and if they have hungry people, maybe we ought to take a look at it and see if we want to give them something to keep them from starving to death.

Mr. PASSMAN. Let them live like they have lived for a thousand years. You people seem to think that if they do not get our aid they are going to starve. That is a new philosophy, if you are not included in Uncle Sam's grab bag, you are starving. There are only a few nations in the world where you have people starving. Even the former President of the United States said 20 percent of this country were starving and went to bed hungry. Consequently, you had food packages coming from abroad. It is wrong to feel that people cannot get along unless they are getting their paws in our grab bag. I hope if this happens, I am not here.

This committee has been criticized for wrecking the AID program because each year substantial reductions are made in the budget request. But concerning last year's bill, fiscal 1970, let me quote Mr. Burt Tollefson, Assistant AID Administrataor, when he appeared on CBS radio's "Capital Cloakroom" in January 1970. It was said that while AID is disappointed with some congressional cutbacks on the foreign aid bill, "the economic levels agreed upon by Congress are going to enable us to proceed with a realistic program." Last year you requested $2.3 billion and the Congress appropriated $1.5 billion which is more than you needed, more than you should have had, but even so that was an $800 million reduction below the budget request, is that correct?

Dr. HANNAH. That is correct.

Mr. PASSMAN. That is convincing proof that you people do not know what you need when you can have a realistic program after taking an

$800 million reduction. Let us take a brief recess while I answer the bells.

(Recess.)

Mr. PASSMAN. Your circulation may be greater than the New York Times if you continue to publish this agency paper. I would like to have a list of the officials, purpose of the meeting, and the cost to AID for all individuals who spoke at various meetings throughout the United States to date in fiscal 1970. If you people—instead of spending your time trying to master this program—are out running around the country trying to sell people on the AID program——

Dr. HANNAH. Mr. Chairman, I think I am going to have to respond to this line of questioning.

Mr. PASSMAN. Go ahead.

Dr. HANNAH. First, Front Lines is a publication that has been in operation for a good many years for employees of AID in this country and around the world. We have people scattered all over the world and it is a communications media. It does not have any general circulation. I think it is justifiable, and useful. When you talk about the propriety of the Administrator or some other employee of AID accepting an invitation to explain a program that costs as much as it costs to chambers of commerce or other organizations around the country, I think there is a responsibility to go out and answer their questions.

Mr. PASSMAN. Why don't you send me out occasionally? I will be very happy to represent you and I will promise you if you let me fill some of those engagements, the very first time I misrepresent the facts, I will reimburse you and also give you an equal amount for your church.

You know I know what you people are doing and I don't like it. Mr. Tollefson said a greater effort must be made to present the facts about AID to the public. The article further said plans were being considered to hold frequent public discussions in Washington and possibly other cities to provide information on AID programs.

Gentlemen, I know the type of information and propaganda you put out. I won't fuss if you will let me share the same platform with you; how about that?

Mr. TOLLEFSON. You are very articulate.

Mr. PASSMAN. Every time you get a good invitation, let us make it an hour's program, you can either speak first or last, and I will assure you what I put on the line will be factual. I am not going to deal strictly in the imaginary field. I am going to deal with the cold facts of life as to what this is doing to the economy of the country, to our balance-of-payments situation, and to the public debt that must be paid by unborn generations. Interest on the public debt now is running at $51 million a day. I believe you told me you will share this honor with me on these invitations. We will speak jointly. Does that sound all right?

Mr. TOLLEFSON. Fine.

Mr. PASSMAN. When is your next invitation? I want you to speak first so you can smear it on. You made me a promise.

Mr. TOLLEFSON. It may be 3 or 4 weeks from now.

Mr. PASSMAN. I know what you people are attempting to do. You are attempting to put this program on a multilateral basis. Off the record.

(Disscussion off the record.)

EXPERTS AND CONSULTANTS EMPLOYED AT RATES IN EXCESS OF $100 PER DAY

Mr. PASSMAN. According to section 626(a) of the Foreign Assistance Act of 1961, as amended, experts and consultants may be employed but not at rates in excess of $100 per day. However, under section 636(a)(3) of the same act, you are able to contract for certain individuals abroad without regard to the limitation of $100 per day?

Dr. HANNAH. That is right.

Mr. PASSMAN. I think last year we ran into one consultant who was getting $260 a day. Some of them were getting $250 a day, many $200, and $150 was quite frequent, is that right?

Dr. HANNAH. There was a substantial number. I asked Mr. Flinner to find out how many there had been in fiscal 1970 to date and he tells me the figure is about 41 consultants that have been on a per diem at varying amounts over $100 a day. It is true last year there was a management consultant in Thailand that was paid $250 a day.

Mr. PASSMAN. $260 a day, was it not?

Dr. HANNAH. Whatever it was.

Mr. PASSMAN. Let us get it accurate. It was either $260 per day or not.

Dr. HANNAH. Last year it was $260 for one man in Thailand, that is correct.

Mr. LONG. Will the Chairman yield?

Mr. PASSMAN. Yes, I yield.

Mr. LONG. What was the total sum of money paid to that person?

Mr. FLINNER. The number of days he was scheduled——

Mr. LONG. I do not see anything wrong with that if it were a short tour of a week or so.

Mr. PASSMAN. If he was out there one afternoon, I could also buy it.

Mr. LONG. You have to pay him for getting over the cramps. If he got the same bug I got in Thailand I would want more than that for a short period.

Mr. PASSMAN. Many of the other consultants are hired for $100 a day. You have others for $250 and $150 per day.

Mr. FLINNER. The period of the contract was September 26 to December 15.

Mr. PASSMAN. Was he paid on a basis of 5 days a week or what?

Mr. FLINNER. I will have to get the exact figures. It is on the days he actually worked and whether he worked on Saturdays and Sundays I do not know.

Mr. PASSMAN. If he worked on Saturdays and Sundays?

Mr. FLINNER. He would get paid for it.

Mr. PASSMAN. I want to know what you paid the man. What other compensation did he get?

Mr. LONG. Why would we have to pay that much to a management consultant out there?

I am a little curious about that little particular incident. It seems like a pretty fat fee, although lots of people get paid more than this in a professional capacity nowadays. I would be interested in it.

Dr. HANNAH. We will get all the facts and submit them so we are not guessing. I do not know.

Mr. LONG. Is he a person of unusual qualifications, that particular person?

(Discussion off the record.)

Dr. HANNAH. All this says here, he spent the period from October 3 to December 13 in Thailand. He worked a total of 24½ days in connection with his contract and received per diem in addition to his fee. The per diem was at the standard rate established for different locations. For example, $18 per day in Bangkok. His work was very well done. The mission in Thailand agreed that follow-on services are required as suggested by him and his recommendations were incorporated and so on.

Mr. LONG. What would he be doing there?

Dr. HANNAH. There is not enough information here to give it to you. We will have to find out.

(The information follows:)

STATEMENT OF MR. GLADIEUX'S DUTIES WHILE IN THAILAND AND A BREAKOUT OF TOTAL MONEY PAID HIM

Mr. Bernard Gladieux was hired under a Personal Services Contract effective September 26, 1968, to examine and analyze organization and management problems and procedures related to the control of the AID-financed program in Thailand. He also was to define the scope of work required to develop an improved management information system incorporating the systems of the Thai Government Agencies as they relate to AID programs in Thailand. The mission believed it would be very useful to have the advice of a well-known expert from the U.S. help address the problems of administering a program as large, both in dollar terms and number of personnel, and complex as is our program in Thailand.

Experts in this field for short assignments overseas are difficult to locate. Generally, they are employees of a company that command very high salaries in addition to charges for fringe benefits, overhead, travel costs, backstop costs, per diem, and profit.

Mr. Gladieux is an outstanding individual in this field. He is a partner of Knight & Gladieux, Inc. A contract with this firm for Mr. Gladieux's services normally would have been at the salary rate of $350 a day for Government and nonprofit services and $500 a day for profitmaking firms, plus the company's charges.

The company permitted Mr. Gladieux, for the benefit of AID, to perform the services under a Personal Services Contract for a reduced salary rate of $260 per day. In other words, the company waived all other charges. He traveled at the economy class air fare and at the same per diem rate that every civil service, private contractor, or university employee does when using Government funds.

The contract time was estimated at 28 days. The work was accomplished and he was paid for 24½ days and received per diem in addition to this fee at the standard rate established for Bangkok, $18 per day while he was in Bangkok.

His work was very well received, and his recommendations were incorporated into a scope of work for additional services. A new contract, using his proposed scope of work, was advertised for services to help design and implement a management information system. System Associates, Inc., of Long Beach, Calif., was selected and recently completed its work which the mission now is reviewing.

List of expenses from Oct. 3, 1968, to Dec. 13, 1968

Services rendered (24½ days at $260)	$6,370.00
Travel and transportation	1,292.91
Subsistence (per diem)	383.25
Passport, visa, and medical fees	31.68
Total	8,077.84

Mr. PASSMAN. According to the information on pages 311 and 312 of last year's hearings you had another consultant at the same place, a development banking adviser who was getting $160 per day. You also had a marine transport economist who was getting $200 a day. We find another one. Mr. Frank Twohy in Pakistan, February 28, 1969, to August 15, 1969, and he got $250 a day.

Mr. CONTE. Mr. Chairman, you would not go to Pakistan for $250 a day.

Mr. PASSMAN. I have gone there for a lot less per day.

Mr. CONTE. And stay there?

Mr. LONG. Mr. Chairman, this can be an awful lot or very little. It depends on the qualifications of the person. I tried to get a prominent Democrat to speak at my fundraising dinner and I offered him $1,000 for a half hour. He turned me down because I am told his fee is $3,000 for an hour.

Mr. PASSMAN. I can get you a lot of Democrats for $25 a day.

Mr. LONG. Almost any Senator can get $500 for making a speech. I think anybody who is willing to hire somebody for a fee of $100 ought to be condemned to listen to him.

Mr. PASSMAN. It is all the same, they come at different prices.

Mr. CONTE. You are absolutely right.

Mr. LONG. I think $250 is not excessive if he is a first-rate man.

Mr. PASSMAN. Let me say for the record seriously that I have to work for a living and $250 is a lot of money to me.

Mr. LONG. That is a matter of opinion.

Mr. PASSMAN. We need one Clarence Long on this committee and we need one in the Congress.

Thank you Mr. Long, for your contribution.

(Discussion off the record.)

Dr. HANNAH. As a serious response to your question as a result of your questioning and the information gathered to respond to it——

Mr. PASSMAN. What question.

Dr. HANNAH. The question that resulted in what you just put in the record again, the number of consultants we had in excess of the normal rate and what they had been doing, and so on. This whole matter will be carefully scrutinized and there should be less of them in 1970 than there were before.

We will be glad to make available to you the list.

(The information follows:)

FISCAL YEAR 1970 SALARY WAIVERS

Name	Contract No.	Country	Amount (per annum/ per day)	Period of time	Contractor	Title
Frederick T. Moore	ea-55	East Asia (regional)	$30,000	Jan. 2, 1969 to Jan. 31, 1970 [1]	Development & Resources Corp.	Economist.
Samuel Moment	ea-55	do	200	Approximately 1 week	do	Consultant, industrial development planning
Eugene O'Brien	ea-55	do	35,000	Jan. 2, 1969 to Jan. 31, 1970 [1]	do	Consultant, delta and flood control inputs.
Walter Seymour	ea-55	do	42,500	do. [1]	do	Consultant, power development.
Robinson Newcomb	ea-64	do	200	Apr. 15, 1969, to Aug. 31, 1969	Robinson Newcomb	Marine transport economist.
Dr. Ira Baldwin	ea-95	Indonesia	35,000	Sept. 1, 1969 to Mar. 1, 1971	Midwest Universities Consortium, Inc.	Vice president emeritus, University of Wisconsin.
Donald R. G. Cowan	ea-76	Thailand	180	June 26, 1969 to Nov. 30, 1969 [1]	Donald R. G. Cowan	Electric utility economist.
James E. Gallagher	ea-78	do	160	June 24, 1969 to Jan. 15, 1970 [1]	James E. Gallagher	Electric utilities management and training specialist.
John W. Kushing	ea-77	do	180	June 26, 1969 to Jan. 15, 1970 [1]	John W. Kushing	Electric utility engineer.
George W. Naylor	ea-81	East Asia (regional)	[2]	June 25, 1969, to June 30, 1970 [1]	George W. Naylor	Advisory services to Asian Industrial Development Council.
Dr. Karl Frederick Mattil	ea-84	EA/NESA	26,040	June 30, 1969 to June 29, 1970 [1]	Texas A. & M. University	Senior research chemist.
Alois Hoefle	nesa-452	India	150	8-5-day weeks	Detroit Edison Co	Expert, to assist the GOI Electric Power Economy Committee.
Robert C. Allen	nesa-452	do	150	6-5-day weeks	do	Consultant, to assist the GOI Electric Power Economy Compnay.
William J. Clapp	nesa-452	do	150	4 5-day weeks	do	Do.
Robert M. Hatfield	nesa-452	do	150	6 5-day weeks	do	Do.
Louis H. Bean	nesa-450	do	150	3 months	Louis H. Bean	Consultant, weather/crop data study.
Robert A. Hammond III	nesa-453	Pakistan	240	60 days	Robert A. Hammond III	Consultant, antitrust law.
Glenn H. Pogeler	nesa-481	CENTO	125	do	Glenn H. Pogeler	Consultant, marketing cooperatives.
Dr. Myron Weiner	nesa-441	India	150	30 days	Dr. Myron Weiner	To study socio-political effects of demographic changes.
Dr. Thomas Thorstensen	nesa-439	Afghanistan	150	1 month	Dr. Thomas C. Thorstensen	Consultant, fur processing.
M. Justin Herman	1a-616	Chile	145	July 15, 1969 to Sept. 30, 1969 [1]	M. Justin Herman	Consultant, urban development.
Hector Pineiro	AID-517-288-T	Dominican Republic.	125	Nov. 20, 1969 to Feb. 20, 1970 [1]	Hector Pineiro & Associates	Tourism.

Arthur Smithies	AID–730–3015–T	Vietnam	156	20½ days	Simultmatics Corp	Economist.
Victor G. Probst	VN–67	AID/W for Vietnam	250	4 days	Victor G. Probst	Architect.
Pasquale A. Don Vito	FE–291	Vietnam	120	September 1969	Development & Resources Corp.	Consultant, commodity marketing.
Armand Burgun	VN–69	AID/W for Vietnam	250	4 days	Armand Burgun	Architect.
James I. Campbell	VN–68	do	250	do	James I. Campbell	Do.
Paul Opperman	VN–73	Vietnam	150	Oct. 31, 1969 to Mar. 30, 1970	Paul Opperman	Urban specialist (architect).
John S. Cowan, M.D.[3]	FE–260	do	33,495	Nov. 1, 1969 to Apr. 1, 1971	American Medical Association	Field director.
James F. Hammersten, M.D.[3]	FE–260	do	29,205	July 15, 1969 to Oct. 15, 1969	do	U.S. university department.
Kelly McGuffin West, M.D.[3]	FE–260	do	28,000	do	do	Medical lecturer (medicine).
Margaret R. Abernathy, M.D.[3]	FE–260	do	30,400	July 15, 1969, to August 15, 1969	do	Medical lecutrer (neurology).
John A. Shively, M.D.[3]	FE–260	do	30,000	July 28, 1969, to October 10, 1969	do	Medical lecturer (pathology).
William G. Hemenway, M.D.[3]	FE–260	do	35,000	December 6, 1969 to January 20, 1970.	do	Medical lecturer (otolaryngology).
Fred V. Lucas, M.D.[3]	FE–260	do	38,000	January 13, 1970, to February 13, 1970.	do	U.S. University department chairman (University of Missouri).
David R. Wesser, M.D.[3]	VN–12	do	28,000	February 1, 1969, to March 1, 1970.	Children's Medical Relief International.	Senior plastic surgeon (chief of party).
Kenneth E. Wessels, D.D.S.[3]	VN–2	do	33,000	October 1, 1969, for 18 months	American Dental Association	Program director, Vietnam.
Stephen P. Forrest, D.D.S.[3]	VN–2	do	27,500	December 1, 1969, to February 1, 1970.	do	Dental educator/prosthodontics.
Edward J. Forrest, D.D.S.[3]	VN–2	do	31,500	October 1, 1969, to December 1, 1969.	do	Dental educator/orthodontics.
James R. Jensen, D.D.S.[3]	VN–2	do	27,500	October 13, 1969 to December 13, 1969.	do	Dental educator/operative dentistry.

[1] Contract term.
[2] Not to exceed $175 per day.
[3] These 12 physicians and dentists involved in the University of Saigon medical and dental education program. They are eminent physicians and dentists in their fields establishing and developing specialty departments in the University of Saigon Medical School. This is a vital educational need in Vietnam at this time.

Mr. PASSMAN. Doctor, you will always admit to your mistake if we give you time. Thank you.

I am glad to have this information. I hope Dr. Long reads it and he will know the purpose of the question.

Dr. HANNAH. There are places where a very high fee is justifiable; where the fee is not justifiable we do not intend to have them.

Mr. PASSMAN. You are going to bring it under control.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Thank you very much. You know what I am talking about and you are very fair.

Mr. CONTE. If the chairman will yield, on the other side of the coin, many years ago I was in Cairo and we went out to look at a reclamation project in the Great Western Desert. A lot of people in the Agriculture Department in Egypt were educated in the United States, many of them at the University of California. Many of them also had Ph. D.s.

Mr. LONG. They must be smart people.

Mr. CONTE. I asked them what they thought of our AID people. This goes back about 10 years. Their biggest complaint was that on water, for instance, we would send somebody equivalent to an agricultural extension man whereas the Soviet Union would send their top people in this particular field. They said they would rather have one person who is tops in that particular field from the United States than have 50 of these people who are not as educated as their own people.

Dr. HANNAH. That is a good point.

Mr. PASSMAN. It is a good point.

Mr. CONTE. You are going to have to pay for a good man.

Mr. PASSMAN. You will have to pay for a good man but you do not have to pay a man the equivalent of what the President of the United States gets. I can understand where you have to pay a man $150 a day, but that is a lot of money. In addition, he gets daily subsistence expense and all travel expenses. If he will take $100 a day, that is $36,000 a year; $150 a day for a year amounts to more than what Members of the Supreme Court or any Cabinet member earn. There are only two people in the United States on a daily basis who get more.

Mr. LONG. Mr. Chairman, good lawyers in Baltimore, in one of the A-rated firms, want several hundred dollars a day for just routine consulting work at home. The chairman is talking nonsense when he is saying $150 is a big fee for first-rate people.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You remind me more of former Secretary McNamara than any man I know and I like you. I say again, and Dr. Hannah concurred, that this rate is excessive.

Dr. HANNAH. I said it could be and we are going to take a careful look at it.

Mr. PASSMAN. You said you are going to bring it under control; did you not?

Dr. HANNAH. I did.

Mr. PASSMAN. That is all I want to know.

Dr. HANNAH. I am not saying $250 a day is necessarily excessive.

Mr. PASSMAN. Then why do you want to cut it?

Dr. HANNAH. I did not say we are going to cut him. I want to be sure they are justifiable.

Mr. PASSMAN. You indicated earlier that it was excessive and that you are going to bring it under control.

FOREIGN HOLDINGS OF U.S. SECURITIES

Would you list for the record the amount of U.S. securities held by the various countries contained in the fiscal 1971 economic and/or military assistance program, indicating the dollar value, when they purchased the securities, when they will mature and what rate of interest they will bear?

Dr. HANNAH. I take it you are asking for the same information you asked for last year and we will get it as we did then.

(The information follows:)

NONMARKETABLE U.S. TREASURY BONDS AND NOTES ISSUED TO OFFICIAL INSTITUTIONS OF FISCAL YEAR 1971 AID-RECIPIENT COUNTRIES, OUTSTANDING AS OF DEC. 31, 1969

[Dollars in millions]

Country	Date of issue	Date payable	Interest rate (percent)	Amount outstanding
Taiwan	Sept. 9, 1968	Mar. 9, 1973	5.35	$10
	Oct. 9, 1968	Apr. 9, 1973	5.50	5
	Nov. 22, 1968	May 22, 1973	5.50	3
	Dec. 24, 1968	June 25, 1973	6.00	2
Total				20
Korea	July 1, 1968	Jan. 2, 1973	6.00	10
	July 2, 1968	Jan. 2, 1973	6.00	5
Total				15
Thailand	Dec. 31, 1968	July 2, 1973	6.00	100
Grand total				135

Note: Nonnegotiable Treasury securities are held by numerous countries, including Thailand, Korea, and Taiwan as part of their foreign exchange reserves. Because of its preeminent position in the world, the U.S. dollar is the principal international reserve currency. As an alternative to short-term liabilities which would contribute to the U.S. balance-of-payments deficit, reserves held in longer term, nonliquid U.S. Treasury securities are analogous to investments and improve the U.S. balance-of-payments situation. The purchasing nations maintained their needed reserves, but in a form which was most advantageous to the United States. Thus these transactions reflect a cooperative effort between two nations engaged in important joint efforts.

NUMBER OF INDIVIDUALS INVOLVED IN FOREIGN AID PROGRAM

Mr. PASSMAN. Previously we requested for the record a list showing the number of individuals drawing a monthly stipend, salary

check, or subsistence payment that are on what we refer to as a payroll. The Controller understands what we want. We would like it broken down in categories, U.S. direct hire, direct hire, foreign; contract hire, United States; and contract hire, foreign. Directly under that we want to know the name of the firm with whom you have your contract for direct hire personnel—firm, college, university, or workshop. It must be all inclusive. It looks to me as if this program is becoming a bonanza for a lot of people, and institutions of America. There is a big commission paid for contract hire personnel, and there is no commission on direct hire; is that correct?

Dr. HANNAH. When you say that it is growing, as a matter of fact, these expenditures are decreasing. The appropriations that have been made available in recent years have been decreasing. The number of employees have been decreasing. The total employees direct and on contract have been decreasing. But we will get the information you asked for.

Mr. PASSMAN. I can only say, Doctor, you are wrong. The aid program has been increasing, but it has been fragmentized.

Dr. HANNAH. I am talking about the part I am responsible for.

Mr. PASSMAN. My statement is all inclusive. I am not going to examine on just one spigot of aid which represents only $1,800 million out of the $12 billion total aid and assistance program. The Controller has always been able to get this information and I want it again this year for the record.

Dr. HANNAH. We are going to be cooperative and get it for you. But I want to make it clear also that you are asking us to get a lot of information——

Mr. PASSMAN. A lot of information is what we want.

Dr. HANNAH (continuing). About programs over which we have no control.

Mr. PASSMAN. It is always available. We were able to get it in previous years. There should not be any reason why we could not get it this year. You have a lot of contracts with colleges, universities, workshops, and other similar organizations, and you pay them a very substantial fee for employing these people. I am trying to compare the cost of direct hire employees against contract hire. That is exactly what I want and that is what I am going to get, before we mark up this bill.

Dr. HANNAH. Mr. Chairman, I am just repeating, we have indicated every step of the way we are going to get it and make it available.

AMOUNT OF U.S. EXPORTS TO AND FROM COUNTRIES FOR 1960–69

Mr. PASSMAN. Would you also provide for the record a table showing the amount of U.S. exports to and imports from each country by year, 1960–69 inclusive?

Dr. HANNAH. Again we have to get it from the Department of Commerce and other agencies of the Government and we will get the best information we can get.

(The information was later furnished to the committee.)

Mr. PASSMAN. Let us take a brief recess.

(Recess.)

PUBLIC SAFETY PROGRAM

Mr. PASSMAN. Dr. Hannah, in our last year's House Appropriations Committee report concern was expressed over the low priority assigned to the Office of Public Safety which aids in the strengthening of internal security within some of the A.I.D. countries.

What has been done in the past year to develop this segment of your operation, if anything?

Dr. HANNAH. First of all, I feel that public safety is very important. I feel this International Police Institute that we operate here in Washington is one of the better things that A.I.D. does. It is my observation that in much of the world the only government the little people see is the local policeman. If the local police operation is well done and the individuals are treated with dignity and respect, then they think Government is pretty good.

Mr. PASSMAN. Which ones are you talking about?

Dr. HANNAH. I am talking about civilian police forces, not paramilitary forces. You asked me what we are doing about it. We are doing a good deal in trying to elevate the respectability of departments of public safety, operated by civilians.

Mr. PASSMAN. In foreign countries?

Dr. HANNAH. In foreign countries; yes.

The tendency is always to want to lump public safety with military assistance and cover them with the same brush. It is true that police operations have to do with domestic security, but they are something different. If you want to go into detail——

Mr. PASSMAN. I wish you would put in the record that you have done. You say you have done something. That does not answer the question at all. If you will, put in the record your program of fiscal 1969 and 1970 and what you envison for 1971.

Dr. HANNAH. I would like to make a brief statement.

Mr. PASSMAN. Of what you are doing in these areas?

Dr. HANNAH. Yes, sir.

(The information follows:)

COMMENTS ON THE PUBLIC SAFETY PROGRAM

The public safety program is an extremely significant part of AID's total assistance effort. A responsible and effective police force in an LDC, operating with complete integrity can help to provide a healthy environment for meaningful economic progress by all the people.

Presently, AID has Public Safety Advisors in 28 countries. In recent years, emphasis has gradually shifted to those countries faced with serious insurgency problems. As public safety program objectives initiated in many countries in the early and mid-1960's have been achieved, the overall requirement of funds has declined. In fiscal year 1969 $34.7 million was allocated for public safety activities and in fiscal year 1970 the total was $28.9 million. About 75 percent of our proposed fiscal year 1971 program of $26.8 million will be devoted to public safety

activities in Vietnam and Thailand. The remainder, or about $7 million, is allocated among the 26 other countries.

We are planning a careful review of the overall objectives of this phase of our assistance effort to identify major problem areas still requiring our support, and to determine whether our presently planned levels of assistance are sufficient. As an initial step, all missions will be reminded of the high priority which public safety activities should be given in the composition of overall mission programs. We intend to insure that the capability developed by the United States through our Office of Public Safety for the provision of police assistance to LDC's will be sustained.

Mr. PASSMAN. We get some cold blooded beneficial facts in the record, some members desires notwithstanding. We do know in this country as a result of many of the opinions of the U.S. Supreme Court, it is impossible, almost, to apprehend and jail even the worst criminals.

Despite the fact that that situation has developed so drastically in recent years, do foreign countries take cognizance of our system of Government? Are they trying to establish their courts and judicial systems along those lines or are they taking steps to control the type of crime that is running so rampant in America on account of the Supreme Court opinions? I am just wondering if our aid abroad is built around the system we have here, or are they creating a system whereby these criminals can be apprehended and jailed. We know what has been happening recently in Latin America and other parts of the world: They are kidnaping U.S. Government officials. Also I believe a Japanese official has been kidnaped recently. These are the things that prompted my question.

If you will put something in the record to show the direction in which they are traveling. Pick out two or three countries and compare their systems against that of ours; it would help the committee very much.

Dr. HANNAH. I will be glad to do it.

(The information follows:)

The United States does not attempt to persuade other nations to adopt specific American laws or rules of legal procedure. Each nation's legal system is a vital part of its sovereign identity and can become a positive force for development if adapted by the nation to the customs and needs of the people it serves. As in other aspects of development vital to national sovereignty—self-defense, economic growth, education policy—the United States is ready to furnish selective assistance only where it is wanted and where it can be effectively used. In legal development, especially criminal law and the concept of impartial justice, the United States has furnished assistance, at the request of a developing country, for the improvement of judicial administration and, more frequently, for the development of effective civil police services.

In Colombia, AID has provided an experienced American prosecuting attorney to assist the Colombian Attorney General's office in developing more effective procedures for criminal prosecution. It is also assisting in the development of a more effective police force through improved police training, including training in investigative procedures.

In Vietnam AID has contracted with Louisiana State University to assist the Vietnamese Government in the modification and unification of the various local legal codes, including the penal code and code of criminal procedure, as well as in the establishment of a new judiciary as an independent branch of government. At the same time AID supports an extensive public safety program to increase the effectiveness of the civil police force.

Other AID efforts to assist the judiciary of developing countries in making their courts and legal systems responsive to the changing needs of the people include support of the Korean Legal Center, through a contract with the International Legal Center, to provide opportunities for continuing legal education

for both the bench and bar of Korea and a program in Liberia for the training of justices of the peace, many of whom had been without previous legal training.

None of these activities include efforts to persuade any developing nation to adopt specific American rules of criminal procedure or substantive law. Rather AID assistance, both directly to the judiciary or ministeries of justice or through its public safety improvement program, is designed to assist the Government to administer its own laws on a just and effective basis thereby promoting that confidence in the Government and stability among the citizenry essential for an effective development environment.

DESALTING PLANT IN ISRAEL

Mr. PASSMAN. Dr. Hannah, it has only been a few weeks since the 1970 appropriation bill was signed into law. May I ask you if any program has been developed on the desalting plant in Israel which was provided for in the appropriation bill last year?

Dr. HANNAH. I understand that a project involving a test module which incorporates the latest technology, has been defended before the appropriate committees. The Department of the Interior has the expertise in the field and the decision has been made that it should proceed to build an experimental desalting unit in the United States. There is enthusiasm over it. They feel it is not going to be difficult to come up with a prototype of a desalter that will take the salt out of water at a price that will make it economically feasible. Hearings have been held. The item is in the budget. The President has endorsed it. It is not one of these things that is just given general approval. The intention of the Government is to proceed and get this experimental project in the works so we can get the answer about how to proceed regarding the desalter in Israel that you and other members of the committee are interested in.

Mr. PASSMAN. Thank you very much, Dr. Hannah. I am very appreciative of the forthright manner in which you responded to that question.

(Discussion off the record.)

Mr. PASSMAN. Dr. Hannah, last year we placed a restriction on the supporting assistance appropriation item which prevented you from initiating any projects unless they had been justified to the Congress first. I assume this provision is being complied with.

Dr. HANNAH. Yes; it is.

INTEREST RATE OF LOANS

Mr. PASSMAN. In last year's hearings on page 1551, you estimated that the subsidy element in development loans was 46 percent for 1969. Is the 46-percent projection still good for fiscal 1970 and 1971?

Dr. HANNAH. Nothing has happened to change it. If the 46-percent figure was right then, it is right now.

Mr. PASSMAN. Thank you, Dr. Hannah, for being completely forthright in giving us the facts, because we all know the concessionary interest rate turns out to be a subsidy. It has increased because of the increased interest rate on money the U.S. Treasury has to borrow for these development loans.

Dr. HANNAH. Yes, and there is no grace period on interest. It is 2 percent the first 10 years.

Mr. PASSMAN. And 3 percent thereafter?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Doctor, I do not think there is any question about the AID people and the Congress having a meeting of minds that we have our own problems in this country. Even though we are predicting a budget surplus, I question whether there will be a surplus. Interest rates are extremely high. I have no quarrel with that restraint, because in all probability without some of these restraints inflation would be running about 12 percent, and not at four and a half. As long as people keep looking at the present rate of inflation rather than what it would have been without the fiscal constraints they will never understand it. Do you understand my reasoning on this?

Dr. HANNAH. Yes.

Mr. PASSMAN. The question is what it would have been without restraints. But we do have serious problems in this country. I believe the budget has been balanced six times in 39 years. I think from 1960 to 1970 the public debt increased by some $55 or $56 billion. We started more and more programs that require more and more money. I am thoroughly convinced, and I think the statistics are on my side, that every time you spend a billion dollars more than you take in, you just dilute everybody's money by that $1 billion. Why couldn't we deal with these nations realistically and charge them the going interest rate. Some of the other agencies and programs are moving in that direction. The military sales program is charging the prevailing interest rate. I think Export-Import Bank is moving on the basis of increased interest rates. Inasmuch as all of this money that we give away or provide on these long terms, without exception, I guess, we have to borrow. I wonder if you have given any thought to moving the interest rates upward.

Dr. HANNAH. Yes; I have given it a good deal of thought. First of all, you talk about the Export-Import Bank which is an agency that is designed primarily to encourage the export of American goods overseas.

Mr. PASSMAN. We know that, Doctor. I mentioned that as one of many.

Dr. HANNAH. All right, but you are talking about their willingness to move in the direction of higher interest rates. When you are talking about loans made by AID, we are talking about loans made to poor countries and the higher risk countries. AID is the lender of last resort. As an aid program is continued, and I hope it will be, that is going to continue to be its role. The World Bank puts its money out where the risks are not great and the rates of interest can approach commercial rates. When AID is involved in trying to build up economic and social systems in the poor countries, if you charged the going rate of interest, 6 percent, 8 percent, 5 percent, you practically preclude the possibility of the AID program achieving the objectives for which it was undertaken in the first place. If we were to impose going rates of interest, there would be no encouragement for them to move off dead center and get started down the road that we want them to travel. I recognize that you do not think that is the road we ought to be concerned with, but I do not feel that way.

Mr. PASSMAN. Doctor, that is your opinion.

Dr. HANNAH. That is right.

Mr. PASSMAN. You have given me the stock answer that I have been listening to for 18 years. I merely asked the question, inasmuch as we are having to borrow this money, and inasmuch as unborn generations are going to have to struggle with this big public debt, if you were giving some thought to at least reaching an agreement that we will provide the money but we want the country to pay us as much as we are having to pay to borrow it for you. That was my question.

Dr. HANNAH. Ask me the question.

Mr. PASSMAN. I did, but you gave me the same AID answer I have been getting for 18 years, which is your right. The answer is no; is that right?

Dr. HANNAH. The answer is no if you are asking me to say if we should charge more.

Mr. PASSMAN. I am not asking for an elaboration on the weak justifications you have been using for years. I want to know whether we are moving in the direction of charging the boundary countries as much interest as we are paying to borrow the money. I was somewhat impressed by the military sales program, and all military is a waste—but it is a necessary waste—at least they are moving in the direction of 7½ percent, is that right?

Mr. KNAUR. That is correct, sir.

Mr. PASSMAN. On military sales.

Mr. CONTE. That is on military sales. The rest of it is for nothing.

Mr. KNAUR. And there is grant.

Dr. HANNAH. Much grant.

Mr. PASSMAN. You have two forms. You have grant aid which is free.

Mr. KNAUR. Yes, sir.

Mr. PASSMAN. You have grant aid which is free, do you not?

Dr. HANNAH. Yes.

Mr. PASSMAN. I am only talking about the loan part. Let us have that completely understood. You answered my question.

Mr. CONTE. We have loans here that have gone for 7 percent.

Mr. PASSMAN. I am merely trying to establish for the record that we are going to continue these things we call loans which are 46 percent subsidy. It is a perfectly good question to ask if you were moving in the direction of getting higher interest rates.

We went from zero to 2 percent, did we not, Doctor?

Dr. HANNAH. Two for the first 10 years.

Mr. PASSMAN. We went from zero interest to 2 percent. You have gone to 3 percent, I believe, on the maturity amount in excess of 10 years. My question is if the trend is in the direction——

Mr. CONTE. If I may, Mr. Chairman.

Mr. PASSMAN. I yield.

Mr. CONTE. I can remember when I first came on this committee 12 years ago that development loans were paid back in local currency and soft currency.

Mr. PASSMAN. That is true.

Mr. CONTE. That was a tremendous change. That was a dead give-

away. We very seldom got anything back because you could not take the currency out of the country.

Now you are getting at least hard currency and some interest.

Mr. PASSMAN. I appreciate the gentleman's contribution, and he usually makes a contribution to these proceedings. I did not ask the question to get into a debate about what we have done in the past. I know it went from zero to 2 percent, is that right, Doctor?

Dr. HANNAH. That is right.

Mr. PASSMAN. I just wondered, inasmuch as interest rates have skyrocketed in this country—I believe interest rates have more than doubled in the past 10 years in America—if we were moving in that direction——

Dr. HANNAH. I have answered it forthrightly and I do not think we can move in that direction at this point if we are going to accomplish the objectives that I think we should.

Mr. PASSMAN. I think you can, but you do not.

The International Bank for Reconstruction and Development—the World Bank—recently made a $42 million loan to Panama for electric power. Is this an underdeveloped country?

Dr. HANNAH. Yes.

Mr. PASSMAN. Let us see what the terms are. It will be for a term of 25 years, including 6 years of grace and will carry an interest rate of 7 percent per annum. Let the record show what it is.

Dr. HANNAH. This is a loan to build a power plant to manufacture power.

Mr. PASSMAN. In an underdeveloped country.

Dr. HANNAH. To be sold.

Mr. PASSMAN. I know it is for power to be sold. It follows nevertheless that they are going to pay 7 percent interest to the World Bank. A lot of our concessionary loans, Dr. Hannah, if I remember correctly, are for similar improvements.

Dr. HANNAH. Yes, but by and large——

Mr. PASSMAN. Doctor, you answered in such a way that I did not get the answer. Are concessionary loans made for similar projects in underdeveloped countries?

Dr. HANNAH. They have been in the past.

Mr. PASSMAN. Thank you.

TOTAL AMOUNT OF U.S. ECONOMIC AND MILITARY ASSISTANCE PROPOSED FOR FISCAL YEAR 1971

You indicate on page A–4 that the total U.S. economic and military assistance program proposed for fiscal 1971 amounts to $4,363,000,000. Of course, this is picking up certain segments of foreign aid, help and assistance. I amply qualify my definition—from AID's own handbook, and I use it in the terms, help, aid and assistance. Of course, some of it is good, and some is going to be repaid, we hope. Doctor, if you would, place in the record at this point, the items that comprise the $4,363,000,000. I will be very grateful.

Dr. HANNAH. The Agency for International Development request——

Mr. PASSMAN. Put it in the record. I am trying to save time because you told me you wanted to get off early, I remember, and I am trying to accommodate you.

(The information follows:)

U.S. ECONOMIC AND MILITARY ASSISTANCE PROGRAMS PROPOSED FOR FISCAL YEAR 1971

Item	Millions of dollars	Percent of total
Grand total	[1] 4,363 $	100
Economic total	3,971	91
Agency for International Development	[2] 2,134	49
Food for Peace (Public Law 480)	983	23
Peace Corps	99	2
International Development Association (IDA)	160	4
Asian Development Bank (ADB)	[3] 55	1
Provision for additional multilateral assistance	[4] 540	12
Military total: Grant military assistance	[5] 392	9

[1] Does not include a planned $40,000,000 total capitalization of the Overseas Private Investment Corporation (OPIC) which will be available for lending during fiscal year 1971 through the corporation's direct investment fund.
[2] Excludes an estimated $100,000,000 of supporting assistance funds which was included in the President's Budget, subject to review and possible transmittal to the Congress for authorization and appropriation.
[3] Includes $20,000,000 for capital subscription and $35,000,000 for contribution to special fund.
[4] Amount included in President's Budget; specific proposals to be transmitted to the Congress at a later date.
[5] Does not include foreign military sales.

New Budgetary Requests for Authorization and Appropriation for Selected Programs of Foreign Assistance, 91st Cong., 2d Sess.

1.	Foreign Assistance Act (mutual security)	$2,163,000,000
2.	Supplemental for support assistance	100,000,000
3.	Overseas Private Investment Corporation	37,500,000
4.	Receipts and recoveries from previous programs	386,325,000
5.	Military assistance (in Defense budget)	2,260,300,000
6.	International Military Headquarters	57,300,000
7.	Economic assistance (in Defense budget)	117,000,000
8.	Foreign Military Credit Sales Fund	272,500,000
9.	MAAG's Mission, and Milgroups	167,300,000
10.	Export-Import Bank, long-term credits	2,900,000,000
11.	Export-Import Bank, regular operations	1,082,096,000
12.	Export-Import Bank, export expansion program	100,000,000
13.	Public Law 480 (agricultural commodities)	932,500,000
14.	Inter-American Development Bank (supplemental)	205,880,000
15.	International Development Association	160,000,000
16.	Asian Development Bank	20,000,000
17.	Asian Development Bank—special funds (supplemental)	25,000,000
18.	Asian Development Bank—special funds	35,000,000
19.	Expanded multilateral assistance	540,000,000
20.	Peace Corps	98,800,000
21.	Permanent military construction—foreign nations	190,200,000
22.	Contributions to international organization	144,611,000
23.	Educational (foreign and other students)	45,474,000
24.	Ryukyu Islands	6,952,000
25.	Migrants and refugees	5,787,000
26.	Trust Territories of the Pacific Islands	60,000,000
27.	Latin American Highway (Darien Gap)	20,000,000
	Total	12,133,525,000

Dr. HANNAH. It is tomorrow.

Mr. PASSMAN. I know it is tomorrow, but other members want to ask questions. If you will put it in the record.

Dr. HANNAH. Yes, sir.

FISCAL YEAR 1971 TOTAL AMOUNT OF U.S. FOREIGN AID

Mr. PASSMAN. Immediately following that I will put in the record my tabulation which totals $12,133 million, which does not include the two subsidies on coffee and sugar which amount to close to half a billion dollars and let each reader make up his mind whether all my spigots are foreign aid.

Dr. HANNAH. Again I want to make clear, sir, and I am sure you recognize, that I think it is unrealistic to put your export-import credits in this category. But you are listing it and readers can draw their own conclusion.

Mr. PASSMAN. Let me say to the distinguished gentleman, that your own AID handbook included them.

Doctor, I want to be fair about this. I read the definition from the AID handbook itself and I have always said, all-inclusive. I do not criticize Export-Import Bank. I merely list it because, as you know, the Bank does have this new spigot where they lower the credit criteria, do you not?

Dr. HANNAH. Yes.

Mr. PASSMAN. Thank you, Doctor.

Mr. LONG.. Mr. Chairman?

Mr. PASSMAN. I yield for a question.

Mr. LONG. Along that line, Mr. Passman has developed, I think, a very useful list of all the various types of aid and quasi-aid, a formidable list. It raises real questions in my mind, especially since it is moving up when most people think our aid is going down. I would certainly feel that the committee would benefit, and I know I would, if you people could give a detailed analysis of that entire list; why you feel that the items are not justified, or how you explain them. Most of us think in terms of a billion and a half or $2 billion as our aid and the chairman has come up with $12 billion. Obviously, these represent differences of philosophy or definition. But I am troubled by the size of it. I think others are. I would hope you would give a very detailed explanation. Right now, I am inclined to sympathize with the chairman on this. To me, he has done what to me is a very useful service in developing that thing. I do think it requires an answer.

Mr. PASSMAN. Thank you, Dr. Long. Dr. Hannah, in the main, we have to examine upon the material presented to us by the AID Agency and other agencies that appear before this committee. You would agree that is correct, would you not?

Dr. HANNAH. I do.

Mr. PASSMAN. I am sorry that so many people feel that I am trying to misrepresent something in giving these totals. But it is a foregone conclusion when you extend a country a credit to be repaid over a period of 25 years that you are assisting that country, and you are helping that country substantially, even though we sell a commodity and we make a profit. You are helping that country. That is true in our own country, where it is necessary to finance appliances and other commodities on long terms.

You are helping the people. But I usually have your own statistics and your own definitions backing me up. You put in a disclaimer so I am compelled to read verbatim out of AID's own booklet their definition of foreign assistance.

"Broadly speaking, foreign assistance is any aid—military or economic—which is extended by one country to another as loans or grants. This definition includes assistance rendered through the various international agencies—such as the United Nations—as well as that which is on a strictly bilaterial basis. Used in this context, "foreign aid" includes not only those programs carried out by the Agency for International Development, but also a number of other programs authorized by Congress."

I have to make it all inclusive but I do so without injecting criticism of the Export-Import Bank which I respect as an institution to finance the sale of our commodities. We make a profit. In some instances Export-Import Bank assistance means an awful lot to some of the devolping countries.

DEVELOPMENT LOAN REQUEST AUTHORIZTION

I observe on page A–2 of the justifications that you are requesting $570 million for development loans in fiscal 1971. But the authorization is only $350 million for this item. Is that correct, Doctor?

Dr. HANNAH. That is true. The Foreign Assistance Act provides that previous authorizations for development loans that were not appropriated can be added to the $350 million shown for fiscal year 1971.

Mr. PASSMAN. You are talking about the authorization act which fixes the amount of development loans. This is the 46-percent subsidy loan, is it not?

Dr. HANNAH. That is right.

Mr. PASSMAN. Whereas the authorization limits that to $350 million, you are going to pick up unappropriated authorizations from prior years and include that in your present request for an appropriation.

Dr. HANNAH. Yes; as permitted by the Foreign Assistance Act.

Mr. PASSMAN. There is no use to cut the budget if that is what you are going to do. We should have met your request last year.

Dr. HANNAH. I think that would have been nice if you had.

Mr. PASSMAN. Sure it would have been nice. You people who are distributing our wealth all over the world feel that way.

Would you please cite your authority specifically that would support the committee for including this; not elaboration but cite the specific act and the words.

Dr. HANNAH. Do you want me to read it or put it in the record?

Mr. PASSMAN. I want you to read that part of the 1970 act limiting the authorization. That is the first thing I want you to read.

Dr. HANNAH. Under Section 202(a) of the Foreign Assistance Act, the total amount authorized to be appropriated for development loans for any fiscal year includes not only the amount specifically authorized for that fiscal year, but also amounts authorized but unappropriated in prior fiscal years.

That provision has been in the act ever since 1961. When the original 5-year authorization expired, a 3-year authorization covering the period fiscal years 1967–69 was enacted. The amounts authorized were $685 million for fiscal year 1967 and $750 million for each of the next 2 years. The amount appropriated for fiscal year 1967 was $500 million—$185 million less than was authorized for that fiscal year. In fiscal year 1968, the appropriation request for development loans was $774 million—$24 million above the $750 million which had been specifically authorized for fiscal year 1968. The higher request was made then (as it is being made now) on the ground that the total amount authorized for fiscal year 1968 was $935 million—$750 million specifically and $185 million authorized but unappropriated the prior fiscal year.

Mr. PASSMAN. You can put the remainder in the record.

(The information follows:)

DEVELOPMENT LOAN REQUEST

Question. How can the fiscal year 1971 appropriation request for development loans—$570 million—exceed the $350 million authorized for development loans for fiscal year 1971 in last year's Foreign Assistance Act?

Answer. Under section 202(a) of the Foreign Assistance Act, the total amount authorized to be appropriated for development loans for any fiscal year includes not only the amount specifically authorized for that fiscal year, but also amounts authorized but unappropriated in prior fiscal years.

The original Foreign Assistance Act of 1961 authorized development loans for 5 fiscal years and provided that—

"* * * any unappropriated portion of the amount authorized to be appropriated for any such fiscal year may be appropriated in any subsequent fiscal year during the above period in addition to the amount otherwise authorized to be appropriated for such subsequent fiscal year."

That provision has been in the act ever since.

When the original 5-year authorization expired, a 3-year authorization covering the period fiscal year 1967–fiscal year 1969 was enacted. The amounts authorized were $685 million for fiscal year 1967 and $750 million for each of the next 2 years. The amount appropriated for fiscal year 1967 was $500 million—$185 million less than was authorized for that fiscal year.

USE OF THIS AUTHORITY IN FY 1968

In fiscal year 1968, the appropriation request for development loans was $774 million—$24 million above the $750 million which had been specifically authorized for fiscal year 1968. The higher request was made then (as it is being made now) on the ground that the total amount authorized for fiscal year 1968 was $935 million—$750 million specifically and $185 million authorized but unappropriated the prior fiscal year.

In the authorization process that year, the development loan level specifically authorized for fiscal year 1968 was reduced from the existing $750 million to $450 million. The total authorization, including the $185 million left over from fiscal year 1967, was therefore reduced from $935 to $635.

During the beginning of the fiscal year 1968 appropriation process, it made no practical difference whether the amount authorized was considered to be $450 million or $635 million—the appropriation bills which passed the HAC and the House were well below both figures. But the SAC and the Senate explicitly recognized the higher authorization level and recommended appropriation of $600 million. (The amount finally agreed upon was $435 million.)

CURRENT SITUATION

Since fiscal year 1968, new authorizations have been enacted for each of the following fiscal years. Thus, authorization amounts now appear in the Foreign Assistance Act for fiscal years 1967–71.

The total amount of development loans authorized but unappropriated during that period is $300 million, made up as follows:

[In millions of dollars]

	Authorized	Appropriated	Difference
Fiscal year:			
1967	685	500	185
1968	450	435	15
1969	350	300	50
1970	350	300	50
Total			300

The $350 million of development loans specifically authorized to be appropriated for fiscal year 1971, together with this balance of $300 million from prior years, makes a total authorization of $650 million available for appropriation in fiscal year 1971.

Mr. PASSMAN. Doctor, did you ever attend any circuses?

Dr. HANNAH. Yes; I have attended many circuses.

Mr. PASSMAN. Every year they have new acts, do they not?

Dr. HANNAH. Yes; it is a long time since I have been.

Mr. PASSMAN. Do you realize in all the years of the AID program this is only the second time that AID has tried to pull this.

Dr. HANNAH. I am not trying to pull it. I put it on the record.

Mr. PASSMAN. Let me substitute a word. Isn't it only the second time since the inception of the AID program that you have used this authority?

Dr. HANNAH. I do not know, sir.

Mr. PASSMAN. May I direct the question to the Controller?

Dr. HANNAH. Yes, you may.

Mr. PASSMAN. Do you know of one instance prior to this?

Mr. FLINNER. I would have to check. I know we have requested an appropriation which exceeded the annual authorization prior to this but I do not know whether it was one or two or three. I believe it is more than one.

(The following information was subsequently submitted for the record:)

The only other year in which an amount authorized but not appropriated has been added to a subsequent year's request for appropriation for development loans was in fiscal year 1968.

A total appropriation request of $774 million was based on an existing authorization of $750 million for fiscal year 1968 plus $24 million from the $185 million of the fiscal year 1967 authorization which had not been appropriated.

Mr. PASSMAN. Gentlemen, you have a positive authorization for fiscal 1971 for the $350 million which I am sure the committee intended to cut $100 to $150 million. You are buying insurance, you think. You are going to pick up the unappropriated authorization from prior years and you are going to inflate the request as you did last year. Even after we cut the total program $850 million you still had a realistic program. These are direct quotes.

Mr. LONG. Isn't this up to us, Mr. Chairman? We control the appropriation.

Mr. PASSMAN. Doctor, what I am trying to do is to indicate that this is a rare approach to go back and pick up unappropriated author-

izations from prior years, and add them to a legal authorization. This is the first time we have had a 2-year authorization. This estimate was authorized last year with a limitation of $350 million. But under the basic legislation they can go back and pick up unappropriated authorizations from prior years and add them to the legal authorization for this year.

Mr. LONG. Can't we stop them from doing that?

Mr. PASSMAN. I hope we are.

Dr. HANNAH. In asking the question, maybe you did not intend to infer it, but I gathered——

Mr. PASSMAN. Never any dishonesty or offense.

Dr. HANNAH. I know that. I think you inferred that this was unusual.

Mr. PASSMAN. It is unusual.

Dr. HANNAH. And necessary.

Mr. PASSMAN. It is unusual, Doctor. If it only happened twice in all the years of A.I.D., then it would be the unusual thing.

Dr. HANNAH. I do not know whether it is unusual or not. We put it in the record. I knew this question was going to be asked.

Mr. PASSMAN. You knew it was unusual, and you wanted to answer the question. I want to commend you. You are a nice fellow and if we give you time, you will make my case, and I won't over-use it.

Dr. HANNAH. You made your point, I made mine.

Mr. PASSMAN. We are getting closer all the time.

On the same page you indicate an additional $100 million would be requested for supporting assistance.

Dr. HANNAH. It may be. It is shown in the President's budget but a formal request has not yet been made to Congress. In my opening statement I indicated that we do not know how much of it will be required, if any.

Mr. PASSMAN. What you are doing is laying the foundation, so at a subsequent date when we possibly jump on you, you will say we had that in our presentation. Isn't that right?

Dr. HANNAH. No.

Mr. PASSMAN. Remember, Doctor, one of—not yours, you are new, and it is always good to know these things—area directors had a little deal cooked up in A.I.D., where they submitted a list covering several pages of projects to which A.I.D. may subsequently obligate funds to. They wanted to use that as a justification for funding projects for which they did not specifically request funds. See how the Controller drops his head. I know how he feels. I think they submitted three pages of unheard of projects. They were getting ready to say at a subsequent date, we justified those, you remember those three pages. We did not let them get by with it, Doctor. We are going to try to prevent you from doing the same thing.

EFFECT ON COMMERCIAL IMPORTS AS A RESULT OF VIETNAMIZATION

Dr. HANNAH. Mr. Chairman, because this is not casual or an unimportant item, let us turn to page 15 of my opening statement. We expect increases in financing requirements for commercial imports for Vietnam resulting from Vietnamization——

Mr. PASSMAN. We read the statement fortunately, Doctor.

Dr. HANNAH. The statement explains the reasons for the increased requirements.

Mr. PASSMAN. I know.

Dr. HANNAH. We could request additional funds. The President included $100 million in his 1971 budget, but as the budget clearly indicates, the formal request for these funds, if required, will come later. We are not certain we are going to need the full $100 million. It could be half that or less than that or conceivably none. As soon as we know, we will come in with the request. It seemed to us that it was fairer to put the facts on the table as they are.

Mr. PASSMAN. Doctor, I can only repeat what I said. In an earlier year one of your area directors had a three-page list of unheard-of projects and he wanted to put it in the record. So that at some subsequent date, when they funded these projects without any justification, they could refer us to that long list of projects. They agreed it was a little unusual.

I can understand where conceivably you could look back on this and say it was in your statement telling us you might need it. I am sure it is perfectly ethical to put it in. I wanted to compare this to what had happened in prior years on a very long list of unjustified projects.

Dr. HANNAH. Let me repeat: if we need this extra money, we will come in with a formal request. I hope we won't have to. You are comparing an orange and a potato. The CIP program is not a new project. We are dealing in Vietnam with the winding down of an active shooting role for American troops. We do not know how it will turn out, except that as fewer U.S. military forces are engaged in the shooting war, the costs to the Vietnamese of maintaing larger Vietnamese forces is going to increase. This will increase inflationary pressures and therefore some of our other costs such as CIP financing are going to increase. This subject has been given a lot of time and thought by a good many people; in Defense, in AID, in the State Department. Ambassador Bunker and the brightest people we have are all trying to figure out what the total tab may be that this country will have to pick up in 1971, 1972, 1973, as Vietnamization proceeds; 1974 is as far down the road as we are attempting to look. This is an important ingredient in our estimate that we may have to have more money for "Supporting assistance" for fiscal 1971.

Mr. PASSMAN. Before yielding to Mr. Shriver, I want to be sure that I make this statement for the record.

You are very familiar with the fact that your supporting assistance appropriation last year exceeded the amount that AID was willing to settle for by $20 million. I want to cooperate. I believe that the President is trying to cool this thing off, and get us out of the Vietnam War. We realize that we are going to have to, in all probability, furnish a lot more aid than they can absorb, a lot more than they need, but we are in a mess over there. We are going to have to work out of it together. I want to make the point because of what happened in previous years and hope that this proposal is limited in this one instance and not let the fact that the AID agency mentioned

some figure, be the basis for it to spread throughout the entire budget request. You have generated some sympathy, at least from me, that we are in this mess; we know we are pouring a lot of aid in that country, and it is a waste.

Mr. Shriver?

Mr. SHRIVER. I merely want to say that the Chairman cooperated last year, and I am sure he will again in connection with the needs for the Vietnamization of the war. I want to commend you, too, for putting something in your statement about it because we did not have adequate information last year to convince the full committee of the need for additional supporting assistance. It was given to us verbally in our offices or something like that.

I think it should be presented to the subcommittee. I want to commend our Chairman for his support last year of the additional amount.

Dr. HANNAH. I think it was handled appropriately. The President put it in his budget message so that the possible additional requirement would be made clear. If this additional money is needed, the President will transmit a formal request, at which time we would justify it fully. We do not expect to slip it by. If it is necessary, we expect to come in and furnish the factual information.

Mr. PASSMAN. And there is a possibility you will have $100 million of supporting assistance funds unused at the end of fiscal 1971.

Dr. HANNAH. We do not think there will be any unused funds in the $414.6 million of supporting assistance that has been formally requested as of now.

Mr. SHRIVER. You do not know right now.

Dr. HANNAH. We do not know. We do not know where we will be at the end of 1970.

Mr. PASSMAN. You will have to get an additional authorization in this instance.

You have legislation on the development loans—this 46 percent subsidy item—I believe that is a correct statement.

Mr. HANNAH. Yes, we have some unappropriated balances from prior year authorizations.

Mr. PASSMAN. You are using prior years' authorizations for the development loan request, but you cannot do that on supporting assistance. You have to get additional authorization.

Dr. HANNAH. A new authorization, that is correct. If we find that we need additional supporting assistance funds, we will need additional authorization as well as appropriation. We understand that.

Mr. PASSMAN. That is all.

Dr. HANNAH. There is no finagling.

Mr. PASSMAN. I have not accused you of that. It is understood the program operates that way and there is no use to discuss it further on the record.

Dr. HANNAH. I want to say we appreciated what you did last year. As we get to the end of the year, we may be in trouble——

Mr. PASSMAN. Now you are going to embarrass me. You do not think I am proud of it?

Dr. HANNAH. You should be.

Mr. PASSMAN. For the cuts we did make?

Dr. HANNAH. No, not for what you cut, but for the fact that you appropriated more in the end than you proposed to.

Mr. PASSMAN. Yet the net result was $800 million below the budget request.

Dr. HANNAH. The net reduction was more than it should have been.

Mr. PASSMAN. I am going to get an answer to the question. I will direct it to the Controller, if you do not want to answer it, Doctor. This is a serious business.

Mr. Controller, even after the conference with the other body, the final appropriation bill was $800 million below the budget request for fiscal 1970, is that correct?

Mr. FLINNER. Yes, sir.

ESTIMATE FOR EXPANDED MULTILATERAL ASSISTANCE

Mr. PASSMAN. Thank you. Now, Doctor, you have some strangers in the deck. Expanded multilateral—I want to make sure I get that word "expanded" in the record— $540 million. If that authorization is approved, and this committee should be called upon to fund the item, would Vietnam be eligible for a slice out of this pie?

Mr. HANNAH. There will have to be an authorization for it.

Mr. PASSMAN. I said that. I said if it was authorized, and it is appropriated, would Vietnam be eligible for a slice?

Dr. HANNAH. The answer is no, because what the President and executive branch of the Government are thinking about is not the kind of financing that is the responsibility of AID. None of the $540 million is included in what we have been talking about today or as presented in our material that you have.

Mr. PASSMAN. Doctor, you do realize this committee must hear all of these items?

Dr. HANNAH. I recognize that.

Mr. PASSMAN. You do know that I know this is aid, and it will be to an international organization. If this proposal is approved, it will go into an international organization, and would Vietnam be eligible for a part of it?

Dr. HANNAH. It is my understanding that they would not be.

Mr. PASSMAN. Thank you, Doctor. I knew that, but I wanted it in the record to show the direction in which we are traveling to get all aid funds into an international organization. Would this also be true with some of the other countries in Asia? How about Korea?

Dr. HANNAH. We are not talking about programs that are a part of my responsibility.

Mr. PASSMAN. Doctor, you have to coordinate your agency operation with other agencies of government, do you not?

Dr. HANNAH. Yes, we do. The World Bank or IDA or all these other operations, which are a part of the total aid program, which you list and which I admit is not unreasonable that they be listed so people know what we are talking about.

Mr. PASSMAN. Doctor, you know the point I am trying to make, so I will be completely fair about it. If this thing is moving in this direction, and we have admitted Vietnam is one country where we have spent probability in excess of $100 billion. Now we are proposing to

channel in excess of half a billion dollars of our wealth into some kind of international organization to give away. Yet the one spot on the face of the earth—Vietnam—where we are in trouble would not be eligible for any part of it. It simply means that these international organizations will say we count this out of the deck. You do this bilaterally but we will take this money and do it here. Turn this over in your mind, Doctor. You have to work with these people.

Dr. HANNAH. Let me be forthright. The $540 million item you are talking about is for some of the international lending agencies. It is not for the AID agency. If you ask me whether or not conceivably they might loan money to Vietnam, I suppose conceivably they might. But as long as the war continues, that is not likely to happen.

Mr. PASSMAN. That is the case I made. I am saying, Dr. Long, that we are setting up a lot of new programs that are very substantial—when you talk about half a billion dollars, you are talking about a lot of money.

Mr. LONG. Your questions are certainly legitimate.

Mr. PASSMAN. It goes into an international organization and the very place we are bogged down and we need the help the most, would not be eligible for a slice. It may apply to a lot of other nations.

Mr. LONG. We have to keep the whole picture in mind. I am very happy that the chairman is asking this type of question.

Mr. PASSMAN. The Doctor knows I respect him.

Dr. HANNAH. I cannot defend something that is not my responsibility.

Mr. PASSMAN. The trouble is that this program has been fragmentized. This committee still must pick up these pieces, many of them, and try to put them back together. If we just keep taking pieces out of this program and putting them into other organization, the first thing you know you will wind up with nothing in title I—economic and military assistance—but you will have the money for foreign aid scattered all over the budget.

Mr. LONG. If the Chairman will yield, I am interested in your statement. I certainly appreciate your statement, Doctor, that this is not your responsibility. Yet I think you will appreciate the fact that Congress has to look at the entire picture and we would be derelict if we did not examine the area that you are responsible for in close connection with the areas outside of your purview. I am troubled by the fact that the whole aid program is fragmented and there are so many different places where money is going, some under one definition, some under another. This is one of the things that bothers me the most. It is so hard to find out exactly what we are doing in the way of aid and where the money is going and what it is being used for.

Dr. HANNAH. I have no objection to the questioning at all.

Mr. LONG. That is one of the things that has me sour on the whole program, I might say.

Mr. PASSMAN. Doctor, I know you do not administer these other programs. But we are still dealing with U.S. dollars. We should have some say about the nations that would get it, but if we leave it up to an international organization, it may decide to enlarge that list and we do not know where we will wind up. I would much prefer to have Dr. Hannah continue administering this program. I would almost

agree to support almost any figure you would ask for, if you could prevail upon these people to bring these pieces back in and place them under one agency. I do not know any reason why they should not be. Then Dr. Hannah and his assistants could decide whether or not this is a substitute for bilateral aid. Because the direction in which this is traveling Congress is going to lose complete control of it.

I won't be here to worry about it, but at least I will have a clear conscience, at the expense of irritating some of the members and some of the witnesses and some of the people, that I tried to contain the program.

Mr. LONG. If the chairman will yield, I must say this whole idea of multilateral aid troubles me. In some ways it can be justified. It is important and it may have desirable consequences to have some world multilateral agency looking at the whole picture. It might help get more money out of other countries and take some of the burden off us. It might possibly make foreign aid a little bit less of an instrument for all sorts of policies of the U.S. Government that I do not think we ought to be pursuing in an aid program, such as being a world political boss.

On the other hand, if the multilateral business is a device for removing foreign aid from the control of Congress so we are putting in money and a bunch of international bureaucrats are administering it without our really having very much to say about how our money is being spent, you have lost me and most of the Congress; and I do not think you will get through to the American people. I would like to see this whole justification for multilateral aid laid out in those terms. Nobody is going to get away with taking this away from the control of the U.S. Congress. I will not vote to turn over to an international organization money of my taxpayers when I have nothing to say, and when Congress has nothing to say, about how it is going to be used. May I have a comment on that?

I have raised this with Dr. Hannah and I know what the chairman thinks on these things.

PETERSON TASK FORCE REPORT

Dr. HANNAH. Inasmuch as we have five members of the committee here I would like to take a minute and make some reference to this Peterson task force report because it is front and center and it will be more so shortly hopefully as far as the Congress and the people of the country are concerned. You will recall a year ago we indicated that the President was going to appoint this task force of hopefully objective and pretty distinguished Americans and give them the responsibility of taking a look at the world as it is and it is likely to be in the years immediately ahead and advise him what they thought the appropriate role of the U.S. should be in foreign assistance. They could write their own definition of foreign assistance for the decade of the '70s. He wanted the report by March and the report is in. You have had some mimeographed copies.

This is a printed copy. The President intends to send to the Congress his response to the Javits amendment which called upon him to have this comprehensive study made. He is going to indicate in general

terms what he thinks the long-range program for foreign assistance should look like. He is going to do it, I believe, in such a way as to encourage the Congress and other people of the country to take a look at it and discuss it. The hope is that since we do not have to have an authorization act from the Congress this year at least the House Foreign Assistance Committee and the Senate Foreign Relations Committee will take a look at this and react to what is in this report and is suggested by the President.

Mr. LONG. I think that is too general an answer to my question.

Mr. HANNAN. Let me finish it. The second part of his message is going to say that he expects to send the definitive program up in January of next year and what is in it will be based in part at least on congressional reactions and other reactions to this and to his message. So what the President is asking, and what we hope for, is that we will get very serious consideration given to this report and given to his program so he can come up with a new long-range program a year from now.

Mr. LONG. Are you saying, Doctor, that you are not necessarily moving in the direction of multilateral aid, but this is merely one of the suggestions that you are considering, and that you do not really know what you will be coming up with?

Dr. HANNAH. This is a strong recommendation of the Peterson Task Force.

Mr. LONG. I must say I part company with them unless I have real reassurances that this is not a device for getting it out from under congressional control. This is a very important thing.

Mr. CONTE. Who has the floor?

Mr. PASSMAN. I have the floor as chairman and I will yield to you and let you do the questioning tomorrow. Let me get the record straight. It is not something that is coming next year or the year after. This is now before the Congress. I hold in my hand, Dr. Long, the foreign assistance and related programs appropriation bill, 1971, subcommittee print. I turn to page 110, and this is the program before the committee. Proposed for separate transmittal, proposed legislation, provision for expanded multilateral assistance, programing and financing in thousands of dollars. Program by activity, $540 million.

Dr. HANNAH. This has to be authorized.

Mr. PASSMAN. Doctor, I know that, but it is before the committee. It is before the Congress. A lot of this we are moving on is unauthorized, even the Peace Corps. But it says when internationally agreed proposals have been formulated, legislation will be recommended to Congress to authorize U.S. contributions for expanded economic assistance to be provided through the international financial institutions. So it is something before the Congress at this time.

Mr. LONG. All right, I would like to hear the Doctor's answer to your question. The Chair has raised a very good question. I would like to hear Dr. Hannah's answer.

Dr. HANNAH. The $540 million item that is in the President's budget is for a request that the President expects to put forward for an authorization of $540 million for multilateral lending agencies. It is not yet a formal request at this time.

Mr. PASSMAN. A new one.

Dr. HANNAH. No, we are not talking about new multilateral agencies. These are already in being. We are talking about additional funds for existing multilateral agencies that the President will formally request at a later date. It is not for the AID program. We are not asking you to give any consideration to it at this time.

Mr. PASSMAN. We must take this item into account as we proceed with our hearings.

Mr. LONG. Mr. Chairman, is it my understanding that you are saying, Dr. Hannah, that in your request this year there is not any tendency or trend toward a greater multilateral aid program?

Dr. HANNAH. We are going to defend when the time comes as we did last year the full financing of the commitments already made to the U.N. agencies in which we are already participating. Last year we asked for $100 million for the UNDP and we actually gave them about $86 million. We are going back to the same request that we made a year ago.

Mr. LONG. If we provide this, would we be ending up with a greater percentage of multilateral programs than we did last year or the year before?

Dr. HANNAH. Not in the part of the operation that is ours; no.

Mr. PASSMAN. Yours being title I?

Dr. HANNAH. That is right. AID's responsibility.

Mr. PASSMAN. Doctor, this is not a bit pleasant for either one of us to have to get into. I know it is not in your area. But it is in the committee's area.

They disassociate themselves from your spigot. You do the same thing from theirs. The committee must look at the overall. When you put together all the pieces for the international organizations this year—the International Development Association, the Asian Development Bank, the Inter-American Development Bank, plus the supplemental, you will shoot this up to $1,200 million. I think we have two or three supplementals pending now; $205 million in one item. If you include all the supplementals and the new requests, it is going to be a terrific thrust toward getting aid into international organizations. I have reached the point where I don't know just what direction we are traveling. Maybe I am not doing my homework as well as I should, but it is actually frightening to me.

Dr. HANNAH. What we are asking, Mr. Chairman, is that you authorize appropriations for the responsibilities of AID in the amount of $1,813 million for fiscal 1971, which compares to $1,424,880,000 for fiscal 1970, which is an increase of $388 million.

Mr. PASSMAN. Bless your heart, you are a nice fellow, but if you think you are going to get by limiting the discussion in these hearings to just that one little item that you handle, you better think again. I will keep you here until Christmas. I have a right to point out to you that while you are wanting your program increased, you have other agencies wanting their programs increased, and you have new programs coming along. I am going to associate one with the other because

your handbook gave me a license to do so. I do so courteously, and factually, but I must ask questions as we go along, because we have to look at these items as a single package.

Just like the balance-of-payments situation—it is the most amusing thing in the world. I wish I had time to write a book on it. Last year we reached an alltime high of almost $7 billion as a balance-of-payments deficit. During our hearings we asked questions of each agency as to how much did you contribute to the deficit. When we get through none of the agencies apparently contributed very greatly in creating a balance-of-payments deficit. Yet it is there. It is rather difficult to pin down as to what each agency contributes to the balance-of-payments defiicit. When you put all the pieces together it accounts for the grand total.

(Discussion off the record.)

Mr. PASSMAN. You state that increased emphasis is being placed on food production and population growth in the fiscal 1971 presentation; is that correct, sir?

Dr. HANNAH. That is right.

Mr. PASSMAN. You are going to try to increase food production; is that correct?

Dr. HANNAH. That is the primary problem.

Mr. PASSMAN. The problem is to provide additional food in these countries.

Dr. HANNAH. That is right. Where they have deficiencies.

Mr. PASSMAN. That does not mean you are going to try to increase the population?

Dr. HANNAH. We are going to try to decrease the population.

Mr. PASSMAN. It didn't say that. You were not going to produce more food so as to increase the population. It reads that way and we are taking it apart. You want to increase food production but decrease population.

Dr. HANNAH. Yes. Unless you can control the rate of the increase of human beings, getting food enough to feed people in some parts of the world may be an impossible job.

Mr. PASSMAN. I expect the Good Lord will take care of that. You might place in the record the amount that you are providing for fertilizer for the so-called underdeveloped or less developed countries.

Dr. HANNAH. The total amount provided by AID for fertilizer in 1971 is approximately $153 million.

Mr. PASSMAN. I believe today we have changed from calling the underdeveloped countries to less developed countries.

Dr. HANNAH. That is right, LDC.

(Discussion off the record.)

THURSDAY, MARCH 19, 1970.

Mr. PASSMAN. The Committee will come to order.

During our deliberations yesterday we requested information as to the coffee subsidy and the sugar subsidy inasmuch as it had been established that those two programs were a form of foreign aid.

Were you able to get that information for us?

Mr. FLINNER. We do not have it yet.

Mr. PASSMAN. You have requested it?

Mr. FLINNER. They are working on it, yes, sir.

Mr. PASSMAN. If you are not able to get it for the record today, I wish you would, when you get it, call my office or call the committee clerk and he will convey it to me because we want to add it to this list of spigots of foreign aid. We are going to have to stop adding programs to this list because it is going to cover more than one page.

I will add those two items, which will take the total to about $13 billion. If you find any other foreign aid programs, do not call me.

I am afraid to brag on you, Mr. Controller, because it may be a good way to get you demoted, but you are really terrific. I thought when we lost your predecessor that things would go to pieces.

Off the record.

(Discussion off the record.)

SALARIES OF EMPLOYEES OF THE ASIAN DEVELOPMENT BANK

Mr. PASSMAN. With that said, I want to make one observation for the record, and it is more or less a repeat of part of yesterday's hearings. That is the colloquy about annual salaries of American personnel in the Asian Development Bank.

So far as I know, in no Federal agency, bureau, department, boards, or commissions—in other words any segment of the legislative, judicial, or executive branches of our Government do we attempt to hide the salaries of the employees. Members of Congress must make available upon request, or refer the individual inquiring, the salaries we pay our personnel. The reporter can go right over to the Finance Office and the information is available as to what each person gets in the way of salary.

The salaries of the staff members of the Committee on Appropriations is published in the Congressional Record semiannually: the pay of all our military personnel, from the buck private to the five-star general, is public knowledge.

As far as I know, the AID Agency is operating in some 97 nations with foreign personnel and American personnel. There is no secret about what your people are paid, is there, Dr. Hannah?

Dr. HANNAH. No secrets.

Mr. PASSMAN. For the first time during my 24 years in the Congress, I have had a request from a Cabinet Member asking that I not make known in the public record the salaries of 11 American individuals who are employed by the Asian Development Bank.

Also, the bank makes loans to its personnel. The president of the bank would not even let our board member know what employees he made loans to out of this big fat slush fund.

That is really getting to be a pretty sad state of affairs when—and I know Mr. Johnson must have thought he was a very able man or he would not have appointed him to this position—the president of the bank will not even let the board members know how many loans and in what amount the bank is making to the employees of the bank.

If that is not a sad situation, I would like you to look up one and write me about it.

We are not going to let him get by with it. We are not going to recommend a penny for this outfit until this matter is straightened out.

Gentlemen, I would not want to in any sense belabor something we discussed yesterday, and I would be less than completely honest with you if I didn't say that when I conduct hearings on this foreign aid program, I almost go to pieces—physically and mentally.

Do you realize that 23 years ago, when the aid program started, only the older members, well-fortified in seniority, walked down into the well of the House and said, Mr. Speaker, we are now engaging upon a program that may take us into 16 nations, conceivably the ultimate cost will be $15 billion, and it will require 5 years to complete the program.

It was so quiet you could hear a pin drop. The very idea of advocating such a program, $15 billion, 5 years, 16 nations was inconceivable. Contrast that if you will with, not 16 nations, but 121 nations and seven territories; not 5 years, but it is in the 24th year; not $15 billion, but about $200 billion, when you include the interest we have paid on the money we have borrowed to give away.

When I look at the record, I have a lot of compassion for you and some sympathy because you do not know what it is all about. Your predecessor did not know what it was all about. The monster has grown up and it is going to devour us if we do not get on top of this program.

When I think of all of the strong statements that were made at every station along the way, but no different than in previous years that we were wrecking the program and the dire consequences if you dared cut this sacred program. We cut it over $800 million below what you asked for, and you still have a program, in all probability that is overfunded if you analyze it properly. It is no reflection on you because that is a little bit better than previous years. I think this program has been cut pretty close to $12 billion during the past 15 years and we still left it overfunded.

If that does not indicate that the testifiers do not know what it is all about—you make a good case but it is playing the same old record that has been played before. It is causing me some concern; that is the reason I examine as I do.

I do not know whether we are ever going to be able to bring this program under control before we finally just wreck our economy and become isolationists, unintentionally, because we are losing our world markets.

As we move along during the next several weeks on our examination, we believe that we are working for the welfare of generations yet to be born. I am not interested in how many diplomas you people have. I am not interested necessarily in your backgrounds. I am interested in your knowledge of banking. I do not think you know any more about banking than I do. I do not think you know any more about people than I do. And I do not think you know any more about the history of the other nations than I do. I can go back to Biblical days and read right out of the Holy Writings the things you are dealing with today.

We have always had the lazy, trifling, busybodies waiting for somebody to support them. Look at the Thessalonians, Paul's teachings, and you will see what I am talking about.

SECTION 211(d) INSTITUTIONAL GRANTS

Would you please provide for the record, Dr. Hannah, a list of the 11 development grants under section 211(d), which have been made for agriculture, indicating the institution receiving the grant, the purpose of the grant, and the amount of the grant?

Dr. HANNAH. We will.

Mr. PASSMAN. Thank you.

(The information follows:)

LISTING OF DEVELOPMENT GRANTS FOR AGRICULTURE MADE UNDER SEC. 211(D)

Institution	Purpose	Amount
Council of Universities for Rural Development in India:		
1. University of Illinois	Agronomic crop diseases	$200,000
2. Kansas State University	Grain utilization	200,000
3. University of Missouri	Agronomic crop breeding	200,000
4. Ohio State University	Soil fertility-plant-water relationships	200,000
5. Penn State University	Crop and seed production	200,000
6. University of Tennessee	Agricultural economics	200,000
7. University of Wisconsin	Land tenure and related institutional development.	1,500,000
8. University of Rhode Island	Development and utilization marine resources	750,000
Council of Universities for Soil and Water Development in Arid and Subhumid Areas:		
9. University of Arizona	Watershed management/utilization	350,000
10. Colorado State University	Water delivery and removal systems	750,000
11. Utah State University	Water resources/on-farm management	750,000

Note: Above funding covers 5-year duration period of authorized grants; grants exclude any provision for overhead costs of recipient institution.

DEVELOPMENT RESEARCH PROJECTS

Mr. PASSMAN. Would you also provide for the record a list of the projects funded last year from the $9 million provided for research?

(The information follows:)

LISTING OF RESEARCH PROJECTS AND RELATED FUNDING FISCAL YEARS 1969–71

Included in the attached listing is the application of the authorized $9 million for research activities in fiscal year 1970. To date we have programed only $8.5 million for research but hope to use the full authorization if funds become available through reprograming.

Attachment: A/S

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Agriculture - Grand Total	3,503	4,267	4,635
Role of Agriculture Prices in Economic Development (931-17-140-468)	20	-	-
Analysis of Data on the Nutrient Status of Soils (931-17-130-031)	222	39	-
Development and Use of Improved Varieties of Major Cereals in Africa (931-17-130-028)	271	-	-
Improvement of Grain Legume Production in NESA and FE Regions (931-17-130-029)	354	426	700
Inheritance and Improvement of Protein Quality and Content in Sorghum Vulgare (931-17-130-452)	153	194	225
Analysis of Factors Associated with differences and changes in Agricultural Production in LDCs (931-17-190-027)	167	15	-
Demand Prospects for Agricultural Export of LDCs (931-17-140-467)	350	235	-
Research on Farm and Equipment Power Requirements for Production of Rice (931-17-130-443)	-	225	203
Rural development analysis: [illegible] Agricultural sector planning models (931-17-190-477)	-	115	-

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Agriculture (Continued)			
Rural Development Analysis (931-17-190-477)	-	-	-
Improvement of the Nutritional Quality of Wheat through increased Protein Content and Improved Amino Acid Balance (931-17-130-471)	123	190	250
Water Management Research (931-17-120-489)	70	900	1,300
(Colorado State)	(70)	(450)	(600)
(Utah)	(-)	(450)	(700)
Hemoprotozoal Disease of Food Producing Livestock (931-17-130-475)	-	250	250
Control of Weeds in LDCs (931-17-130-463)	209	260	300
Laboratory and Field Testing of Foot and Mouth Disease Vaccine (931-17-130-499)	49	-	-
Soil Fertility Requirements to Attain Efficient Productivity on Infertile Acid Soils of humid tropics (931-17-120-505)	380	-	250
Analysis of Capital Formation and Technological innovation at the Farm Level in LDCs (931-17-140-506)	227	286	-
Determination of Research Needs of Soils - Tropics (931-17-120-504)	124	-	-
Comprehensive Review of Literature on Cassava (931-17-190-515)	74	11	-

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Agriculture (Continued)			
Diffusion of Innovation in Rural Societies (931-17-190-427)	13	-	-
Control of Vertebrate Pests (931-17-190-473)	406	496	500
Sterility Method of Tsetse Fly (931-17-130-030)	145	83	200
Factor Analysis for Accelerating Agriculture productivity in LDCs (931-17-190-464)	33	-	-
Tailoring of Fertilizers for Rice - TVA	60	125	175
Survey and Analysis of the Problems of Cattle Feeding (931-17-130-514)	53	112	250
Development of Conservation Process-Fish By-Products (931-17-995-486)	-	-	32
Sub-Total Ongoing Projects	3,503	3,962	4,735
New Agriculture Projects	-	255*	-
Grand Total Agriculture	3,503	4,267	4,635

*New proposal "Improvement of Protein Quality/Content in Maize" RIGC Reviewed and Approved 1/29/70

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Health Grand Total	1,719	2,235	2,214
Malaria Eradication Research (931-17-511-033)	497	611	669
Malaria Immunity and Vaccination (931-17-511-453)	287	486	500
Serologic Diagnosis of Malaria (931-17-511-485)	66	124	127
Central America Malaria Research Station (931-17-590-474)	417	500	500
Investigation of Schistosomiasis (931-17-510-513)	6	-	-
Inter-American Investigation Mortality in Infancy and Childhood (931-17-590-455)	311	129	88
Thailand Operational Research Unit (931-17-511-503)	[illegible]	280	280
Measurement of Nutrient Loss from Intestinal tract due to Malabsorption (931-17-560-508)	95	105	-
Development of Methodology to determine design capacities of small water supplies (931-17-521-507)	40	-	-
Functional Analysis of Health Centers in LDCs, (931-17-530-429)	-	-	-
Development of Water Pump (931-17-521-454)	-	-	-
Sub-Total Ongoing Projects	1,719	2,235	2,164
New Health Projects	-	-	50
Grand Total Health	1,719	2,235	2,214

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Nutrition Grand Total	222	604	652
Clinical Evaluation of New Protein Sources for the Prevention of Malnutrition (931-17-560-459)	13	75	75
Effects of Extrusion Processing Variables on the Nutrition quality of Inexpensive High-protein mixtures (931-17-560-482)	50	58	27
Lysine Enrichment of wheat flour (931-17-560-483)	36	15	-
Improving the Nutritive value of cereal Based foods (931-17-560-481)	70	176	300
Practical Approach to Lysine and Tryptophan supplementation of lime treated corn (931-17-560-500)	23	-	-
Extending protein Concentrate for child feeding by addition of inexpensive simple nitrogen sources (931-17-560-458)	30	30	-
Nutritional Improvement of Rice (931-17-560-492)	-	-	-
Sub-Total Ongoing Projects	222	354	402
New Nutrition Projects	-	250*	250
Grand Total Nutrition	222	604	652

*2 New proposals, Relation of Dietary Caloric Intake and Fresh Coconut Protein products reviewed and approved by RIGC 1/29/70

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Education Grand Total	504	559	600
Practical Uses of Cost Analysis to Improve Education Planning and Efficiency (931-17-680-490)	74	-	-
Beginning Science Curricula for English Speaking Tropical Africa (931-17-640-037)	430	559	-
Research on new techniques for training Teachers of English (931-17-690-021)	-	-	-
Mathematics Curriculum Development in Africa (931-17-640-037)	-	-	-
Sub-Total	504	559	--
New Education Projects	-	-	600
Grand Total Education	504	559	600

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Program Planning & Economic Studies — Grand Total	868	760	804
Comparative Studies of Resource Allocation and Development (931-17-995-476)	293	307	309
Evaluation of Economic Growth and Investment P.L. 480 Projects (931-17-140-491)	-	120	-
Quantitative Study of Economic Structure and Growth (931-17-995-019)	-	-	-
Employment and Unemployment in LDCs (931-17-995-511)	487	-	356
Import Substitution and Economic Policy (931-17-995-426)	56	60	70
Comparison of Indian Real per capita income and currency purchasing Power (931-17-780-501)	32	-	-
Development Planning and Planning Assistance Criteria (931-17-995-020)	-	-	-
Transport Research (931-17-390-034)	-	-	-
Sub-Total Ongoing Projects	868	487	735
New Prog Planning/Economic Projects	-	273*	69
Grand Total	868	760	804

* New project proposal, "Exchange Control Liberalization and Development" - RIGC Reviewed and Approved 1/29/70

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title		FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Industrial/Urban Development	Grand Total	1	-	200
Urban Housing in Latin America (931-17-830-440)		1	-	-
Sub-Total Ongoing Projects		1	-	-
New Projects		-	-	200
Grand Total Industrial/Urban Development		1	-	200

Research

FY 1971 CONGRESSIONAL PRESENTATION (OTHER THAN POPULATION)

TECHNICAL ASSISTANCE BUREAU

($ 000)

Project Title	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Title IX Grand Total	262	-	295
Research Implementation of Title IX (931-17-995-495)	89	-	-
Participation Patterns in Modernizing Societies (931-17-995-516)	173	-	195
Sub-Total Ongoing Projects	262	-	195
New Title IX Projects	-	-	100
Grand Total Title IX	262	-	295
Program Support Cost	509	575	600
Grand Total		9,000	10,000

AGRICULTURAL RESEARCH PROJECTS

Mr. PASSMAN. Second, how much of the $9 million will be used for agricultural research?

Will you place that information in the record?

Dr. HANNAH. We will.

(The information follows:)

FISCAL YEAR 1970 ESTIMATED REQUIREMENT FOR AGRICULTURAL RESEARCH

Within the ceiling amount of $9 million provided in the fiscal year 1970 appropriation act for research activities, it is estimated that $4.3 million will be required for agricultural research projects. Ninety-eight percent of this dollar requirement represents continuing contractual projects, which were authorized and activated in prior fiscal years for duration periods up to 5 years, but the related financing is normally provided on an annual basis until completion.

POPULATION ACTIVITIES PROGRAM

Mr. PASSMAN. I note on page A–10 you plan to program $53 million in fiscal 1970 and $75 million in fiscal 1971 for population activities. As I understand, the authorization legislation proposed a funding level of $75 million in fiscal 1970 and $100 million in fiscal 1971 for this purpose; is that correct, sir?

Dr. HANNAH. That is right.

Mr. PASSMAN. You state you are working to reach the level earmarked in the authorization bill. Is it not true that you are required to provide the full amount for population growth as authorized last year?

Dr. HANNAH. Mr. Chairman, the answer is that $75 million was earmarked and can only be used for that purpose.

However, you will recall in the testimony that I made before this committee and elsewhere, I indicated we were going to have difficulty in spending $75 million wisely.

Mr. PASSMAN. And I want to commend you, Doctor. If you do not need it, you should not spend it.

Dr. HANNAH. We are going to spend the money wisely; $53 million of it is now programed. I think before fiscal 1970 is completed, we will have found ways to spend the balance wisely.

We do not propose to spend this money just to spend money. We are going to have difficulty spending $100 million wisely next year.

Mr. PASSMAN. Do not find some way to waste it.

Dr. HANNAH. We are not going to waste it.

Mr. PASSMAN. This is the first time I have ever known of legislation that forces you to spend money whether you have a wise program or not.

I think it is unconstitutional. It is just as much a violation of law as if you were to ignore the law and did not fund the program. I certainly hope you move in that direction.

COUNTRIES WITH POPULATION PLANNING PROGRAMS

Do all the less developed countries to which the United States provides economic assistance have a population planning program?

Dr. HANNAH. I cannot say that they all do, but the bulk of them now do have population planning programs.

We are making pretty good progress. But if you ask me, if all of the 44 countries in which we are operating actually have programs that are effective, I cannot say that they do.

Mr. PASSMAN. Let me ask you this question, then: Are the governments in any of these countries fighting the population control program?

Dr. HANNAH. I cannot identify them as fighting it.

Mr. PASSMAN. Opposing it, then?

Dr. HANNAH. No. The surprising thing to me is that in the Muslim countries a few years ago population control was something they wanted no part of. Many of them now have vigorous and effective programs.

I cannot identify by memory any single one in which I can say they are actually not interested in the program.

Mr. PASSMAN. This program, as far as our contribution is concerned, is limited to the so-called less-developed countries, is it not?

Dr. HANNAH. That is right.

Mr. PASSMAN. I buy the word "less developed," but we used to refer to these countries as underdeveloped, did we not?

Dr. HANNAH. Twenty years ago we called them underdeveloped.

Mr. PASSMAN. You called them that 3 years ago; did you not?

Dr. HANNAH. I was not here.

Mr. PASSMAN. What is the difference between an underdeveloped and a less-developed country?

Dr. HANNAH. No essential difference. In fact, when the point 4 program started, Mr. Truman referred to them as underdeveloped countries. In later years it was thought talking about "underdeveloped" was offensive to some of them, so we began using "less developed countries" or LDC's.

Mr. PASSMAN. That indicates they are not crazy. Some of them had thriving civilizations when we were still trying to take this country away from the Indians. It is a question of whether the countries are underdeveloped or less-developed countries. There will always be less-developed countries. Some of the industrialized nations are less developed than others; are they not?

Dr. HANNAH. That is right.

Mr. PASSMAN. I like less developed. I think we are now recognizing that in all probability, while we were underdeveloped, some of these countries were developed, and while they were becoming underdeveloped we were developing. Now we are developed and they are underdeveloped. So what we are trying to do now is to help develop them while we are again becoming underdeveloped. That is just about the way history reads.

I hope that we succeed before we finally wreck our economy.

Doctor, please provide for the record a list of the less-developed countries which have a population program.

Dr. HANNAH. We will.

(The information follows:)

Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries in the Developing World: Current Data[1]

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
AFRICA						
Algeria	13.3			X		Interviewing for a survey on knowledge, attitudes, and practice of family planning began in May 1967. Preliminary analysis of results is available in *La régulation des naissances* published in 1968 by the Algerian Association for Demographic, Economic, and Social Research.
Cameroon	5.7			X		
Congo Democratic Republic	17.1			X		
Dahomey	2.7		X		1969	In March 1969 the Ministry of Health officially requested the Population Council to send a mission to investigate the country's population situation. As of late 1969 a complete report had been prepared and was in the process of being submitted to the Dahomey government.
Ethiopia	24.8			X		
Gambia (The)	0.36		X		1969	In December 1968 the government officially requested the Population Council to send a mission to investigate the country's population situation. The mission was in the field in August 1969, and as of late 1969 a report was under preparation.
Ghana	8.7	X			1969	In March 1969 the government established a national policy to reduce the population growth rate and to give Ghanaians a choice of family size, as outlined in a policy paper entitled *Population Planning for National Progress and Prosperity*. Lieutenant General J. A. Ankrah, Chairman of the National Liberation Council, signed the Statement on Population.[5]
Kenya	10.5	X			1966	The Five-Year Development Plan, 1966-1970, calls attention to the impact of a high population growth rate on the economy. Birth control services are offered as an integral part of the government health services. Clinics, offering IUDs and oral contraceptives free of charge, are set up wherever professional personnel are available. The government subsidizes private clinics that offer conventionals free of charge.
Madagascar	6.7			X		
Mauritius	0.85	X			1965	The national policy is to reduce the population growth rate; however, no specific target has been set. Government facilities and financial support have been made available to the two private family planning associations (one Catholic and one non-Catholic).
Morocco	15.0	X			1965	The national policy is to reduce the crude birth rate from about 50 per 1,000 to 45 per 1,000 by 1972, and to 35 per 1,000 by 1985. Family planning activities were incorporated into the 1968-1972 Development Plan. King Hassan II signed the Statement on Population.[5]
Nigeria	64.7[6]		X		1969	Although the national government is not sponsoring a program, many of the twelve states expressed support for the Family Planning Council sponsored by the National Council of Women in November 1968.
Senegal	3.9			X		
South Africa	19.7			X		

Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries in the Developing World: Current Data[1] (Continued)

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
Southern Rhodesia[7]	4.8		X		1968	The Social Welfare Ministry contributes financial support to the Family Planning Association. On a local level, the Bulawayo City Health Department operates programs in its clinics.
Sudan	15.3			X		
Tanzania	12.9			X		
Tunisia	4.9	X			1964	The national policy is to reduce the crude birth rate from 45 per 1,000 in 1969 to 34 per 1,000 in 1975. The program, which provides free services, has been integrated into the government health system. Laws have been passed to (1) legalize the sale of contraceptives, (2) limit child allowances to the first four children, (3) increase the minimum legal marriage age to 20 for men and 17 for women, (4) legalize induced abortion on social grounds for women with five or more living children, and on therapeutic grounds to protect the physical or mental health of the woman, (5) abolish polygamy, and (6) establish equal rights for women. President Habib Bourgiba seeks a balance between the population and socioeconomic growth rates. He signed the Statement on Population.[5]
Uganda	8.3			X		On the local level, a program is operating at the Kampala City Council Health Center.
United Arab Republic	32.5	X			1965	The Presidential decree of 1965 established a national policy to reduce the population growth rate. The target adopted in 1969 is to reduce the crude birth rate by one point per year for the next ten years. President Nasser signed the Statement on Population.[5]
LATIN AMERICA[8]						
Barbados	0.3		X		1967	The official program operates largely through the Family Planning Association, which has been located in a government building since 1966. The goal is to enlist 60,000 women in the program in three years. Prime Minister Barrow signed the Statement on Population.[5]
Brazil	90.6			X		There is no government program, but services are provided by the private Family Planning Association founded in 1965 and affiliated with the International Planned Parenthood Federation in 1967.
Chile	9.6		X		1965	The National Health Service of the government incorporated family planning into its Maternal and Child Health Program, thereby formalizing an arrangement under which clinics had been providing family planning services.
Colombia	21.4		X		1967	The government has supported extensive medical, social and economic research in population and family planning. The Division of Population Studies, created in 1964 by the Colombian Association of Medical Schools, is sponsored by the Ministry of Public Health and the Ministry of Education. President Carlos Lleras Restrepo signed the Statement on Population.[5]
Costa Rica	1.7		X		1968	
Cuba	8.2		X			In view of the government's particular interest in maternal and child health, Cuba has been classified as supporting family planning.

Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries in the Developing World: Current Data[1] (Continued)

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
Dominican Republic	4.2		X		1967	The national policy goal is to reduce the crude birth rate to 28 per 1,000 in ten years and to provide family planning services through the government Maternal and Child Health system. President Balaguer signed the Statement on Population.[5]
Ecuador	5.8		X		1968	There is no government program. Services are provided by the Faculties of Medicine and the private Family Planning Association. The latter was founded in 1965 and became an International Planned Parenthood Federation affiliate in 1967.
El Salvador	3.3		X		1967	
Honduras	2.5		X		1965	Family planning has been an integral part of the National Public Health Service since 1966.
Jamaica	1.8	X			1966	The national policy goal is to reduce the crude birth rate from 34.2 per 1,000 in 1968 to 25 per 1,000 by 1976.
Mexico	49.0			X		There is no government program, but the Family Planning Association, which was established in 1965 and became an affiliate of the International Planned Parenthood Federation in 1966, is operating effectively. It is illegal to advertise contraceptives.
Nicaragua	2.0		X			In view of the government's particular interest in maternal and child health, Nicaragua has been classified as supporting family planning.
Panama	1.4		X		1969	Family planning is listed as a specific objective in the Health Ministry's Maternal and Infant Program (1969).
Peru	13.2			X		
Puerto Rico[7]	2.7		X			The local government is responsible for family planning but the program is carried out by the Family Planning Association. The attitude of the government has fluctuated in the past forty years from active support to opposition. It is currently tolerant but noncommittal.
Trinidad and Tobago	1.1	X			1967	The national policy goal is to reduce the crude birth rate from 38 per 1,000 to 19 per 1,000 in ten years. Services are provided through the health system. Prime Minister Williams signed the Statement on Population.[5]
Venezuela	10.4		X		1965	The Department of Health created a Division of Population in January 1965.
EAST ASIA[8]						
China (Mainland)	800-850	X			1962	The government advocates late marriage and small families. Fertility control services are widely available in urban areas.
Hong Kong[7]	4.0		X		1950	The program, subsidized by annual government grants, is operated by the Family Planning Association, an International Planned Parenthood Federation affiliate which dates from 1950. In 1967-1968 these government grants amounted to 42 per cent of the total receipts. In 1968 half of the new acceptors received oral contraceptives, 24 per cent received IUDs, and 25 per cent received other methods.
Korea (North)	13.0			X		

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Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries In the Developing World: Current Data[1] (Continued)

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
Korea (South)	31.3	X			1961	The national policy target is a 2 per cent population growth rate by December 1971. An intensive national IUD program operates under the Ministry of Health. Since August 1969 oral contraceptives, previously given only to women who discontinued use of the IUD, have been available to all women after medical screening. Many agencies are cooperating in the program, e.g., Planned Parenthood Federation and universities. President Chung Hee Park signed the Statement on Population.[5]
Taiwan	13.8	X			1968	The national policy target is to reduce the crude birth rate to 25.1 per 1,000 and the rate of natural increase to 1.9 per cent per year by 1975. The official government policy favoring program implementation was adopted in May 1968, but the major national program dates from 1964. Under the province-wide IUD program, oral contraceptives, which had previously been given only to women who discontinued use of the IUD, are now offered to all women under 25. In December 1968, the Family Planning Institute, incorporating the former Population Studies Center, was created.
BALANCE OF ASIA[16]						
Afghanistan	16.5			X		In December 1968 the Chief Secretary of the Ministry of Public Health indicated the Ministry's interest in providing family planning personnel to the Afghan Family Guidance Association.
Burma	27.0			X		
Cambodia	6.7			X		
Ceylon	12.2	X			1965	The national policy is to achieve a crude birth rate of 25 per 1,000 and a rate of natural increase of 1.7 per cent by 1975. In 1966 family planning was added to the Health Ministry's Maternal and Child Health Services. The target is 1 million acceptors by the early part of 1973, three-fourths of whom are to be taken care of within the national program.
Cyprus	0.6			X		
India	538	X			1952	The national policy is to reduce the crude birth rate to 25 per 1,000 by 1976. Major administrative changes since 1965 have stimulated the program. In 1967 the program status was raised by changing the name of the Health Ministry to Ministry of Health and Family Planning, Works, Housing, and Urban Development. The Minister has cabinet rank. The states operate autonomously under central government guidelines and appropriations. Prime Minister Indira Gandhi signed the Statement on Population.[6]
Indonesia	115	X			1968	The goal of the national policy is to inform people about family planning, provide services, and decrease the birth rate. The current Five-Year Plan sets a target of 3 million acceptors (100,000 in 1969). The National Family Planning Institute, established in 1968, is responsible to the State Minister of People's Welfare. The national program utilizes health centers, doctors, and midwives as well as the private Family Planning Association. In his Independence Day address to Parliament on August 10, 1969, President Suharto made a strong appeal for increased activity in the field of family planning, emphasizing that the program should be started now lest the gains in production be cancelled out by the greater increase in population. President Suharto signed the Statement on Population.[7]

Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries in the Developing World: Current Data[1] (Continued)

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
Iran	27.8	X			1967	The goal of the national policy is to raise health and welfare standards and to decrease the annual population growth rate from 3 per cent to 2 per cent in order to achieve favorable socioeconomic growth. The majority of program acceptors use oral contraceptives. Literacy, Health and Development Corps (military conscripts), Women's Corps, and Armed Forces health personnel are trained for use in the program. University and high school curricula include family planning materials. His Majesty Mohammed Reza Pahlavi signed the Statement on Population.[5]
Iraq	8.8			X		
Jordan	2.3			X		King Hussein signed the Statement on Population.[5]
Kuwait	0.6			X		
Laos	2.9			X		
Lebanon	2.6			X		
Malaysia[11]	10.1	X			1966	The goal of the national policy is to achieve a 2 per cent population growth rate by 1985. An Act of Parliament created the National Family Planning Board on the Ministerial level. According to the *First Malaysian Plan, 1966-1970*, "to prevent any increase in income from being nullified by rapid population growth, a large programme of family planning will be implemented." Malaysia has long had an active private Family Planning Association which continues to play an important role in the government program. Prime Minister Tunku Abdul Rahman signed the Statement on Population.[5]
Nepal	10.9	X			1966	The lack of vital data precludes an objective in terms of a population growth rate, but a 2 per cent goal is tentatively stated. Family planning has been incorporated into the Health Ministry's Maternal and Child Health Services. King Mahendra signed the Statement on Population.[5]
Pakistan	130	X			1960	The national policy goal is to reduce the crude birth rate from 50 to 40 per 1,000 and to reduce the population growth rate from 3 to 2.5 per cent by 1970. The Pakistan Family Planning Council operates at the central government level, with the Central Minister for Family Planning as its chairman. Provincial Family Planning Boards are responsible for implementation of the action program and provision of services. Structured into the program are research, training, evaluation, interdepartmental cooperation, etc., in addition to direct services and information. The IUD is the major method, but sterilizations and conventional contraceptives account for a significant proportion of the estimated 3.3 million users at the end of 1968. Oral contraceptives are used only in small research programs. Former President Ayub Khan signed the Statement on Population.[5]
Philippines	37.1		X		1969	In 1969 an Executive Order established a Population Commission to assemble and disseminate technical and scientific information relating to population and to formulate policy and program recommendations. Family planning activities operate currently only on a local level. In 1969, the Department of Justice legalized the importation of contraceptives. President Marcos signed the Statement on Population.[5]

Governmental Position on Family Planning Programs and Policies, for 68 Specified Countries in the Developing World: Current Data[1] (Continued)

Region and country	1969 population (in millions)	Governmental position: Policy and program[2]	Governmental position: Support but no policy[3]	Governmental position: No support or policy[4]	Date of policy or support (if known)	Comments
Saudi Arabia	7.2			X		
Singapore	2.0	X			1965	The national policy goal is to reduce the crude birth rate from 32 per 1,000 in 1964 to below 20 per 1,000 in the Five-Year National Family Planning Program Plan, 1966-1970. Implementation of the plan rests with the Family Planning and Population Board, a corporate body created by an act of the Legislature in 1965. Prime Minister Lee Kuan Yew signed the Statement on Population.[5]
Syria	6.0			X		
Thailand	34.6		X		1967	The Three-Year Plan, 1968-1970, will train Ministry personnel and establish family planning clinics, offering IUDs and oral contraceptives, in all government hospitals and first class health centers. Family planning is currently regarded as part of the rural health services, particularly maternal and child health. In two decisions, 1967 and 1968, the Cabinet approved expansion of family planning as a health service. The National Economic Development Board has prepared a report, to be submitted to the Cabinet in 1969, proposing a population policy. Prime Minister Thanom Kittikachorn signed the Statement on Population.[5]
Turkey	34.5	X			1965	The official policy is expressed in terms of voluntary planning for the desired number of children. An important feature of the program is the use of mobile teams; however, the number in operation is still small. The IUD is the main method used in the program. Oral contraceptives are available in the private sector and represent an important factor in current practice.
Vietnam (North)	20.7			X		
Vietnam (South)	17.8			X		
Yemen	6.3			X		

[1] Governmental positions are based on the latest information available, and population data are estimates for 1969. For a full description of the criteria used to classify governmental positions and the problems encountered, see text. Not shown separately in this table are a number of countries with small populations that have given little or no support to family planning activities or policies. The total estimated 1969 population of these countries is 72, 20, and 2 millions, respectively, for Africa, Latin America, and East Asia.

[2] Official antinatalist policy and a family planning program.

[3] Support of family planning activities but no official policy.

[4] Little or no support of family planning activities and no official antinatalist policy.

[5] The Statement on Population was issued by United Nations Secretary-General U Thant on Human Rights Day, December 10, 1966, and signed by the heads of state of twelve countries. During 1967 the Statement was signed by eighteen additional heads of state and was re-issued on December 11, 1967, by the Secretary-General. It affirms the belief of the thirty signatories that "the population problem must be recognized as a principal element in long-range national planning if governments are to achieve their economic goals and fulfill the aspirations of their people; . . . that the opportunity to decide the number and spacing of children is a basic human right; . . . that lasting and meaningful peace will depend to a considerable measure upon how the challenge of population growth is met."

[6] Based on United Nations estimate for 1968 which may be high.

[7] Nonsovereign territory.

[8] Comprises the Caribbean area, and Central and South America, except for Argentina and Uruguay both of which have low fertility.

[9] Comprises China (Mainland), Hong Kong, North Korea, South Korea, and Taiwan; excludes Japan, which has low fertility.

[10] Excludes Israel, which has low fertility.

[11] Excludes Sabah and Sarawak.

Source: Information taken from national development plans, reports of international agencies, Population Council field staff, and others.

Source: Reports on Population/Family Planning. "Population and Family Planning Programs: A Factbook," Population Council, N.Y., N.Y., December 1969.

Mr. PASSMAN. If you can also indicate their contribution from their own resources.

Dr. HANNAH. We will.

(The information follows:)

POPULATION-FAMILY PLANNING BUDGETS IN LESS DEVELOPED COUNTRIES

Political and religious sensitivities surrounding population-family planning activities in many countries preclude their governments from identifying budget items for population-family planning per se. There are only a few countries (e.g. India, Pakistan) which appropriate funds specifically for population-family planning.

The multiple activities which support population-family planning, such as family planning services, census taking and evaluation, and motivational studies, are generally not identifiable as population-family planning costs. The costs of activities related to population-family planning are included within the general budgets of such Ministries as Health, or Planning or Social Security. Usually, it is not possible to identify with any precision, the proportion of, or specific items in, these budgets which should be ascribed to population. The problem can be illustrated by the Ministry of Health budget where some part of the funds for such activities as maternal child care and cervical cancer detection are actually in support of family planning services but are not identified with population-family planning per se.

In countries where AID extends assistance on a bilateral basis, due consideration is given by AID to the total resource contribution made by the country for population-family plannnig.

Listed below are the population-family budgets in three countries having major AID-assisted programs:

[Dollars in millions equivalent]

	Country's budget for Family Planning
India:	
1966–67	17.8
1967–68	34.0
1968–69	40.7
1969–70	56.0
Pakistan:	
1966–67	8.4
1967–68	12.0
1968–69	15.3
1969–70	18.5
Korea:	
1965	0.7
1966	1.4
1967	1.3
1968	1.1
1969	1.8
1970	2.2

Mr. PASSMAN. You also state that family planning population assistance is only provided on request. Is that correct?

Dr. HANNAH. Correct, although sometimes we urge a country to establish a population program with the understanding that we will assist them.

Mr. PASSMAN. I suspected that. This is part of the game you are playing.

So often we have witnesses say that by moving into multilateral organizations we can prevail upon other nations to contribute more. How much resentment do you find in some of these nations that were very strong and highly civilized when we were developing, when you say we have all the answers and it is up to us to show them what part of their resources they should give away.

Do you have any resentment to our taking the position of the master popping the whip over them and telling them what they should give?

Dr. HANNAH. Mr. Chairman, I think I should comment——

Mr. PASSMAN. I want you to.

Dr. HANNAH. It is my personal philosophy that we do not tell anybody how they should run their affairs.

Mr. PASSMAN. The statement has been made to the effect that if we make this amount available, it encourages others to put up some of their funds.

I just wonder when we become so wise as to be able to advise other nations as to what they should give away.

Dr. HANNAH. If you want me to answer it——

Mr. PASSMAN. Go ahead and answer it, sir, please.

Dr. HANNAH. When Mr. Truman first proposed in the fourth point of his inaugural address that inasmuch as two-thirds of all the people of the world live in what he called the underdeveloped countries, it was his feeling that the future of America was inextricably tied up with what happened in those poor countries and that he was going to recommend to the Congress that they authorize a program that would make available on request by the underdeveloped countries American know-how, American research, American scientific knowledge, American management skill, to help them help themselves. It was a sound concept and a pretty popular idea.

Mr. PASSMAN. Is that technical aid you are referring to?

Dr. HANNAH. This was the point 4 program.

Mr. PASSMAN. That is not what I was referring to, but I am glad to have you elaborate on the point.

Dr. HANNAH. That is where we started in the LDC's. The Marshall plan had been an outstanding success.

Mr. PASSMAN. According to some people's interpretation. If you analyze it, it also could have been responsible for a lot of trouble.

Off the record.

(Discussion off the record.)

RATE OF POPULATION GROWTH

Mr. PASSMAN. What is the world population?

Dr. HANNAH. About 3.6 billion. We have a chart here in the book, as you know.

Mr. PASSMAN. Just give me the figure, as I have two other questions to ask.

Dr. HANNAH. World population is roughly 3.6 billion. The population of the less developed countries is about 2.5 billion.

Mr. PASSMAN. When did we start this population control program?

Dr. HANNAH. 1965, Mr. Furman says. It certainly was in the last 5 or 6 years.

Mr. PASSMAN. Would it be fair to say we have had a program for 5 years? It started off very small, did it not?

Dr. HANNAH. Right.

Mr. PASSMAN. I would say you have had a workable program for about 5 years.

Dr. HANNAH. That is agreeable.

Mr. PASSMAN. Would you place in the record the world population growth, 1965 to 1970 inclusive, and the same statistics on the so-called less-developed countries?

Dr. HANNAH. Yes.

(The information follows:)

RATES OF POPULATION GROWTH IN THE WORLD AND IN THE LESS-DEVELOPED NON-COMMUNIST COUNTRIES

Item	1965	1966	1967	1968	1969	1970
World:						
Population (millions)	3,295	3,355	3,420	3,483	3,547	3,612
Population growth rate between 1965–70 (percent)						1.9
Noncommunist less-developed countries:						
Population (millions)	1,577	1,617	1,660	1,703	1,746	1,791
Population growth rate between 1965–70 (percent)						2.6

INCREASE IN LIFE EXPECTANCY RATE

Mr. PASSMAN. As population increases even with population control, you may get a higher increase in your population, percentagewise, because you have more people. I want to keep it completely fair. I do not want to try to distort this thing at all.

Dr. HANNAH. We would like to have the record show that the bulk of the population increase in many of the LDC's is not as much due to birth rate as it is to decreased death rate. Even if you reduce the birth rate substantially, there is no immediate decrease in population, because the life span of people has been lengthened from 40 years to 45 to 50 to 55 to 60. Infant mortality has been reduced drastically.

Mr. PASSMAN. I think the elaboration adds to the examination. But I still think it is good to let the record show to what extent we are controlling population. You might also place in the record the increase in life expectancy during the same years, 1965 to 1970 inclusive. Then it will make a complete record.

Dr. HANNAH. Yes, sir.

(The information follows:)

INCREASE IN LIFE EXPECTANCY IN THE NON-COMMUNIST LESS-DEVELOPED COUNTRIES

Data on life expectancy in the less-developed countries are rough and fragmentary. A review of the available data indicates that largely because of the reduction in infant and child mortality there has been a significant increase in life expectancy at birth. It is now estimated that a child born in the non-Communist less-developed countries in 1969 had a life expectancy about 8 months longer than a child born in 1968. A child born about 1960 in these countries is estimated to have had a life expectancy at birth of roughly 46 years; the comparable figure for the late 1960's is 51 years.

FISCAL YEAR 1971 VOCATIONAL EDUCATION PROGRAM

Mr. PASSMAN. On page 12, you state educational systems must be changed substantially to provide the skills required to satisfy the changing manpower needs. The question is: What manpower needs have been changing in the developing countries?

Dr. HANNAH. As the developing country begins to industrialize itself, whether it builds a powerplant or a fertilizer plant or steel mill

or is just building new roads for the first time, you have to have skilled people to do the things that need to be done. You either have to import the skills or you have to train people in that country.

If the developing countries have the will to use whatever they have in natural resources for their own improvement, for the benefit of their own people, the very first requirement is that they determine what they want to do with their country, whether they want to move it forward. An intelligent program requires that they identify the kinds of skills that are required either to operate a government, an effective agricultural program or school system or whatever. You have to put into the system the institutions that are required or the programs that are required to take untrained people with a low level of education, and give them the competencies and skills that are required to make their own social-economic-political systems operate.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. My statement had to do with giving priority to America and that we are not doing. You know and I know that last year, while we closed down hundreds of projects in America, such as reclamation, soil conservation, rivers and harbors, flood control, locks and dams, and many other worthy projects such as Hill-Burton hospital projects, AID projects were not cut one dime. AID did not lose a penny; not one facet of all of the AID programs were affected by the freeze.

I am only making a pitch that America should come first.

Mr. LONG. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

Mr. LONG. I feel the Chairman has a very important point. I want to make a further point, and that is that we have not only not made our domestic needs come first, but we have placed them below very low priority needs in some of the underdeveloped countries, such as for sophisticated weapons systems, such as allowing them to go on without reforming their land or tax system.

I have a feeling that very few people of ordinary means in this country want to pay taxes so that well-to-do and upper middle class people in underdeveloped countries can get some kind of a privileged status or free ride. That is why I have soured on foreign aid.

Mr. PASSMAN. Thank you, Dr. Long.

I was taught to always confess your sins. If you do, you can be forgiven, or at least you will not get into too much trouble. I have become so soured on this program that I cannot go to sleep at night because you people have thousands of well-trained staff people scattered in 97 nations of the world.

Dr. HANNAH. Forty-four nations.

Mr. PASSMAN. You have millions of dollars at your disposal to work up these justifications, and the reasons why you should have this money. It is a full-time job with you.

Now contrast that, if you will, with this committee. Each of us represent nearly half a million people. We have to see our constituents, we have to take their phone calls, read and answer their mail, and we have to study current legislation, in addition to being on the floor of the House.

We have one lone staff member to research this program and you people come in here fortified with millions of dollars of researchers, and it is a full-time job with you. We are at a tremendous disadvantage.

Mr. LONG. I want to carry your point further.

Right now I have another committee meeting and we have legislation on the floor. So there are three places we are supposed to be at once. In other words, at this moment it is three times a full-time job.

Mr. PASSMAN. But, Doctor, I could cry at the disadvantage. All we have is one fine staff member.

You bureaucrats, with millions of dollars at your disposal, have hundreds of people thinking up justifications for these projects. The disappointing thing about it from my viewpoint is that we have no way of getting it over to the American people. That is why I want your assistant, who has become very vocal about this program lately, to permit me to go out with him on these speaking trips. I want to go out and give him the privilege of speaking first.

Mr. LONG. You are crazy like a fox.

Mr. PASSMAN. Since you are the giveaway boys, make your points.

Mr. LONG. I always do that, too, so I have the last word.

Mr. PASSMAN. Is it not correct, Doctor Hannah, that vocational education has always been an important part of your educational program?

Dr. HANNAH. Yes.

Mr. PASSMAN. So this language notwithstanding, it is not new?

Dr. HANNAH. A.I.D. support for vocational education is not new, that is right. It is a new activity in some countries.

Mr. PASSMAN. You have been in all of them. A.I.D. has been in 121 countries and seven territories. I do not know how it could be very new in some countries, but if that is your answer, I will accept it.

Of your entire program, how much money is devoted to the vocational education area?

Dr. HANNAH. You want me to give you a reasonably accurate figure?

Mr. PASSMAN. Put it in the record.

Dr. HANNAH. I would like to check it and get it in the record.

(The information follows:)

FISCAL YEAR 1971 PROGRAM FOR VOCATIONAL EDUCATION

	Amount[1] *(millions)*
Latin America	$27.7
Near East and South Asia	.2
East Asia	4.4
Vietnam	.9
Africa	2.2
Total	35.4

[1] Amounts allocated to vocational education within sector loans are estimated.

FISCAL YEAR 1971 INDUSTRIAL DEVELOPMENT PROGRAM

Mr. PASSMAN. How much of your 1971 budget request is programed for industrial development, Doctor?

Dr. HANNAH. I will give you an accurate answer for the record.

(The information follows:)

FISCAL YEAR 1971 PROGRAM FOR INDUSTRIAL DEVELOPMENT

	Amount [1] (millions)
Latin America	$30.0
Near East and South Asia	301.7
East Asia	44.2
Vietnam	20.5
Africa	4.3
Total	400.7

[1] Amounts allocated to industrial development within sector and program loans are estimated.

OBLIGATIONS FOR LOANS AND GRANTS

Mr. PASSMAN. On page A–15, you state that most foreign aid does not consist of giving away our wealth to other countries.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. You have a lot of researchers getting up that information for you. Let me give my response now.

I should say that our wealth means our labor and commodities.

Dr. HANNAH. That is a measurement I usually talk about—GNP, goods and services.

Mr. PASSMAN. Wealth would be the services of the individual or it would be the commodities, would it not?

Dr. HANNAH. That is right.

Mr. PASSMAN. Let us see just how far off base you are on that statement.

If we look at the green book and the "Summary of All Countries" page we have obligated or authorized a net $138.446 billion; is that correct?

Dr. HANNAH. Yes, through June 30, 1969.

Mr. PASSMAN. There is still 1 year to be added to that to get the grand total; is that correct?

Dr. HANNAH. You are talking about this year?

Mr. PASSMAN. I am talking about fiscal year 1970 which has to be added to it to get the grand total.

Now let's see what the actual grant aid portion is.

According to this book, $94.238 billion represents grant aid, does it not?

Dr. HANNAH. That is what it says.

Mr. PASSMAN. That means goods and services we gave away in which there is no repayment, is that correct?

Dr. HANNAH. That is right.

Mr. PASSMAN. Would that not be considered that much wealth given away?

Dr. HANNAH. Certainly it is U.S. money that was made available to people in other countries.

Mr. PASSMAN. On a grant basis. That is what I call giving away our wealth. Thank you very much for the admission.

Dr. HANNAH. This includes, of course, economic, military, Public Law 480 and everything else.

Mr. PASSMAN. I said what we have given away. So when I make the statement we are giving away our wealth, it is now confirmed by you, and you are an authority.

Dr. HANNAH. I think if we are going to put this in the record——

Mr. PASSMAN. You put whatever you want to in the record.

Dr. HANNAH. Just separate the fact that out of $138 billion, military assistance totaled $39 billion.

Mr. PASSMAN. I am looking at the grant part of it, all inclusive minus 1 year, which is $94.238 billion, and that represents what we have given away.

Mr. LONG. Over what period is that?

Mr. PASSMAN. Since the inception of the program in 1945.

Mr. LONG. I think the chairman makes a mistake in implying that we just poured this down a rathole.

Mr. PASSMAN. I do not think I used that expression even though I would be happy to add that to my earlier statement.

Mr. LONG. Much of this was Marshall plan, which probably saved Europe from communism. If that is not a good investment, I do not know what is. If it is an investment, then I do not know why you would just say we gave it away. We got value received.

I am not claiming that we got value received for every dollar we gave away. But I think the chairman makes a mistake when he implies that the whole thing was a giveaway.

Mr. PASSMAN. Let the gentleman speak for himself. Let the chairman speak for himself.

I am only following this line of questioning, Mr. Long, simply because it has been said that much of this is not a giveaway program.

Mr. LONG. I think much of it, but let's not claim all of it is.

Mr. PASSMAN. I never claimed that.

Page A–15 of the justification states that "most foreign aid does not consist of 'giving away' our wealth" to other countries.

You can place your own assessment upon the value, but Dr. Hannah has confirmed for the record, minus 1 year, that the grant part—not including the concessionary loans, just the grant part with 1 year to be added—is $94.238 billion for which we received back nothing in the way of goods and services.

I am only clarifying the statement which is in the justification.

Mr. LONG. It may have been peace—the most valuable thing of all. If peace is not worth more than a quid pro quo in goods and services——

Mr. PASSMAN. It may have just as easily gotten us into a world of turmoil.

Mr. LONG. Is the chairman arguing we would not have had the world of turmoil if we did not give this money away?

Mr. PASSMAN. The gentleman has a right to his thinking on this program.

Mr. LONG. I think the chairman is too smart——

Mr. PASSMAN. We are giving away a lot of the wealth of our country. Do not try to change my philosophy and I will not try to change yours. That is a good trade.

Mr. LONG. The chairman has already changed my philosophy to some extent. Why should I not be allowed to change his to some extent?

Mr. CONTE. We are going to have a hearing on Sunday; are we not?

Mr. PASSMAN. If you want one.

Mr. CONTE. I have some questions.

Mr. LONG. What is your life expectancy?

EFFECT ON BALANCE OF PAYMENTS OF LATIN AMERICAN FIRMS COMPETING WITH U.S. FIRMS

Mr. CONTE. I do not know. I feel pretty old today.

Mr. PASSMAN. I note on page A–15 that Latin American firms are now eligible to compete with U.S. firms for procurement financed by Alliance for Progress loans; is that correct?

Dr. HANNAH. That is correct.

Mr. PASSMAN. Do you have any estimate at this time as to the effect on our balance of payments this change in procedure will have.

Dr. HANNAH. It is very minor. We would be glad to put in the record the estimates for this year. Of course this was action taken by the President. It is minor.

Mr. PASSMAN. Doctor, I believe that our balance-of-payments deficit for calendar 1969 reached $6.9 billion, almost $7 billion; is that correct?

Dr. HANNAH. Something like that.

Mr. PASSMAN. And I believe that prior to 1969 there were only 2 years in the past 18 where we had a balance-of-payments surplus. One of them was in calendar 1968 where we had $93 million balance-of-payment surplus, but that was only because we were borrowing dollars from many foreign nations on short terms, I believe, and a high rate of interest.

Dr. HANNAH. Yes. You are expecting me to comment on it?

Mr. PASSMAN. I just ask you to confirm the accuracy of the statement, if you know.

Dr. HANNAH. I believe the figures that you have given are correct. I do not have them before me. But I have full confidence in them.

Mr. PASSMAN. All right, sir.

LOAN TO UNITED STATES FROM THAILAND

I think it is good if we spell out for the record, since there seems to be some question about just what kind of a mess this program has gotten us into, that we are borrowing money from the American people to pay for commodities and services which we are giving away to foreign nations, and at the same time we are borrowing money from foreign nations to improve temporarily our balance-of-payments position, one of which is as follows:

Thailand is a recipient of over $1 billion of our aid, both commodities and services. The United States borrowed the money to pay for these commodities and services we have given to Thailand. During the same period, Thailand out of its own resources created a surplus in its foreign exchange and gold reserves of over $1 billion.

After long diplomatic wrangles, strong argument and arm twisting, Thailand reluctantly but finally agreed to make the United States a loan of $100 million. The terms were 4½ years at 6-percent interest.

That statement speaks for itself. I cannot add to it or take from it.

Dr. HANNAH. That is the same point you put in the record last year.

Mr. PASSMAN. Yes. I want it in the record again, because your researchers have come up with some new problems for us.

Dr. HANNAH. Well, I want to point out that even in a poor country it is customary for them to try to develop some foreign exchange reserves, for emergencies and the like. They can put the money in the

vault and look at it; they can invest it by putting it in their own banks for interest, or they can invest it in securities of the United States, which are usually regarded to be sound and salable.

Mr. PASSMAN. Surely.

Dr. HANNAH. If you were running a bank in Monroe, La., that is what you would do with your surplus money, you would keep it where——

Mr. PASSMAN. You do not think you have erased the record, do you?

Dr. HANNAH. No.

Mr. PASSMAN. That was not your intention. Let's go back and play this record again.

Those people are waxing fat in their form of prosperity. We started an aid program in Thailand. About 9 years ago AID decided to conclude our aid program. They were packing up to come home. I brought that message back and some people were extremely happy.

The following year I returned to Thailand and arranged for some hearings. After assembling the witnesses and the committee, the witnesses said that they have been instructed by Washington not to discuss with you or reveal any information that we may have for continuing the aid program.

I said, are you serious?

They said, yes, we are serious.

We left the AID mission and went around the corner to the military mission and they said yes, we have a 5-year program, here are the five slices. We came back and brought this matter to the attention of Douglas Dillon. He fired several people who were involved in withholding the information from the committee.

A year or so later while we were there we found out that the then Prime Minister, who had been promoted from general, had gotten rid of his bicycle and moved out of a grass hut into a palatial home and was reputed to be worth $150 million. Then he was called to the Great Beyond. They only admitted he had built his net worth to $135 million.

Mr. LONG. Is this the fellow that had 110 mistresses each one on the payroll at $10,000?

Mr. PASSMAN. At a subsequent date they said that is all a mistake. We are going to give the widow $25 million and the rest of the estate will be turned back to the Government.

While we were pouring in money to pay for their commodities, Government officials were stealing out of their own economy. So while we gave them $1 billion, they earned $1 billion that they did not need, and could have just as easily spent rather than taking our billion dollars.

Then we went out and started borrowing money from them. The joker in the deck is, we have to repay this money in another 29 months. We do not know what is going to happen then.

Dr. HANNAH. When did this incident happen in Thailand?

Mr. PASSMAN. It was in 1968, just a little over a year ago.

Dr. HANNAH. May I remind the chairman that what AID is doing in the way of supporting assistance in Thailand, Laos, and Vietnam was a decision not made within the AID agency. It was made by the executive and the legislative branches of the Government. I am not defending the earlier decisions concerning our sup-

port for those countries nor do I object to your putting in the record what you put in.

Mr. PASSMAN. Doctor, you have to coordinate these programs. All of it is in the same area. You are asking for money this year for Thailand. Every year you have wanted money for Thailand. I am only bringing it to your attention again so your researchers can bring it to your desk, that while we are giving Thailand money, they are building up tremendous gold and foreign exchange credits.

We borrowed $100 million from them. I will say that President Nixon stopped the practice the first week he became President. But I have to point these things out so you will notice the direction in which this program has been traveling.

UNIVERSITY CONTRACTS

Doctor, would you please provide for the record a list of the 291 university contracts mentioned on page A–16, indicating the institution, the type of contract, and the cost?

Dr. HANNAH. We will.

(The information follows:)

STATISTICAL SUMMARY
AID-FINANCED UNIVERSITY CONTRACTS
AS OF JUNE 30, 1969

TYPE OF SERVICE	NUMBER OF COUNTRIES	NUMBER OF U. S. UNIVERSITIES		NUMBER OF CONTRACTS	AMOUNT IN DOLLARS (1)
TECH. ASSIST TO HOST COUNTRIES					
NEAR EAST SOUTH ASIA	6	18		28	50,842,256
EAST ASIA	2	6		6	6,385,824
LATIN AMERICA	15	27		37	38,107,043
AFRICA	14	28		40	72,880,458
VIETNAM	1	3		3	3,803,183
SUBTOTAL (2)	38	82	(3)	114	172,018,764
TRAINING (4)		90		103	6,079,515
RESEARCH (4)		24		37	12,528,603
TECH. SERV. TO AID (4)		19		37	11,640,569
TOTAL	38	215	(5)	291	202,267,451

(1) FUNDS ARE EXPRESSED TO THE NEAREST DOLLAR.

(2) LIMITED TO CONTRACTS ENTERED INTO BY A.I.D. UNDER WHICH A U.S. UNIVERSITY OR OTHER ACADEMIC INSTITUTION PROVIDES TECHNICAL ASSISTANCE ABROAD. EXCLUDED ARE SUCH CONTRACTS AS THOSE WITH THE GOVERNMENT OF PUERTO RICO.

(3) COLUMN TOTALS 82 BUT THERE ARE ONLY 64 UNIVERSITIES ENGAGED IN TECHNICAL COOPERATION ACTIVITIES ABROAD, SINCE SOME UNIVERSITIES ARE OPERATING IN MORE THAN ONE AREA.

(4) LIMITED TO CONTRACTS ENTERED INTO BY A.I.D. UNDER WHICH A UNIVERSITY OR OTHER ACADEMIC INSTITUTION TRAINS FOREIGN NATIONALS OR PROVIDES TECHNICAL SUPPORT TO A.I.D., BOTH IN THE U.S. AND ABROAD.

(5) COLUMN TOTALS 215 BUT THERE ARE ONLY 125 UNIVERSITIES ENGAGED IN CONTRACT ACTIVITIES, SINCE SOME UNIVERSITIES ARE OPERATING IN MORE THAN ONE AREA OR TYPE OF SERVICE .

U. S. UNIVERSITIES PROVIDING TECHNICAL
ASSISTANCE TO HOST COUNTRY INSTITUTIONS

NEAR EAST AND SOUTH ASIA

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM		AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL
NESA-207 COLUMBIA UNIVERSITY, TEACHERS COLLEGE	AFGHANISTAN MINISTRY OF EDUCATION OF AFGHANISTAN, THE INSTITUTE OF EDUCATION AND THE UNIVERSITY OF KABUL	EDUCATION 04-05-54	06-30-70	$ 11,249,847	CAMPUS COORDINATOR L POMPA NESA/ID RALPH R FIELDS
NESA-202 INDIANA UNIVERSITY FOUNDATION	AFGHANISTAN KABUL UNIVERSITY	EDUCATION 10-22-66	06-30-70	$ 777,667	L POMPA NESA/ID LYNNE MERRITT
NESA-244 SOUTHERN ILLINOIS UNIVERSITY	AFGHANISTAN AFGHAN INSTITUTE OF TECHNOLOGY	EDUCATION 10-06-64	06-30-70	$ 1,077,767	L POMPA NESA/ID/ED MURNICE DALLMAN
NESA-215 WYOMING, UNIVERSITY OF	AFGHANISTAN KABUL UNIVERSITY	AGRICULTURE 09-01-54	06-30-71	$ 7,830,202	C ADAMS NESA/ID GORDON W ARNOLD
NESA-149 ILLINOIS, UNIVERSITY OF	INDIA MADHYA PRADESH AGRICULTURAL UNIVERSITY	AGRICULTURE 11-01-64	06-30-70	$ 1,473,627	A RENSHAW NESA/ID THOMAS MCCOWEN
NESA-150 ILLINOIS, UNIVERSITY OF	INDIA MINISTRY OF FOOD AND AGRICULTURE, UTTAR PRADESH UNIVERSITY	AGRICULTURE 11-01-64	06-30-70	$ 1,819,582	A RENSHAW NESA/ID THOMAS MCCOWEN
NESA-337 ILLINOIS, UNIVERSITY OF	INDIA THE MINISTRY OF FOOD AND AGRICULTURE	AGRICULTURE 09-01-67	08-31-69	$ 69,925	A RENSHAW NESA/ID THOMAS MCCOWEN
NESA-146 KANSAS STATE UNIVERSITY	INDIA MINISTRY OF FOOD AND AGRICULTURE - ANDHRA PRADESH UNIV.	AGRICULTURE 11-01-64	06-30-70	$ 1,226,826	A RENSHAW NESA/ID V LARSON
NESA-322 KANSAS STATE UNIVERSITY	INDIA ANDHRA PRADESH AGRICULTURAL UNIVERSITY MINISTRY OF FOOD AND AGRICULTURE	AGRICULTURE 11-01-66	06-30-70	$ 362,005	A RENSHAW NESA/ID V LARSON
NESA-144 MISSOURI, THE CURATORS OF THE UNIVERSITY OF	INDIA MINISTRY OF FOOD AND AGRICULTURE, ORISSA UNIV. OF AGRICULTURE AND TECHNOLOGY	AGRICULTURE 11-01-64	03-31-70	$ 1,161,073	A RENSHAW NESA/ID J RODGERS
NESA-320 MISSOURI, THE CURATORS OF THE UNIVERSITY OF	INDIA MINISTRY OF FOOD AND AGRICULTURE, AND THE ORISSA AGRICULTURAL RESEARCH INSTITUTE	AGRICULTURE 11-01-66	06-30-70	$ 426,951	A RENSHAW NESA/ID J RODGERS
NESA-321 MISSOURI, THE CURATORS OF THE UNIVERSITY OF	INDIA MINISTRY OF FOOD AND AGRICULTURE, AND THE BIHAR STATE.	AGRICULTURE 08-22-67	06-30-70	$ 231,400	A RENSHAW NESA/ID J RODGERS

A = CONTRACT EXPIRED - REINSTATED BY RETROACTIVE AMENDMENT

B = CONTRACT EXECUTED THIS PERIOD.

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
NESA-147 OHIO STATE UNIVERSITY	INDIA STATE OF PUNJAB, INDIA, AND PU NJAB AGRICULTURAL UNIVERSITY	AGRICULTURE 11-01-64 06-30-70	$ 1,275,580	A RENSHAW NESA/ID MERVIN G SMITH
NESA-148 OHIO STATE UNIVERSITY	INDIA STATE OF RAJESTHAN, INDIA, AND UDAIPUR AGRICULTURAL UNIVERSI TY	AGRICULTURE 11-01-64 06-30-70	$ 1,280,899	A RENSHAW NESA/ID MERVIN G SMITH
NESA-145 TENNESSEE, UNIVERSITY OF	INDIA MINISTRY OF FOOD AND AGRICULTU RE, MYSORE AGRICULTURAL UNIVER SITY	AGRICULTURE 11-01-64 06-30-70	$ 1,360,540	A RENSHAW NESA/ID L H DICKSON
NESA-318 TENNESSEE, UNIVERSITY OF	INDIA MYSORE UNIVERSITY OF AGRICULTU RAL SCIENCES & MINISTRY OF FOO D AND AGRICULTURE	AGRICULTURE 06-01-67 06-30-70	$ 327,395	A RENSHAW NESA/ID L H DICKSON
NESA-319 TENNESSEE, UNIVERSITY OF	INDIA MADRAS AGRICULTURAL RESEARCH I NSTITUTE, MINISTRY OF FOOD AND AGRICULTURE	AGRICULTURE 10-07-66 06-30-70	$ 365,410	A RENSHAW NESA/ID L H DICKSON
NESA-395 OREGON STATE UNIVERSITY	JORDAN MINISTRY OF AGRICULTURE	WHEAT PRODUCTION 06-19-68 09-30-70	$ 200,000	A RENSHAW NESA/ID
NESA-394 MICHIGAN, UNIVERSITY OF	NEPAL THE GOVERNMENT OF NEPAL	POPULATION AND FAMILY DYNAMICS 08-01-68 06-30-70	$ 59,830	HARRY CLARK R PAGAN NESA/ID
NESA-253 SOUTHERN ILLINOIS UNIVERSITY	NEPAL NATIONAL VOCATIONAL TRAINING C ENTER	EDUCATION 07-01-66 03-31-70	$ 1,346,900	MERVIN SMITH K MARTIN NESA/ID
NESA-213 COLORADO STATE COLLEGE	PAKISTAN THE INSTITUTE OF EDUCATION AND RESEARCH - UNIVERSITY OF DACC A	EDUCATION 11-11-59 10-31-69	$ 2,234,080	WILLIAM BECKER K MARTIN NESA/ID
NESA-350 COLORADO STATE COLLEGE	PAKISTAN DIRECTORATE OF TECHNICAL EDUCA TION, EAST PAKISTAN DEPARTMENT OF EDUCATION	EDUCATION 11-20-67 10-31-69	$ 137,416	KENNETH HALSEY K MARTIN NESA/ID KENNETH HALSEY
NESA-407 OREGON, UNIVERSITY OF	PAKISTAN THE GOVERNMENT OF EAST PAKISTA N	GOVERNMENT ADMINISTRATION 01-24-69 06-30-70	$ 43,874 B	W RICHTER NESA/ID
NESA-184 TEXAS A & M UNIVERSITY SYSTEM	PAKISTAN UNIVERSITY OF DACCA, THE EAST PAKISTAN AGRICULTURAL UNIV. & THE EAST PAKISTAN UNIVERSITY O F ENGINEERING AND TECHNOLOGY	AGRICULTURE & AGRIC. ENGR. 06-24-54 09-30-70	$ 5,730,297	L ANDERSON NESA/ID JACK D GRAY

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NEAR EAST AND SOUTH ASIA CONTINUED

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
NESA-178 WASHINGTON STATE UNIVERSITY	PAKISTAN WEST PAKISTAN AGRICULTURAL UNIVERSITY AT LYALLPUR AND THE UNIVERSITY OF PESHAWAR AT PESHAWAR	AGRICULTURE 06-24-54 08-31-69	$ 6,212,506	L ANDERSON NESA/ID THEODORE E DOTY
NESA-225 CORNELL UNIVERSITY	TURKEY MIDDLE EAST TECHNICAL UNIVERSITY	PUBLIC AND BUSINESS ADMIN. 09-18-61 08-31-69	$ 736,367	W RICHTER NESA/ID
NESA-85-1 MICHIGAN STATE UNIVERSITY	TURKEY ACADEMIES OF ECONOMICS AND COMMERCE AT ANKARA, ISTANBUL, IZMIR AND ESKESEHIR	EDUCATION 02-27-64 06-30-71	$ 1,514,868	FREDERICK BENT I STUCK NESA/ID K LOUHI
NESA-339 OREGON STATE SYSTEM OF HIGHER EDUCATION	TURKEY THE GOVERNMENT OF TURKEY	PRODUCTION OF CEREAL GRAINS 06-30-67 08-31-70	$ 309,422	O MIMMS NESA/ID H CLARK
		REGION TOTAL	$ 50,842,256	

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EAST ASIA

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
EA-14 NOTRE DAME, THE UNIVERSITY OF	PHILIPPINES CEBU INSTITUTE OF TECHNOLOGY (CIT), COLLEGE OF MEDICINE	FAMILY DYNAMICS 08-18-67 08-31-69	$ 176,545	E SCHUFFMAN EA/TECH W T LIU
EA-37 VIRGINIA POLYTECHNIC INSTITUTE	PHILIPPINES GOVERNMENT OF THE PHILIPPINES	NUTRITION 07-01-68 06-30-70	$ 117,000	J SHAFER EA/TECH WILSON B BELL
FE-308 CALIFORNIA STATE POLYTECHNIC C OLLEGE FOUNDATION, THE	THAILAND ROYAL THAI GOVERNMENT	EDUCATION-AGRICULTURE 01-01-67 06-30-71	$ 430,057	T CLARK EA/TECH DOUGLAS PIERCE
FE-2 ILLINOIS, UNIVERSITY OF	THAILAND THE UNIVERSITY OF MEDICAL SCIE NCES	HEALTH EDUCATION 08-02-62 08-31-70	$ 3,717,032	J SHAFER EA/TECH W V WHITEHORN
FE-261 KENTUCKY RESEARCH FOUNDATION, THE UNIVERSITY OF	THAILAND THE MINISTRY OF AGRICULTURE AT THA PHRA NEAR KHONKAEN.	AGRICULTURE 07-01-66 02-20-71	$ 1,706,600	D DAVIS EA/TECH S C BOHANAN
EA-23 OKLAHOMA STATE UNIVERSITY	THAILAND MINISTRY OF EDUCATION	VOCATIONAL EDUCATION 02-01-68 02-01-71	$ 238,590	E LITTLE EA/TECH W ABBOTT
		REGION TOTAL	$ 6,385,824	

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LATIN AMERICA

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
LA-245 MICHIGAN STATE UNIVERSITY	ARGENTINA NATIONAL INSTITUTE OF AGRICULTURAL TECHNOLOGY, AND THE CATHOLIC UNIVERSITY OF MAR DEL PLATA	EDUCATION-AGRICULTURE 02-08-65 01-31-70	$ 743,000	J FORD LA/ID/RDD K LAWTON
LA-157 TEXAS A & M UNIVERSITY SYSTEM	ARGENTINA NATIONAL INSTITUTE OF AGRICULTURAL TECHNOLOGY	AGRICULTURE 02-01-64 12-31-69	$ 1,039,700	J FORD LA/ID/RDD JACK D GRAY
LA-373 OHIO STATE UNIVERSITY, THE RESEARCH FOUNDATION OF THE	BOLIVIA GOVERNMENT OF BOLIVIA	EDUCATION 02-28-66 09-30-69	$ 318,400	T HAZARD LA/DR/ED S C KELLY
LA-319 UTAH STATE UNIVERSITY	BOLIVIA MINISTRY OF AGRICULTURE	AGRICULTURE 07-19-65 11-30-69	$ 1,365,091	R POWELL LA/SCD/ED J F DWAN
LA-145 ARIZONA, UNIVERSITY OF	BRAZIL THE UNIVERSITY OF CEARA, FORTALEZA	AGRICULTURE 10-25-63 12-31-69	$ 2,092,612	D FEISTER LA/DR W. PISTOR
LA-272 CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	BRAZIL (MINISTER OF PLANNING AND ECONOMIC COORDINATION)	ECONOMIC DEVELOPMENT 06-10-65 05-31-70	$ 714,402	L ROUSE LA/ID/DA JOHN ELAC
LA-284 CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	BRAZIL GOVERNMENT OF BRAZIL	ECONOMIC DEVELOPMENT 06-10-65 06-09-70	$ 216,774	L ROUSE LA/DR JOHN ELAC
LA-165 MISSISSIPPI STATE UNIVERSITY	BRAZIL BRAZILIAN MINISTRY OF AGRICULTURE	AGRICULTURE 03-02-64 12-31-69	$ 1,071,979	J FORD LA/SCD/AD DEAN BUNCH
LA-161 OHIO STATE UNIVERSITY	BRAZIL AGRICULTURE COLLEGE, UNIVERSITY OF SAO PAULO	AGRICULTURE 03-16-64 12-31-69	$ 2,130,887	J FORD LA/ID M SMITH
W-639 PURDUE UNIVERSITY	BRAZIL RURAL UNIVERSITY OF THE STATE OF MINAS GERAIS	AGRICULTURE 06-27-51 12-31-69	$ 5,071,788	V PETERSON S/FOOD R FOSBRINK
LA-367 VANDERBILT UNIVERSITY	BRAZIL UNIVERSITY OF SAO PAULO AND THE GETULIO VARGAS FOUNDATION	GRADUATE EDUCATION 02-04-66 12-31-71	$ 691,696	R BERG LA/ID W THWEATT
LA-553 VANDERBILT UNIVERSITY	BRAZIL FEDERAL UNIVERSITY OF PERNAMBUCO, INSTITUTE OF THE SCIENCES OF MAN	SOCIAL AND ECONOMIC DEV. 07-01-68 06-30-70	$ 110,574	R ELMORE LA/ID/DA W FORCE
LA-472 HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	CENTRAL AMERICA AND PANAMA CENTRAL AMERICAN INSTITUTE OF BUSINESS	BUSINESS ADMINISTRATION 01-01-67 07-31-69	$ 423,220	FELDMAN ARA/LA/PA JACK MOSCATELLI

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LA-310 KANSAS, THE UNIVERSITY OF	CENTRAL AMERICA AND PANAMA SUPERIOR COUNCIL OF THE UNIVERSITIES OF CENTRAL AMERICA (CSUCA)	EDUCATION 07-01-65 09-30-69	$ 403,683		R BERG LA/SCD R RIDGEWAY
LA-305 NORTH CAROLINA, UNIVERSITY OF	CENTRAL AMERICA AND PANAMA SAN CARLOS UNIVERSITY, GUATEMALA	SANITARY ENGINEERING 08-01-65 03-31-70	$ 428,220		N SAXTON LA/ID/HPN B L MARKS
LA-282 OKLAHOMA STATE UNIVERSITY	CENTRAL AMERICA AND PANAMA UNIVERSITY OF SAN CARLOS, REGIONAL SCHOOL OF VETERINARY MEDICINE	VETERINARY MEDICINE 06-23-65 08-31-71	$ 457,734		GILL LA/ID/RDD W S ABBOTT
LA-394 HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	CHILE MINISTRY OF FINANCE	PUBLIC ADMINISTRATION 04-15-66 09-30-69	$ 393,463		FELDMAN LA/ID/DA D OLDMAN
LA-559 INDIANA UNIVERSITY FOUNDATION	CHILE GOVERNMENT OF CHILE	EDUCATION 07-18-68 07-31-70	$ 346,000		R POWELL LA/ID/ED A TEBBUTT
LA-492 JOHNS HOPKINS UNIVERSITY, THE	CHILE CHILEAN NATIONAL HEALTH SERVICE	MEDICAL EDUCATION 06-19-67 12-31-69	$ 110,100		N SAXTON LA/ID/HPN ERNEST STEBBINS
AID-514-102 NEW MEXICO, UNIVERSITY OF	COLOMBIA COLOMBIAN NATIONAL MINISTRY OF EDUCATION	EDUCATION 03-19-69 02-28-70	$ 99,300	B	
AID-514-93 NEW MEXICO, UNIVERSITY OF AID-514-105 UTAH STATE UNIVERSITY	COLOMBIA MINISTRY OF EDUCATION COLOMBIA THE COLOMBIAN INSTITUTE FOR AGRARIAN REFORM	SECONDARY EDUCATION 06-28-68 06-30-71 AGRICULTURE 02-11-69 06-30-70	$ 591,100 $ 145,000	 B	
LA-261 FLORIDA, UNIVERSITY OF	COSTA RICA (1) MINISTRY OF AGRICULTURE OF COSTA RICA; (2) THE UNIVERSITY OF COSTA RICA (3) THE INSTITUTE OF LANDS AND COLONIZATION	AGRICULTURE 05-21-65 12-31-69	$ 597,671		R TAYLOR LA/ID W BEACH
LA-268 TEXAS A & M UNIVERSITY SYSTEM	DOMINICAN REPUBLIC GOVERNMENT OF DOMINICAN REPUBLIC	AGRICULTURE 04-01-65 12-31-69	$ 4,020,320		J FORD LA/DR W BEACH
LA-361 OHIO STATE UNIVERSITY, THE RESEARCH FOUNDATION OF THE	ECUADOR GOVERNMENT OF ECUADOR	HUMAN RESOURCES 12-31-65 07-31-69	$ 217,877		T HAZARD LA/ID D SANDERS
LA-586 FLORIDA, UNIVERSITY OF	EL SALVADOR NATIONAL SCHOOL OF AGRICULTURE	AGRICULTURE 04-07-69 03-31-70	$ 49,386	B	GILL LA/MGT/CTR H POPENOE

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AID-520-220 HOUSTON, UNIVERSITY OF	GUATEMALA UNIVERSITY OF SAN CARLOS	ENGINEERING TECHNOLOGY 12-04-67 12-31-69	$ 44,200	
LA-408 MISSISSIPPI STATE UNIVERSITY	GUATEMALA MINISTRY OF AGRICULTURE	AGRICULTURE 05-31-66 12-31-69	$ 1,071,979	J WALKER LA/ID/RDD
LA-410 FLORIDA, UNIVERSITY OF	JAMAICA GOVERNMENT OF JAMAICA	AGRICULTURE 03-15-66 12-31-69	$ 127,574	DEAN BUNCH R HILL LA/ID
LA-478 OKLAHOMA, UNIVERSITY OF	PANAMA SANTA MARIA LA ANTIGUA UNIVERSITY	ORGANIZATION AND ADMIN. 01-22-68 08-31-69	$ 143,440	H POPENOE J COOMBS LA/ID/HRD
LA-498 PENNSYLVANIA STATE UNIVERSITY	PANAMA MINISTRY OF EDUCATION	EDUCATION 08-09-67 07-31-69	$ 253,802	RICHARD HANCOCK J COOMBS LA/SCD/ED
LA-535 UTAH, UNIVERSITY OF	PANAMA GOVERNMENT OF PANAMA	COMMUNITY DEVELOPMENT 03-27-68 12-31-70	$ 58,185	GORDON GOOBEY R BERNHART LA/SCD
LA-520 NEW MEXICO STATE UNIVERSITY	PARAGUAY MINISTRY OF AGRICULTURE	AGRIC. AND VETERINARY SCIENCES 07-01-68 08-30-70	$ 304,000	J F DWAN J FORD LA/ID/RDD
LA-592 IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY AND THE UNIVERSITY OF IOWA	PERU THE MINISTRY OF AGRICULTURE	AGRICULTURAL PRODUCTION 10-02-62 12-31-71	$ 2,766,241	J V ENZIE PACE LA/SCD FLOYD ANDRE
LA-229 MICHIGAN, UNIVERSITY OF	PERU GOVERNMENT OF PERU	SOCIAL AND ECONOMIC DEV. 08-01-64 09-30-69	$ 463,618	W FELDMAN LA/SCD/DAD STEPHEN WITHEY
LA-510 NORTH CAROLINA STATE UNIVERSITY AT RALEIGH	PERU NATIONAL AGRICULTURAL UNIVERSITY	AGRICULTURE 01-01-61 12-31-70	$ 7,384,180	W PACE LA/ID/RDD ARTHUR COUTU
LA-103 STANFORD JR. UNIVERSITY, THE BOARD OF TRUSTEES OF THE LELAND	PERU GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, GOVERNMENT OF PERU	BUSINESS ADMINISTRATION 05-28-63 12-31-69	$ 1,639,847	M FELDMAN LA/SCD/DA SAMUEL POND
		REGION TOTAL	$ 38,107,043	

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AFR-615 CALIFORNIA STATE POLYTECHNIC C OLLEGE	AFRICA REGIONAL UNIVERSITY OF BOTSWANA, LESOTH O AND SWAZILAND (UBLS)	EDUCATION 05-19-69 09-30-71	$ 348,000	B	M FIELDS AFR/ID/ED DOUGLAS PIERCE
AFR-425 COLORADO STATE UNIVERSITY	EAST AFRICA UNIVERSITY COLLEGE OF NAIROBI (UCN)	VETERINARY SCIENCE 01-11-65 12-31-69	$ 745,000		C SANDERS AFR/ID/AG HAROLD M DEANE
AFR-420 COLUMBIA UNIVERSITY, TEACHERS COLLEGE	EAST AFRICA MAKERERE COLLEGE	EDUCATION 01-21-61 06-30-71	$ 9,747,853		M FIELDS AFR/ID/ED C SCOTT KELLY
AFR-620 MINNESOTA, THE REGENTS OF THE UNIVERSITY OF	EAST AFRICA THE GOVERNMENTS OF UGANDA, KEN YA AND TANZANIA	EDUCATION-AGRICULTURE 06-02-69 09-30-69	$ 38,263	B	C SAUNDERS AFR/ID/AG JOHN BLACKMORE
AFR-411 WEST VIRGINIA UNIVERSITY, BOAR D OF GOVERNORS OF	EAST AFRICA FACULTY OF AGRICULTURE, MAKERE RE UNIVERSITY COLLEGE KAMPALA, UGANDA	AGRICULTURAL EDUCATION 12-15-64 06-30-70	$ 603,100		C SANDERS AFR/ID/AG W V BAUGHMAN
AFR-634 NORTHWESTERN UNIVERSITY	CENTRAL WEST AFRICA GOVERNMENT OF CAMEROON	POPULATION AND FAMILY DYNAMICS 06-24-69 06-30-70	$ 35,100	B	J PRINCE AFR/ID/PH W H OSWALD
AFR-298 WEST VIRGINIA UNIVERSITY, BOAR D OF GOVERNORS OF	KENYA MINISTRY OF EDUCATION OF KENYA	EDUCATION 06-30-64 06-30-70	$ 662,000		R OTTLEY AFR/ID/AG W V BAUGHMAN
AFR-482 WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	KENYA INSTUTUTE OF ADULT STUDIES OF THE UNIVERSITY COLLEGE, NAIROB I	EDUCATION 04-01-67 03-31-71	$ 300,000		M CUSACK AFR/ID/ED F L JOHNSON
AFR-343 CALIFORNIA STATE COLLEGES, THE TRUSTEES OF THE ACTING ON BEH ALF OF SAN FRANCISCO STATE COL LEGE	LIBERIA	EDUCATION 05-01-62 06-30-70	$ 4,548,158		L GRIMES AFR/ID/ED CORWIN BJONERUD
AFR-333 TUSKEGEE INSTITUTE	LIBERIA ZORZOR RURAL TEACHER TRAINING INSTITUTE AND THE KAKATA RURAL TEACHER TRAINING INSTITUTE	EDUCATION 10-06-60 08-31-69	$ 1,633,829		L GRIMES AFR/ID/ED JOHN P KROUSE
AFR-437 MASSACHUSETTS, UNIVERSITY OF	MALAWI BUNDA COLLEGE OF AGRICULTURE (THE COLLEGE)	AGRICULTURE 01-17-63 11-30-70	$ 773,000		W LEAKE AFR/ID/AGR GILBERT MOTTLA
AFR-355 MISSOURI, THE CURATORS OF THE UNIVERSITY OF	MALAWI	COMMUNICATIONS-AUDIO/VISUAL 10-08-65 03-31-70	$ 485,300		M CUSACK AFR/ID/ED W MACKIE

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AFR-354 SOUTHERN CALIFORNIA, UNIVERSITY OF	MALAWI MINISTRY OF EDUCATION, GOVERNMENT OF MALAWI	EDUCATION 10-01-63	12-31-69	$ 1,358,000	M FIELDS AFR/ID/ED CLARK MCCARTNEY
AFR-377 SOUTHERN ILLINOIS UNIVERSITY	MALI GOVERNMENT OF MALI, MINISTRY OF EDUCATION	EDUCATION 09-07-64	08-31-69	$ 1,038,365	N SCHOONOVER AFR/CWA/B D WANTLING
AFR-352 CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	NIGERIA GOVERNMENT OF THE FEDERATION OF NIGERIA - EASTERN REGION	EDUCATION 09-15-61	08-31-69	$ 2,040,653	L GRIMES AFR/ID/ED E SVENSON
AFR-447 COLORADO STATE UNIVERSITY	NIGERIA THE MINISTRY OF AGRICULTURE	AGRICULTURE 11-24-64	09-30-69	$ 1,737,257	J EMERSON AFR/ID/AG D D JOHNSON
AFR-321 HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	NIGERIA GOVT. OF WESTERN REGION OF NIGERIA	EDUCATION 03-01-62	10-31-69	$ 2,479,720	L GRIMES AFR/ID/ED RODNEY HINKLE
AFR-295 KANSAS STATE UNIVERSITY OF AGRICULTURE AND APPLIED SCIENCE	NIGERIA AHMADU BELLO UNIVERSITY	VETERINARY MEDICINE 10-01-63	06-30-70	$ 3,245,000	J EMERSON AFR/ID/AG V LARSON
AFR-280 MICHIGAN STATE UNIVERSITY	NIGERIA UNIVERSITY OF NIGERIA	EDUCATION 03-18-60	07-31-69	$ 8,456,190	L GRIMES AFR/ID IRVING WYETH
AFR-296 NEW YORK UNIVERSITY	NIGERIA UNIVERSITY OF LAGOS	BUSINESS ADMINISTRATION 02-15-63	09-01-70	$ 1,676,281	J MCWHORTER AFR/ID/PS W GROSSMAN
AFR-322 OHIO UNIVERSITY	NIGERIA KANO TEACHER TRAINING COLLEGE	EDUCATION 09-01-62	12-31-70	$ 3,320,167	L GRIMES AFR/ID/ED RUSSEL MILLIKEN
AFR-284 PITTSBURGH, UNIVERSITY OF	NIGERIA ZARIA INSTITUTE OF ADMINISTRATION	EDUCATION 05-22-62	05-31-70	$ 2,194,781	J MCWHORTER AFR/ID E MAUCK
AFR-300 WESTERN MICHIGAN UNIVERSITY	NIGERIA IBADAN TECHNICAL COLLEGE	EDUCATION 04-09-60	10-31-69	$ 2,008,212	L GRIMES AFR/ID GEORGE KOHRMAN
AFR-262 WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	NIGERIA UNIVERSITY OF IFE, NIGERIA	AGRICULTURE 12-15-64	12-31-71	$ 2,259,400	J EMERSON AFR/ID/AG EDWIN HEIZER
AFR-350 WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	NIGERIA MINISTRY OF AGRICULTURE AND NATURAL RESOURCES	AGRICULTURE 10-01-65	09-30-70	$ 776,640	J EMERSON AFR/ID/AG EDWIN HEIZER
AFR-450 WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	NIGERIA MINISTRY OF EDUCATION, NORTHERN NIGERIA	EDUCATION 01-01-67	12-31-69	$ 2,304,226	L GRIMES AFR/ID/AG R G HEIDEMAN

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AFRICA CONTINUED

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM		AMOUNT IN DOLLARS	ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
AFR-299 HAMPTON INSTITUTE	SIERRA LEONE MINISTRY OF NATURAL RESOURCES	EDUCATION 10-20-61	08-31-70	$ 1,825,500	L GRIMES AFR/ID EDGAR R THOMAS
AFR-293 ILLINOIS, UNIVERSITY OF	SIERRA LEONE NJALA COLLEGE	EDUCATION 08-16-63	08-31-69	$ 2,759,000	L GRIMES AFR/ID/ED THOMAS MCCOWEN
AFR-340 EASTERN MICHIGAN UNIVERSITY	SOMALI REPUBLIC MINISTRY OF EDUCATION & TEACHER TRAINING INSTITUTE IN AFGOI	EDUCATION 08-01-62	07-31-69	$ 2,124,444	M FIELDS AFR/ID/ED R STANLEY GEX
AFR-412 WYOMING, UNIVERSITY OF	SOMALI REPUBLIC MINISTRY OF AGRICULTURE	AGRICULTURE 01-26-65	11-30-70	$ 2,395,000	W LEAKE AFR/ID/AG G W ARNOLD
AFR-408 CAL POLY KELLOGG UNIT FOUNDATION, INC., THE	TANZANIA THE MINISTRY OF EDUCATION, DAR ES SALAAM TECHNICAL COLLEGE (THE COLLEGE), AND THE ZANZIBAR TECHNICAL COLLEGE	EDUCATION 03-05-65	12-31-70	$ 1,398,000	M FIELDS AFR/ID/ED M SNOGRASS
AFR-562 MICHIGAN STATE UNIVERSITY	TANZANIA GOVERNMENT OF TANZANIA	AGRICULTURE 07-01-68	09-30-69	$ 136,000	C SAUNDERS AFR/ID/AG W STOUT
AFR-527 WEST VIRGINIA UNIVERSITY, BOARD OF GOVERNORS OF	TANZANIA AGRICULTURAL COLLEGE OF TANZANIA AT MOROGORO	AGRICULTURE 10-19-62	08-31-69	$ 950,000	C SANDERS AFR/ID/AG W V BAUGHMAN
AFR-550 ILLINOIS, UNIVERSITY OF	TUNISIA THE GOVERNMENT OF TUNISIA	EDUCATION 06-01-68	12-31-70	$ 160,000	J MCWHORTER AFR/ID/PAD V K ZIMMERMAN
AFR-469 MINNESOTA, THE REGENTS OF THE UNIVERSITY OF	TUNISIA THE GOVERNMENT OF TUNISIA AND THE UNIVERSITY OF TUNIS	AGRICULTURE 04-01-67	03-31-72	$ 606,500	C FERGUSON AFR/ID/AG JOHN BLACKMORE
AFR-291 TEXAS A & M UNIVERSITY SYSTEM	TUNISIA MINISTRY OF AGRICULTURE, GOVERNMENT OF TUNISIA	AGRICULTURE 10-26-62	06-30-70	$ 1,834,693	C FERGUSON AFR/ID PAUL CREECH
AFR-281 MASSACHUSETTS, UNIVERSITY OF	UGANDA SCHOOL AT TORORO, UGANDA AND MINISTRY OF EDUCATION	EDUCATION 08-07-63	06-30-71	$ 1,696,200	M FIELDS AFR/ID/ED M HAVILAND
AFR-297 WEST VIRGINIA UNIVERSITY, BOARD OF GOVERNORS OF	UGANDA AGRICULTURAL COLLEGES AT BUKALASA AND ARAPAI AND THE VETERINARY TRAINING INSTITUTE AT ENTEBBE	EDUCATION-AGRICULTURE 05-28-63	06-30-70	$ 1,351,226	R OTTLEY AFR/ID/AG W V BAUGHMAN

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AFRICA CONTINUED

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AFR-587 WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	UGANDA INSTITUTE OF PUBLIC ADMINISTRATION	PUBLIC ADMINISTRATION 11-04-68 01-03-70	$ 29,352	J MCWHORTER AFR/PAD HAROLD MONTROSS
AFR-332 CALIFORNIA STATE COLLEGES, THE TRUSTEES OF THE	ZAMBIA COLLEGE OF FURTHER EDUCATION IN LUSAKA	EDUCATION 02-26-63 02-28-71	$ 800,048	W LEAKE AFR/ID/ED DOUGLAS PIERCE
		REGION TOTAL	$ 72,880,458	

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B = CONTRACT EXECUTED THIS PERIOD.

VIETNAM

CONTRACT NUMBER U. S. UNIVERSITY	HOST COUNTRY INSTITUTION	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS		ACTION OFFICER AID SYMBOL CAMPUS COORDINATOR
VN-24 FLORIDA, UNIVERSITY OF	VIETNAM (SOUTH) REPUBLIC OF COLLEGE OF AGRICULTURE, THU DUC	AGRICULTURE 01-01-69 12-31-70	$ 750,000	B	W SHUMATE VN/ND H POPENOE
VN-50 LOUISIANA STATE UNIVERSITY	VIETNAM (SOUTH) REPUBLIC OF MINISTRY OF JUSTICE	LEGAL ASSISTANCE 01-01-69 08-31-70	$ 394,439	B	D STOAKS VN/ND FRANCIS SULLIVAN
FE-164 OHIO UNIVERSITY	VIETNAM (SOUTH) REPUBLIC OF UNIVERSITY OF SAIGON AND THE UNIVERSITY OF HUE	EDUCATION 07-20-62 06-30-71	$ 2,658,744		W SHUMATE VN/ND/RD G STEVENSON
		REGION TOTAL	$ 3,803,183		

A = CONTRACT EXPIRED - REINSTATED BY RETROACTIVE AMENDMENT

B = CONTRACT EXECUTED THIS PERIOD.

U. S. UNIVERSITIES PROVIDING TRAINING
RESEARCH AND TECHNICAL SERVICES TO A.I.D.

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
AGRICULTURAL AND TECHNICAL COL	WORLD WIDE	TRAINING	OPEN	OIT
LEGE OF NORTH CAROLINA	CSD-380	02-16-61 OPEN	*	
AGRICULTURAL, MECHANICAL AND N	WORLD WIDE	TRAINING	OPEN	OIT
ORMAL COLLEGE	CSD-1136	03-08-66 OPEN	*	
AKRON UNIVERSITY OF	WORLD WIDE	TRAINING	$ 92,235	OIT/PD
	CSD-1120	05-01-66 10-30-69		
AMERICAN UNIVERSITY	LATIN AMERICA REGIONAL	TRAINING	$ 2,680	LA/SCD
	LA-613	06-30-69 12-29-69		
AMERICAN UNIVERSITY	WORLD WIDE	TECHNICAL SERVICES	$ 81,969	OIT
	CSD-1809	06-30-67 08-31-70		
AMERICAN UNIVERSITY	WORLD WIDE	TECHNICAL SERVICES	$ 327,302	OIT/PD
	CSD-1839	09-01-67 08-31-70		
AMERICAN UNIVERSITY	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-261	01-01-63 OPEN	*	
ARIZONA, UNIVERSITY OF	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-379	01-25-56 OPEN	*	
ARKANSAS, UNIVERSITY OF	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-377	02-01-56 OPEN	*	
AUBURN UNIVERSITY	WORLD WIDE	TECHNICAL SERVICES	OPEN	TA/AGF
	CSD-2270	06-30-69 06-29-70		
AUBURN UNIVERSITY	WORLD WIDE	TECHNICAL SERVICES	$ 225,004	TA/AGF
	CSD-2270	06-30-69 06-29-70		
	T.O.01			
AUBURN UNIVERSITY	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-376	01-25-56 OPEN	*	
BOSTON UNIVERSITY, THE TRUSTEE	AFRICA REGIONAL	TECHNICAL SERVICES	OPEN	AFR/DP
S OF	AFR-181	03-30-64 OPEN		
BOSTON UNIVERSITY, THE TRUSTEE	AFRICA REGIONAL	TECHNICAL SERVICES	$ 354,538	AFR/DP
S OF	AFR-181	05-31-62 11-30-69		
	T.O.01			

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
BRANDEIS UNIVERSITY	WORLD WIDE CSD-824	RESEARCH 06-15-65 12-31-70	$ 250,594	PPC/POL/TIXD
CALIFORNIA STATE COLLEGES, THE TRUSTEES OF THE	WORLD WIDE CSD-378	TRAINING 04-03-63 OPEN	OPEN *	OIT
CALIFORNIA STATE POLYTECHNIC C OLLEGE, KELLOGG-VOORHIS, POMON A	WORLD WIDE CSD-1889	TRAINING 03-29-68 OPEN	OPEN *	OIT/AD
CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	THAILAND FE-267	TECHNICAL SERVICES 07-01-66 06-30-70	$ 76,382	EA/SEA
CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-1587	RESEARCH 06-30-67 12-29-70	$ 157,500	TA/N
CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-198	TRAINING 07-01-57 OPEN	OPEN *	OIT
CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-2245	TRAINING 02-07-69 08-15-69	$ 40,000	OIT/PD
CALIFORNIA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-2274	TECHNICAL SERVICES 06-30-69 06-29-70	$ 24,043	TA/AGF
CATHOLIC UNIVERSITY OF AMERICA , THE CHEMICAL ENGINEERING DEP ARTMENT	WORLD WIDE CSD-2469	TRAINING 06-20-69 10-30-69	$ 39,873	OIT/PD
CHICAGO, UNIVERSITY OF	WORLD WIDE CSD-2251	TECHNICAL SERVICES 06-25-69 06-24-72	$ 174,896	TA/PN
CLEMSON AGRICULTURAL COLLEGE	WORLD WIDE CSD-375	TRAINING 01-16-56 OPEN	OPEN *	OIT
COLORADO STATE UNIVERSITY	WORLD WIDE CSD-2162	TECHNICAL SERVICES 06-28-68 06-27-73	$ 369,240	TA/AGF
COLORADO STATE UNIVERSITY	WORLD WIDE CSD-374	TRAINING 02-01-56 OPEN	OPEN *	OIT
COLUMBIA UNIVERSITY, TEACHERS COLLEGE	WORLD WIDE CSD-266	TRAINING 05-10-63 OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
COLUMBIA UNIVERSITY, THE TRUST EES OF	WORLD WIDE CSD-1437	TRAINING 06-30-66 03-31-70	$ 201,950	TA/N
COLUMBIA UNIVERSITY, THE TRUST EES OF	WORLD WIDE CSD-2479	TECHNICAL SERVICES 06-30-69 06-29-72	OPEN	TA/PN
COLUMBIA UNIVERSITY, THE TRUST EES OF	WORLD WIDE CSD-2479 T.O.01	TECHNICAL SERVICES 06-30-69 06-29-70	$ 88,000	TA/PN
CONNECTICUT, UNIVERSITY OF	WORLD WIDE CSD-373	TRAINING 01-12-56 OPEN	OPEN *	OIT
CORNELL UNIVERSITY	WORLD WIDE CSD-1438	RESEARCH 06-30-66 06-29-70	$ 286,397	TA/AGF
CORNELL UNIVERSITY	WORLD WIDE CSD-1815	RESEARCH 06-30-67 06-29-70	$ 411,000	OFP/WFP
CORNELL UNIVERSITY	WORLD WIDE CSD-2490	RESEARCH 06-30-69 06-30-74	$ 379,816	TA/AGF
CORNELL UNIVERSITY	WORLD WIDE CSD-419	TRAINING 01-16-56 OPEN	OPEN *	OIT
CORNELL UNIVERSITY	WORLD WIDE CSD-817	RESEARCH 06-01-65 06-28-70	$ 269,968	TA/EHR
DELAWARE STATE COLLEGE	WORLD WIDE CSD-381	TRAINING 01-19-62 OPEN	OPEN *	OIT
DELAWARE, THE UNIVERSITY OF	WORLD WIDE CSD-386	TRAINING 02-01-56 OPEN	OPEN *	OIT
DUNWOODY INDUSTRIAL INSTITUTE, THE WILLIAM HOOD	WORLD WIDE CSD-361	TRAINING 04-01-64 OPEN	OPEN *	OIT
EASTERN WASHINGTON STATE COLLE GE	WORLD WIDE CSD-1537	TRAINING 05-01-67 04-30-71	OPEN *	OIT
FLORIDA AGRICULTURAL AND MECHA NICAL COLLEGE	WORLD WIDE CSD-385	TRAINING 01-26-62 OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM		AMOUNT IN DOLLARS	ACTION OFFICE
FLORIDA, UNIVERSITY OF	WORLD WIDE CSD-2498	RESEARCH 06-27-69	06-26-71	$ 53,200	TA/AGF
FLORIDA, UNIVERSITY OF	WORLD WIDE CSD-384	TRAINING 02-01-56	OPEN	OPEN *	OIT
FORT VALLEY STATE COLLEGE	WORLD WIDE CSD-383	TRAINING 01-26-62	OPEN	OPEN *	OIT
GEORGE WASHINGTON UNIVERSITY	WORLD WIDE CSD-2239	TRAINING 06-01-69	11-15-69	$ 19,101	OIT/PD
GEORGE WASHINGTON UNIVERSITY	WORLD WIDE W-298	TRAINING 03-25-57	OPEN	OPEN *	
GEORGETOWN UNIVERSITY	WORLD WIDE CSD-1141	TRAINING 03-30-66	07-31-69	$ 670,801	OIT/PD/AAS
GEORGETOWN UNIVERSITY	WORLD WIDE CSD-1896	TRAINING 04-29-68	OPEN	$ 25,900	OIT/PD
GEORGETOWN UNIVERSITY	WORLD WIDE CSD-2191	TRAINING 11-18-68	11-17-71	OPEN *	OIT/AD
GEORGETOWN UNIVERSITY	WORLD WIDE CSD-2238	TRAINING 05-19-69	11-15-69	$ 20,794	OIT/PD/SP
GEORGIA INSTITUTE OF TECHNOLOGY	LATIN AMERICA REGIONAL LA-612	TRAINING 06-30-69	12-29-69	$ 3,800	LA/REG
GEORGIA INSTITUTE OF TECHNOLOGY	WORLD WIDE CSD-1589	TRAINING 10-19-67	10-18-71	OPEN *	OIT/AD
GEORGIA, UNIVERSITY OF	WORLD WIDE CSD-2497	RESEARCH 06-30-69	06-29-71	$ 74,000	TA/AGF
GEORGIA, UNIVERSITY OF	WORLD WIDE CSD-382	TRAINING 02-17-56	OPEN	OPEN *	OIT
GRADUATE SCHOOL, U.S. DEPARTMENT OF AGRICULTURE	WORLD WIDE CSD-20	TRAINING 05-25-62	OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	WORLD WIDE CSD-1543	RESEARCH 05-31-67 11-30-69	$ 1,041,603	PPC/TA/PARD
HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	WORLD WIDE CSD-2153	RESEARCH 06-25-68 12-24-69	$ 60,909	TA/PN
HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	WORLD WIDE CSD-2170	RESEARCH 06-30-68 06-30-70	$ 228,076	TA/N
HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	WORLD WIDE CSD-2478	RESEARCH 06-30-69 06-29-72	$ 106,105	TA/PN
HARVARD COLLEGE, PRESIDENT AND FELLOWS OF	WORLD WIDE CSD-2502	RESEARCH 06-30-69 06-29-72	$ 173,000	PPC/POL/TIXD
HAWAII, UNIVERSITY OF	EAST ASIA REGIONAL FE-263	TRAINING 06-29-66 08-31-69	$ 2,246,986	A/PM
HAWAII, UNIVERSITY OF	WORLD WIDE CSD-1851	TRAINING 10-01-67 10-01-69	$ 172,608	OIT
HOUSTON, UNIVERSITY OF	BRAZIL AID-512-598	TRAINING 07-01-68 12-31-69	$ 250,000	
IDAHO, UNIVERSITY OF	WORLD WIDE CSD-389	TRAINING 01-25-56 OPEN	OPEN *	OIT
ILLINOIS, UNIVERSITY OF	WORLD WIDE CSD-1432	RESEARCH 06-30-66 06-29-71	$ 979,633	TA/H
ILLINOIS, UNIVERSITY OF	WORLD WIDE CSD-1922	TECHNICAL SERVICES 04-26-68 04-25-73	$ 200,000	NESA/TECH
ILLINOIS, UNIVERSITY OF	WORLD WIDE CSD-388	TRAINING 01-15-56 OPEN	OPEN *	OIT
INDIANA UNIVERSITY FOUNDATION	WORLD WIDE CSD-1188	TECHNICAL SERVICES 06-30-66 06-29-70	$ 79,675	AS/SPM
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY	WORLD WIDE CSD-387	TRAINING 02-03-56 OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
JOHNS HOPKINS UNIVERSITY, THE	INDIA NESA-435	TECHNICAL SERVICES 06-30-69 06-30-74	$ 575,000	NESA/OPP
JOHNS HOPKINS UNIVERSITY, THE	WORLD WIDE CSD-1939	TECHNICAL SERVICES 04-23-68 04-22-73	$ 1,800,000	TA/PN
JOHNS HOPKINS UNIVERSITY, THE	WORLD WIDE CSD-2246	RESEARCH 05-01-69 04-30-72	$ 193,855	TA/PN
KANSAS STATE UNIVERSITY	WORLD WIDE CSD-832	RESEARCH 06-24-65 10-23-69	$ 553,690	TA/H
KANSAS STATE UNIVERSITY	WORLD WIDE CSD-1586	RESEARCH 06-30-67 06-29-72	$ 349,566	TA/N
KANSAS STATE UNIVERSITY	WORLD WIDE CSD-1588	RESEARCH 06-30-67 06-29-72	$ 249,355	TA/AGF
KENTUCKY STATE COLLEGE	WORLD WIDE CSD-390	TRAINING 02-03-56 OPEN	OPEN *	OIT
KENTUCKY, THE UNIVERSITY OF	WORLD WIDE CSD-391	TRAINING 01-31-62 OPEN	OPEN *	OIT
LANGSTON UNIVERSITY	WORLD WIDE CSD-392	TRAINING 01-01-56 OPEN	OPEN *	OIT
LINCOLN UNIVERSITY (MISSOURI)	WORLD WIDE CSD-393	TRAINING 01-29-62 OPEN	OPEN *	OIT
LINCOLN UNIVERSITY (PENNSYLVANIA)	WORLD WIDE CSD-394	TRAINING 02-23-62 OPEN	OPEN *	OIT
LOUISIANA STATE UNIVERSITY	WORLD WIDE CSD-1145	TRAINING 03-31-66 OPEN	OPEN *	OIT
MAINE, UNIVERSITY OF	WORLD WIDE CSD-395	TRAINING 01-25-56 OPEN	OPEN *	OIT
	WORLD WIDE CSD-396	TRAINING 01-25-56 OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
MARYLAND STATE COLLEGE	WORLD WIDE CSD-397	TRAINING 06-14-62 OPEN	OPEN *	OIT
MARYLAND, THE UNIVERSITY OF	WORLD WIDE CSD-398	TRAINING 01-25-56 OPEN	OPEN *	OIT
MASSACHUSETTS INSTITUTE OF TECHNOLOGY	WORLD WIDE CSD-1441	RESEARCH 06-30-66 12-29-69	$ 154,967	TA/N
MASSACHUSETTS, UNIVERSITY OF	WORLD WIDE CSD-399	TRAINING 07-01-59 OPEN	OPEN *	OIT
MICHIGAN STATE UNIVERSITY	LATIN AMERICA REGIONAL LA-364	TECHNICAL SERVICES 02-01-66 08-31-69	$ 697,205	LA/REG
MICHIGAN STATE UNIVERSITY	AFRICA REGIONAL AFR-459	TECHNICAL SERVICES 02-01-67 08-31-69	$ 325,000	AFR/ID/AG
MICHIGAN STATE UNIVERSITY	WORLD WIDE CSD-1557	RESEARCH 06-30-67 09-30-70	$ 215,325	TA/AGF
MICHIGAN STATE UNIVERSITY	WORLD WIDE CSD-1874	TRAINING 02-01-68 12-31-69	$ 394,544	OIT
MICHIGAN STATE UNIVERSITY	WORLD WIDE CSD-400	TRAINING 01-18-56 OPEN	OPEN *	OIT
MINNESOTA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-1193 T.O.01	TRAINING 06-14-66 01-31-70	$ 152,800	OIT
MINNESOTA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-1193 T.O.08	TRAINING 03-01-69 01-31-70	$ 26,130	OIT/PD
MINNESOTA, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-401	TRAINING 03-16-56 OPEN	OPEN *	OIT
MISSISSIPPI STATE UNIVERSITY	CENTRAL AMERICA AND PANAMA LA-488	TECHNICAL SERVICES 06-01-67 12-31-69	$ 53,200	LA/DR
MISSISSIPPI STATE UNIVERSITY	WORLD WIDE CSD-402	TRAINING 01-16-56 OPEN	OPEN *	OIT

* = OPEN TRAINING CONTRACT

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U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
MISSISSIPPI STATE UNIVERSITY	WORLD WIDE W-607	TECHNICAL SERVICES 03-18-58 03-31-70	$ 782,258	TA/AGF
MISSOURI, THE CURATORS OF THE UNIVERSITY OF	WORLD WIDE CSD-1921	TECHNICAL SERVICES 05-31-68 05-30-73	$ 200,000	NESA/TECH
MISSOURI, THE CURATORS OF THE UNIVERSITY OF	WORLD WIDE CSD-418	TRAINING 01-16-56 OPEN	OPEN *	OIT
MONTANA STATE COLLEGE	WORLD WIDE CSD-417	TRAINING 01-16-56 OPEN	OPEN *	OIT
NEBRASKA, UNIVERSITY OF	WORLD WIDE CSD-1208	RESEARCH 06-29-66 03-29-70	$ 492,980	TA/AGF
NEBRASKA, UNIVERSITY OF	WORLD WIDE CSD-416	TRAINING 01-16-56 OPEN	OPEN *	OIT
NEVADA, UNIVERSITY OF	WORLD WIDE CSD-415	TRAINING 02-27-62 OPEN	OPEN *	OIT
NEW HAMPSHIRE, UNIVERSITY OF	WORLD WIDE CSD-414	TRAINING 01-16-56 OPEN	OPEN *	OIT
NEW MEXICO STATE UNIVERSITY	WORLD WIDE CSD-413	TRAINING 01-25-56 OPEN	OPEN *	OIT
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH	WORLD WIDE CSD-1149	TECHNICAL SERVICES 05-31-66 06-01-70	$ 51,938	TA/AGF
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH	WORLD WIDE CSD-287	RESEARCH 06-25-63 06-30-70	$ 1,324,355	TA/AGF
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH	WORLD WIDE CSD-412	TRAINING 01-18-56 OPEN	OPEN *	OIT
NORTH CAROLINA, UNIVERSITY OF	NEAR EAST AND S. ASIA REGIONAL NESA-430	TECHNICAL SERVICES 06-24-69 12-31-71	$ 86,000	NESA/OPP
NORTH CAROLINA, UNIVERSITY OF	GUATEMALA CSD-2494	RESEARCH 06-30-69 06-29-71	$ 39,935	TA/H

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-1888	TECHNICAL SERVICES 03-15-68 03-14-71	OPEN	OIT
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-1940	TECHNICAL SERVICES 12-01-67 11-30-72	$ 2,400,000	TA/RUR
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2487	RESEARCH 06-30-69 03-31-70	$ 5,961	TA/H
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2489	TECHNICAL SERVICES 06-30-69 06-29-70	$ 56,388	TA/H
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2495	TECHNICAL SERVICES 06-30-69 06-30-74	OPEN	TA/PN
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2495 T.O.01	TECHNICAL SERVICES 06-30-69 06-30-74	$ 353,010	TA/PN
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2504	RESEARCH 06-27-69 06-26-71	$ 78,731	TA/PN
NORTH CAROLINA, UNIVERSITY OF	WORLD WIDE CSD-2507	TECHNICAL SERVICES 06-30-69 06-29-72	$ 435,000	TA/PN
NORTH DAKOTA STATE UNIVERSITY OF AGRICULTURE AND APPLIED SCIENCE	WORLD WIDE CSD-411	TRAINING 01-16-56 OPEN	OPEN *	OIT
NORTHWESTERN UNIVERSITY	WORLD WIDE CSD-2236	RESEARCH 02-03-69 09-03-70	$ 89,249	PPC/POL/TI>
OHIO STATE UNIVERSITY	INDIA CSD-1928	TECHNICAL SERVICES 05-13-68 05-12-73	$ 200,000	NESA/TECH
OHIO STATE UNIVERSITY	WORLD WIDE CSD-1571	TRAINING 05-31-67 05-30-72	OPEN	OIT
OHIO STATE UNIVERSITY	WORLD WIDE CSD-410	TRAINING 01-25-56 OPEN	OPEN *	OIT
OHIO STATE UNIVERSITY, THE RESEARCH FOUNDATION OF THE	WORLD WIDE CSD-1937	RESEARCH 06-28-68 09-30-69	$ 97,790	TA/AGF

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
OHIO STATE UNIVERSITY, THE RES EARCH FOUNDATION OF THE	WORLD WIDE CSD-2501	RESEARCH 06-30-69 06-30-74	$ 227,158	TA/AGF
OHIO UNIVERSITY	WORLD WIDE CSD-678	TRAINING 07-13-64 OPEN	OPEN *	OIT
OKLAHOMA STATE UNIVERSITY	WORLD WIDE CSD-409	TRAINING 02-14-56 OPEN	OPEN *	OIT
OREGON STATE UNIVERSITY	WORLD WIDE CSD-1442	RESEARCH 06-30-66 06-30-71	$ 686,878	TA/AGF
OREGON STATE UNIVERSITY	WORLD WIDE CSD-408	TRAINING 02-25-56 OPEN	OPEN *	OIT
PENNSYLVANIA STATE UNIVERSITY	WORLD WIDE CSD-1884	TECHNICAL SERVICES 03-12-68 09-11-69	$ 97,292	TA/PN
PENNSYLVANIA STATE UNIVERSITY	WORLD WIDE CSD-1932	TECHNICAL SERVICES 05-10-68 05-09-73	$ 200,000	NESA/TECH
PENNSYLVANIA STATE UNIVERSITY	WORLD WIDE CSD-407	TRAINING 01-16-56 OPEN	OPEN *	OIT
PENNSYLVANIA, THE TRUSTEES OF THE UNIVERSITY OF	WORLD WIDE CSD-2481	RESEARCH 06-16-69 12-15-70	$ 31,433	PPC/PPD
PITTSBURGH, UNIVERSITY OF	WORLD WIDE CSD-1575	TRAINING 06-29-67 09-30-69	$ 310,000	A/PM
PITTSBURGH, UNIVERSITY OF	WORLD WIDE CSD-2511	TRAINING 06-30-69 06-29-70	$ 60,000	A/PM
POINT PARK JUNIOR COLLEGE	WORLD WIDE CSD-351	TRAINING 12-11-63 OPEN	OPEN *	OIT
PURDUE UNIVERSITY	WORLD WIDE CSD-406	TRAINING 01-25-56 OPEN	OPEN *	OIT
RHODE ISLAND, UNIVERSITY OF	WORLD WIDE CSD-2455	TECHNICAL SERVICES 05-07-69 05-06-74	$ 750,000	TA/AGF

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
RHODE ISLAND, UNIVERSITY OF	WORLD WIDE CSD-405	TRAINING 01-16-56 OPEN	OPEN *	OIT
RUTGERS UNIVERSITY	WORLD WIDE CSD-2500	RESEARCH 06-26-69 06-26-70	$ 23,130	TA/N
RUTGERS UNIVERSITY	WORLD WIDE CSD-404	TRAINING 01-16-56 OPEN	OPEN *	OIT
SACRAMENTO STATE COLLEGE FOUNDATION	WORLD WIDE CSD-403	TRAINING 10-01-62 OPEN	OPEN *	OIT
SOUTH DAKOTA STATE COLLEGE OF AGRICULTURE AND MECHANICAL ARTS	WORLD WIDE CSD-434	TRAINING 01-16-56 OPEN	OPEN *	OIT
SOUTHERN CALIFORNIA, UNIVERSITY OF	VIETNAM (SOUTH) REPUBLIC OF CSD-2484	TRAINING 06-20-69 08-31-69	$ 23,835	OIT/PD
SOUTHERN ILLINOIS UNIVERSITY	WORLD WIDE CSD-433	TRAINING 05-31-62 OPEN	OPEN *	OIT
SOUTHERN UNIVERSITY	WORLD WIDE CSD-432	TRAINING 01-29-62 OPEN	OPEN *	OIT
STATE UNIVERSITY OF NEW YORK	WORLD WIDE CSD-685	TRAINING 07-30-62 OPEN	OPEN *	OIT
SYRACUSE UNIVERSITY	WORLD WIDE CSD-1539	TRAINING 05-12-67 05-11-71	OPEN *	OIT/AD
SYRACUSE UNIVERSITY	WORLD WIDE CSD-2261	TRAINING 06-01-69 07-31-71	$ 218,330	A/PM
TENNESSEE-AGRICULTURAL AND INDUSTRIAL STATE UNIVERSITY	WORLD WIDE C-2373	TRAINING 06-22-62 OPEN	OPEN *	OIT
TENNESSEE, UNIVERSITY OF	WORLD WIDE CSD-430	TRAINING 02-10-56 OPEN	OPEN *	OIT
TEXAS A & M UNIVERSITY SYSTEM	WORLD WIDE CSD-1947	RESEARCH 06-30-68 03-31-70	$ 284,358	TA/AGF

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
TEXAS A & M UNIVERSITY SYSTEM	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-429	01-16-56 OPEN	*	
TEXAS A & M UNIVERSITY SYSTEM	WORLD WIDE	TECHNICAL SERVICES	$ 107,000	EA/CDF
	EA-84	06-30-69 06-29-70		
TEXAS, UNIVERSITY OF	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-428	07-03-62 OPEN	*	
TUFTS UNIVERSITY	WORLD WIDE	TRAINING	$ 32,252	A/PM
	CSD-2486	06-01-69 08-31-69		
TUSKEGEE INSTITUTE	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-436	05-09-63 OPEN	*	
UTAH STATE UNIVERSITY	WORLD WIDE	RESEARCH	$ 294,750	TA/RUR
	CSD-2167	06-28-68 06-27-73		
UTAH STATE UNIVERSITY	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-427	01-16-56 OPEN	*	
VERMONT, UNIVERSITY OF AND STA	WORLD WIDE	TRAINING	OPEN	OIT
TE AGRICULTURAL COLLEGE	CSD-426	01-01-56 OPEN	*	
VIRGINIA POLYTECHNIC INSTITUTE	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-425	01-18-56 OPEN	*	
VIRGINIA STATE COLLEGE	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-435	01-11-62 OPEN	*	
WAKE FOREST UNIVERSITY THE BEH	UNKNOWN	RESEARCH	$ 262,000	TA/PN
AVIORAL SCIENCES CENTER	CSD-2512	06-30-69 06-30-71		
WASHINGTON STATE UNIVERSITY	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-424	01-16-56 OPEN	*	
WASHINGTON, UNIVERSITY OF	WORLD WIDE	TRAINING	OPEN	OIT
	CSD-714	10-23-64 OPEN	*	
WEST VIRGINIA UNIVERSITY, BOAR	WORLD WIDE	TRAINING	OPEN	OIT
D OF GOVERNORS OF	CSD-423	01-16-56 OPEN	*	

* = OPEN TRAINING CONTRACT

U. S. UNIVERSITY	COUNTRY CONTRACT NO.	PURPOSE CONTRACT TERM	AMOUNT IN DOLLARS	ACTION OFFICE
WESTERN ILLINOIS UNIVERSITY	WORLD WIDE CSD-422	TRAINING 08-14-62 OPEN	OPEN *	OIT
WILLIAMS COLLEGE	WORLD WIDE CSD-2475	RESEARCH 06-30-69 06-30-72	$ 56,291	PPC/POL/PPD
WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-1506	TECHNICAL SERVICES 04-15-67 04-14-72	OPEN	PRR/PRDS
WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-1506 T.O.01	TECHNICAL SERVICES 04-16-67 09-01-69	$ 645,125	PRR/PRDS
WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-421	TRAINING 01-01-56 OPEN	OPEN *	OIT
WISCONSIN, THE REGENTS OF THE UNIVERSITY OF	WORLD WIDE CSD-469	TECHNICAL SERVICES 06-29-64 OPEN	OPEN	PRR
WYOMING, UNIVERSITY OF	WORLD WIDE CSD-420	TRAINING 01-18-56 OPEN	OPEN *	OIT
YALE UNIVERSITY	WORLD WIDE CSD-2492	RESEARCH 06-30-69 06-30-72	$ 487,000	PPC/POL/SMAD
YALE UNIVERSITY	WORLD WIDE REPAS-12	RESEARCH 06-28-62 06-30-70	$ 1,858,045	PPC/PPD
		* TRAINING CONTRACTS	$ 900,000	
		TOTAL	$ 30,248,687	

IMPACT OF THE AID PROGRAM ON BALANCE OF PAYMENTS IN FISCAL YEAR 1970

Mr. PASSMAN. On page A–16 you mention that the aid program will have a positive direct impact on the U.S. balance of payments and in fiscal 1970 and there will be a net inflow of $190 million. However, you expect the net inflow to decline during fiscal 1971 because of partial untying of aid to Latin America.

Would you place something in the record so we will be able to digest that statement when we get around to it?

Dr. HANNAH. Yes.

You asked a few minutes ago to put in the record a factual statement of what we estimate that the untying of aid in Latin America may cost in balance of payments. This is exactly the same information and I will furnish it two different ways if you want it.

Mr. PASSMAN. Put it in in two different ways, then. You have the personnel to do it.

(The information follows:)

COMPARATIVE EFFECT ON BALANCE OF PAYMENTS OF PARTIAL UNTYING OF LATIN AMERICA ASSISTANCE

I. *Gold Budgets:* Because of the decision to partially untie aid to Latin America, AID reporting under the gold budget will reflect a decline; the net positive impact for fiscal year 1971 will fall by an estimated $57 million as shown in the following table.

[In millions of dollars]

	Fiscal year 1970	Fiscal year 1971
Total estimated AID payments affecting the U.S. balance of payments (negative)	$144	$206
Offsetting loan receipts	(334)	(339)
Net positive effect	190	133

II. *Economic:* The ultimate effect on the U.S. balance of payments however, is estimated to be an increase in outflows of no more than $15 million. This is much less than the gold budget effect because:

(a) AID tying rules have not been wholly effective in preventing dollar outflows; AID recipients are able to substitute AID financed imports for normal commercial imports to some extent, and

(b) A large portion of the initial dollar outflows resulting from offshore procurement will ultimately be respent for U.S. goods and services.

AVERAGE ANNUAL COST OF TRAINING FOREIGN NATIONALS

Mr. PASSMAN. I note on page A–18 you expect to train about 7,500 foreign nationals in fiscal 1970; is that correct.

Dr. HANNAH. Correct.

Mr. PASSMAN. What do you estimate the number will be in the fiscal 1971 program?

Dr. HANNAH. Do we have a figure?

Mr. PASSMAN. Put it in the record.

(The information follows:)

ESTIMATED PARTICIPATION TRAINEE ARRIVALS IN FISCAL YEAR 1971 [1]

Estimated arrivals	7,600
In the United States	5,400
In other countries	2,200

[1] Projection of the fiscal year 1969 table shown on page A-18 of the fiscal year 1971 summary program presentation to the Congress.

Mr. PASSMAN. Doctor, could you tell the committee whether or not the 7,500 participants will be a holding figure for a quarter, 6 months, or a total year?

Is this a continuing program where you will maintain this level, we will say, for 2 years?

Dr. HANNAH. It varies by country and type of program.

Mr. PASSMAN. I know that.

I asked for an overall figure. I do not care what countries they are from. I am interested in whether or not the 7,500 will be an average number on the rolls for say 1 year, 6 months, 3 months, or 2 years.

Dr. HANNAH. The 7,500 figure is the total number of different individuals who will have begun training sometime during the year. Some of them are in training for the full year, some of them much less than a year. For the past 3 fiscal years the average number of participants in training has been about 6,600.

Mr. PASSMAN. You will average out this number on the rolls either coming or going?

Dr. HANNAH. If the question is whether or not we expect to have about the same number of persons involved in training programs in the United States or in third countries, the answer is "Yes."

Mr. PASSMAN. That is the question. You gave me the answer.

What is the total annual cost for maintaining one of these foreign nationals?

Dr. HANNAH. It varies greatly.

Mr. PASSMAN. Give me an average figure.

Dr. HANNAH. We will have to get one for the record. If you want to average all these for the record, it is going to be meaningless.

Mr. PASSMAN. It is not going to be meaningless if you pay attention to the question.

I want to know the average cost to our Government of maintaining one foreign national.

Mr. LONG. You mean on a full-time basis?

Mr. PASSMAN. On an annual basis.

Mr. LONG. Or whatever he did?

Mr. PASSMAN. No, the doctor said this program would level out. We know it costs about $9,000 to keep an individual in the Peace Corps. We know about what it costs to maintain an individual in our Government. We are trying to estimate the cost per foreign national.

Dr. HANNAH. I could very easily tell you what it cost, for the whole program last year, this year, the year before.

Mr. PASSMAN. Try to make it on an individual basis.

Dr. HANNAH. We can divide it by the number of participants.

Mr. PASSMAN. Do it right now.

Mr. LONG. That would not be equivalent to full time.

Dr. HANNAH. No.

Mr. LONG. We need two things.

Mr. PASSMAN. If you have people coming in and going out and if the average number that you have would be constant at around 7,500, from different countries, with different names, we can establish what it costs on the average per individual.

Dr. HANNAH. We will put it in the record.

The point I am making is that it costs a very much larger sum to maintain an individual that is here in a graduate program in Harvard or some other topflight medical school than it does for someone coming in for some kind of specialized training of a practical kind for 16 weeks.

Mr. PASSMAN. Doctor, all I am trying to get is the average cost per participant.

You may have 6,000 in June, 4,000 in July, 4,500 in August, and 9,000 in September. What I am trying to establish for the record is that it levels out to where you will have about an average of 7,500 participants on the rolls. Then if we can establish what the average number is, and recognizing there are some very low cost ones and some very high cost ones, all I am trying to establish is what the average cost per month is.

Dr. HANNAH. We will have the figures for you. You have made it perfectly clear that we are really talking about comparing oranges and potatoes, but we will come up with an average.

Mr. PASSMAN. My dear friend, I have nine members on my staff in my office and each of them has a different salary. If I want to know the average cost per person, I would add up the total salary that I pay them and say it is $11,260 per individual. You know exactly what I want.

Dr. HANNAH. We will give it to you.

Mr. PASSMAN. What is the total program, do you have it?

Dr. HANNAH. The total dollars that go into the program?

Mr. PASSMAN. For foreign nationals, that is correct.

Dr. HANNAH. It is about 7,500 people.

Mr. PASSMAN. I asked for the total dollars. You are going to give me the average.

Dr. HANNAH. I do not have it. We will get it for the record.

(The information follows:)

AVERAGE COST OF FOREIGN NATIONAL TRAINEES

Fiscal year	Funds committed (thousands)	Man month of training	Average cost per man month	Participants in training [1]	Average number man months per trainee	Average cost per participant
1967	$44,996	72,311	$622	15,452	4.7	$2,923
1958	41,491	80,155	517	15,235	5.3	2,740
1969	42,427	85,262	497	[2] 13,856	6.2	3,081
Average	42,971	79,243	542	14,848	5.4	2,927

[1] The numbers of participants shown in this column represents the total number of individuals that were in a training status at any time during the fiscal year.

[2] The difference between this total of 13,856 participants in training and the fiscal year 1969 participant trainee arrivals of 7,559 shown on page A–18 of the fiscal year 1971 program presentation to the Congress represents carryover trainees at training sites from prior fiscal years. The average number of foreign nationals in a training status at any given point in time during the fiscal year is approximately 6,600.

Mr. PASSMAN. What appropriation finances this program?

Dr. HANNAH. As in the case of all interregional activities, this is funded from technical assistance and supporting assistance. It is handled by OIT.

Mr. PASSMAN. What do you mean "OIT"?

Dr. HANNAH. It is the AID office that handles the training program.

Mr. PASSMA. O-I-T, would you mind spelling that out?

Dr. HANNAH. Office of International Training.

Mr. PASSMAN. Good.

Mr. SHRIVER. When people are chosen to come over to this country, be it for medical training or other college courses, are they selected because they are poor?

Dr. HANNAH. For a variety of reasons. Of course, if he can finance his own way, we are not interested in him. It is a very carefully administered program. You could have Bob Matteson up here as you go through this program. It is a very carefully thought through program. It has been in operation a long time and it is well done.

Mr. SHRIVER. If the person can finance part of his way, would you consider him?

Dr. HANNAH. Yes. If you are talking about agreed programs for students that are going to college.

Mr. SHRIVER. The reason I ask is that I read in the paper this morning about President Nixon's proposal that our assistance programs for students in this country are going to be only for those who cannot afford college themselves.

Dr. HANNAH. Yes, I read that too, I think there is much to be said for it.

Mr. SHRIVER. I wonder how it would compare with what you are doing.

Dr. HANNAH. Well, we are not subsidizing the children of the well-to-do.

Mr. SHRIVER. It does not have to be of the well-to-do. That is not the way I read the article in the paper this morning. They said a limit of something like $10,000 annual income, which is not poverty, certainly, but it's not the wealthy class either.

Dr. HANNAH. I think this is a good line of questioning. I would be delighted to have Bob Matteson come up and describe his program and give you the kind of information you ought to have.

Mr. PASSMAN. How long have you had the Office of International Training?

Dr. HANNAH. I inherited it; it has existed for 7 years.

Mr. PASSMAN. I do not know that we have ever specifically examined that particular office.

Dr. HANNAH. It is a part of our interegional program.

Mr. PASSMAN. I understand that very well.

Incidentally, you do know we are examing the best that we can without any justification books.

Off the record.

(Discussion off the record.)

DEVELOPMENT LOANS

Mr. PASSMAN. Would you please provide for the record a breakdown of the $570 million requested for fiscal 1971 for development loans?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Indicate the amounts to be programed for project loans, production loans; and sector loans; will you do that?

Dr. HANNAH. Yes, sir.

(The information follows:)

DEVELOPMENT LOANS—TYPES OF LENDING PLANNED FOR FISCAL YEAR 1971

[Dollar amounts in millions]

	Total [1]	Program loans	Project loans	Sector loans
Amount	$625.0	$460.0	$110.5	$54.5
Percent	100.0	73.6	17.7	8.7

[1] Appropriation requested, $570,000,000; with receipts and estimated recoveries (less transfers) program availability totals $691,100,000, of which $65,500,000 is planned for use as population grants under title X and $600,000 for expenses of the Inspector General of Foreign Assistance pursuant to sec. 624 of the FAA of 1961 as amended.

Mr. PASSMAN. I believe loans contain a 46-percent subsidy on account of the concessionary terms and interest rate; is that right?

Dr. HANNAH That is what we talked about yesterday.

Mr. PASSMAN. I know we talked about it, but I ask; is that correct?

Dr. HANNAH. Yes, sir.

ALLIANCE FOR PROGRESS DEVELOPMENT LOANS

Mr. PASSMAN. Please provide the same breakdown for the $337.5 million requested for Alliance for Progress development loans in fiscal 1971.

Dr. HANNAH. We will furnish it.

(The information follows:)

ALLIANCE LOANS—TYPES OF LENDING PLANNED FOR FISCAL YEAR 1971

[Dollar amounts in millions]

	Total [1]	Program loans	Project loans	Sector loans
Amount	$418.2	$100.0	$94.2	$224.0
Percent	100.0	23.9	22.5	53.6

[1] Appropriation requested, $337,500,000; with receipts and estimated recoveries less transfers, program availability totals $449,100,000 of which $30,700,000 is planned for population grants under title X and $200,000 for expenses of the Inspector General of Foreign Assistance pursuant to sec. 624 of the FAA of 1961 as amended.

Mr. PASSMAN. Does the same formula apply to the Alliance for Progress loans, that they are 46 percent subsidy or 46 percent grant?

Dr. HANNAH. Yes, sir.

COUNTRIES SCHEDULED TO RECEIVE DEVELOPMENT LOANS

Mr. PASSMAN. I note on page A–20 you state eight countries are scheduled to receive 83 percent of Development Loan country aid.

Will you name them for the record?

Dr. HANNAH. Brazil, Chile, Colombia, India, Indonesia, Korea, Pakistan, and Turkey are the countries that comprise this group.

COUNTRIES IN ALLIANCE FOR PROGRESS PROGRAM

Mr. PASSMAN. Also, list in the record the other countries that will participate in the Alliance for Progress program.

Dr. HANNAH. Fiscal year 1971 Alliance Loans and Technical Assistance are proposed for 19 countries. One country, Haiti, would receive some supporting Assistance funds.

Mr. PASSMAN. How much trouble would it be to furnish a list of the other 17 percent—the countries who will get the 17 percent?

Dr. HANNAH. It is no problem; we will list it for all of them.

Mr. PASSMAN. All right, sir; do that.

And the dollars that each one gets?

Dr. HANNAH. OK.

(The information follows:)

Countries programed to receive development loans in fiscal year 1971[1]

[In thousands of dollars]

	Amount
Latin America:	
Brazil	155,000
Central American Economic Community:	
Costa Rica	11,200
El Salvador	7,500
Guatemala	6,200
Honduras	9,000
Nicaragua	9,500
Chile	20,000
Colombia	75,000
Dominican Republic	17,000
Ecuador	6,500
Guyana	8,500
Panama	15,000
Paraguay	7,000
Uruguay	5,800
Africa:	
East Africa:	
Tanzania	2,500
Uganda	1,000
Ghana	15,000
Tunisia	5,000
Ethiopia	14,000
Morocco	13,000
Nigeria	[2] 1,500
Congo (Kinshasa)	10,000
Near East and South Asia:	
Ceylon	7,000
India	266,000
Pakistan	117,000
Turkey	50,000

East Asia:	
Indonesia	80,000
Korea	25,000
Total for country loan programs	960,200
Development loan funds used for population grants, regional loan programs, etc	180,000
Total development loan funds	1,140,265

[1] Excludes development loan funds to be used as grants for population programs.
[2] Amendment to prior year loan only.

EARLY REPAYMENT OF LOANS

Mr. PASSMAN. The present length of the development loans is for a period of 40 years, which includes a 10-year grace period at an interest rate of 2 percent; is that correct, sir?

Dr. HANNAH. Two percent for the first 10 years and 3 percent beyond.

Mr. PASSMAN. Three percent during the last 30 years?

Dr. HANNAH. Or until paid.

Mr. PASSMAN. In your loan agreements with these nations, if we should find that, because of our extravagance and the demand by the American people for a fair share of our tax dollars, these foreign governments have become very strong economically and that they are well able to retire these loans in advance of due date, do you have any arrangement with them whatsoever for an earlier repayment schedule?

When you make a 40-year loan, it is inconceivable to me to think that if this arrangement is as good as some of you people think it is, that it is going to take these people 40 years to become self-supporting and maintain a healthy economy.

We think of Thailand as a less-developed country, yet they are waxing fat in wealth by their standards. They have built a fantastically large foreign exchange balance and gold reserves that they have no need for.

My question still is: Do you have any provision whereby those countries who develop rapidly, those countries where we have made these very large long-term loans, do you have any arrangement whereby they could start paying back earlier?

Dr. HANNAH. I am sure they could start——

Mr. PASSMAN. I am asking do you have any such provisions in the loan agreement?

Dr. HANNAH. I will have to check, Mr. Chairman.

Mr. PASSMAN. It stands to reason that with this type of a concessionary interest rate that these people should start earning substantial sums from their own economy. Why in the world would they want to pay back a 3-percent loan when they could take that money and invest it at 7.5 percent? There should be some proviso, Doctor, and it is certainly sound thinking that you ought to have some provision in these loan agreements, that when these countries reach a certain level then they should start paying this money back, possibly at two or three times the rate you agreed upon earlier, or else move the interest rate up to what we have to pay to borrow it.

Dr. HANNAH. I think it is not an unreasonable request. We will look into it and see if there is such provision. I think it is not unreasonable to expect, even if that is not included in the contract, if a country finds itself in that position, we ought to be able to negotiate a more rapid repayment.

Mr. PASSMAN. I have wanted to suggest this for a long time.

Off the record.

(Discussion off the record.)

(The information follows:)

AID LOAN AGREEMENT PROVISIONS CONCERNING PREPAYMENT AND RENEGOTIATION

AID has developed certain standard provisions for inclusion in loan agreements with governments which specifiaclly address the issues of (1) a borrower's prepayment of principal and (2) AID's option to negotiate an acceleration of the repayment of the loan. While the language in loan agreements may vary, it is the present practice of AID to include in substance provisions as follows:

Renegotiation of the terms of the loan.—The borrower agrees to negotiate with AID, at such time or times as AID may request, an acceleration of the repayment of the loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the borrower.

Prepayment.—Upon payment of all interest and refunds then due, the borrower may prepay, without penalty, all or any part of the principal. Any such prepayment shall be applied to the installments of principal in the inverse order of their maturity.

Dr. HANNAH. I do not think this is an unreasonable inquiry at all.

Mr. PASSMAN. It is not only an inquiry. Have a look at it and let's discuss it again later.

DEBT BURDEN OF DEVELOPING COUNTRIES

You mention that the burden of debt of the less-developed countries has grown rapidly over the last several years.

Dr. HANNAH. It is a matter of concern with some of them and a matter of concern to us, too.

Mr. PASSMAN. Are you talking about the burden of debt or are you talking about the burden of paying the interest?

Dr. HANNAH. Both; it is interest and principal as it comes due.

Mr. PASSMAN. What kind of progress are they making when you give them a 10-year grace period, no interest, and no payback on the principal; then when you get into the second phase of the loan program, many loans have a 2-percent interest rate during the first 10 years, and 3-percent for 30 years. What are you going to do if the developing countries have not improved their economy during the 10-year period to the extent they could pay the 3-percent interest on the accumulated loans during the remaining 30 years of the loans?

What will you do in cases like that; will you update the loans?

Dr. HANNAH. Of course the proposals are, under discussion with the countries in real difficulty, and the country that is in most difficulty with debt is Indonesia, largely due to the very sizable debt that Sukarno committed the country to.

From our point of view, fortunately we are not a big creditor. The Communist countries are.

Mr. PASSMAN. You have sessions in Paris to discuss this program. So you should not single out Indonesia as the only example.

Dr. HANNAH. Except this is the country in the greatest difficulty, and it is front and center.

Mr. PASSMAN. Let's go off the record.

(Discussion off the record.)

Dr. HANNAH. No need to work so hard. I have indicated this is a problem of real concern.

Mr. PASSMAN. This is the biggest piece of muck ever perpetrated upon an intelligent people by any government, to give away our wealth all over the world. We are getting everybody involved and it is getting worse every year.

TOTAL AID TO PAKISTAN

Take Pakistan. What has been our total aid to Pakistan?

Dr. HANNAH. Total?

Mr. PASSMAN. Through fiscal 1970. It has been in excess of $4 billion, has it not?

Dr. HANNAH. No. My figures show here total economic $3.4 billion, of which $1.8 billion is loans and $1.5 billion grants.

Mr. PASSMAN. I am trying to get the grand total because milk tastes the same whether it comes from a black cow or a white one.

I believe that the grant aid through 1969, has been $1,581 million; is that correct?

Dr. HANNAH. That is right.

Mr. PASSMAN. What has been the amount of the 46-percent subsidy loans?

Dr. HANNAH. Economic loans are $1,858.9 million.

Mr. PASSMAN. All right. Here we are with $1.5 billion in grant aid, with subsidy loans—and I believe the subsidy used to be considered 40 percent and now it is 46 percent because of the increased cost of money in this country; is that not right?

Dr. HANNAH. That is substantially correct.

Mr. PASSMAN. All right.

Are we helping Pakistan when we go in with so many billions of dollars of aid and these people now anticipate, even with these low-interest loans, that they are going to be in difficulty, just when the principal amounts start falling due?

Dr. HANNAH. You have to answer it by saying: Are we making a contribution to them? Or is it in our interest?

Of course I believe that the American people at this stage in their history are going to have to continue to believe that they have a very real interest in keeping the subcontinent of Asia—India and Pakistan especially—out of the Communist orbit.

If this involves $70 or $100 million of loans per year to Pakistan and a couple of hundred millions to India, this is a sizable continuing investment. I still think it is in our interest.

Mr. PASSMAN. But it indicates we did not know what we were talking about in previous years. Many Members of Congress, and members of the executive branch, including the AID people, said "We are making these loans on this basis because there will be no question about the repayment. We want to give them an opportunity to permit this seed capital to grow."

They insisted on calling these things loans. I have contended for many years that they are not loans. They come nearer being disguised grants. When you recognize the 46-percent subsidy facter, it simply means what these people said years ago is not holding true.

I realize that you did not create this situation, but the best way in the world to lose a friend is to let him get in debt to you, let that debt come due, and he cannot pay you. He will find more reasons to fall out with you than you could put down on a sheet of paper.

FREE WORLD AID TO INDIA AND PAKISTAN

Dr. HANNAH. It should be a matter of some satisfaction, however, that the rest of the free world is now taking more than half of the burden in Pakistan and India.

If we are putting in $70 million, the rest of the free world is putting in substantially more than that.

Mr. PASSMAN. I would not want this to get out, but I am going to bring you up to date on how this works, Doctor.

These two countries are former possessions of the other donor nations that you refer to, mainly of course, the United Kingdom and France.

Do not forget that they have very strong and profitable trade ties with their mother country. France and the United Kingdom are making investments in those two countries because of their strong trade ties.

Will you put in the record, at this point, the exports to India and Pakistan by these so-called industrial nations that you referred to?

Dr. HANNAH. Yes.

(The information follows:)

EXPORTS TO INDIA AND PAKISTAN FROM CONSORTIUM DONORS

[In millions of dollars]

	Calendar year 1968	
	India	Pakistan
Belgium	13.6	7.7
Canada	122.9	24.8
France	50.3	30.9
Germany	172.2	93.8
Italy	63.7	33.0
Japan	166.2	109.4
Netherlands	27.6	13.6
Sweden	22.5	6.9
United Kingdom	182.3	121.3
United States	874.9	299.6
Austria [1]	6.8	----
Denmark [1]	6.4	----
Total	1,709.4	741.0

[1] Members of India Consortium only.

Source: IMF, Direction of Trade.

Mr. PASSMAN. You will find that they send out $1 and get $2 back. As we established during our IDA hearings, both India and Pakistan are members of the International Development Association, and when they contribute $1, they get back quite a bit more than that.

So you have to look at both sides of the picture.

COUNTRIES TO RECEIVE SUPPORTING ASSISTANCE IN FISCAL YEAR 1971

Doctor, would you name the five countries you propose to provide supporting assistance to in fiscal 1971 and the amount that you plan for each?

Dr. HANNAH. Yes, we will.

Vietnam, Laos, Thailand, Nigeria, and a small program in Haiti.

Mr. PASSMAN. I also said I want the amount for each one.

(The information follows:)

SUPPORTING ASSISTANCE PROGRAM IN FISCAL YEAR 1971

The following countries are programed to receive supporting assistance in fiscal year 1971:

[In thousands of dollars]	*Amount*
Haiti	1,780
Nigeria	7,500
Laos	35,135
Thailand	26,265
Vietnam	[1] 366,300
Subtotal	436,980

In addition, the following programs will also receive supporting assistance:

Program:	*Amount*
African regional programs	800
East Asia regional programs	200
Multilateral organizations:	
U.N. force in Cyprus	6,000
UN. Relief and Works Agency	13,300
Development research	5,000
Program support and interregional activities	12,000
Subtotal	37,300
Grand total	474,300

[1] Includes $7,500,000 for program support and interregional activities and $5,800,000 for administrative expenses for expanded Vietnam.

AMERICAN UNIVERSITY OF BEIRUT

Mr. PASSMAN. Would you briefly tell us how beneficial U.S. contributions to the American University of Beirut have been over the years?

Dr. HANNAH. I think it has been very beneficial. The American University of Beirut was organized and operated by Americans. It was financed by them. It has become an internationally respected institution largely due to the interest of you and many other Congressmen. For the past many years we have been putting a substantial sum of money into buildings for their medical school and into the operations.

There is not any question in my mind that it has been a very good investment.

Mr. PASSMAN. Let's make the record for what it is.

I believe that students from some 62 nations are attending the American University of Beirut.

Dr. HANNAH. That is correct.

Mr. PASSMAN. It is my understanding that one of the prerequisites is that the student must be able to read and write English.

Dr. HANNAH. Most of them talk in English.

Mr. PASSMAN. No student is admitted unless he can speak and write English?

Dr. HANNAH. That is right. For those beginning students whose English is deficient, there is special intensive language training.

Mr. PASSMAN. It is an accredited school?

Dr. HANNAH. It is.

Mr. PASSMAN. It is a rather strictly operated school?

Dr. HANNAH. Right.

Mr. PASSMAN. I believe many of the leaders of that part of the world who are sticking by us at this time, not just in Lebanon but in some 12 or 15 countries, their prime ministers and top personnel were graduates of the American University of Beirut.

Dr. HANNAH. Right.

Mr. PASSMAN. Many of the students being trained at the American University of Beirut in the new medical school and teaching hospital, can be trained adequately in an environment that they are going to have to live and work in no doubt during their careers; would that be correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. That within itself would be a tremendous advantage.

Dr. HANNAH. Right.

Mr. PASSMAN. It is my understanding that even though our contribution has been rather substantial that those who have studied the record feel that it has been one of the great investments that we have made anywhere as a result of the foreign aid program.

Dr. HANNAH. It has been a very good investment. We are proud of it.

Mr. PASSMAN. Of course, that good image that it is imparting is not just in Beirut, Lebanon; it covers almost the entire Middle East; does it not?

Dr. HANNAH. Correct.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Dr. HANNAH. I would like to make a point.

Mr. PASSMAN. As an educator, I want you to elaborate on the record we just made as to how you feel about this institution.

SCHOLARSHIPS NOT AVAILABLE TO AREA STUDENTS

Dr. HANNAH. I have no reservations at all about the American University of Beirut. It is a grade A educational institution of which this country can be proud.

There is no question at all, it has made a great contribution to the whole Middle East, and the whole Arab world. I think it is unfortunate—these are my words—shortsighted on our side that we have precluded the possibility of young Arabs from the countries that have interrupted diplomatic relations with the United States from attending the AUB. We canceled out their scholarships and have not offered them new scholarships. So we have required them to go to the Soviet Union. We just shut our scholarships off. To me we have been biting off our nose to spite our face.

These youngsters would like to come to American University at Beirut but the University cannot take them, because there is no subsidy and they cannot come without some kind of scholarship. So they go to the Soviet Union in large numbers.

The point is that I think we ought to be able to find some way around it.

Mr. PASSMAN. Doctor, it is good, sound logic. You are just as correct as you can be. You have observed during your appearances before this committee that I do not get too far into policy. I deal with statistics.

Off the record.

(Discussion off the record.)

Mr. SHRIVER. Would you yield? Where did that policy originate?

Dr. HANNAH. It was a policy that originated, I assume, probably in response to the quick unfavorable reaction when the Arab countries broke relations with the United States. In a spirit of pique we suddenly said, well, finish out this year, but scholarships to the countries that have broken relations with us will be canceled and we will not offer any more.

Mr. SHRIVER. Is the policy law?

Dr. HANNAH. Yes; they tell me it is spelled out in section 620(t). I have not tried to get the law changed, but I suggested we ought to be able to find some way of providing scholarships through an American foundation, alumni from the region or some way so we can carry out this program.

Mr. PASSMAN. Did you respond to Mr. Shriver's question that this is a law?

Dr. HANNAH. That is what they tell me.

Mr. SHRIVER. It is in the substantive law for foreign aid?

Mr. FURMAN. Section 620(t) of the Foreign Assistance Act prevents us from extending assistance to any country with which we have severed diplomatic relations.

Mr. PASSMAN. Lebanon did not sever relations.

Dr. HANNAH. The interpretation by law is that if the student is from such a country, that directly or indirectly some Congressman is going to raise a question that we are in violation.

Mr. PASSMAN. I think it is wrong. I am glad you made the record, Dr. Hannah.

As I indicated, I stay out of policy matters, I deal with money. But just as sure as I am looking you in the eyes, we are driving Pakistan into the arms of Red China.

I think Pakistan placed an order of about $100 million for military equipment from Red China and I think the tanks and other military equipment are now coming in. These nations are determined to have a military complex. We thought of Pakistan as one of our dependable allies, but we cut off military assistance to them and we are just furnishing, I believe, spare parts to Pakistan.

We are driving them right into the arms of Red China.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Doctor, it is my understanding that the American University of Beirut can be considered completely nonsectarian?

Dr. HANNAH. That is right.

Mr. PASSMAN. And this idea that circulated at one time that it was operated in the interest of American oil companies is completely without foundation, is it not?

Dr. HANNAH. I think that is right; yes, sir.

Mr. PASSMAN. Thank you, Doctor.

Dr. HANNAH. Certainly they have no connection with it now.
Mr. PASSMAN. Off the record.
(Discussion off the record.)

PRESIDENTIAL INITIATIVES IN LATIN AMERICA

Mr. PASSMAN. I notice on page A–22 you state $100 million will be used for new Presidential initiatives in Latin America in the area of export promotion, capital market devolpment, tourism promotion, and scientific and technological exchange in Latin America.

Would you furnish for the record the committee the background of these Presidential initiatives?

(The information follows:)

PRESIDENTIAL INITIATIVES

The "Presidential Initiatives," announced at the February 1970 meeting of the Inter-American Economic and Social Council in Caracas, Venezuela, follow from President Nixon's October 31, 1969, speech on U.S. policy toward the Western Hemisphere. They have been developed in the course of intensive consultations with the Latin American nations.

Following the months of dialog with these countries, the executive branch has given priority in the proposed fiscal year 1971 assistance program—in addition to the major questions of agriculture and education—to private enterprise assistance, and science and technology. (Population programs and social and civic development continue as target areas of basic emphasis.)

Of private enterprise, President Nixon stated in October:

". . . my own strong belief is that properly motivated private enterprise has a vital role to play in social as well as economic development. We have seen it work in our own country. We have seen it work in other countries . . ."

As for science and technology, the President pledged that:

"* * * the nation that went to the moon for all mankind is ready to share its technology in peace with its nearest nenghbors."

Thus, at Caracas the United States announced the following initiatives:

An estimated $30 million for assistance in developing securities markets and securities commissions; $5 million of this would be provided for a special CIAP fund to help finance country studies on the establishment of capital markets.

Fifteen million dollars to support trade expansion including the U.S. contribution to the Inter-American Export Promotion Center.

Twenty million dollars for the promotion of tourism, including establishment of essential infrastructure.

An estimated $20 million for regional programs of scientific and technological development, and for encouragement of Latin American cooperation on a bilateral and regional basis in scientific teaching and research.

Mr. PASSMAN. Did you provide funds for these programs in the current fiscal year, Dr. Hannah?

Dr. HANNAH. Yes, as part of our regular program. Also, subject to congressional approval, AID plans to provide $8 million in alliance technical assistance funds in fiscal year 1970 for strengthening the staff of the CIAP, capital market studies, and a project development fund.

When Mr. Meyer comes up, he will be better able to go into all the details or we will put it in the record, any way you want it.

Mr. PASSMAN. Did you provide any funds for these programs in the current fiscal year?

Dr. HANNAH. They are set aside.

Mr. PASSMAN. They are set aside out of the 1970 appropriation?

Dr. HANNAH. No, this is 1971. You are talking about 1970, we are talking about 1971. Additional funds are proposed for Presidential Initiatives for fiscal year 1971.

Mr. PASSMAN. I said the current fiscal year.

Dr. HANNAH. No; 1971.

AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS

Mr. PASSMAN. Would you provide an updated table similar to that on page 317 of last year's printed hearings concerning AID loans to intermediate credit institutions?

Dr. HANNAH. Yes, sir.

(The information follows:)

AID LOANS TO IMTERMEDIATE CREDIT INSTITUTIONS, AS OF FEBRUARY 28, 1970

	Loan No.	Amount (in $millions)	Date Authorized
1. DEVELOPMENT BANKS (INDUSTRIAL)			
AFRICA REGIONAL			
Ethiopia:			
Development Bank of Ethiopia	A-002	$2.0	Nov. 8, 1960
Ethiopia Investment Corp.	H-012	8.0	June 30, 1966
Ivory Coast: Ivory Coast Development Bank	H-003	5.0	June 15, 1964
Niger: Development Bank	H-001	.4	Aug. 1, 1962
Somali Republic:			
Credito Somali	A-001	2.0	Sept. 18, 1958
Do.	H-004	2.0	June 13,1967
Sudan: Industrial Development Bank	H-003	.2	Dec. 18,1961
Tunisia: Societe T. de Banque	A-008	4.7	Apr. 18, 1961
Uganda: Development Bank	H-001	2.0	July 27,1962
DCWA: Development Bank	H-002	1.5	Dec. 30,1966
DCEA: Development Corp--East Africa	H-001	.5	Do.
Morocco: Banque Nationale our le Development Economique	H-038	3.0	June 27,1969
NEAR EAST-SOUTH ASIA REGION			
Greece: Hellenic Industrial Development Bank	H-022	0.083	May 31,1962
India:			
Industrial Development Bank	A-034	9.5	Apr. 8,1960
National Small Industries Corp	A-039	8.5	May 27,1960
Industrial Credit & Investment Corp	A-037	4.5	Aug. 29,1960
Industrial Financing Corp	H-062	17.5	Mar.23,1962
Iran: Industrial Mining Development Bank of Iran	A-007	3.5	May 21,1969
Israel:			
Industrial Development Bank	G-064	13.3	Sept.25,1964
Do.	A-024	5.0	Jan 30,1959
Do.	A-060	9.8	Dec. 28,1960
Industrial Development Bank (2d)	A-024A	5.0	June 10,1958
Industrial Development Bank	G-097	2.0	May 15,1958
Do.	G-103	13.3	Sept. 25,1964
Lebanon: BCIAF	A-002	4.522	June 30,1959

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AID LOANS TO IMTERMEDIATE CREDIT INSTITUTIONS, AS OF FEBRUARY 28, 1970 (Cont'd)

	Loan No.	Amount (in $millions)	Date Authorized
NEAR EAST-SOUTH ASIA REGION (Continued)			
Nepal:			
Industrial Development Bank Corp.	A-002	.3	Aug.16,1960
Nepal Industrial Development Corp.(2d)	H-003	.2	Sept.26,1963
Pakistan:			
PICIC(3d)	A-032	7.5	Apr.18,1960
PKCIC(2d)	A-019	9.9	Aug.11,1959
PICIC	A-008	4.2	Apr. 4,1958
Turkey:			
Industrial Investment & Credit Bank	H-087	5.0	June 25,1968
Industrial Development Bank	A-007	9.659	May 9,1958
Do.	H-049	5.0	May 27,1964
Do.	H-084	7.5	July 19,1967
Syrian Republic: Syrian Industrial Bank	A-003	.260	Mar.23,1960
United Arab Republic-Egypt: Egypt Industrial Bank	A-006	2.4	Do.
LATIN AMERICA REGION			
Bolivia:			
Banco Industrial	L-018	2.3	July 26,1963
Mining Bank of Bolivia	L-027	2.3	Jan. 5,1966
Brazil: Cred. e Fin. S/A	L-008	4.0	Sept.2,1962
Chile: Corfo Development Bank	L-017	39.96	June 26,1962
Colombia:			
Banco De Republic	L-040	10.0	June 13,1964
Banco de la Republica	L-057	10.0	June 30, 1969
Costa Rica:			
Cofisa Development Bank	L-010	5.0	Nov. 18,1963
COFISA	L-019	5.0	July 3,1968

See Footnotes at end of table

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AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS, AS OF FEBRUARY 28, 1970 (Cont'd)

	Loan No.	Amount (in $millions)	Date Authorized
LATIN AMERICA REGION-Continued			
Dominican Republic:			
Private Development Bank	L-007	$5.0	Mar.31,1965
Do.	L-018	5.0	June 21,1967
Ecuador:			
National Securities Comm.	L-014	5.0	Feb. 9,1962
Ec.De Dess.	L-026	3.0	June 26,1965
El Salvador: INSAFI	L-005	4.4	June 28,1963
Fin.D. Dess. E. Inv.	L-006	5.2	May 28,1964
INSAFI	L-015	4.8	July 3, 1969
Guatemala: Industrial Development Bank	L-013	5.0	June 23,1967
Guyana: GOG(PIF)	L-002	2.0	Jan. 5,1966
Honduras:			
Fin. Hondurina	L-010	5.0	May 28,1964
Do.	L-016	3.0	May 31,1966
Nicaragua:			
Banco Nacional Nicaragua	L-019	2.0	June 19,1967
Inst.De Fom. Nac.(Development Bank)	L-009	4.0	Sept.29,1964
Corp.Nic.Invers.(Development Bank)	L-010	3.0	Apr. 17,1965
(GON) Dev.Bank(PE)	L-016	5.0	June 29,1966
Instituto de Fomento	L-018	5.0	June 20,1967
Panama:			
Des.Industrial S/A(DISA)	L-006	5.1	Nov. 18,1963
Des. Industrial S/A(DISA)(P)	L-014	4.0	Oct. 19,1966
Paraguay:			
National Development Bank (Ag-Ind)	L-012	3.0	May 28,1964
National Development Bank	L-012	1.0	June 21,1968
Compania Paraguaya de Desarrolla SA	L-019	2.6	June 16,1969
Peru:			
(GOP) Pop. Revolving Fund	L-045	.6	May 31, 1966
Private Investment Fund	L-051	7.5	June 19,1967
Uruguay: Bk. Oriental(ROU) Trans to Agr	L-019	5.0	May 26,1966
ROCAP and Cr.(Region):			
Banco Central America	L-001	5.0	June 28,1961
CABAI--Industrial Development	L-002	2.5	May 31,1963
CABAI--Industrial Development(2nd)	L-004	10.0	May 8, 1964
Central American Fund	L-006	35.0	May 28,1965
CABAI--Industrial Development	L-007	20.0	June 30,1967
CABAI	L-008	30.0	July 5,1968

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AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS, AS OF FEBRUARY 28, 1970(Contd)

	Loan No.	Amount (in $millions)	Date Authorized
EAST ASIA REGION			
China Republic:			
Land Bank of Taiwan	A-009	.683	May 9,1958
Small Industrial Fund	A-012	2.483	Oct.31,1958
China Development Corp	A-015	8.8	Jan.29,1960
Korea:			
Korea Reconstruction Bank	H-052	15.0	May 17,1968
Korea Development Finance Corp	H-051	5.0	Dec. 1,1967
Korean Reconstruction Bank	A-007	5.0	June 17,1959
Medium Industrial Bank (GOK)	H-040	5.0	June 13,1956
Korean Reconstruction Bank	H-042	12.0	Aug. 19,1956
Medium Industrial Bank	H-040A	3.0	June 27,1966
Philippines: Small Industrial Fund	A-004	2.588	Jan. 16,1969
II. HOUSING CREDIT INSTITUTIONS			
LATIN AMERICA REGION			
Argentina: Prov. of B.A.(housing)	L-012	2.0	May 7,1963
Chile:			
Central Housing Bank	A-009	5.0	May 11,1961
Do	L-022	8.7	Feb.27,1964
Colombia:			
National Housing Institute	A-015	12.0	June 28,1961
Do	L-026	7.5	May 13,1963
Costa Rica: (GOCR) slum housing	L-006	1.9	June 18,1963
Banco Credito	L-021	1.0	Nov. 7,1969
Dominican Republic:			
National Housing Bank	L-002	2.1	Nov. 2,1962
Do	L-008	5.0	Jan. 21,1966
Ecuador:			
Ecuador Housing Bank	A-012	5.0	June 28,1961
Cooperative Housing Bank	L-024	1.2	June 12,1964
El Salvador:			
National H ousing Finance Agency	L-008	3.1	June 30,1964
Do	L-012	3.0	Mar. 6,1968
Honduras: Central Bank(Cooperative Housing)	H-011	2.0	June 30,1964

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	Loan No.	Amount (in $millions)	Date Authorized
LATIN AMERICA REGION (Continued)			
Mexico: (GOM)Finance Housing	L-022	$20.0	July 26,1963
Nicaragua: (GON) Savings & Loan Institution	L-017	3.7	June 30,1966
Panama:			
Housing--Caja de Ahorros	A-004	2.5	Oct. 21,1961
Savings & Loan(IFHA)	L-015	2.1	June 21,1966
Instituto De Vivianda	L-027	3.5	June 8,1967
Peru:			
(GOP) cooperative housing	L-034	6.0	June 15,1964
(GOP) home saving program	A-018	7.5	June 12,1961
Uruguay: Home Construction, National H. Bank	L-015	6.0	Jan. 28,1963
Venezuela:			
Banco Obrero(Cen.Hom. Sav.)	A-002	10.0	June 28,1961
Fund del Vivienda(Housing)	A-001	5.0	Nov. 29,1960
Fund Com.Dev.(Slums C)	L-004	30.0	Sept.17,1962
ROCAP (regional):Cabai--Hom.Ln.Dept	L-003	10.0	Nov. 18,1963
III. AGRICULTURAL CREDIT INSTITUTIONS			
LATIN AMERICA REGION			
Bolivia:			
Agricultural Bank (GOB)	L-019	3.7	Aug. 7,1963
Do	L-028	2.1	Jan.21,1966
Colombia:			
Banco Ganadero	L-056	2.1	June 30,1969
Agricultural Resettlement	A-016	8.0	June 28,1961
Supr. Agricultural Credit	L-027	10.0	May 28,1963
Livestock Bank	L-038	4.0	May 22,1964
SupV. Agricultural Credit	L-046	8.5	Feb. 24,1966
Livestock Bank (2d)	L-048	8.0	May 13,1966
Bank of the Republic	L-053	15.0	May 19,1969
Costa Rica:			
National Bank for Agricultural Resettlement	A-003	5.0	June 12,1961
Rural Agricultural Development Loan	L-005	5.0	Apr. 17,1963
National Bank de C.R.(Ag.Cred.&Fertl.)	L-017	5.0	Apr. 26,1967

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AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS, AS OF FEBRUARY 28,1970 (Cont'd)

	Loan No.	Amount (in $millions)	Date Authorized
LATIN AMERICA REGION (Continued)			
Dominican Republic:			
Banco Agricola	L-010	9.5	May 4, 1966
Instituto de Desarrollo y Credito	L-020	2.650	June 25,1968
Central Bank	L-023	8.0	June 27,1969
Ecuador:			
Cooperative Bank of Ecuador	L-031	1.2	June 30,1969
El Salvador: Agricultural Loan Program	L-004	8.9	June 18,1963
Guatemala: Development Bank	A-002	5.0	Jan. 16,1959
Honduras: Nat'l Develop. Bank & Fed. Assoc.	L-018	9.5	June 28,1968
Jamaica: Dairy Development	L-005	2.9	June 29,1965
Mexico:			
Supv. Agricultural Credit	L-020	20.0	June 30,1962
Do.	L-020(A)	21.5	May 28,1965
Nicaragua: Agricultural Credit	L-015	1.0	May 28,1965
Paraguay: National Development Bank	L-012(B)	5.0	June 20, 1969
Panama: Agricultural Development	L-010	2.4	Sept. 29,1964
Peru:			
Agricultural Resettlement	A-020(E)	9.0	June 12,1961
Agricultural Development Loan	L-029(2d)	6.6	Mar. 5,1964
Supervising Agricultural Credit	L-047	9.0	June 30,1966
Uruguay: Agricultural Credit	L-019	5.0	May 26, 1966
Venezuela: Supervising Agricultural Credit	L-003	10.0	Apr. 10,1962
AFRICA REGION			
Tunisia: National Agric. Develop. Bank	A-007	4.7	Oct. 21,1960

1. Amounts adjusted, when applicable, to level of Agreement.
2. Lagos, Nigeria.
3. Nairobi, Kenya.

INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE

Mr. PASSMAN. The Inter-American Social Development Institute was authorized by the Congress last year to promote social and economic development in Latin America.

Has this institute been established?

Dr. HANNAH. No, it is in the process of being established. The process requires that a board be appointed by the President. The White House has been working on this one in conjunction with the Peterson report. It has been put on the back burner for 2 or 3 weeks until they digest it.

What started out as the Inter-American Soical Development Institute, the Peterson Task Force proposes to extend to a worldwide program.

Mr. PASSMAN. Do we not have an organization in the United States that advocates one-world government?

Dr. HANNAH. That may be true.

Mr. PASSMAN. I want an affirmative answer. You have heard about it?

Dr. HANNAH. There is such an organization.

Mr. PASSMAN. That advocates one-world government, and any crime we commit in the United States would go before a world court. There has been a lot of pressure about that.

Dr. HANNAH. I do not know about the details.

Mr. PASSMAN. I know; but you are familiar with the organization?

Dr. HANNAH. There is one.

Mr. PASSMAN. There is a lot of strong support for such an organization among certain Members of Congress, believe it or not. When you commence talking about one little item that the Peterson Report wants to make worldwide or multilateral, I just think this is going in the direction of a one-world government. I do not like it.

Dr. HANNAH. Let me clarify this a little more since I said as much as I did.

I should say it is not intended to hold up the Inter-American Social Development Institute indefinitely. As soon as the President has finalized what he is going to put in his report to the Congress with reference to the Task Force recommendations, he will propose some kind of long-range program for congressional reaction so he can come up a year from now with a program that he hopes will be pleasing and satisfying to the Congress. As soon as this message is behind us, then the decisions can be made with respect to this Inter-American Social Development Institute.

Mr. PASSMAN. The Inter-American Institute is just for the Latin American countries?

Dr. HANNAH. Yes, Latin American.

Mr. PASSMAN. The Peterson report wants to make such an institute worldwide?

Dr. HANNAH. They are suggesting it.

Dr. PASSMAN. The Peterson report wants to make this plan for a Latin American organization apply worldwide?

Dr. HANNAH. Well, they want to incorporate it into an organization having broader responsibilities and operating on a worldwide basis—the International Development Institute.

Mr. PASSMAN. I appreciate that. They are recommending a world-wide institute and I do not like it, and I do not believe you do either. I am not trying to put words in your mouth.

Dr. HANNAH. I thought you were going to ask the next question, that is, what provision has been made for financing this institute in fiscal 1970.

Mr. PASSMAN. No, I did not want to give you any kind of encouragement or any idea you should. This thing is on ice and you should leave it there. I am not going to recommend that you put it forward. Since you brought it up, have you set aside any money for the institute?

Dr. HANNAH. We have set aside $1 million for 1970 and we are thinking about not more than $9 million for 1971, but some people think it will be much more than this.

Mr. Fascell and Senator Church and others are enthusiastic about it. They think it is a good idea and that it will work out.

Mr. PASSMAN. I hope it does not materialize.

Dr. HANNAH. The legislation provides for not more than $50 million in 1970 and 1971.

Mr. PASSMAN. $50 million.

Dr. HANNAH. That is what the legislation says, not more than $50 million.

Mr. PASSMAN. That is more than the amount of coupons I have clipped since January 1.

Dr. HANNAH. We have not spent it. We set aside $1 million.

Mr. PASSMAN. We do not have any more legal right to give away the wealth of America. We just do not have it. You cannot get into court with it. If you could ever get into court, this program would be killed so quickly it would make our head swim.

UNEXPENDED FUNDS

Doctor, how much unexpended funds does AID have in the pipeline?

Dr. HANNAH. You want to know what we had at the end of last year?

Mr. PASSMAN. I have that. Have you an estimate as to ——

Dr. HANNAH. Let's ask Mr. Flinner.

Can you give us any kind of an accurate figure?

He says he can. Do you want him to dig it out or put it in the record?

Mr. PASSMAN. I would like to, if possible, have it at this time.

Mr. FLINNER. Unexpended as of February——

Dr. HANNAH. $4,155,847,000 as of February 28.

Mr. PASSMAN. Now if I may address this question to the distinguished Comptroller:

When can you give us an estimate as to the unexpended funds in all of the spigots, similar to what you have furnished to us in previous years?

Mr. FLINNER. As of what date, sir?

Mr. PASSMAN. I want an estimate as of June 30. My recapitulation would be of no value otherwise.

Mr. FLINNER. June 30, 1970?

Mr. PASSMAN. Yes, sir.

Mr. FLINNER. We will have to contact the other agencies.

Mr. PASSMAN. When do you think would be the best time to request this information I am going to get up a recapitulation sheet showing the unexpended balances. If we do it prematurely, then it will not be accurate and that will not serve a useful purpose.

I am talking about unexpended, because AID has a way of obligating, deobligating, and reobligating funds until I am no longer interested in the unobligated balance. I am interested in the unexpended funds, because you can obligate, and deobligate, can you not?

Dr. HANNAH. Yes, sometimes when it is necessary.

Mr. PASSMAN. When would be a good time, Mr. Controller?

Mr. FLINNER. Of course the closer to the end of the year, the better it would be.

Mr. PASSMAN. I want to analyze your program and I could do a better job if I had the unexpended balances.

Dr. HANNAH. That being the case, let's put it off until some time after the 1st of July.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

NUMBER OF AID-FINANCED AMERICANS IN VIETNAM, THAILAND, AND LAOS

Mr. PASSMAN. I notice on page 9 of your statement that 2,750 Americans are to be in or supporting the special war zone program in Vietnam, Thailand, and Laos.

Is it true that CIA agents are operating in Laos under the guise of being advisers to the AID program as claimed by recent newspaper articles, Doctor?

Dr. HANNAH. ———.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

U.S. SUPPORT OF LAOTIAN EMBASSIES

Is AID still paying for the embassies of Laos over the world with the exception of France?

Dr. HANNAH. If we are, I do not know it. I do not believe we are, Mr. Shriver. But I must be honest to say that in Vietnam, Laos, and Thailand we are doing many things that are not normally considered AID operations. I have not asked too many questions because these operations are being paid for in most part by other agencies of the Government.

Mr. SHRIVER. Put it in the record.

In what countries does Laos have embassies that we are paying for under "Supporting assistance"?

Dr. HANNAH. I will have to find out. I will put that in the record.

Mr. SHRIVER. I know this was true a couple of years ago.

Dr. HANNAH. I am not trying to be evasive. As far as I know we are not doing it anywhere.

(The information follows:)

LAOTIAN EMBASSIES FINANCED BY AID UNDER SA

AID terminated support for Embassies of the Royal Lao Government in 1969. AID reimbursement of Laotian Government foreign exchange expenditures abroad extending between fiscal year 1964 and fiscal year 1969 gradually declined during this period. These expenditures included costs of maintaining Embassises (but not representation expenses), in Australia, Japan, Thailand, Burma, South Vietnam, Cambodia, India, the United States, Great Britain and the United Nations. In return, AID received local currency from the Royal Lao Government at the rate of 240 Kip to $1 for expenditures on assistance projects supported by AID.

REDUCTION IN BILATERAL AID BECAUSE OF INCREASING MULTILATERAL AID

Mr. SHRIVER. Dr. Hannah, much of the discussion of our foreign aid program in your statement, in the justifications and in the various reports which have been released recently has centered on the need to channel more of our efforts along multilateral, rather than bilateral lines. Last year, during the hearings on the fiscal 1970 bill, I asked you for information concerning any possible cutbacks in bilateral aid to correspond with increases in multilateral aid. The inserted answer on page 387 states:

> There is not necessarily a causal relationship between the increase in multilateral assistance and the reduction in U.S. bilateral assistance. * * * the level of each kind of aid in any particular country is separately determined. * * * While the level of our assistance to any country takes into account the aid that country is receiving from other sources, we would *not* reduce our assistance to a country simply because multilateral organizations were increasing theirs.

I believe it would be the understanding of our constituents that if we channeled more of our assistance through multilateral agencies, we would reduce our bilateral assistance. Would you comment on the answer I got last year on this subject?

Dr. HANNAH. Yes, I would, gladly.

First of all, as you know, we and our predecessors have recommended annually that the United States provide 40 percent of the resources of the U.N. Development Program and varying percentages of the total voluntary contributions to various other U.N. programs—UNICEF, WHO Medical Research, and so forth.

To finance our total request, including $100 million for UNDP in this fiscal year, would have required a multilateral technical assistance appropriation of $122.6 million. That is what we recommend and what was discussed.

When the appropriations were made, it was not possible for us to finance the $100 million for UNDP within the amount available. Instead we financed about $86 million. Although this was less than the amount considered necessary, they agreed that it was reasonable under the circumstances.

It is sound to suppose that if we are in fact going to go the multilateral route, one would expect cutbacks in bilateral aid requests. If resources are put into a country by a multilateral agency, the United States would not have to put those same resources in.

One of the basic problems that the U.N. faces is that they are not able to do many of the things that they would like to do and that we might like to have them do. I am not talking about the World Bank,

because when you talk about multilateralizing, the Peterson people have a good deal of enthusiasm for the World Bank and the regional banks.

So I think that when we are talking about multilateralizing, this is all based on the supposition that they are going to get themselves oragnized so that they can do well what they undertake to do.

Now, the explanation which you read indicated that these budgets were arrived at differently and that even if we contributed to the UNDP and the other U.N. agencies at a much higher rate than we have, it might not reduce the amount of money that we were going to put into any specific country and I think that is probably true. But I think it is also true that it would reduce our total expenditure for technical assistance, by a substantial amount.

Mr. SHRIVER. You are beginning to talk like the fellows down at the State Department.

Dr. HANNAH. Well, I do not intend to.

Mr. SHRIVER. It just seems, and you said it I think, it seems reasonable to expect that if we are going into these multilateral agencies to a greater extent, that there would be a reduction because more countries would be participating. That is one of the purposes, and the values, as I understand it, of that approach.

Dr. HANNAH. I do not want to be misinterpreted. I do believe that we should multilateralize as much as is prudent, as much as they can do well, but I do not——

Mr. SHRIVER. I do not think you said that.

Dr. HANNAH. I want to make clear that this is what I believe.

AID TO INDONESIA

Mr. SHRIVER. While we're on the subject of last year's hearings, I asked you if Indonesia still maintained their relations with North Vietnam and not South Vietnam, North Korea, and not South Korea, and not the Republic of China; and you remarked that if it were true, "to me it is a little hard to assume that this has not been checked by our people to have put in as much money as we have."

Well, the inserted answer reveals that it is true, and yet you are requesting $86.5 million in fiscal 1971 for Indonesia, an increase of $36.3 million over the program there in fiscal 1970. While we can't and shouldn't assume that our aid will obtain their support for all of our foreign policy objectives, it would appear that they are in official opposition to our three strongest allies in the Far East. Would you comment on the increase in their program with this in mind?

Dr. HANNAH. Yes, I would be glad to comment, because this one caused me many problems when the record of the hearings last year was published. Everything that makes any reference to foreign countries is immediately cabled overseas. All of this was cabled to Djakarta. There was a great consternation in Indonesia, all sorts of newspaper coverage, headlines, and so on.

I must say when you asked me the question I was totally uninformed, but I said what I believed to be true. Then it was explained in the actual record. I have just come back from spending about a week in Indonesia. I had never been there before. There is no question that here is a country with great potential, for many reasons.

Of course, the people in this country were very much upset not many years ago when it looked as though Indonesia had gone Communist under Sukarno.

When Suharto, the present President, took over, he did not cancel out the missions that they had in North Vietnam, in North Korea, and in Red China.

At the same time, there is not any question but that they are totally anti-Communist. They have continued, even while I was there, with the weeding of people out of their armed services and elsewhere in the society that they had suspected and found were allied with the Communists when they had the upper hand.

I am sure the position was made by the last administration and this one that it is of first importance to encourage that country to stay with the philosophy that it now holds. I mentioned they are the country with the largest debt problem at the moment. They have an external debt of approximately $3 billion, most of it owed to the Communist world. To pay their interest and debt requirements that are called for would take a substantial part of all the foreign exchange they have.

What I am saying is that I was wrong a year ago. I have no reservations at all about the wisdom of our continuing to do what we are doing in Indonesia. Beyond that, while they presently appear to have a sizable debt problem, if the oil development in Indonesia is anywhere near as promising as it looks it may be, they are not going to have any foreign exchange or debt problem in the long-term future.

They have tremendous potential. I think I have never visited for the first time any country in the world that impressed me as much as Indonesia. Being a farmer from—have you been in Indonesia?

Mr. SHRIVER. No. But what you are saying is that they may not need any assistance from us?

Dr. HANNAH. After a time they may not. But they need it now. They have a real problem. They have exceedingly bright people in their country. The interesting thing is that there are 10, and it is 10, very able top-flight economists in that government, all 10 of them graduates of American universities, who are practically running the economic aspects of the country. I do not know whether any of them were financed in any way by AID or whether they were all financed some other way, Fulbright scholars or something else, but they are doing an excellent job.

TYPES OF DEVELOPMENT LOANS

Mr. SHRIVER. Would you update the table on page 374 of last year's hearings which shows the amounts and percentages of three types of development loans over the last few years?

Dr. HANNAH. Yes, we will.

(The information follows:)

TYPES OF LENDING FROM DEVELOPMENT LOANS AND ALLIANCE LOANS

[Dollar amounts in millions]

	Total DL and AL [1]	Program loans	Project loans	Sector loans
1968:				
Amount	$1,033.3	$609.0	$315.0	$109.3
Percent	100.0	58.9	30.5	10.6
1969:				
Amount	$704.9	$469.8	$195.1	$40.0
Percent	100.0	66.6	27.7	5.7
1970:				
Amount	$790.0	$438.0	$149.0	$203.0
Percent	100.0	55.4	18.9	25.7
1971:				
Amount	$1,043.2	$560.0	$204.7	$278.5
Percent	100.0	53.7	19.6	26.7

[1] Excludes capitalized interest, interregional contributions, and population programs as funded under the authority of title X.

Mr. SHRIVER. Would you have any comment at this time as to any future emphasis on one or more of these types of loans?

Dr. HANNAH. I have none to make at the moment. I may want to make some explanatory comments when I send the record over.

DEBT BURDEN AND TRADE OF AID RECIPIENT COUNTRIES

Mr. SHRIVER. Most of the justifications for increased multilateral lending assistance include the burden of debt service which the recipients of past loans are now bearing. However, a table on page 375 of last year's hearings shows that in every case the level of exports from these countries, which brings in foreign exchange to be used for debt service, is much higher than the annual debt service level. Would you update that table, and provide any additional information which would show more clearly the effect of these debt service payments on the development investment capacity of these nations?

Dr. HANNAH. I would be glad to.

(The information follows:)

Insert for Page 1743
HAC Committee
Dr. Hannah's Testimony
March 19, 1970

Selected AID Recipient Countries-External Public Debt Outstanding Jan. 1, 1969, Annual External Debt Service, 1967 and 1968, Exports and Imports of Goods and Services, 1967 and 1968

(Millions of Dollars)

Country	External public debt(1) Jan. 1, 1969	External debt service		Exports of goods and services		Imports of goods and services	
		1967	1968	1967	1968	1967	1968
Argentina	1,714.1	456.4	477.9	1,707[R]	1,778	1,523	1,793
Bolivia	295.0	9.9	9.3	170	172	212	224
Costa Rica	122.0	16.9	20.9	174	206	233	255
Chile	1,268.5	124.0	171.2	1,003	1,044	1,104	1,216
Colombia	898.7	99.2	98.1	713	791	802	969
Dominican Republic	171.6	13.5	15.6	182	194	252	269
Ecuador	163.3	13.6	18.4	218	226	259	306
El Salvador	77.2	6.0	6.6	231	238	266	261
Guatemala	89.8	22.8	22.9	235	269	304	330
Guyana	54.5	6.0	4.8	139	135	172	153
Honduras	51.2	3.5	3.5	172	199	205	230
Jamaica	114.7	9.9	13.2	393	398	474	514
Nicaragua	110.8	10.0	15.4	185	195	255	245
Panama	89.8	7.0	8.3	298	329	327	344
Paraguay	76.1	4.5	5.5	62	68	87	99
Peru	672.7	93.8	204.7	889[R]	977[P]	1,169	1,013[P]
Uruguay	250.0	45.1	49.7	219	254	235	232
Venezuela	398.5	48.9	49.8	2,623	2,680	2,550	2,798
Kenya	254.6	21.0	17.8	387	419	443	472
Tanzania	131.5	8.6	7.9	291	294	300	312
Uganda	101.2	7.5	8.1	238	(2)	245	(2)
Tunisia	450.9	48.6	60.6	241	276	385	351
Ethiopia	135.3	14.7	16.2	155	175	193	215
Liberia	158.6	9.6	11.5	(2)	(2)	(2)	(2)
Morocco	566.5	41.6	48.3	559	612	(2)	(2)

Selected AID Recipient Countries-External Public Debt Outstanding
Jan. 1, 1969, Annual External Debt Service, 1967 and 1968,
Exports and Imports of Goods and Services, 1967 and 1968

(Millions of Dollars)

Country	External public debt[1] Jan. 1, 1969	External debt service		Exports of goods and services		Imports of goods and services	
		1967	1968	1967	1968	1967	1968
Nigeria	421.3	39.2	41.2	739	668	993	922
Senegal	68.1	3.9	4.7	(2)	(2)P	(2)	(2)P
Somali Republic	54.5	0.8	0.8	38	44P	62	67P
Ceylon	203.9	13.6	25.7	383	374	447	436
India	6,253.0[3]	374.5	356.7	1,999	2,145	3,303	2,985
Jordan	93.2	1.6	1.9	103	104	181	228
Pakistan	2,265.8	115.5	144.2	689R	751	1,406	1,266
Korea	970.2	28.3	66.3	643	880	1,060	1,546
Philippines	417.1	87.5	60.9	1,222	1,156	1,433	1,551
Thailand	246.7	39.3	37.9	1,069	1,077	1,177	1,289

R - Revised. E - Estimate. P - Preliminary.
(1) Foreign currency debt; based on amounts disbursed as of 12/31/68.
(2) Not available.
(3) As of March 31, 1969.

REDUCTION IN MISSION REQUESTS

Mr. SHRIVER. On page 26, there is a table I requested which shows President Nixon's budget lowered the amount requested for economic assistance for fiscal 1970 by the field missions and staff offices by $527 million.

However, the figures for the individual countries have been deleted. Why is that information classified?

Dr. HANNAH. I have to answer, I do not know.

Mr. SHRIVER. All right. Will you find out?

Dr. HANNAH. All right.

(The information follows:)

REASON FOR DELETION OF LEVELS OF INDIVIDUAL COUNTRY REQUESTS

The initial determination of the level of assistance to be provided to any country by AID is made by the Ambassador and the AID Mission Director and their respective staffs in the field mission to AID/Washington. Their annual recommendations on the type and amount of assistance take into consideration past progress of the respective recipient country and the need for and ability to use additional resources for priority activities in that country.

While the recommendations are made within general guidelines, they are not tailored to fit within a predetermined budget ceiling. As internal recommendations to the AID Administrator, they may be changed during the course of the budget review process conducted by the Agency or at higher levels within the executive branch. Therefore, the total of all budget requests initially submitted by field missions and staff offices in AID/Washington exceeds the final budget request level submitted by the President to Congress. For this reason, individual country requests do not have, nor should they have, any formal status outside the Agency.

Moreover, publication of field recommendations on individual country levels could prejudice the interests of the United States, particularly in cases where subsequent reductions were made, and could cause friction between the AID Mission and the recipient country.

ELIMINATION OF FOREIGN AID

Mr. SHRIVER. On page 31 last year, you stated:

I do not subscribe to the notion at all that we ought to be in technical assistance or development loans or any other business from now on out. We ought to get out as fast as we can.

The committee was glad to hear that. My only purpose in repeating that statement at this time is to contrast it with the rationale of the previous administration. In President Johnson's World Food Report, issued June 18 of 1967, it was stated, and I quote:

The notion that foreign aid's main business is to put itself out of business should be dropped for the remainder of this century. When one program of assistance has terminated, others have to take over.

I would say this is a new direction if your comment last year is the belief of your agency.

Dr. HANNAH. I continue to believe what I said last year, that I think we should work ourselves out of business, and the sooner the better.

Mr. PASSMAN. Amen.

Dr. HANNAH. I do not want you to help me.

Mr. PASSMAN. I will give you my best cooperation.

RELATION OF FOOD PRODUCTION TO POPULATION GROWTH

Mr. SHRIVER. On page A–1 of the justifications it is stated: "Burgeoning population threatens to cancel out even the substantial gains in food production now being achieved in the developing world." In its annual report issued in January of this year, the United Nations Food and Agriculture Organization (FAO) said the food problem facing the world in the near future is more likely to be surpluses than starvation. The British science journal, "Nature" states: "Countries such as India are now faced with the politically contentious problems of how to manage huge surpluses." Would you comment on these reports?

Dr. HANNAH. I think they are a little overoptimistic.

A good deal of progress has been made. As you know from the charts last year and the one on A–8 this year, when you chart increased food production and increased population and divide one by the other, you see that there is some gain in per capita food production, but it is not great.

We have made great progress in the so-called green revolution, but we have to remember that in the green revolution we are dealing with cereal crops in areas where there is water or where we can have irrigation water either through wells or impounded water as well as fertilizers and pesticide.

In these areas of the world such as West Pakistan, and the Punjab in India where there is water, we have achieved a substantial improvement.

The next step is to go into dry land agriculture. As you and the people in west Kansas know, this is another kettle of fish. We have to have technology that we do not have now if we are going to have anything like the same percentage increases in gross food production in the dry land as we have in irrigated land.

Mr. SHRIVER. Then there is some possibility we can continue to expect to export wheat from Kansas to India and other places?

Dr. HANNAH. I suspect there is going to be a demand for Kansas wheat and Louisiana rice for a long time to come.

Of course, if you can reduce the rate of human increase, it is easier to feed 750 million people in India than it will be to feed 1 billion. Nothing is going to turn around the increase in gross population in India for a long time to come, after you get the birth rate under control, because of what is happening in the prolonged life of people and what has happened, as I said earlier this afternoon, in the elimination or almost-elimination of infant mortality.

To come back to your question, I do not agree with the two quotations, I do not think they are sound. I do not think anyone else who knows what is happening in the world will agree either. People have become overenthused in their rhetoric.

DEVELOPMENT GAP COMPARISON

Mr. SHRIVER. We have had 10 years with the foreign aid program as it was established during the Kennedy years. Would you compare the figures in the development gap chart on page A–1 with those which existed in 1960?

Do that for the record.

Dr. HANNAH. Yes, gladly.

(The information follows:)

THE DEVELOPMENT GAP IN NON-COMMUNIST COUNTRIES

	1960		1968	
	Developed countries	Less developed countries	Developed countries	Less developed countries
Per capita GNP (in 1968 dollars)	$1,950	$165	$2,620	$200
Literacy (percent)	96	33	96	40
Doctors per 100,000 people	111	[1] 16	134	27
Life expectancy	67	46	70	51
Infant mortality (deaths per 1,000 live births)	29	140	27	105

[1] Believed to be understated.

Note: 1. Data on less developed countries are subject to numerous qualifications and in many cases represent only rough estimates or approximate orders of magnitude rather than precise statistics.

2. Data for 1968 are not fully comparable with data available in the past for 1960 as shown above, for such reasons as differences in number of countries covered, differences in definitions followed, as well as entirely new series.

For these reasons the changes shown by the data for 1960 and 1968 should not be considered as reflecting precise and accurate trends.

TOTAL OF FOREIGN AID SINCE 1960

Mr. SHRIVER. How much have we spent on all forms of foreign aid since 1960, for the record.

(The information follows:)

U.S. overseas loans and grants, July 1, 1960, to June 30, 1969

Program	
AID and predecessor agencies	$19,144,000,000
Food for peace	12,093,000,000
Export-Import Bank long-term loans	5,444,000,000
Other economic	4,250,000,000
Total economic	40,931,000,000
FAA military programs	11,370,000,000
Credit sales	958,000,000
Grants	10,412,000,000
Other military grants	270,000,000
Export-Import Bank military loans	1,619,000,000
Total military	13,259,000,000
Total economic and military	54,190,000,000

The above data represent commitments to both developed and less developed countries for economic and military loans and grants, except the FAA military data which are on a delivery basis. Loans and grants to less developed countries amounted to $48,319 million during the period in question, of which $39,289 million were economic and $9,030 million were military.

Dr. HANNAH. The spread in per capita GNP—the less developed world as against the developed world—has spread in the last 20 years from a ratio of 10 to 1 to 12.5 to 1. The gap gets wider.

BASIS FOR INCREASE IN APPROPRIATION REQUEST

Mr. SHRIVER. Page A–3, you say the request for funds to carry out the program during fiscal 1971 reflects the fact that a major reappraisal of our foreign aid programs is now under way. Yet you are requesting an increase of $388 million for fiscal 1971.

Dr. HANNAH. That is right.

Mr. SHRIVER. Since that major reappraisal is underway, it is to be assumed that the present programs have proven unsatisfactory.

Why then should we increase the appropriations for them just before they are going to be changed?

Dr. HANNAH. I do not think it proves they are unsatisfactory. As you well know, Mr. Passman pointed out several times yesterday and today, you reduced the appropriations requested last year by $800 million. The request this year is substantially less than the request of last year. It is $388 million more than what you appropriated last year, which is requiring substantial cutbacks in the program.

We talked about that yesterday afternoon. What we are in the process of doing and have been doing for the better part of a year, is reexamining everything that we are doing in technical assistance, in management of money, in requirements for loans. You are going to be involved along with us in the months ahead in a thoroughgoing restudy on the basis of the Peterson task force report. The President's detailed proposals will not be finalized until we have all had a chance to study the situation carefully.

The $1.813 billion that we requested we could constructively spend. It is what we need.

It is substantially less than the average annual amounts appropriated by Congress for this whole period of 1961 to now. We are going to be defending it bit by bit in the days and weeks ahead.

Mr. SHRIVER. If this kind of program is satisfactory, as you say it is, why are we going to go into another kind of program based upon the Peterson report or based upon the conclusions that are reached independently or by whatever means?

Is it because of the unpopularity of the AID program?

Dr. HANNAH. In large part, I suspect this has been one of the real problems.

Mr. SHRIVER. I yield to the chairman.

Mr. PASSMAN. The able gentleman from Kansas is wonderful to work with. He never appears to be annoyed by my request that he yield occasionally, but he is conducting a very excellent examination. Since it has been my privilege to sit on this side of the table for 18 years, and honor to chair the committee for 16 years, occasionally it is necessary that I insert in the record certain pertinent information, and it is a repeat of information given in prior years. If they continue to have an AID program, it will be repeated in subsequent years.

Now the point: One of AID's officials, when he appeared on the CBS radio, Capital Cloakroom, said that while AID was disappointed with some congressional cutbacks on the fiscal 1970 foreign-aid bill, "the economic levels agreed upon by the Congress are going to enable us to proceed with a realistic program."

I must say they asked for $2.36 billion last year, we cut them $800 million and they still wound up with a realistic program. I want to be

sure the record also shows that the new AID Director said last year that there is an asking price and a taking price.

He repeated that in substance yesterday and I want the record to show, of course, this is only the asking price. The taking price certainly will be acceptable.

The executive always inflates this request. It is up to us to take it out. They admit it each year thereafter. I thought the distinguished gentleman from Kansas would like me to get the fact in the record at this point and I thank him for yielding.

Dr. HANNAH. It was the chairman of the committee who indicated yesterday there was an asking price and a taking price.

Mr. PASSMAN. I will put your own remarks back in the record if you want me to. You did say categorically there is an asking price and a taking price.

Dr. HANNAH. A year ago I did.

Mr. PASSMAN. Yesterday you said the same thing, tried to detour around it, but you got stuck and had to come up with the same answer.

Thank you, Mr. Shriver.

PERCENT OF U.S. AND D.A.C. BUDGETS FOR INTERNATIONAL PURPOSES

Mr. SHRIVER. You compare, and this is not new, our foreign aid expenditures with others on the basis of a percent of gross national product. Our gross national product is, of course, not a fund from which the U.S. Government can draw for this kind of a program.

Would you put a table in the record showing the percent of our Federal Government budget which is spent for international purposes?

Dr. HANNAH. I think we could; we will do the best we can.

Mr. SHRIVER. And include defense in the international purposes as opposed to spending for purely domestic purposes.

(The information follows:)

INTERNATIONAL EXPENDITURES BY UNITED STATES AND OTHER DAC COUNTRIES

[In millions of dollars]

	Defense expenditure	All economic assistance	Sum of defense and economic assistance expenditures	Total Government budget	Defense expenditures and economic assistance as percent of Government budget
United States	80,500	3,605	84,105	178,800	47.0
Australia	1,249	157	1,406	6,901	20.4
Austria	142	28	170	3,030	.6
Belgium	600	93	693	4,504	1.5
Canada	1,800	213	2,013	10,672	18.9
Denmark	400	29	429	3,451	1.2
France	5,400	855	6,255	27,810	22.5
Germany	5,300	595	5,895	19,018	31.0
Italy	2,300	150	2,450	15,195	16.1
Japan	1,172	507	1,679	15,220	11.0
Netherlands	900	134	1,034	6,841	15.1
Norway	300	23	323	2,084	1.6
Portugal	373	35	408	832	49.0
Sweden	959	71	1,030	7,030	14.7
Switzerland	365	19	384	1,499	25.6
United Kingdom	5,600	428	6,028	35,078	17.2

Mr. SHRIVER. Would you show these percentages for other DAC countries?

Dr. HANNAH. Yes; we will get the best figures we can.

As you will recall, I have never argued about the fact that certainly when we are talking about comparing U.S. expenditures for development to those of countries like Japan and Germany, it is reasonable to take into consideration the fact that we are expected to provide their defense umbrella.

We will not argue about that at all.

Mr. SHRIVER. The comparison would be more valid to have than the kind of comparison of items we were considering yesterday.

I do not, for instance, consider our military construction as foreign aid. I could understand why some might so consider it. Nor Export-Import Bank loans. This is to build up our own export business to foreign countries. But this kind of information would be helpful to me.

INDIA'S EXCISE TAX ON FERTILIZER

On page A–9 you mentioned development loans permitting developing countries to relax import controls, price ceilings and other constraints on economic expansion. You are requesting $267 million in development loans for India in fiscal 1971.

Does India still impose an excise tax on fertilizer in its domestic market?

Dr. HANNAH. I think it has been held at last year's level. While India is still trying to encourage the use of fertilizer, it believes it can capture some of the economic gains from the new technology in this way.

USE OF LOAN FUNDS FOR POPULATION PROGRAMS

Mr. SHRIVER. On page A–10, you say lower appropriations have forced you to use development loan and alliance loan funds extensively for population programs under title X authority of the Foreign Assistance Act.

Dr. HANNAH. The Congress earmarked $75 million out of any funds appropriated for this year.

Mr. SHRIVER. But you decided it would be better to cut back on development and alliance loan projects rather than cut back technical assistance?

Dr. HANNAH. That is right.

Mr. SHRIVER. In your opinion, has Congress set the goal too high for these population programs in relation to other programs?

Dr. HANNAH. Not for the long range, but I would repeat the point I made earlier this afternoon. When the earmarking went up to $75 million, I indicated we were going to have trouble spending $75 million wisely.

You heard the testimony earlier today that we have only $53 million of it committed as of now. We have some projects that we hope to be able to finalize in the next 2 or 3 months. We may well be able to obligate the $75 million in this fiscal year. We assume next year we are going to have earmarked $100 million for population.

We will have difficulty spending $100 million wisely; however, we will be able to spend wisely substantially more than we have this year. But the difficulty is that, first of all, the techniques are not good enough. I do not think we need to get into the specifics this afternoon, whether it was the old rhythm system or an intrauterine device or the condom or the pill; they all provide problems.

We must learn a great deal about these programs, about how you get people to want to participate in family planning in the numbers that are required to make any progress. One of the countries that has a long way to go is India.

Off the record.

(Discussion off the record.)

Dr. HANNAH. You were asking the question about the difficulty of spending this money wisely.

First of all, we have to have the hope that our technicians and medical experts are going to find a simpler way of controlling fertility in human beings than anything we have derived so far. The hope is that we may develop something that you can inject in the male or female and have temporary sterility for a period of time.

The pill is very difficult to work with among uneducated, aside from the side effects. They do not keep track. They have all sorts of interesting little devices so that they will not forget for a day to take the pill.

So one of the sound investments, of course, is to encourage research in new techniques.

Now, some people contend that we ought to subsidize programs in Hopkins, Harvard, great medical schools of this country; and we are doing a good deal of that. But if you are going to make progress in family planning in India or Pakistan or Indonesia or anywhere else in the world, you have to get them doing the research, because the very fact that their own medical institutions are working vigorously with their brightest people to find new techniques, gives this a degree of approval that is necessary.

Of course, once you come up with the best technique, then you have to get people to use it. You have to remember that the countries that have made the greatest progress in the last decade have been Japan and Taiwan and they have done it with the systems we have. They have had the same techniques. They have a desire to control the size of the family in their own interest. It can be done.

Mr. LONG. I still need a lot of convincing.

How many people have submitted to these operations in India?

Dr. HANNAH. Over 6.5 million since 1965, which is a small part.

Mr. LONG. Six and a half million what?

Dr. HANNAH. Operations, sterilization operations.

Mr. LONG. Out of how many total population of childbearing age?

Dr. HANNAH. I do not have this here.

Mr. LONG. Several hundred million, is it not?

Dr. HANNAH. Yes. About one hundred million couples. It is a small percentage.

Mr. LONG. There are always venturesome people in any society. I think the true test is when this gets into 50 million to 100 million people who do this, not now.

I would be very skeptical because I cannot think of any case in history in which a government has been successful in manipulating the size of the population. People have children for reasons which I do not think any demographer really completely understands; demographers have gone all awry in their projections of future birth rates and populations.

I am not denying that this could happen, but I think we need far more evidence than this before we are entitled to feel that we have the problem on the way toward solution. Your data are heartening, but I could not say more for them than that.

Dr. HANNAH. I agree wholeheartedly. This is not going to be simple anywhere on earth. We are only making a beginning.

It is surprising to me how much progress has been made in the last four and a half, 5 years.

Mr. LONG. It surprises me.

Dr. HANNAH. Three million IUD's in addition to the operations.

Mr. LONG. That is what?

Dr. HANNAH. Intrauterine devices, the loops they insert in the women. They do not always stay. You have to have a good many reinsertions.

Mr. LONG. You have 200 or 300 million people in the child-bearing ages. Of that number, exactly how many would right now be either because of an operation or carrying a loop around or taking the pill or something, can be stopped from having children?

Dr. HANNAH. I do not have the figure.

Mr. LONG. That would, I think, be the relevant statistic.

Dr. HANNAH. Maury Williams, who is our administrator for NESA, knows a good deal more about what is happening in India and Pakistan, in this whole area, than I do. I think it is the best place where we can learn. There is still a long way to go, but we are learning a good deal.

I think we should keep at it because, after all, if you can get people to recognize this as an important problem, you can make a great deal of progress without vasectomies, without loops, if people just have the desire.

SHIFT FROM CLASSICAL TO TECHNICAL EDUCATION

Mr. SHRIVER. On A–12 you say the educational systems in the developing countries should be changed from classical to technical types. Why are the recipient nations not making the change themselves?

Dr. HANNAH. In part it is because the educational systems in many of the new countries are very much oriented to the old European philosophy. They have no experience in technical education and therefore cannot change the system themselves.

In French Africa, the educationay systems are French-oriented; in countries that were part of the UK, they are English-oriented.

As you know, it is only in the last decade or a little more that even an enlightened country like England has recognized that the education that ought to be emphasized is the kind of education that will fit people to do the things that need to be done if their country is going to progress economically and socially.

In French Africa, a good many of the government officials were educated with classical education, that is the only one they know. When they think about education, that is what they are talking about.

Now great progress has been made. So I repeat the statement, we need not only to emphasize the kind of education that will give the people the skill and competence that is required to help them move their country forward; beyond that, the educational system like we have in this country is totally unattainable in a country where the gross national product per capita is $150 a year.

In the past many Americans and educators have thought all you had to do was just transport the American educational system into black Africa or Asia and all the problems could be answered. Here is an educational system that we have developed for a very sophisticated society. We are accustomed to the idea of having a primary education that would cost several hundred dollars per student up to $500 or $600 per year. That kind of educational system for a country with a per capita GNP of $150 per year is just—it is not practical to talk that way.

Now what we are in the process of doing is trying to get not only the people in the educational world, but some of the people in the industries that are concerned with making the gadgets that are used in education to come up with the kind of an educational system that is in the interest of a poor country. I am not sure whether it is going to be practical or possible to use radio, television, and systems that will require much less in the way of educational investment, in the way of teacher traning investment, but it is worth a try.

I think we agree that they need literacy. Pretty near 100 percent of the society ought to be able to read and write, do simple arithmetic, be able to differentiate between fact and propaganda, and so on.

Mr. LONG. You are asking a lot for that system. I am not sure our own system enables you to distinguish between fact and propaganda.

Dr. HANNAH. I think we were more successful——

Mr. LONG. I have taught in universities most of my life and so have you. I just hope Michigan State University was much better at doing it than mine.

Dr. HANNAH. What I am really saying is that we have to take a whole new look at the kind of an educational system that is required and attainable in a backward society. Any notion that we are going to provide education to high school for everybody and costly university programs for anyone that wants it is a little unrealistic when you consider the resources available to the LDC's.

DOLLAR REPAYABLE LOANS

Mr. SHRIVER. On page A–15 you say a large percentage of foreign aid is in dollar repayable loans, which are being repaid. What is the percentage of dollar repayable loans?

Dr. HANNAH. The percentage?

Mr. SHRIVER. Yes; that is what you said, a large percentage is in repayable loans.

Dr. HANNAH. About 50 percent of the AID total is in loans. In addition, most of the Public Law 480 sales are now made on the basis of loans to be repaid in dollars.

EXTENSION OF LOAN REPAYMENTS

Mr. SHRIVER. Can you estimate how many of these loans will have to be extended because of debt service problems in some of the recipient countries?

Dr. HANNAH. We will give you some sort of an estimate.

(The information follows:)

EXTENSION OF LOANS BECAUSE OF DEBT SERVICE PROBLEMS

It is not likely that any AID loans, other than the few already included in prior year rescheduling exercises will be extended in the near future. However, the debt service burden continues to increase in all LDC's. It is difficult, if not impossible, to predict what actions may be required over the long term. Debt relief is rarely given on an individual loan basis. Debt rescheduling exercises in which AID has participated have generally involved other noncommunist bloc creditors on a multilateral basis. The major burden of rescheduling has fallen primarily on guaranteed suppliers' credits and other short term debts. Thus the concessional and long-term nature of AID lending tends to protect it in rescheduling exercises.

The three major reschedulings in which AID has participated were on behalf of India, Indonesia, and Turkey. For India, the United States postponed interest and principal payments on one 1951 ECA loan. For Indonesia, service charges on two loans were rescheduled: a 1963 supporting assistance loan and a 1948 ECA loan. In Turkey, principal repayments on three ECA loans were rescheduled once in 1965 and again in 1968. The dollar value of deferred Indian payments was $8.7 million in both 1968–69 and in 1969–70. A third and final deferment in the same amount is anticipated for 1969–70. In the case of Indonesia, $8.8 million were postponed in 1967 with amounts rescheduled reduced to $3.3 million in 1968 and 1969. Postponement of Turkey's principal repayments in 1968 totalled $2.9 million. The short-run effect on the U.S. economy of postponing these comparatively small receipts has been negligible. Over the long run, total receipts have not been reduced as these service charges have not been forgiven but merely scheduled for future payment.

EFFECT OF AID ON BALANCE OF PAYMENTS

Mr. SHRIVER. In the chart on page A–16 you show the overall effect of the aid program on our balance of payments as being favorable now.

Would you also show the negative effect of the direct dollar outflow before the effect of loan repayments are considered.

Dr. HANNAH. Could we?

Mr. SHRIVER. Would you?

Dr. HANNAH. Yes.

(The information follows:)

AID's direct effect on the U.S. balance of payments

	Fiscal year 1970
Total AID payments affecting the U.S. balance of payments (negative)	$144,000,000
Offsetting loan receipts:	
Dollar repayments	220,000,000
Local currency[1]	114,000,000
Total	334,000,000
Net positive effect	190,000,000

[1] These local currencies are all from nonexcess countries and therefore are used by the United States in place of buying local currencies with dollars.

EXPORT PROCESSING ZONES IN BUILDING BALANCE OF PAYMENTS

Mr. SHRIVER. Concernng this balance-of-payments problem, it is my understanding that the Republic of China, one of the aid-success countries, now uses export processing zones to build its own balance payments. In one of these zones, 16 percent of the imports come from the United States, while 60 percent of the exports come to our country. Japan receives most of the benefit of our balance-of-payments loss in this case. What actions can we take to prevent similar situations from occurring in other aid-success countries?

Dr. HANNAH. I do not know what the steps are, but of course it is one of the facts of life.

Mr. Shriver. All this has turned out largely for the benefit of Japan.

Dr. HANNAH. This is one of the things we have been concerned with.

(The information follows:)

The United States has encouraged developing countries to increase their export earnings and thereby reduce their dependence on external assistance to finance their development needs. It is, therefore, incumbent upon the United States—and other industrialized countries such as Japan—to accept increased imports. However, as the capacity of the developing countries to export increases, their ability to import increases as well and they become better markets for U.S. exports.

Although the United States is endeavoring to improve its trade surplus overall, it would neither be practical nor serve U.S. interests to attempt to achieve a merchandise surplus with all countries. And if we are to continue to realize the broad benefits of expanding international trade, restrictions should generally be confined to instances of unfair practices or injury—for which legal safeguards already exist. At the same time, it is equally important that other developed countries live up to their responsibilities by reducing and eliminating their trade barriers.

We do not have detailed information on export processing zones in the Republic of China. However, many countries, including industrialized countries, have facilities to encourage the processing and assembling of imported inputs (sometimes combined with local materials) for subsequent export. The United States, for example, has foreign-trade zones in several ports of entry; free ports carry on a significant amount of international trade in other countries.

The Republic of China was able to achieve "aid-success" status largely by virtue of its success in promoting exports. It is inevitable that the trade expansion generated by economic development will sometimes be accompanied by changes in the commodity composition of exports and in the direction of trade. The most recent trade data demonstrate a dynamic growth in United States-Taiwan trade and, although U.S. imports from the Republic of China have grown rapidly, we continue to maintain a positive balance of trade.

COORDINATION OF AID WITH OTHER COUNTRIES

Mr. SHRIVER. Do you coordinate or work with other countries that are in the aid business?

Dr. HANNAH. Yes. We have what we call the DAC. It is the Development Assistance Committee, which operates in Paris as a part of the OECD operation.

Mr. SHRIVER. As a part of what?

Dr. HANNAH. OECD.

Mr. SHRIVER. What is that?

Dr. HANNAH. That is the Organization of Economic Cooperation and Development. In all of the countries where we have programs, the aid that is given by the United States and the other aid-giving countries in the free world is cordinated. We recognize——

Mr. SHRIVER. So there would not be any duplication?

Dr. HANNAH. That is right. There is not enough to go around. If we spend our money wisely, we are still not going to get the job done that could be done.

COORDINATION OF RESEARCH PROGRAMS

Mr. SHRIVER. You are requesting $10 million for general development research, and $13.4 million for population research. The Christian Science Monitor reported in January of this year that Canada was initiating a $30 million, 5-year research program regarding the developing world.

Now, that gets to the very question: What procedures are used to coordinate the development research activities of all of the aid donor countries?

Mr. HANNAH. In all of these free world countries, my counterparts, the fellows in these countries that have the same job I have, get together at least twice a year. We had a session at Columbia University in February, then went up to Ottawa, as the guests of the Canadians. The next one is going to be in April in England. They are going to come back here in the full of 1970 or spring of 1971. In addition, coordination takes place in the field and we all keep in close touch with embassies here.

All of these programs are put on the table for that purpose, to make certain we are not doing the same thing in two or more places and that we all share the benefits of our combined experience. This involves all of the UN agencies. The World Bank and the regional banks have their representatives there, too, so we can coordinate and correlate all of our activities. This is a development of recent years. It is pretty effective. I will insert additional material in the record.

(The information follows:)

ELABORATION ON DONOR COLLABORATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

Of course there is a constant dialog among donors, and with recipients, regarding research and development activities at the sectoral and problem levels. It is a critical part of the every-day responsibility of all of our professionals to keep abreast of what is happening around the world in their areas of specialization. In fact, every research proposal must explicitly address the relationship between what is proposed and ongoing activities in that or related fields throughout the world, before any final consideration of it can be made. Finally, all of our research projects are reviewed and passed on by a neutral committee of internationally known experts in a number of fields. These committee members bring a wealth of knowledge regarding international research activities to the review process and help greatly to reduce the possibility of duplicative activities.

INCREASE IN DEVELOPMENT LOAN FUNDS

Mr. SHRIVER. Including the $220 million in carryover funds to be made available in fiscal 1971, what is the total increase in the development loan program over the fiscal 1970 program?

Dr. HANNAH. What would it be if you gave us the money?

Mr. SHRIVER. Including the $220 million in carryover funds.

Mr. PAOLILLO. $198 million.

Mr. SHRIVER. Plus the 220?

Mr. PAOLILLO. Excuse me, $202 million.

Dr. HANNAH. Is the $202 million right?

Mr. FLINNER. Just in development loans.

Dr. HANNAH. Development loans only.

Mr. PAOLILLO. Plus alliance loans.

Mr. SHRIVER. Put this in the record.

Dr. HANNAH. Let's get it in the record and get it straight.

(The information follows:)

The total program proposed for development loans in fiscal year 1971 is $691,145,000, which is $201,716,000 more than the $489,429,000 available in fiscal year 1970.

Dr. HANNAH. If you gave us all the money we are asking for, we are going to have $290 million more than we had this year.

Mr. SHRIVER. $202 million is the carryover fund?

Mr. PAOLILLO. It is carryover authorization, it is not funds that we have available. It is authorization for part of the funds we are asking you to appropriate this year.

Dr. HANNAH. It was stated yesterday that $350 million was in the authorization for 1971, and we are asking for $570 million.

Mr. Passman asked how we get the $570 authorization. It was pointed out that in accordance with the language of the Foreign Assistance Act, we were requesting appropriation of moneys previously authorized than had not been appropriated.

Mr. SHRIVER. Put that in the record then.

Dr. HANNAH. Yes.

(The information follows:)

The total amount of development loans authorized but unappropriated during the period fiscal year 1967–70 is $300 million, as follows:

[In millions of dollars]

	Authorized	Appropriated	Difference
Fiscal year 1967	685	500	185
Fiscal year 1968	450	435	15
Fiscal year 1969	350	300	50
Fiscal year 1970	350	300	50
Total unappropriated			300

The $350 million of Development Loans authorized to be appropriated for fiscal year 1971, together with this balance of $300 million from prior years, makes a total authorization of $650 million available for appropriation in fiscal year 1971. The actual request, however, is for $570 million: $350 million authorized specifically for fiscal year 1971 plus $220 million of the $300 million unappropriated from prior years.

INDUS BASIN DEVELOPMENT PROJECT

Mr. SHRIVER. What is the physical status of the development project in the Indus Basin? What is the financial status of it?

Dr. HANNAH. We can put the sheet in. It would be much more enlightening if this were asked Maury Williams when he comes.

I visited this project a month ago, however. Do you want me to put this in?

Mr. SHRIVER. Put that sheet into the record and then we will follow it up with Maury Williams.

Dr. HANNAH. All right.

(The information follows:)

INDUS BASIN

Fiscal year 1971 request: Grant funds $5,850,000; loan $7,960,000.

The Indus Basin settlement agreement of 1960 provided for the establishment of the Indus Basin Development Fund (BDF) to finance a construction program which would insure an equitable division of the waters of the Indus Basin between India and Pakistan. The United States and eight other donors (the World Bank, Australia, New Zealand, Pakistan, United Kingdom, Canada, Germany, and India) contribute to the fund. The project has removed a critical source of friction between the two nations and is supplementing irrigation and helping provide arable land for over 50 million people in Pakistan and India.

PROGRESS TO DATE

Approximately 90 percent of the replacement works of the Indus Basin has been completed. The remaining two projects will be completed in 1971.

1964 SUPPLEMENTAL AGREEMENT—TARBELA SANCTIONED

From the initiation of the Project Indus Fund contributors generally considered the barrages, canals, and Mangla Dam as the basic replacement work and did not necessarily accept the commitment to finance the total project, including Tarbela. Pakistan contended that the Indus agreement sanctioned a large storage dam on the Indus but acknowledged that the dam's purpose would be primarily developmental. In 1964 a supplemental agreement was concluded under which the donors provided an additional $315 million to cover estimated costs which had escalated. Any funds remaining after the completion of the replacement works could be applied to Tarbela Dam after a feasibility study. The study, completed in 1967, determined that Tarbela was economically and technically feasible. The contract was awarded to a French/Italian consortium; work began late in 1968, and will be completed by 1976.

TARBELA FINANCED

The total cost of Tarbela is $833 million.—The carryover from Indus will provide $324 million and the remaining $168 million in foreign exchange will be supplied by Great Britain, Italy, France, Canada, the United States (Export-Import Bank—$50 million) and the IBRD under an agreement signed May 2, 1968. Pakistan will meet all rupee requirements estimated at $335 million equivalent. (The $6 million not accounted for was the feasibility study funded directly under Indus.)

INDUS FINANCED

The total commitment to the Indus Fund, including the $324 million carryover for Tarbela is $1,528.7 million. The United States has pledged $295 million in grants, $121.2 million in loans, and $235 million equivalent in Public Law 480 Pakistan rupees. U.S. disbursements through fiscal year 1969 total $211.6 million in grants, $80.3 million in loans and $235 million in rupees.

POSSIBLE BUDGET AMENDMENT FOR SUPPORTING ASSISTANCE

Mr. SHRIVER. When would you expect a decision to be reached concerning an additional request for supporting assistance for Vietnam?

Dr. HANNAH. Just as soon as we know. I hope we are going to be able to get this decision made within the next 60 days. There are only 4 months left in this fiscal year. We are talking about the fiscal year that begins July 1.

CONTINGENCY FUND

Mr. SHRIVER. You are asking $15 million for the contingency fund.

Dr. HANNAH. Yes.

Mr. SHRIVER. How much of the $12.5 million appropriated for 1970 has been used?

Dr. HANNAH. Total use of the contingency fund approved through February 28, 1970, was $14 million for floods, drought, hurricane, earthquake, and Central American crises.

Put this in the record.

(The information follows:)

Fiscal year 1970 approved uses of the contingency fund through Feb. 28, 1970

	Dollars in thousands
LATIN AMERICA	
El Salvador/Honduras: Inter-American emergency Relief effort. Supporting assistance grant to the OAS Inter-American Emergency Aid Fund to meet rehabilitation needs arising from the unexpected conflict between El Salvador and Honduras. Funds are available through the OAS to Salvadoran and Honduran refugees or communities affected by war damages for rehabilitation programs such as home reconstruction and reestablishing small farms and businesses	2,000
Mexico: Narcotics control project to be supervised by Department of Justice. Supporting assistance grant to assist the Government of Mexico in its marihuana eradication program. Funds will be used to purchase equipment (mainly helicopters and light planes) needed by Mexican narcotics control authorities in carrying out their eradication campaign	1,000
AFRICA	
Tunisia: Flood damage rehabilitation and reconstruction. Two supporting assistance grants of $1 million each—the first for immediate rehabilitation needs, primarily financing for five important railroad bridges, and the second for longer term, high priority reconstruction projects, including restoration of road bridges and water facilities and repair of heavy equipment used in rehabilitation of food damaged areas	2,000
INTERNATIONAL ORGANIZATIONS	
UNICEF: Nigeria relief. Grant funds for contributions to international organizations purposes to UNICEF for Nigeria relief and rehabilitation programs. AID's contribution, to be part of a fund in trust, will permit UNICEF to expand its child care activities in Nigeria	2,000
NONREGIONAL	
Refugee assistance: Transfer to State Department under sec 2(c) of the Migration and Refugee Assistance Act of 1962. Funds are to meet unexpected and urgent refugee and migration needs arising in connection with asssitance to Czechoslovak and other refugees	5,752
Disaster relief	2,082
Floods	526
Drought	83
Hurricane	505
Earthquake	33
Tornado	1
Typhoon	13
Famine	58
Yellow fever epidemic	91
Encephalitis epidemic	50
Cholera epidemic	95
Central American crisis	602
Displaced persons	25
Total, Contingency Fund approved uses through Feb. 28, 1970	14,834

TERMINATION OF AID TO KOREA AND TURKEY

Mr. SHRIVER. Reference was made to the fact that Korea and Turkey would not be needing our aid sometime in the future. When do you think that would be?

Dr. HANNAH. Of course it is a hope. The Korean problem is complicated by the fact that they are required to spend as much money as they do in maintaining an army and a military capacity to resist the North Koreans. They are always lined up ready to take them over.

This is a very high priority with them. If they did not have this military burden, they could graduate almost immediately. They have come a long way. The disposition is to talk about supporting assistance ending this year.

We have said, but again I do not want this on the record.

(Discussion off the record.)

STATUS OF OVERSEAS PRIVATE INVESTMENT CORPORATION

Mr. SHRIVER. What is the status now of the formation of the Overseas Private Investment Corporation?

Dr. HANNAH. The legislation creating OPIC has been enacted. To move OPIC from the responsibility of AID, to stand on its own feet takes some time.

First of all, its board and senior executive officers have to be appointed by the President, and confirmed by the Senate. A list of names of candidates has been at the White House for the last 2 or 3 weeks. There are many names on the list. The selections have not yet been made.

Presumably this is going to be done soon. We expect to move OPIC out of the State Department and into its own facility as soon as possible.

The formal shift would take place at the end of the fiscal year, so it will begin operations July 1, 1970.

STRENGTHENING PRIVATE ENTERPRISE IN DEVELOPING COUNTRIES

Mr. SHRIVER. On page A–25 you say AID is currently exploring ways to make its program even more effective in strengthening private enterprise in the developing countries. What do you have in mind?

Dr. HANNAH. Well, OPIC is the first way. OPIC will be in the business of insuring on a fee basis, investments against war, expropriation, and inconvertibility of funds. OPIC also has the authority to guarantee U.S. private loans and equity investments and to promote whatever is appropriate that private investment can contribute to encourage development.

The statutory language which the Congress passed is good language. If we can get some enlightened leadership, which I hope we are going to do. OPIC is going to be able to do a good deal.

The AID program itself helps to strengthen local private enterprise. Development loans are used to encourage import liberalization and other policies which assist private investment. They are also used to import U.S. products needed by private businessmen and farmers, to promote financial infrastructure such as intermediate credit institutions and basic facilities like roads and dams.

Technical assistance helps private enterprise through projects in such things as management training, small industries development, and tourism. In addition, it supports private U.S. groups such as the International Executive Service Corps and a number of U.S. cooperatives which help private businesses and organizations in developing countries.

Beyond that, you have title IX, with which we have had problems, getting off the ground. We are working at it. We have the International Social Development Institute, the Latin American phase of it, which we are going to get off the ground as soon as possible.

This is related to private enterprise, this whole business of encouraging a notion that when you get all through with all of the input that AID and our counterparts in the rest of the world are able to provide for the developing country, there is no substitute for generating savings and investment at home. You really do not accomplish economic development until you get individual people actually saving money and investing it in local enterprises that hopefully will return them something on their investment.

One of the most encouraging things that I saw on this last trip is what has happened in the Comilla District of Pakistan.

East Pakistan has little farms, two hectares or something like that. When I first visited this area 15 years ago it was as discouraging looking as any place on earth. Now, through what has happened in this total Comilla project, they have cooperatives that are not only engaged in agricultural production—the processing of potatoes, rice, milk, and other things—not on government money at all, but all done by their private savings, but they are also providing storage so they do not have to sell the grain the day it is harvested.

When you travel by car from Dacca to Comilla, you come to Comilla, and see a whole change in landscape, where these people have put their own money into their own wells, dug their own ditches. You see two potato storages, each with a capacity of 1,000 bushels, a creamery such as you would find in Kansas, with the same standards of cleanliness as in this country, making butter, cheese, cream and milk.

Again this is a long answer to a simple question, but an objective of all of these development enterprises should be to encourage eventual independence so they can get the control of their own social and economic system.

INTERFERENCE IN INTERNAL AFFAIRS OF FOREIGN NATIONS

Mr. SHRIVER. According to the Nixon doctrine, we are supposed to be lowering our profile in regard to the internal affairs of other countries.

With this in mind, would you explain what it means on page A–26 where it says:

> Assistance to legislative processes is being increased and broader programs are planned in fiscal year 1971 to strengthen staff support, research and operational effectiveness of elected legislatures.

Is that not getting into internal affairs?

Maybe this was written before the Nixon doctrine.

Dr. HANNAH. No.

You start at the top of the page. It says:

During fiscal year 1970, AID also developed several new title IX program emphases designed to help further the growth of democratic institutions as part of the development process. These will be institutionalized and placed on a long-range basis in fiscal year 1971.

Then there are two examples.

Mr. SHRIVER. I am talking about the first example of getting involved in the elected legislature process.

Dr. HANNAH. We undertake these programs only where elected legislatures exist, to strengthen a system of government which the people of the country already accept and in which we have a great deal of experience.

I think that is legitimate and appropriate to encourage the idea of local control of their own political system in their own hands with elected representatives in some kind of a legislative process.

Mr. SHRIVER. And in keeping with the Nixon Doctrine.

Dr. HANNAH. Yes, because it is all on a request basis.

The basic understanding of an AID program is that you do not do anything unless it is requested.

MEETINGS OF CONSULTATIVE GROUPS

Mr. SHRIVER. On page A–27 you mentioned that the coordination group for Thailand and Tunisia have not met recently for a variety of reasons. What are these reasons?

Mr. PAOLILLO. That is a typographical error in the text. The way the sentence should read is the way the following sentence reads—that some groups have met regularly and some groups have not been particularly active in recent years.

I do not know whether Thailand and Tunisia are among those which have not been active.

REQUESTS FOR INTER-AMERICAN DEVELOPMENT BANK

Mr. SHRIVER. What are your plans now regarding the submission of requests for the Inter-American Development Bank's ordinary capital and Fund for Special Operations accounts?

Dr. HANNAH. I do not think a decision has yet been made. There is a lot of conversation, but the decision has not been made for fiscal 1971.

PROPOSED CONTRIBUTION TO AFRICAN DEVELOPMENT BANK

Mr. SHRIVER. On page 29, you say you are considering making a contribution to the African Development Bank for concessional loaning purposes. How much money are you talking about here, and when will it be requested from Congress?

Dr. HANNAH. Again, this is a decision we are not making.

This is a decision that is made by the Treasury, Bureau of the Budget, White House and others. They are talking about the possibility of $20 million, but this decision has not been finalized.

Mr. SHRIVER. Whether you made it or not, it is in your book and that is why I asked you about it.

Dr. HANNAH. That is true of the $540 million that Mr. Passman was talking about yesterday, too.

KORRY REPORT

Mr. SHRIVER. Is there a report called the Korry report?

Dr. HANNAH. No; there is no such report.

The New York Times had a story on Sunday preceding the release of the Peterson task force, purported to contain extracts from "the Korry report." Ambassador Korry was called from his post in Chile by the State Department to make a study about the same time that the Peterson Commission got underway.

He submitted a draft, a rough draft of what he was thinking about. It was given some distribution within the State Department. It was never put in final form. There are no copies of it. It never had any status. But it has been given a lot of publicity in the newspapers. There is no report as such.

JACKSON REPORT

Mr. SHRIVER. Is there a Jackson report?

Dr. HANNAH. The Jackson report is a report made for the United Nations under the aegis of Paul Hoffman and UNDP. Sir Robert Jackson, the Australian headed it up.

This is a report addressed to the U.N. pointing out if they are going to fulfill the role that they have cut out for themselves, and that most of the world would like to have them exercise, they are going to have to address themselves to instilling in their operations a reasonable system for management, succession of officials, and so forth. This is now before the U.N.

Mr. SHRIVER. I note, reading from an excerpt from that report, this team of experts headed by Sir Robert Jackson concluded that 20 percent of all U.N. development program projects are not essential to the recipient country's development.

Do you have any comment on that?

Dr. HANNAH. No, I have no comment on it at all.

I think Sir Robert Jackson is a pretty responsible fellow. We were enthusiastic when this study was proposed. We think it is very important that the U.N. give it serious consideration.

I guess I had better not say any more on the record.

(Discussion off the record.)

PEARSON REPORT

Mr. SHRIVER. What about the Pearson report?

Dr. HANNAH. The Pearson Commission was appointed by the World Bank, headed up by Lester Pearson, the former Prime Minister of Canada.

The purpose was to come up with a hoped-for program for the second decade, the 1970's. It has had a lot of publicity.

They have recommended that the developed countries of the free world agree on bringing congressional aid to the level of at least three-quarters of 1 percent of GNP by 1975.

There has been some criticism of the Pearson report because many have not accepted that target. This country has not made any commitment at all.

Mr. SHRIVER. But you have asked us to give a larger contribution to the United Nations.

Dr. HANNAH. We are recommending the same this year as we did last, $100 million, which had been committed a year ago as our share of the UNDP and specialized agency's operations.

PARTNERS OF THE ALLIANCE

Mr. SHRIVER. What was the reaction of the agency to charges by Senator John J. Williams last October that Edward S. Marcus, president of the National Association of the Partners of the Alliance, had used his position for tax advantages by contributing tax deductible dollars to the organization and then receiving a salary and expense money from it?

Dr. HANNAH. We had our auditor general office take a look at it. It involved Mr. Marcus and Mr. Warren Huff. I have not seen the final report on Mr. Marcus, I have on Mr. Huff, which indicated he was overpaid about $600 for 6 days of annual leave to which he was not technically entitled. He was billed that amount but he has contested this claim, insisting he did not take the excess leave. This is currently under review in AID.

I have not seen the Marcus figure. I did not check on it. I checked on Mr. Huff because he came from Michigan and I was interested.

Mr. SHRIVER. Thank you, Dr. Hannah.

Mr. LONG. Mr. Riegle?

Mr. RIEGLE. I appreciate very much the job you have been doing under adverse circumstances and pleased you are in this spot.

AID'S MOST DIFFICULT PROBLEM

I am wondering, after having the chance to be in the saddle for a while and to live with these problems and to get around the world and so forth, what you find is your toughest problem as things sort of shake out?

What is the toughest and most unyielding problem that you see in front of the AID agency at this time?

Mr. SHRIVER. Congress.

Dr. HANNAH. Support. But let me qualify that a little.

I suspected when I came in that I would find many of the things I thought I knew about AID were not true. I learned some things that I did not suspect.

I have been surprised, among other things, by the fact that we have as many good people as we have. I say this because I believe it I think we have a very large fraction of all the know-how in the world in this whole business, economic development and social development, a surprising number of very good people that we are not getting as much out of as we should. We are not getting as much out of them as we should because a second surprise has been to find an agency that is so largely oriented toward defending itself against critics.

The amount of time that is spent answering inquiries, letters that are forwarded by Congress or by other people in government, or defending ourselves against unfriendly articles that are written in newspapers or comments by radio and television commentators. The thing that disturbed me is that so large a fraction of the time of so many of our good people is taken in this arena, that too small a fraction of time

has been spent, in recent years at least, to try to figure out what it is we should be doing in the world and how we should do it. We have been trying to change this orientation. I think we are making good progress. Many things are happening.

I will not take advantage of your question by making a self-serving speech. But, basically, as this committee knows, the problem is the fact that there is little appreciation of the very many things that are taking place in the world that are good, good for the countries where they are occurring and good for the United States, but so much emphasis on past failures and incompetencies. There have been many and there are still some.

How do you get this turned around so that there is some emphasis on what it is that is being done that is in the unquestioned long-range interest of the United States?

IMPORTANCE OF POPULATION PROBLEM

Mr. RIEGLE. I find that an interesting answer. I wonder with respect to worldwide problems, what have you found out there to be the toughest, most unyielding problem that is holding us back?

Dr. HANNAH. There are many. Were you here when we talked about population control a little while ago?

Mr. RIEGLE. I was.

Dr. HANNAH. This is the one to put front and center. I think it is front and center. It is something that needs to be focused on. Not much is likely to happen, or happen fast, unless AID and many other agencies like the UN and others, emphasize this so that the people recognize this is important to them; if they are really going to move in the direction of providing a better life for their people it is going to be much simpler if the rate of human increase can be controlled.

You know all the arguments for that. This one is hard to get a hold of.

GEOPOLITICAL FACTORS AFFECTING AID PROGRAM

Mr. RIEGLE. How about the geopolitical problems that you run into, which we have anyway because there are competing philosophies loose in the world.

I wonder, having had a chance to work in this capacity for almost a year, what does that climate seem to look like? To what extent do we have difficulty helping, assisting people, offering advice, because of geopolitical factors and competition with either the Russians or somebody else who is shouldering for political position?

Dr. HANNAH. We have problems, but my guess is they are less difficult today than they were 3 or 4 years ago. There is much enthusiasm around the world for the present announced policy of this country. I think this improvement is very real even in the difficult areas.

I was in India in May and again in February. It is much easier to talk with the people of the Indian Government and feel that we have communication, there was understanding of what we were talking about, than was true some months ago.

Of course, if you are thinking of the larger context of the basic problem of getting an underdeveloped country unstuck—situations in countries where a very small percentage of the people control the

social, economic and political system, and make very fine speeches about democracy but really do not want it—here you come into the area that can be attacked through title IX and the ISDI program. But this is much easier to say than it is to do, because of our basic philosophy that we have to deal through constituted governments. I am not sure I answered your question.

Mr. RIEGLE. In part. You can probably talk for weeks answering it.

Dr. HANNAH. There is no simple answer to it.

Mr. RIEGLE. What luck have we had with respect to a country like Greece where you have had a setback with respect to democratic processes?

Dr. HANNAH. We have no AID program in Greece.

Mr. RIEGLE. Is there not some discussion that goes on?

Dr. HANNAH. AID has no contact at all. The military has a program in Greece, but there is no economic aid program there. We have no contact at all.

Mr. RIEGLE. Coming back to what you said earlier about the body of knowledge and expertise now present in AID in terms of developing underdeveloped areas, I am wondering, has any thought been given at all or are you involved in any way, even if it is after hours in an advisory way, with trying to bring any of that unique talent to bear with respect to problems of underdevelopment right here in our own country?

Dr. HANNAH. Yes, although not in a formally organized way.

We have a great deal of difficulty in keeping good people, many of our most innovative people have been attracted away and are constantly being attracted by the problems of the urban communities, ghettos, housing, and the like.

Much of what we have been doing in AID, throughout the world, is about the same kind of thing we have to address at home—clean water, space to exercise in, adequate food, nutrition for underprivileged kids, all the rest of it.

Mr. RIEGLE. I am wondering, with respect to the support problem you have, if maybe one thing that might help that problem and also help the country would be a reasonable way to channel some of that expertise and some of that knowledge into domestic problem solving.

I do not mean getting programs tangled up. I saw some guys out in Vietnam, for example, that were working on village development doing some things that I think might just be adapted to some situations I have seen here in this country in terms of organization of people, things of this kind.

Dr. HANNAH. This Comilla project that I commented on in East Pakistan is exactly the same kind of problem that you have in less advantaged places in this country, where the same kind of techniques are going to have to be brought to bear.

Mr. RIEGLE. It seems to me this may be the situation where you may have the best body of talent, the largest body of good talent, with respect to that kind of problem that this Nation possesses.

I am just wondering if there is not some way to at least tap some of that know-how indirectly.

Dr. HANNAH. There may well be. I have not given much thought on it, I must say.

Mr. RIEGLE. Just in terms of the area we all live in right here, we have some tough and interesting problems of underdevelopment right here in the District of Columbia.

We have also our biggest concentration of domestically based AID people in this neighborhood, in this area. It would seem to me maybe there is some way, if we were going to think about that, maybe we could think with respect to some problems that are right here, right at hand.

Dr. HANNAH. I think this is true.

One thing I am proud of, we have a number of blacks that are in this very competent group.

Mr. RIEGLE. I wonder if it would make sense for you or some of your staff, for example, to maybe undertake to think about this in a formal way. It may well be that you have some ideas and success stories that are down on paper that just by the every transmittal of case histories might save some of these domestic programs a lot of time and effort running down blind alleys that maybe you have tested in years past.

Dr. HANNAH. We will give it some thought.

We have, of course, lost some of our better people. When everything indicates that the whole future of AID is in peopardy like this, it causes our good people to look elsewhere. This is one of our problems.

If we are going to carry on any kind of an AID program under any name, under any sponsorship, whether State, White House or whatever, you still have to have competent people to do it. These folks are hard to come by.

Of course, in spite of the vigor of some of the critics of the program, I am sure that in the end because of our own national interest we will come up with a program, under some kind of a name, to do the things we ought to be doing in the world. It is going to take good people to do it.

Mr. RIEGLE. It seems to me if you are losing some of your good people now to domestic problem-solving, maybe one way to keep them would be to give them a chance to taste that anyway.

Dr. HANNAH. I think this is a good point.

SITUATION IN VIETNAM

Mr. RIEGLE. Have you had occasion to get out to Vietnam, and if so, recently?

Dr. HANNAH. Yes. I was there last May and again this February.

Mr. RIEGLE. I would be interested in your assessment of where things stand from the point of view of AID-related activities.

Dr. HANNAH. I am very much encouraged. I am encouraged by most everything happening in Vietnam compared to the past. I am encouraged because of the number of people in high places in the Government that have developed some understanding of what a government has to provide in the way of services for its people if it is going to survive. This is a new development in Vietnam.

What I am talking about is the recognition that you have to give people in the hamlets the opportunity to make the decisions that affect those hamlets: that you do not transplant all of these decisions from Saigon or from the capital, or the province.

In a way, this seems to be going back to the old traditional system in pre-French Indo-China, where the king's influence stops at the city gate, the decision that affect the little local commune are made by the local people.

In the beginning, of course, money that came from Saigon was made available to these people to spend themselves. They took the next step: They assessed a tax on themselves to spend themselves without interference, to make a decision whether they were going to put first emphasis on the irrigation ditch, extension of electrification lines, and whether or not to have a civilian police force instead of a paramilitary one, which to me is a most important one.

In most countries, the attitude of little people toward government is very much influenced by the way local law enforcement takes place.

Mr. RIEGLE. It is true in this country too.

Dr. HANNAH. It is true everywhere. If little people feel that the law enforcers are fair and they treat them like dignified human beings, that justice is administered and there is protection against vandalism, thievery, and physical violence, then it is all to the Government's good. If that is not present, it is not very good and Government is not worth supporting in the eyes of the little people.

Visiting with the heads of the Government in May, and again a few weeks ago, I am encouraged because this is important to them. The most significant social development that has taken place in that country as far back as we could remember is the fact that they enacted, in spite of real opposition from the landowners, a land reform program. It took a lot of doing and it is a pretty good program.

Beyond that, in the military business, of course, the military people know far more than I do. I get the notion that the military aspects of the war in Vietnam are pretty well won, as far as you can take——

Mr. RIEGLE. Did you say pretty far along or pretty well won?

Dr. HANNAH. Pretty well won, pretty well along.

Mr. RIEGLE. Boy, you have more courage than I do to make that statement in the record.

Dr. HANNAH. Of course, it can all go to pieces tomorrow, but I do not think it is going to. This is based in part on conservations with people in the CORDS program, financed in part by AID.

Talking to these people about the changes in attitudes of the people in areas that had been only recently pacified, they generally tell you a story like this: That 6 months or a year ago when the Vietcong or Vietnamese troops were moving around in the area, our people quaked, they were afraid, they were concerned, they were demoralized. Now that the self-defense forces are in operation, they have guns, able to defend themselves. there is all the difference in the world in the attitude of people.

The Vietcong are still there in small numbers. the North Vietnamese units are still out in the bush, but they are not so afraid of them, they have something with which to defend themselves. It has made a great difference in the attitude of the people. It is the first evidence they have seen that the Government has confidence in them; it is their country.

Well, these are the intangibles that to me are pretty impressive. I recognize as we withdraw forces the enemy may slow us down. But I think the situation looks very encouraging.

DISPARITY IN LIVING STANDARD IN SOUTH VIETNAM

Mr. RIEGLE. Is it your observation that the disparity between the standard of living in the urban areas and the standard of living out in the rural and remote areas has changed?

When I was there a year ago, that seemed to me to be a very sharp differential and a strategic problem for anyone trying to manage that country and win support. Has that been evened out?

Dr. HANNAH. It is a very real problem. We may see it through different eyes, but to me the problem of dealing with poverty in Saigon is much more difficult than in the hamlets.

There is a problem in Vietnam, but this is a problem not unique to Vietnam, this is a problem in all the world, in the poor countries of Africa, and elsewhere.

Now, we are getting away from Vietnam for the moment, but if AID is going to play a useful role in the world, one of the things we have to emphasize is trying to hold populations where they are. The problem in this country that we could have done something about was trying to develop uses for surplus labor in rural settings rather than waiting until you have all the unemployed migrate to the big city with nothing to trade for wages except strong backs. This is a problem we must face immediately in underdeveloped countries.

I am making a philosophical speech in response to your simple question, but I see many things in Vietnam that are encouraging and I came away much more optimistic than I was in May.

Mr. RIEGLE. I am going to ask you if you would insert a couple of things in the record.

AID EFFORT IN LAOS

Were you in Laos by any chance?

Dr. HANNAH. No.

Mr. RIEGLE. I would appreciate it if you would put into the record your assessment of the AID effort in Laos at this point, and where you think that is heading in light of the uncertainties of the moment.

(The information follows:)

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., April 3, 1970.

Hon. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations, House Appropriations Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In your hearings of March 19, 1970, Congressman Riegle requested my assessment of the AID program in Laos and where it is heading. This response may, if you wish, be inserted in the record of your hearings.

The AID program in Laos is an abnormal effort in an abnormal situation. Confronted with extensive communist intrusion in the northern and eastern parts of the country, the Lao Government is also handicapped by:

(*a*) In geographic position—land locked by China and North Vietnam on the north, Burma on the west, Thailand and Cambodia on the south, and South Vietnam on the southeast;

(*b*) A population divided tribally and ethnically, high in illiteracy, lacking in administrative and entrepreneurial skills;

(*c*) A primitive economy, largely subsistence and nonmonetized, rudimentary in transportation and communications—the most neglected part of the old French Indo-China empire.

In order to combat the present aggression and insurgency, the Lao Government must maintain a large military and administrative structure. It must help

refugees, who number over 250,000—more than 10 percent of the population of the government-controlled areas. It must provide medical care for casualties of the war, maintain and construct roads, improve its internal police force system, improve community organization and undertake certain basic developmental tasks in public administration, agriculture, education, and industry.

However, Laos lacks the necessary financial resources to pay for its military activities and essential services. Therefore, the government must resort to deficit financing which creates a strong inflationary pressure. Were this pressure not contained, rampant price increases and economic instability would result which could seriously affect Laos capacity to resist the Communist insurgency and aggression.

Under these circumstances economic aid to Laos has necessarily been heavily concerned with enabling continued survival of the country and gradual nation building. The present AID program, which had its beginning in fiscal year 1963, focused then—and now—on three purposes:

(1) Stabilization of the economy through indirect budget support to meet extraordinary costs of maintaining defense forces and creating government services;

(2) Relief and resettlement of refugees from Communist-occupied areas and zones of combat in the north and east and direct medical assistance pending establishment of Lao health facilities; and

(3) Technical assistance, equipment and construction services to maintain and improve transportation and communications links, public education, health, agriculture and other services.

AID assistance in the past 6 years has ranged from $40 million to $60 million. In fiscal year 1969 it totaled $52 million and will be slightly under $50 million in the current fiscal year.

Economic Stabilization Assistance accounts for about 40 percent of the AID program in Laos. Initially AID attempted to provide this support through financing a commercial import program but this was found to be unmanageable because of the limited Lao competence in controlling foreign exchange procedures and the small scale of the individual import transactions. The commercial import system was sharply reduced beginning in 1964 to financing the import of only a limited range of more easily controlled, large lot imports of essential transportation equipment and materials for industry and agriculture. At the same time, at the recommendation of the International Monetary Fund, a multi-national Foreign Exchange Operations Fund (FEOF) system of stabilization financing was established.

Australia, France, Japan and the United Kingdom contribute about 30 percent and the United States about 70 percent of free foreign exchange to FEOF. The FEOF manager supervises purchases of local currency (kip) from commercial banks on the open market in order to stabilize the value of the kip. Inasmuch as the Kip acquired by these sales are retired from circulation, either permanently or for limited periods, the Fund counteracts the inflationary pressures caused by the Government budgetary deficit. The system, which is coupled with agreed ceilings on the Lao budget deficit, has limited price increases to an average of about 9 percent a year through 1968 and only 3 percent in 1969 despite the unstable political-military situation. In addition, the FEOF donors and the IMF, which has a Resident Representative in Vientiane, advise the Lao Government on fiscal policy, with the aim of keeping the Government deficit as low as possible in the face of the expenditures necessitated by the war.

Project assistance currently accounts for about 60 percent of the AID program. Principal activities include:

Refugee relief and resettlement for a refugee population of around 250,000—over 10 percent of the population.

Road maintenance and construction and related training.

Rural development, including village self-help activities and community development programs through much of the Government-controlled areas.

Health care and development of public health services, including maternal and child health care and family planning.

Education, principally teacher training and establishment of Lao language secondary schools.

Public administration, principally advisory and training services to the Finance and Planning Ministries.

Public safety, including training of police officials and the provision of communications and transportation equipment for reconstituted civil police forces.

Logistical support through air service contracts to support the refugee relief program and project activities in remote areas.

The bulk of these project funds are devoted to activities necessitated by the war situation or the urgency of nation-building efforts to achieve greater security, such as refugee relief and resettlement, road construction and outpost-type village cluster development.

Nevertheless, significant development of agriculture, forestry, educational and health services, and small industry has been achieved. Four interrelated areas of development activity deserve particular mention:

1. RURAL DEEVELOPMENT

AID activities in this field are concentrated on institutional development and on fostering economic links between producers and markets. American community development advisers—including the dedicated young men and women of the International Volunteer Service—help Lao Government workers and the villagers identify basic needs and organize local resources to achieve community progress.

Activities financed include construction of schools, dispensaries, wells, and rural roads, and improvement of local skills and techniques, particularly in agricultural production. The use of local resources is being encouraged by making rural construction contingent upon the provision of local materials and labor by villagers.

Many local projects are now proceeding without AID financing. Some AID financing of others will be continued. However, greater emphasis will be placed on organizational and leadership training, formal and informal, and on technical-skills training for farmers and villagers.

2. AGRICULTURE

The program for accelerating rice production is a major AID undertaking. The target is to eliminate the need for rice imports by 1975. Project activities include helping to build the necessary infrastructure—roads, irrigation systems, storage facilities, etc.—and farmer motivation.

The use of improved seed varieties, fertilizers, and insecticides has already yielded dramatic production increases in selected areas. A widespread and successful campaign to distribute new seeds, demonstrate new methods, and train farmers was begun in fiscal year 1968. Introduction of double cropping has demonstrated that with use of improved seed varieties, farm chemicals, and irrigation, production can be expanded up to five times the present yield.

AID is also helping the Lao Government develop more effective and expanded facilities for providing credit to small farmers and assuring markets for increased production.

3. PUBLIC HEALTH

The country has only a few Lao doctors and nurses to combat the high prevalence of such diseases as malaria, dysentery, and influenza and to reduce a high infant mortality rate. In addition, the prolonged military action in Laos produces a stream of casualties which must be treated. The public health project provides minimum medical care for the rural population in areas under government control, through some 290 AID-supported facilities.

The number of military casualties and refugees receiving medical care under this system has risen considerably with the increased military action over the past year. Seven municipal hospitals are operated by Filipino medical personnel under AID contract.

Training programs provide medics to operate dispensaries, as well as assistant nurses and midwives. However, the dearth of qualified candidates for university medical study limits the development of a long-range program to improve public health standards and services.

In family planning our aim is to improve the well-being of Laos by better health care of mothers and infants, and by introducing family planning techniques.

With our assistance in national maternal and child health center is being established in Vientiane. A beginning has been made on extending maternal and child health services to rural areas. This program will provide improved clinical care, additional medical training and channels for dissemination of information on improved mother and infant health care and family planning. Basic demographic surveys will be conducted, and training will be provided in Thailand for medical personnel.

4. EDUCATION

The extreme shortage of trained manpower in Laos is one of the chief obstacles to national unity and effective government services. In addition, the continuing popular demand for education in the rural areas is a challenge to the government's efforts to retain popular support. Consequently, the Lao Government devotes about 20 percent of its civil budget to education.

AID is helping the government expand the elementary education base and increase the number of trained teachers. AID will concentrate during the next several years on the Lao narmal schools, aiming at a total enrollment of 3,500 by 1975—compared to about 3,000 in fiscal year 1969— and on expanding the Lao-language secondary education system. Limited assistance is being provided for village self-help elementary school construction.

In summary, the AID program has helped significantly to maintain the economy and, in cooperation with other donors, to prevent crippling inflation. At the same time our assistance has provided relief for refugees displaced in the combat areas and supported efforts in the key development areas of education, health services and improvement of living conditions in the rural areas.

It is not possible to foresee with any certainty the course of future events in the military situation in Laos. A continuation of the recent high level of fighting may require some revisions in our program. For example, additional support may be required for refugees. In any event, new and potential problems are under continuing review by our mission to insure continuation of an effective program. Hopefully the intensity of the present conflict will soon diminish. We hope the time is not too far off when we will be able to devote increased attention—in cooperation with other countries and multilateral organizations—to development programs now prevented by the war.

Sincerely yours,

JOHN A. HANNAH.

Dr. HANNAH. I will be glad to.

We were talking a little bit about Laos earlier this afternoon. This will be a duplication of what I said: In Laos, Thailand, and Vietnam, AID is doing many things in the way of supporting assistance that we do not do in the rest of the world.

In Laos and Thailand we are doing many things that we are not doing in Vietnam because of the situation there. But the other side of the coin is that as the war winds down, much of what we are doing in Vietnam in the way of pacification and all this sort of thing will evolve into a routine aid program—helping local governments build infrastructure, schools, increasing agriculture production, effective ways of handling food.

I will put something in the record. I think what I will do is send it to you rather than put it in the record.

Mr. RIEGLE. Fine.

SITUATION IN SOUTH VIETNAM

Coming back to Vietnam, as you may know, the casualty numbers for last week showed American lives lost of 91 or thereabouts and South Vietnamese lives lost, military lives, something on the order of 450.

Now that pattern takes us back to the pattern that we had in about 1964. In other words, we have succeeded at least in reversing this ratio of loss of lives so that the bulk of that burden is borne by the South Vietnamese, which I happen to think is the appropriate way for that to be. It is too bad anybody has to die, but certainly the South Vietnamese ought to be in the front line if anybody is going to be.

It raises a question in my mind as to how long the government can hope to have public support if it is grinding up young men at that rate over any extended period of time.

This fact is one of the problems we ran into back in 1964 when we had to start pumping in American power.

One of the questions in my mind now is the degree to which that loss level can continue for any extended period of time without some real problems in terms of loss of internal cohesion, and public support for the government.

Dr. HANNAH. I think the potential is there. I think the principal difference is that it is now recognized by the Vietnamese that it is their war, that we are auxiliaries in their war, they are going to have to win it, with help in training and equipment, along with withdrawal of American combat troops or participation in combat.

This is another encouragement to me. You recognize when you do not speak the language, you are dependent upon what the interpreter says for an answer.

Mr. RIEGLE. Yes.

Dr. HANNAH. But I cannot detect anything but enthusiasm on the part of people at every level, that there is some hope they may win the war and they are going to run their own country. It was not there in 1964.

Mr. RIEGLE. I can recall almost the essence of your statement having been made by other people in years past when they thought the same thing was happening, and it was not happening. I hope this time we are right.

Mr. LONG. I was over in 1965, and we were told this is happening. We were taken out, shown places where everybody had enthusiasm. We have heard this so many times before.

Dr. HANNAH. I recognize that. All possibilities are there. I am in part, of course, persuaded by the fact I have a son who has been in charge for the last year of one of these pacification outfits up in the north end of II Corps.

I do not think he is easily misled. I am much impressed by what is happening in the area he is in.

Mr. LONG. I am going to have to adjourn the meeting temporarily until I go down and answer the quorum call, but without objection, we will carry on while I am gone.

Mr. RIEGLE. Thank you.

I suspect the reason that area in II Corps may look good is, we are getting a "Hannah" performance.

Dr. HANNAH. Thank you for your confidence.

Mr. RIEGLE. Off the record.

(Discussion off the record.)

Mr. RIEGLE. I will save the bulk of my specific questions for the fellows who come in and make the presentations area by area.

Thank you.

Now let's recess until other members come back.

(Recess.)

GOALS OF AID PROGRAM

Mr. LONG. What do you think should be our goals in an AID program? What should be the proper goals?

It has been my feeling we got into AID without really understanding what our goals were and it seems to me we are still that way. I am not talking about just you, but Congress, also.

Dr. HANNAH. I think it is a serious question and I will give you a serious answer.

First of all, we live in a world in which two-thirds of all the people still have a per capita GNP less than a 12th of what we have, in a world with modern communication devices so that you have instantaneous communication by radio and now by television, so that everything that happens is transmitted all over the world, whether it is a trip to the moon or what is happening in the ghetto in Harlem or what happens in the affluent society in the way of opportunities for most of the people to determine to a large degree the course and pattern of their own life. The United States is not able to ignore the fact that people no longer believe that it was a decision by God that hundreds of millions of people will live without any assurance of whether or not they are going to have enough food, and die or see members of their family die, when death could be easily prevented through vaccinations or simple provisions for what we take as routine in the advantaged world—sewage, clean water, and all the rest of it.

What I am saying is, I think we must be concerned with minimally giving hope to people in the poor countries that life may be better for their children than it has been for them.

If we cannot put that ingredient into these societies in the poor countries, there can be no assurance that we are going to have tranquility anywhere in the world.

Again, I am not trying to avoid any part of your question.

I think we have to put the emphasis on quality of life for people, all people.

They look to us and the rest of the advantaged world, the developed, industrial world, and say, "You were given encouragement at one stage in your history and we turn to you to provide that little margin in the way of inspiration and hope and economic imput that will give us this kind of hope." Well, that is what I think the program is all about.

I do not think you get anywhere at all on the notion that if you have 5, 7, or 8 percent increase of GNP per year, that everything will fall in place because I do not think it necessarily will.

Mr. CONTE. That is a very noble statement and I agree with it. Unfortunately, after you got through with the Marshall plan and the Greece-Turkey plan, you began floundering. The U.S. AID program began to flounder because it did not really have this aim. Rather, it had a more political aim.

Mr. LONG. Trying to be the world political boss in the United Nations.

Mr. CONTE. That is right. This is where it ran into problems. If they had stuck by this philosophy, AID would not have gotten in all this trouble.

Dr. HANNAH. The old Truman concept was an appropriate one, it was just a willingness for us to help people in less-developed countries if they ask us, to help themselves, to utilize whatever they have in the way of natural human resources for the improvement of the lives of their own people.

Mr. LONG. Do you think that is enough?

Dr. HANNAH. No, I do not think so, but that has to be the first objective.

Mr. LONG. It is one thing to state a noble goal; but of course the essence of economics is apportioning scarce resources among almost unlimited demands in the way to achieve the best result.

As I reflect on it, what we have been providing for AID would not solve the problem of pollution in the United States. What the world has provided in AID altogether would not solve the problem of pollution in the world. So it is not enough to say we are interested or expressing concern. We have a job of trying to allocate very limited resources in a way that will produce the best result.

If we do not do that, I think it is possible that we are creating frustrations faster than we are creating utilities and satisfactions. faster than we are creating hope.

CRITERION OF SUCCESS FOR AID PROGRAM

I was just wondering what would be your criterion of success. You will not put it on GNP, I gather.

Dr. HANNAH. I will not put it on GNP at all.

You know you could have the GNP increase 6, 8, 10 percent a year, with it all going into the hands of a very small fraction of the people and have no solution to this problem at all.

Mr. LONG. Not only that, but I am impressed how much unhappiness there is here in the United States among quite well-to-do people. The older I get, the more convinced I am that money and income do not create happiness at all. What we want to do is create happiness and well-being, maybe we ought to simplify our goals for humanity.

I could not help feeling when we get up into the mountains of Guatemala and Mexico, and elsewhere that it does not really take a great deal to make the ordinary person in the world reasonably happy.

First, he has to have good health. That is the most important thing. I can say that after having spent a couple of months in the hospital.

Second, you have to have enough to eat. I do not know that you have to have all you want. You have to have enough so that you are not in pain from hunger.

We have to keep a population under control, otherwise, no matter what we do, you are going to breed us into more trouble. I think we have to have peace.

Dr. HANNAH. I agree.

Mr. LONG. I am wondering whether we have what we need, or all we can really hope to get, for the next century to provide well-being for most of the people. To say we are going to solve the problem of poverty or create the health of mankind, seems utterly presumptuous, with the resources that we can extract from the ordinary taxpayer in the world, not just the United States. The people are saying we are not putting up as much as some of the other countries in Europe. That comment was made at a conference the other day. This overlooks the fact that we are spending on national defense huge sums of money.

If you take all the money we are spending for defense and aid, including hidden aid, we are putting out an enormous amount. In any

case, I see no chance of our upping the quantity of aid that we are willing to provide in the next 5 or 10 years.

We went intially into this whole AID program in the period of our innocence. We have had a revolt in America among the ordinary person who is wanting now the things we are giving to the world. He wants them now for himself, education, elimination of pollution, all that kind of thing.

So I think we have to say your resources are going to be very limited.

I wonder whether you agree with this Pearson report which repeats all the clichés we have heard about AID for some time, "Let's everybody give three-quarters of 1 percent a year."

Dr. HANNAH. Yes, and not very precisely figured out.

You see, the difficulty with the goal, either the UN's goal for the first decade or this one, is that they are not very precise as to what goes into it. There is little inclination on the part of many countries to equate the dollars that are invested for profit, to aid by private investors. The money that is loaned on hard loan terms—short-term, high interest—the soft loans, and the straight grants, are all concessional in some degree.

When I was more naive a year ago than I am now, I made some comparisons when I came here about where we are compared with the United Kingdom, France, and other DAC countries. We did not say that yesterday or today, because I think there is a good deal of merit in the points that you and the chairman have made. I would buy your goals as appropriate for an AID program. They are a little different from mine, but they will not trouble me.

But I think, Congressman, that it is not a question of either/or. I do not think it is a matter of solving the problems of the ghetto, the big city, the clean air, clean water, space for recreation in the United States, or aid for India.

I think we must do both. I think we can. I think the kind of questioning that Mr. Riegle was leading into a while ago points to the same kind of problems.

Mr. LONG. There is where I am puzzled, frankly, because I just do not see the arithmetic.

If you add up all we are calling for now for pollution, for education, for health, for income guarantees, for mass transit, I do not see that the arithmetic offers us any prospect of solving our domestic needs. While I would not go so far as to say, as the chairman did, that we have to put our domestic needs first, because I do not think life is ever that simple, I am wondering whether we can go on pretending that we are solving the problems of the world when the evidence seems to be to the contrary and when we have these proliferating needs here of which we are just now becoming aware.

Dr. HANNAH. But we are not claiming that we have to, nor is anyone proposing this. You see, we have 15 countries where we put the bulk of our resources. Maybe that is too many. Maybe that number should be reviewed. Maybe others should be put in their places.

Certainly the tendency is to put your money where we get results. The first requirement has to be a desire on the part of the people themselves to help us solve their problem.

The country that turns to the United States and says "We have problems, what are you going to do about them," it is hopeless from the

start. The best we can do is give them help, a little advice, maybe it will not be as good as it should be, but it may be helpful to them. I think we have to be in that position.

Mr. LONG. Let me try to present the thing as I see it and as I think Mr. Conte sees it.

I think we have to conclude that after 15 years or more of aid to underdeveloped countries, that the population of really poor, hungry, sick people is far greater now than it was a decade ago. So there is probably more misery in the world than there was when we started this program.

Mr. CONTE. I do not think so.

Mr. LONG. I think the figures would show it is. Population is increasing at a tremendous rate and we are making almost no increase in the average level. So that must mean the number of people who are poor and sick is greater than it used to be.

Dr. HANNAH. That is not so in all areas.

Mr. CONTE. That is right.

SUCCESS OF MALARIA ERADICATION PROGRAM

You take one area that comes to mind, malaria eradication. What we have done in that particular area is phenomenal. It is unbelievable the million of people we saved. Maybe we created a problem by saving them.

Mr. LONG. That is part of the thing. Our health programs, which have been spectacularly successful, may very well get us into more trouble than anything else we have done because they are creating such a tremendous population explosion and we have not solved the other aspect of it.

While these are your goals, as you state them, and are my goals as we state them in general, it does not seem to me these have been the goals of our aid policy, and still are not. We are still providing moneys to countries which are promptly turning around and spending almost the same sums of money on war, preparation for war, armed rivalry, as we are giving.

You can go to most Latin American countries and find the oligarchy living better than I think they are entitled to and better than most of my constituents, and not making the sacrifices my constituents are making.

You find us selling weapons in a most cynical way. We just admitted we are going to carry through with a bunch of planes for Argentina, for their aircraft carriers.

We are selling planes to Libya. The other day Mr. Laird said we are going to go through with a contract to give them eight more planes.

Young Adlai Stevenson was on the wire one afternoon on this point.

We are trading off aid all over the place for what seems to me to be military bases or political influence of one kind or another. So while I think our goal ought to be, pure and simple, the improvement of life and hope for people, I do not think Congress sees this as the goal.

We have five or six different goals, to sell more goods, to improve the balance of payments, to be a world political boss, to preempt other countries from grabbing our customers, maybe have some of our AID people bend elbows with the oligarchy of these various countries.

The oligarchy were mainly the people they introduced to me when I went down there.

With the pitiful resources that we are able to put in, we are nevertheless trying to accomplish many other different goals at the same time. To me this is a most frustrating experience, watching this whole Aid program.

GOALS FOR AID PROGRAM

Here now, I am only talking about goals. Now what do you feel as an AID mission you can do to try to make clearer what our goals are and to get them back so that Congress and the country sees our goals as being the kind of goals that you and I think should be the ones?

Dr. HANNAH. A year ago, after the President talked me into taking this assignment, we had a little discussion of why AID has decreased in popularity, why it had more and more difficulty with each succeeding session of Congress getting money to carry forward its program.

It semed to me then and it seems now that the only, or the best way to approach it was to do what the President did, to seize upon the Javits amendment to the Authorization Act of 1968, the Peterson task force did not have a name at that time, and to have a panel of distinguished Americans—not a part of government, so as to let them operate as arm's length, not as an in-house study at all—to come up with an appraisal of what they thought was in the national interest.

I suggested that they they should be asked first to answer one question: In the national interest of the United States, what is appropriate for the U.S. Government to do in foreign assistance? Then not handicap them by giving them a definition of foreign assistance, but let them write their own definition. If they decided it was no role at all in the national interest, that was it. If they decided that there was a role that the Government should play, then they should be concerned with how it should be done, organized, et cetera.

Now this Peterson task force report has met with a controversial reaction. It answers the first question in their view and they come up with the answer that foreign aid is in the interest of the U.S., unequivocably. They think we have a responsibility to be concerned with the problems of the LDC's.

Mr. LONG. I think that is too general a statement, "being concerned."

Dr. HANNAH. All right. They say we should have a larger responsibility than we have exercised. They did not put a dollar tag or percentage of GNP.

Now, the useful part of this thing, of course, is aheadof us. It does not do any good to write a report and have the editorials in all the newspapers. The only thing that is going to come out of this that is going to do any good is if the Congress takes what the President sends to them and faces up to the realities, as we have in the last few minutes. It is hopeless to operate an AID program unless the enlightened people in the country—I do not mean just those who agree with us—but people who take the time to think about it, decide it is in the national interest to do something about it.

When they get into specifics, the first thing the Peterson report does is answer the point that you made—that the short-range political

goals of the United States, military assistance, what we call now supporting assistance in Vietnam, Laos, Thailand, should be separated from AID.

This should be operated by the State Department as a continuing role of the Government in its own self-interest.

Mr. LONG. I am not sure that is going to solve it at all. That is being done because they realize now that the military part is holding down the AID program. And they want to get rid of it. If you are going to insist on keeping on with all this military stuff, frankly, I do not care whether it is in the AID program or somewhere else.

To me it is a fantastic waste of money. I cannot hold you responsible for it, if the Defense Subcommittee is doing it, but nevertheless, it is being done.

The thing that makes me reluctant to take it out of the AID program is that we lose all control over it.

Dr. HANNAH. But from my point of view, we catch all the criticism of Vietnam or Laos or Thailand or whatever.

Of course, they may have no enthusiasm for the other aspects of the AID program, but they are so disenchanted with the military part of it, they say "The hell with it, we want no part with this at all."

Mr. LONG. I do not hold you responsible for Laos, Thailand, or Vietnam.

Dr. HANNAH. I know you do not.

Mr. LONG. But I do have grave reservations when we are putting aid money into Latin America and Africa, the subcontinent and other places.

PUBLIC'S DESIRE FOR QUICK RESULTS

Mr. CONTE. Would you yield?

I think one of the areas that you forget to mention is that the American public, that is, the Congress, is very impetuous. It wants to see results quickly.

First we saw the fantastic results of the Marshall plan. Then we jumped into the developing countries, many of which were quite backward. Progress was so slow that we became very frustrated with the program and wanted to scrap it.

You go into a country that has never had a school, running water, or a clinic. I traveled to the border of Liberia and Guinea one year where I saw them teaching women to be midwives. It was a very distasteful thing for a woman to have a child. She could not even have it in the grass shack. The custom there was for her to go out in the backyard, dig a hole, and have the child.

Liberia had the highest infant mortality rate in the world. Our AID program, working with Food for Peace, went in and taught these women to be midwives. We got around the big chiefs by saying: "You do not get any food unless you go along and set up a clinic in this little village."

They set up these clinics. As a result, today in Liberia you do not have this.

Mr. LONG. What is happening to the population? Did it not really interfere with their traditional method of birth control?

Mr. CONTE. I think you can have a conscionable program of birth control and family planning.

Dr. HANNAH. The birth rate is 1.8 in Liberia, which is low.

Mr. CONTE. That is right. Liberia is a very sophisticated country and its people are outstanding.

You want to see progress? Go into that country and see all the progress they have made.

I think this is one of the big underlying problems.

Sure we have faults in the AID program. But one of the big ones is that people want to see this fast progress. You are not going to see it.

Dr. HANNAH. We have done a very poor job of selling it. The emphasis has been on the failures.

Every time you talk about putting out a publication——

Mr. CONTE. The roof falls in.

Mr. LONG. I cannot say I agree with this. I really think the American people have been patient. When I consider how hard it is often to get programs in your own country justified, how patient people are, it does seem to me they have been patient in the outpouring of over a hundred billion dollars. This sum would solve a large part of our own slum problem and a great many other problems we have.

We are entitled to look around for results. We are entitled to make sure that the money is being wisely spent. I do not think anybody can honestly say that it has been.

That leads me to the qeustion. That is, once you have settled on the criteria of what you want in your program, what can you do to implement it, make sure it is efficient?

COORDINATION OF AID PROGRAMS

Now, the chairman has raised I thought a legitimate question about all these different programs and the need for coordination of them. I would like to hear what you have to say about coordinating a great many of those programs.

I will admit some of them are only borderline aid programs. Still there is a great deal of aid involved in all of them.

What can we do to put those all together so that we understand that they are all working toward a common goal and not working at cross-purposes?

Dr. HANNAH. You ask what can we do? It is simple enough to coordinate the programs that we are responsible for.

Mr. LONG. Do you feel an obligation as the AID Administrator to make sure that your programs, insofar as you can, coordinate with the others that are not under your purview?

Dr. HANNAH. Yes. We have a responsibility.

Of course, when you talk about coordinating with some of the things listed here, particularly the large chunks that are military, we do not get very far in coordination because they have a different set of objectives.

Mr. LONG. What portion there would you say was military?

Dr. HANNAH. Instead of getting lost and taking out these bits and pieces, why do I not just do this and send it to you?

Mr. LONG. I would like to see it. Send it to me or for the record. I would like to see what you feel we ought to be doing to pull all these

things together to make sure they are consistent and not working at cross-purposes.

Then I would like to hear what you have to say, either now or for the record, about how our programs can be made coordinate with those of oher countries, international organizations.

It has gotten to be fashionable to propose that multilateral international organizations take over the AID program. In what way will they guarantee that we get coordination?

(The information follows:)

Foreign assistance provided by the United States is coordinated with other free world nations through multilateral institutions such as the international banks and through organizations, such as, the U.N. and DAC. Many of the bilateral programs that appears on Chairman Passman's list of foreign assistance requests do not fall within the generally accepted definition of foreign aid. As a consequence, there is little coordination between those programs which provide such assistance and such activities as administration of the Ryukyu Islands or Trust Territories of the Pacific, permanent military construction, International Military Headquarters, et cetera.

On the other hand, the following channels operate to coordinate the principal programs relating to foreign assistance:

1. In each recipient country, the Embassy staff, which encompasses representatives of all American agencies active in that country, operates to coordinate both implementation of existing programs and formulation of new ones.

The country field submission (CFS) presents the country team's analysis and recommendations of what the next year's aid program should be in that country.

This submission is then reviewed by AID, the Department of State, the Bureau of the Budget, and all other interested agencies. These meetings are chaired by the AID Administrator or regional assistant administrators.

Then there are final reviews. After clearance with the Secretary of State, the final proposed budget is submitted to the Bureau of the Budget.

2. In addition to exercising judgment on the AID program as well as that of the State Department, the Secretary of State then coordinates with other programs through the structures established by the Cabinet.

3. The Developmen Loan Staff Committee supervises the lending functions of AID, setting standards and criteria for development lending, and passing judgment on the AID program. Established by section 204 of the Foreign Assistance Act, the Committee is chaired by the AID Administrator, and its membership includes the Export-Import Bank.

4. The Inter-gency Staff Committee comprises representatives from the Departments of Agriculture, Commerce, Defense, Treasury, State/AID, and USIA, the Office of Emergency Preparedness, and the Bureau of the Budget to coordinate the administration of Public Law 480.

5. The National Advisory Council on International Financial and Monetary Problems supervises and coordinates policy considerations on all U.S. determinations in international monetary and financial affairs. This includes U.S. participation in international banks, the Export-Import Bank, AID, and MAP programs and any other organization or program concerned with international finance.

6. The President coordinates foreign policy, in which programs for assistance are considered, through the National Security Council system and through the International Division of the Bureau of the Budget.

Dr. HANNAH. I think you were out when we were talking about coordination between the aid-giving countries. There are 16 of the countries in the free world in the aid-giving business. We maintain a centralized office in Paris in connection with OECD. We meet with the people in the same role I have in this country, regularly for 2, 3, or 4 days.

The people working under us meet by area, by region, or by country, so that everything done by Canada, United Kingdom, France, United States, Netherlands, Sweden, Denmark, Japan, and West Germany, is coordinated country by country with what we are doing.

Mr. LONG. Do you think that really gives you coordination?

For example, we have Cabinet meetings in this country, Defense Department, Commerce, Transportation, all meeting together. I believe they have learned it takes more than that to make sure that the Federal Government agencies are not stepping on each other's toes.

Dr. HANNAH. It is more effective than that. There is a recognition on the part of all of my counterparts, certainly on my part, that if we spend wisely all of the money that there is available from all sources, we are only going to be doing a part of the job that needs to be done.

We are past the time when there should be duplication or prideful spending.

In free world aid-giving efforts this provides no problem. U.N. agencies are a little more difficult to coordinate. The World Bank is as much interested in coordination as we are.

I am not saying that I think we have the thing accomplished. I think we have a recognition that it needs to be better than it is and we are going to make it better than it is.

Mr. LONG. This is a dim recognition.

Dr. HANNAH. Would you do it country by country?

Mr. LONG. I do not know. You see reports like this and so on, but I do not see anything that is going to make sure that all the international aid programs are adequately coordinated and working together.

PROTECTION OF FUNDS CONTRIBUTED TO MULTILATERAL AGENCIES

Then I would like to know, too, what is going to protect us from the unhappy experience that Jack Anderson brought out the other day, about President Herrera, of the Inter-American Development Bank, diverting money to his own purposes, providing mortgages for himself and people on his staff.

Dr. HANNAH. I do not know anything at all about that and I do not defend it. Until the IDB has responded to the article, it would hardly be appropriate for me to comment.

Mr. LONG. What do we do, if we have international organizations handling American money? Some of us have the uneasy feeling that this is kind of a plot to take the money out from under our congressional control and to put it in the hands of people not responsible to us.

I know there are a great many things wrong with the way Congress looks into these things and checks on them. But you do not solve this problem by just hiding it from us, taking it out of our control completely.

Dr. HANNAH. I do not have any notion that Congress is going to write any checks for international organizations. I think if you put in large sums, or even small sums of money, you should insist on accountability.

I think the taxpayers are going to require that. I do not subscribe to the notion at all; it is unrealistic to expect that you people who are elected and are responsible for passing the tax measures and seeing that they are collected are going to turn over large chunks of public money to international agencies or any other kind of an agency which is going to spend them, without you being satisfied.

Mr. LONG. Is this not often the argument given for having more international programs, that these countries do not like to be beholden

to the American Congress: they want their money as a sense of right rather than as a matter of charity, which is another way of saying that they do not want to answer to the American Congress?

Dr. HANNAH. I have full confidence that you are going to get around that one.

Mr. LONG. That I am going to what?

Dr. HANNAH. That you are not going to make money available to agencies, national or international, without making reasonably certain that the money is spent for the purpose intended.

Mr. LONG. We have been doing it. This money has been used for strange things—financing country clubs, things I cannot defend back home.

Mr. CONTE. Are you talking about the U.S. agricultural program financing a country club?

Mr. LONG. You read this stuff about Herrara, which was really quite Herrara-raising story.

Mr. CONTE. I am talking about financing that all-white country club in Mississippi.

Mr. LONG. Sure.

Dr. HANNAH. Let me get down to specifics.

When Maury Williams in NESA or Rod O'Connor in East Asia, come before you it will be more profitable to ask the specific questions about Turkey or Indonesia, India or Pakistan. They will describe how these programs are coordinated, how a program is agreed upon, at what total level of support the receiving country really needs and will make good use of; and then how the thing is apportioned. If there is not enough money going to be available from all sources, they have to decide priorities—what they do, what they do not do.

For instance, if Sweden wants to emphasize family planning, Sweden takes it and the rest of us stay out of it. Then the rest of the job is apportioned. I do not say it is perfect, but there is much more intelligent planning and coordination.

Of course the measure is the progress that takes place in the receiving country, because unless there is progress, unless they make good use of the assistance—whether it is grant, or food, or loan, or whatever—every country faces the same problem we have. There is little incentive to put your money where there is no outcome.

Off the record.

(Discussion off the record.)

POPULATION PROGRAMS OF DEVELOPMENT ASSISTANCE COUNTRIES

Mr. CONTE. You mentioned that Sweden might do something in the family planning area. Would you please submit a statement for the record describing what the 16 countries are doing in family planning? I think this is the crux of the whole program.

Dr. HANNAH. Yes.

(The information follows:)

THE OECD DEVELOPMENT CENTRE POPULATION PROGRAMME

In 1967 and 1968, the governments of Sweden and the United States initiated discussion within the OECD Development Centre relative to the OECD sponsoring a population activity in order to foster a greater sense of urgency in the

family planning field among D.A.C. membership. Initial funding was provided for the program by Sweden and the United States in support of the following major courses of action:

1. to establish an information service providing an exchange of population information among private groups, international organizations, and donor governments;

2. to organize conferences and seminars to focus on aid problems in the population field;

3. to undertake practical research on worthy proposals;

4. to promote improved coordination between aid programs in DAC countries;

5. to make member countries more aware of the importance of the population factor in economic development and to take it into account in drawing up aid policies.

The first 18 months of the program was financed by identical contributions of $109,000 from Sweden and the United States. Later in 1969, the Norwegian government contributed $15,000, bringing the total funds available for the initial period to $233,000.

In the first phase (mid 1968-end 1969) the Population Programme made considerable progress in the achievement of the above stated goals. For example:

1. numerous conferences and seminars were conducted at the Development Centre for both donor and recipient countries;

2. briefing sessions were conducted for U.N. population officers;

3. research began in several areas, including the completion of a population dynamics model for economic development;

4. an "Enquiry Service" was developed and placed in operation, and is presently servicing numerous groups, professionals and delegations, and is experiencing use beyond initial anticipation.

In 1969, State/AID indicated it would be appropriate to continue the program if additional DAC members would give their support. It should be relevant to note that the prime objective of the project, that of fostering more active interest on the part of DAC members, was achieved. Evidence of increasing interest is shown by increase in the number of population budget contributors from two in 1968 to eight in 1970. The U.S. share has dropped from the initial 50 percent to less than 25 percent of the current budget projection. The present eight contributors constitute one-half of the members of DAC.

Calendar year 1970 contributions follow:

Belgium	$10,000
Denmark	15,000
Germany	25,000
Norway	45,000
Sweden	40,000
Switzerland	15,000
United Kingdom	25,000
United States	50,000
Total	225,000

(Note: All the above countries have pledged similar support for the 1971 program.)

On an individual basis, several DAC countries, in addition to the U.S. are involved in population/family planning in the LDC's to provide program support, contraceptives, training, research, advisors, evaluation and statistical assistance. These include United Kingdom, Sweden, Norway, Netherlands, Denmark and Japan.

KORRY REPORT

Mr. LONG. We have had recently the Peterson report, the Pearson report, and the Korry report.

Dr. HANNAH. There is no Korry report. It was merely mentioned in a paper.

Mr. LONG. He made a public statement.

Dr. HANNAH. You have what there is.

Mr. LONG. I thought he was asked to make such a study.

Dr. HANNAH. He was asked to make it, but it has not been completed. But whatever it is——

Mr. LONG. I am not saying it was accepted, but what he did say made a great deal of sense, I think.

Would you comment on the Korry report in terms of what you feel is meritorious?

Dr. HANNAH. I am not able to comment on it, because I have never seen it. I saw his extracts that the New York Times ran.

Mr. LONG. You say he called for a very drastic overhaul of our whole philosophy and so on?

Dr. HANNAH. Sure.

Mr. LONG. Would you subscribe to that?

Dr. HANNAH. Pretty much. It is not very different from what is in the Peterson report.

Mr. LONG. I got the impression it was. He was really calling for a much more selective AID program, pulling out of areas where we were not getting reforms, any real willingness.

Dr. HANNAH. I do not quarrel with that.

Mr. LONG. To do the kind of thing we are asking the American taxpayer to do. What repels us, I think, is that in large parts of the world, the important people, ruling groups, are unwilling to make the sacrifices we are asking the American taxpayer to make. Can you force somebody to want what you want for them?

We have all had the experience of trying to get our children to do things. If they do not want to do them, it is hopeless. Are we trying in a sense to will these countries to want something?

Would it be useful to survey each country where we are being asked to put in an AID program, and decide whether it has the institutional framework, the good will, and all the other things that are necessary for making AID a success. If they do not, couldn't we just tell them to go their own way and take some of the political consequences that flow from that.

Dr. HANNAH. I think it is not unreal, I think it is the thing we have to do, I do not think we have any alternative. It is exactly what we have to do.

Mr. CONTE. I think that is what Dr. Hannah is trying to do.

Mr. LONG. Glad to have that on record and glad to hear that.

I am not so sure I got that impression from the Peterson report. I got the impression that they really feel that the solution is more international institutions.

Mr. CONTE. I might mention another area in which we could be very useful to Dr. Hannah. Congress could pass a bill that would give him the right to hire and fire people in AID. He has a lot of deadwood from the days of the Marshall plan that he has not been able to get rid of because Congress will not let him. Until he can unload this deadwood, it seems unfair to criticize him for not doing so.

Mr. LONG. I did not know he did not have the right to do it.

Mr. CONTE. He does not have the right to do it. I am not speaking for him.

Dr. HANNAH. We have the tenure problem. You get used to it in the university system. I thought it was difficult there. I find when you get into an agency where you have the Civil Service tenure sys-

tem or Foreign Service tenure system, you have many problems. But I think you have to live with it.

But let's come back to the point you are making that what we do should be intelligently done, that we should determine what our resources can do when we talk about either the amount of money or our competence and ability to do the things we are trying to do. We ought to put the money where we are likely to get the maximum return.

Mr. LONG. I think we should be fairly hard boiled about it.

NEED FOR CONTINUING PROGRAM

Dr. HANNAH. That can be done.

But if we are going to do it, we have to implement the first recommendation of this report, there has to be some assurance that there is going to be a continuing program of some kind. The problem lies in an agency that has been in operation for almost 20 years, never with an authorized life of more than 1 fiscal year; where it is necessary to go through Congress twice every session to get an authorization act and then an appropriation act; an agency that is continually under criticism and where so much of its time, effort, and energy is spent in answering critics instead of trying to figure out what we should be doing and how we should do it. I think if, out of this study in the next 12 or 18 months, there comes a conviction that there is going to be some kind of a program and someone is charged with the responsibility for planning that kind of operation, we will meet with success.

Mr. LONG. Does not every Government agency have the same thing here for domestic programs?

Dr. HANNAH. Well, they know they are going to be in business.

Mr. LONG. They still have to come here every year for authorization.

Dr. HANNAH. To get money. But the question is not raised whether they are even going to be in business, is it?

Mr. LONG. Sometimes it is.

Mr. CONTE. You have a 2-year authorization this year?

Dr. HANNAH. That is the reason we have a year to talk about this.

Mr. TOLLEFSON. Thanks to you.

Mr. LONG. I do not know the solution to that.

Congress wants to keep control. That is the essence of democracy.

Dr. HANNAH. There is no objection to an annual accounting.

Mr. LONG. I do not agree that what you are up against is Congress and our institutions here. I think what you are up against is the very great distrust of the AID program and what it has accomplished. It has gotten to an awful lot of people who used to be great friends of the AID program, like myself. That is what you are basically up against.

The American people have recently discovered their domestic needs. Ten years ago I do not think we knew what the needs were. There is a tremendous upheaval in the United States, a great change in the political center of gravity.

The Negro and related revolutions have forced the Congress and the country to start dealing with domestic problems that we ignored through much of our history. You cannot get away politically with ignoring them any more.

Mr. CONTE. We cannot become isolationists either.

Mr. LONG. I know. We are still up against the fact that we do not have resources to do all these things. That makes it all the more important that we decide in a hard-boiled way what we want to do and make sure not a dollar is wasted.

Dr. HANNAH. Those that have priorities.

Mr. LONG. Thank you very much, Dr. Hannah.

Mr. CONTE. Do you have any knowledge of any request from Formosa for submarines?

Dr. HANNAH. No, none. It would not come to us, no.

Mr. CONTE. But you have no knowledge?

Dr. HANNAH. None, except what you told us yesterday. That is all I know.

DECENTRALIZATION OF AID

Mr. CONTE. Dr. Hannah, it is my understanding that implementation of the Peterson Commission recommendations would mean scrapping AID as such and fragmenting its programs. Do you believe that decentralization of aid programs is justified at this time?

Dr. HANNAH. The Peterson Task Force Report is a highly significant and constructive document. Among its recommendations, the report calls for establishment of a U.S. International Development Bank and a U.S. International Development Institute, transfer of security assistance and relief aid to the State Department and greater multilateralization of our assistance efforts. These recommendations, and others in the report, merit the most careful consideration by the Administration and the Congress. At present, the executive branch is engaged in a comprehensive study of the report which will lead to submission of comments by the President to the Congress sometime this spring. While this review is underway, I believe that it is best to reserve any particular comments on the question of change in the present structure for carrying out our assistance programs.

PETERSON REPORT

Mr. CONTE. On March 12, the New York Times editorialized about the Peterson Report as follows:

> The most disturbing aspect of the report * * * is its refusal to put a price tag on the overall United States aid effort and its blunt rejection of the established international aid target—one percent of gross national product.

Are you also disturbed by this?

Dr. HANNAH. No, I'm not particularly disturbed that the Task Force Report did not put a price tag on our aid effort or accept the international aid target of 1 percent of GNP. A most important aspect of the Peterson Task Force Report is its emphatic statement that the downward trend in appropriations for U.S. development assistance programs should be reversed. It is of first importance that the United States move in the direction of providing its fair share of resources in cooperation with other industrialized nations and the international development assistance institutions, such as the World Bank, the UNDP, the Asian Development Bank, et cetera, to support the efforts of the developing countries.

Mr. CONTE. On March 12, the Washington Post editorialized that aside from "organizational reshuffling" and a slight "shift in emphasis," there is not much new about the Peterson report. Do you agree?

Dr. HANNAH. No, I don't agree with that there is nothing much that is new in the Peterson Task Force Report. The report calls for many significant changes in the whole area of foreign assistance. It is probably the most important document on the subject of developing assistance from the point of view of the United States since the Herter Committee Report which described the Marshall plan program in the late forties. As I mentioned before, a key aspect of the Peterson Report is its strong emphasis on the need for a commitment by the United States to provide a fair share of development assistance over the long term.

CONTE-LONG AMENDMENT

Mr. CONTE. The Peterson Task Force states, on page 17 of its report, that legislative restrictions upon the sale of sophisticated weapons are not effective and therefore should be removed. As you know, one of those restrictions bears my name. Do you believe it has been effective in preventing the diversion of funds in the developing world from human needs to military hardware?

Dr. HANNAH. This question of the purchase of sophisticated military weapons by less developed countries is a very complex, difficult issue. As you know, we have had to deduct funds from some of our assistance programs to a few of the developing countries which we are assisting. However, it is not possible for us to dictate through external controls how they should meet their own security needs. If we did not give economic assistance to these countries, it is douftful that their military purchases would be reduced substantially in any event, since presumably any purchases represent the minimum necessary to meet their own national defense needs—as they see them. It is important to remember that by focusing the attention of the LDC's on development as their highest priority activity, we help divert their attention from unnecessary acqusition of sophisticated weapons. Put more positively, our economic aid is an inducement to these countries to channel more of their internal resources into economic development than would otherwise be the case. They use the aid furnished more effectively and continue to merit the attention of other aid donors. By reducing the level of our assistance, we effectively contribute to the stagnation of their development and, at the same time, probably do little to reduce the likelihood that they will not continue to strengthen their military forces in the future.

We are also faced with a serious problem in defining what a sophisticated weapon is today. As I understand it, the original definition of sophisticated weapons was fairly specific. However, the decline of the availability of World War II aircraft and weapons has forced many of these countries to acquire weapons, aircraft in particular, which at the time of the passage of your amendment, were considered to be sophisticated by comparison with other older weapons then available. This is no longer the case. The weapons and aircraft which are available today at least at the lower end of the sophistication spectrum, are generally of higher performance than World War II type aircraft and weapons but are not of the sophistication of a number of weapons

and aircraft generally available in the world. I think it is in our interest to encourage rational behavior in terms of purchase of military equipment and to urge the LDC's to acquire weapons that are consistent only with the realities of their national defense situation.

As you are aware, we proposed a modification of the legislation this past year both in the amortization and the appropriation acts. We believe that this modification is in the best interests of carrying out our foreign policy and promotes a more beneficial relationship with the less developed countries. We hope that you and other Members of Congress will consider this and modify the present restriction to permit us more flexibility than we presently have.

SEPARATION OF MILITARY AND ECONOMIC ASSISTANCE

Mr. CONTE. The Peterson Commission has called for the separation of military and economic assistance programs and for the State Department, not the Defense Department, to oversee policy for military and military-related programs. Would you not agree that this makes sense?

Dr. HANNAH. The present policy on military assistance programs calls for supervision of this program by the State Department. It is, however, administered by the Department of Defense. This has worked well, and there would seem to be no reason why this policy should not be continued. The Peterson Report also calls for separation of economic and military assistance into distinct legislative packages—unlike at present where they are both part of the Foreign Assistance Act. It could be argued that this separation would permit a better focus on the individual merits of each type of assistance by the Congress and the public. This is a matter we are giving careful attention to in our review of the Peterson recommendations.

PEARSON REPORT

Mr. CONTE. The Pearson Commission called for an increase in Government aid to 1 percent of GNP by 1975. Do you think this is a realistic goal in the case of the United States?

Dr. HANNAH. I am sure that the objective of any particular percentage point of GNP is necessarily the most important issue. What is important is a reversal of the downward trend in the appropriation funds for our development assistance program. This recommendation of the Peterson Task Force is considerably more important than the designation of a specific objective in terms of GNP.

ECONOMIC GROWTH

Mr. CONTE. The Pearson Commission set a goal of 6 percent for annual real economic growth during the next decade and "self-sustaining" growth by the end of the century. Do you believe the developing nations can attain this goal?

Dr. HANNAH. We hope the LDC's can achieve a goal of at least 6 percent annual growth rate. It will require a great deal of hard work and self-help effort on their part and increased levels of assistance from the industralized nations. Perhaps more importantly, we should begin to focus on the question of the quality of life in the

LDC's rather than to simply assign a goal of a particular GNP growth rate as the most significant objective. We are talking, after all, about people and whether or not they and their chilldren will live better and prosper in the future. The question of achievement of a specific growth rate may have very little meaning to individual people in a country. We are trying to concentrate on the question of the quality of life as the objective for our development assistance and this should be the objective of the LDC's as well.

SUBSIDIZED INTEREST RATES

Mr. CONTE. The Pearson Commission proposed that the aid-giving countries use part of their rising inflow of interest and principal on past loans to "subsidize interest rates on some World Bank lending." What do you think of this proposal?

Dr. HANNAH. The question of subsidized interest rates on World Bank loans is relevant only if increased funds are not made available to the IDA. All the industrialized countries should increase their contributions to the IDA as well as other international lending institutions as rapidly as these institutions are able to administer expanded programs effectively. It is desirable for the time being at least for the United States to continue to use aid reflows of principal and interest payments in our bilateral programs. I understand that the World Bank is considering possible ways of reducing their interest rates for particular situations. At present, it would be best if the Bank itself were to make the decision as to whether or not they should subsidize their interest rates rather than for the industrialized nations to suggest diversion of some of our funds as the only solution to the problem.

LAOS

Mr. CONTE. Dr. Hannah, you are of course aware of newspaper reports that the AID mission in Laos is being used as a cover for CIA agents. You also know that this is one of the toughest bills to get through the floor of the House, and it gets tougher each year. Stories like this could jeopardize the entire bill. Could you set the record straight on just what AID is doing in Laos?

Dr. HANNAH. The AID program in Laos is an abnormal effort in an abnormal situation. Confronted with extensive Communist intrusion in the northern and eastern parts of the country, the Lao Government is also handicapped by:

(*a*) Its geographic position—land-locked by China and North Vietnam on the north, Burma on the west, Thailand and Cambodia on the south, and South Vietnam on the southeast;

(*b*) A population divided tribally and ethnically, high in illiteracy, lacking in administrative and entrepreneurial skills;

(*c*) A primitive economy, largely subsistence and nonmonetized, rudimentary in transportation and communications—the most neglected part of the old French Indochina empire.

In order to combat the present aggression and insurgency, the Lao Government must maintain a large military and administrative structure. It must help refugees, who number over 250,000—more than 10 percent of the population of the Government-controlled areas. It must

provide medical care for casualties of the war, maintain and construct roads, improve its internal police force system, improve community organization and undertake certain basic developmental tasks in public administration, agriculture, education, and industry.

However, Laos lacks the necessary financial resources to pay for its military activities and essential services. Therefore, the Government must resort to deficit financing which creates a strong inflationary pressure. Were this pressure not contained, rampant price increases and economic instability would result which could seriously affect Laos' capacity to resist the Communist insurgency and aggression.

Under these circumstances economic aid to Laos has necessarily been heavily concerned with enabling continued survival of the country and gradual nation-building. The present AID program, which had its beginning in fiscal 1963, focussed then—and now—on three purposes:

(1) Stabilization of the economy through indirect budget support to meet extraordinary costs of maintaining defense forces and creating government services;

(2) Relief and resettlement of refugees from Communist-occupied areas and zones of combat in the north and east and direct medical assistance pending establishment of Lao health facilities; and

(3) Technical assistance, equipment and construction services to maintain and improve transportation and communications links public education, health, agriculture and other services.

AID assistance in the past 6 years has ranged from $40 million to $60 million. In fiscal 1969 it totalled $52 million and will be slightly under $50 million in the current fiscal year.

Economic Stabilization Assistance accounts for about 40 percent of the AID program in Laos. Initially AID attempted to provide this support through financing a commercial import program but this was found to be unmanageable because of the limited Lao competence in controlling foreign exchange procedures and the small scale of the individual import transactions. The commercial import system was sharply reduced beginning in 1964 to financing the import of only a limited range of more easily controlled, large lot imports of essential transportation equipment and materials for industry and agriculture. At the same time, at the recommendation of the International Monetary Fund, a multinational Foreign Exchange Operations Fund (FEOF) system of stabilization financing was established.

Australia, France, Japan, and the United Kingdom contribute about 30 percent and the United States about 70 percent of free foreign exchange to FEOF. The FEOF manager supervises purchases of local currency (kip) from commercial banks on the open market in order to stabilize the value of the kip. Inasmuch as the kip acquired by these sales are retired from circulation, either permanently or for limited periods, the fund counteracts the inflationary pressures caused by the Government budgetary deficit. The system, which is coupled with agreed ceilings on the Lao budget deficit, has limited price increases to an average of about 9 percent a year through 1968 and only 3 percent in 1969—despite the unstable political-military situation. In addition, the FEOF donors and the IMF, which has a resident representative in Vientiane, advised the Lao Government on fiscal policy, with the aim of keeping the Government deficit as low as possible in the face of the expenditures necessitated by the war.

Project Assistance currently accounts for about 60 percent of the AID program. Principal activities include:

Refugee relief and resettlement for a refugee population of around 250,000—over 10 percent of the population.

Road maintenance and construction and related training.

Rural development, including extensive village self-help activities and community development programs through much of the Government-controlled areas.

Health care and development of public health services, including maternal and child health care and family planning.

Education, principally teacher training and establishment of Lao language secondary schools.

Public administration, principally advisory and training services to the Finance and Planning Ministries.

Public safety, including training of police officials and the provision of communications and transportation equipment for reconstituted civil police forces.

Logistical support through air service contracts to support the refugee relief program and project activities in remote areas.

The bulk of these project funds are devoted to activities necessitated by the war situation or the urgency of nation-building efforts to achieve greater security, such as refugee relief and resettlement, road construction and out-post type village cluster development.

Nevertheless, significant development of agriculture, forestry, educational and health services and small industry has been achieved. Four inter-related areas of development activity deserve particular mention:

(1) Rural development.—AID activities in this field are concentrated on institutional development and on fostering economic links between producers and markets. American community development advisors—including the dedicated young men and women of the International Volunteer Service—help Lao government workers and the villagers identify basic needs and organize local resources to achieve community progress.

Activities financed include construction of schools, dispensaries, wells and rural roads, and improvement of local skills and techniques, particularly in agricultural production. The use of local resources is being encouraged by making rural construction contingent upon the provision of local materials and labor by villagers.

Many local projects are now proceeding without AID financing. Some AID financing of others will be continued. However, greater emphasis will be placed on organizational and leadership training, formal and informal, and on technical-skills training for farmers and villagers.

(2) Agriculture.—The program for accelerating rice production is a major AID undertaking. The target is to eliminate the need for rice imports by 1975. Project activities include helping to build the necessary infrastructure—roads, irrigation systems, storage facilities, et cetera—and farmer motivation.

The use of improved seed varieties, fertilizers, and insecticides has already yielded dramatic production increases in selected areas. A widespread and successful campaign to distribute new seeds, demonstrate new methods and train farmers was begun in fiscal year 1968.

Introduction of double cropping has demonstrated that with use of improved seed varieties, farm chemicals, and irrigation, production can be expanded up to five times the present yield.

AID is also helping the Lao Government develop more effective and expanded facilities for providing credit to small farmers and assuring markets for increased production.

(3) Public health.—The country has only a few Lao doctors and nurses to combat the high prevalence of such diseases as malaria, dysentery, and influenza and to reduce a high infant mortality rate. In addition, the prolonged military action in Laos produces a stream of casualties which must be treated. The public health project provides minimum medical care for the rural population in areas under Government control, through some 290 AID-supported facilities.

The number of military casualties and refugees receiving medical care under this system has risen considerably with the increased military action over the past year. Seven municipal hospitals are operated by Filipino medical personnel under AID contract.

Training programs provide medics to operate dispensaries, as well as assistant nurses and midwives. However, the dearth of qualified candidates for university medical study limits the development of a long-range program to improve public health standards and services.

In family planning our aim is to improve the well-being of Laos by better health care of mothers and infants, and by introducing family planning techniques.

With our assistance a national maternal and child health center is being established in Vientiane. A beginning has been made on extending maternal and child health services to rural areas. This program will provide improved clinical care, additional medical training and channels for dissemination of information on improved mother and infant health care and family planning. Basic demographic surveys will be conducted, and training will be provided in Thailand for medical personnel.

(4) *Education.*—The extreme shortage of trained manpower in Laos is one of the chief obstacles to national unity and effective Government services. In addition, the continuing popular demand for education in the rural areas is a challenge to the Government's efforts to retain popular support. Consequently, the Lao Government devotes about 20 percent of its civil budget to education.

AID is helping the Government expand the elementary education base and increase the number of trained teachers. AID will concentrate during the next several years on the Lao normal schools, aiming at a total enrollment of 3,500 by 1975—compared to about 3,000 in fiscal year 1969—and on expanding the Lao language secondary education system. Limited assistance is being provided for village self-help elementary school construction.

In summary, the AID program has helped significantly to maintain the economy and, in cooperation with other donors, to prevent crippling inflation. At the same time our assistance has provided relief for refugees displaced in the combat areas and supported efforts in the key development areas of education, health services, and improvement of living conditions in the rural areas.

SMALL BUSINESS PROCUREMENTS

Mr. CONTE. Dr. Hannah, the Small Business Committee, on which I am the ranking minority member, reported in House Report 91–777 on "The Position and Problems of Small Business in Procurements Financed by AID." The report recommended, among other things, that you provide better information on this subject, that you actively solicit small business participation, and that you limit bidding in certain cases to small business. What have you done to implement the recommendations of our report?

Dr. HANNAH. We have agreed to obtain and make available to the committee information which will show the extent of small business participation in procurement which is financed by AID. We have also agreed to undertake, in cooperation with the field offices of the Small Business Administration and the Department of Commerce, a series of seminars and workshops throughout the United States. These will be devised to provide small business firms with guidance on how to export; furnish information on AID-financed procurement programs; and describe the special services available from AID to help small business firms to participate. The feasibility of developing and adopting an acceptable set-aside program for small business under AID-financed commercial import programs is currently being studied by AID, in cooperation with the Small Business Administration and the Department of Commerce. We will report our findings and decision to the committee as soon as the study has been completed.

DEEMPHASIS OF SHORT-TERM GOALS

Mr. CONTE. Dr. Hannah, in your prepared statement, you quote the President's task force emphasis upon long-term, as distinct from short-term, aid goals. Does this mean that the AID program will deemphasize internal political problems in the case of both democratic and nondemocratic governments?

Dr. HANNAH. It is still too early to say what the final composition of the U.S. assistance programs will be, but I think that we have to make a long-term commitment to support development of the LDC's. The problems of development require such a commitment to insure solution of these problems. In this context, therefore, if the United States decides to make such a commitment to development, it means that there will be less emphasis on short-term political gains as a result of providing such assistance. By focusing on the prospect of success in development over the long term, we are able to effectively divert the attention of the LDC's from such questions as acquisition of sophisticated weapons and also make it possible for all people to gain a more meaningful share in the benefits of development through democratic involvement in the development process.

FREE WORLD CONTRIBUTIONS TO AID

Mr. CONTE. You mentioned that U.S. contributions in 1970 will be 44 percent of the free world total. The justifications show that the figure for 1971 will be 0.38 percent of GNP, and that in 1968 we were ninth in this category. Could you provide, for the record, a chart

showing where the United States stands in total aid contributions and as a percent of GNP in relation to the other free world contributors?

Dr. HANNAH. I will insert that for the record.

(The information follows:)

RANK OF DAC COUNTRIES—FLOWS OF ECONOMIC RESOURCES, AMOUNT (DOLLARS) AND IN RELATION TO GNP

	Official economic flows	
	Percent	Amount
1–2. Portugal	(0.68)	$34
1–2. France	.68	855
3. Australia	.56	157
4. Netherlands	.53	134
5. Japan	.46	659
6–7. Germany	.45	595
6–7. Belgium	.45	93
8. United Kingdom	.42	428
9. United States	.41	3,605
10. Canada	.34	214
11. Sweden	.28	71
12. Norway	.26	23
13. Austria	.24	28
14. Denmark	.23	29
15. Italy	.20	150
16. Switzerland	.11	19
Total	.42	7,095

Source: DAC chairman's report, 1969.

"SOFTNESS" OF AID

Mr. CONTE. You state on page A–6 that the United States dropped to 11th place in 1968 in relative softness of aid terms. How do you measure "softness" and who were the 10 above us?

Dr. HANNAH. The table shows the concessional or grant element of total official commitments by DAC countries in 1968, with the United States ranking ninth at 75 percent in a virtual tie with the United Kingdom and The Netherlands with 74 percent. The Australian program is 100 percent, and the grant element of the programs of six other countries is 90 percent or more. Germany is the only major country with a relative poor performance in this respect, but it introduced a new terms policy in 1969 which will result in considerable improvement on future commitments.

The concessional element is a convenient way of taking into account simultaneously the interest rate, the grace period, and the maturity on different loans, for making country comparisons. In essence, the concessional element measures the amount of concession offered in an aid loan as compared to an assumed standard cost of capital to developing countries—conventionally set at 10 percent. More precisely, the concessional element is the difference between the present value of all future interest and principal repayments by the borrower, discounted at the standard 10 percent, and the initial face value of the loan. The concessional element is generally stated for convenience as a percentage of the face value.

(The information follows:)

TOTAL OFFICIAL COMMITMENTS BY DAC COUNTRIES CONCESSIONAL (GRANT) ELEMENT [1]

Country, ranked by concessional element	Commitment amount (millions)	Percent concessional element
1. Australia	$219	100
2. Belgium	116	98
3. Norway	27	97
4. Sweden	105	93
5. Canada	205	91
6–7. Denmark	81	90
6–7. Switzerland	35	90
8. France	1,305	81
9. United States	4,772	75
10–11. Netherlands	250	74
10–11. United Kingdom	560	74
12. Japan	329	(2)
13. Austria	41	64
14. Germany	824	59
15. Portugal	46	56
16. Italy	244	43
DAC total	8,116	7

[1] Face value in dollars less present value of scheduled service payments, discounted at 10 percent.
[2] Estimated at between 65 and 75 percent.

Source: DAC chairman's report, 1969.

GOALS OF DEVELOPING NATIONS

Mr. CONTE. You state in the prepared statement that the poorer countries must set solid and realistic goals for themselves and take the difficult steps necessary for progress. How would you characterize the goals set and the steps taken by them in the past?

Dr. HANNAH. Sometimes in the past, the LDC's have equated development with the acquisition of big symbols, such as steel mills, international airports, major highways and this sort of thing. To the extent they have done this, their goals and objectives have been unrealistic. We believe now, however, that with few exceptions, there is clear recognition in the developing countries of the importance of putting first things first, of making the difficult decisions, of supporting projects that bring real economic progress and improve the quality of life of all their people. Over the past several years the self-help record of most of the developing world has been of a very high standard.

TURKEY AND KOREA

Mr. CONTE. You mention that Turkey and Korea are rapidly approaching the time when large amounts of concessional assistance will no longer be required. How much assistance will still be required after that time by them? What other countries are making good progress in this direction?

Dr. HANNAH. The Turkish Government stated in its first 5-year plan that it might be possible to terminate concessionary assistance by 1973, the end of the Turkish second 5-year plan. We agreed this was a reasonable and desirable target. Since 1962 the increase in the gross national product of Turkey has averaged close to 7 percent per year, on target with goals established in its plan. However, Turkish foreign exchange earnings have not increased as rapidly as was hoped,

and the 1973 target now appears to be overly optimistic. The Turkish Government suggests 1975–77 as more appropriate.

The considerable economic progress Turkey has made and better burden sharing has permitted U.S. concessionary assistance to fall dramatically—loan obligations were over $125 million in fiscal year 1967, as compared to our request of $50 million for fiscal year 1971. Although long-range economic projections are subject to a number of "ifs," we expect Turkey will continue to grow rapidly and further reductions in U.S. assistance should be possible in the future. Turkey will continue to need help from the World Bank and similar sources to sustain its continuing development program.

While requirements for development loans have not fallen in India and Pakistan, each has made significant progress in reducing requirements for Public Law 480 imports. Achieving food self-sufficiency in these countries will be an important step toward independence of aid.

In developing their second 5-year plan for the calendar years 1967–71, the Korean Government took into account a gradual phase out of supporting assistance grants. These grants which totaled $45 million in fiscal year 1967 have declined to $10 million in fiscal year 1970, the final year for this program. Local currency generated from supporting assistance has helped support the Korean military and economic development budgets. As the Korean economy has grown in strength, the Korean ability to finance their own budgetary requirements has improved thus enabling the termination of these grants.

We also expect that development loans will no longer be required after the early fiscal year 1970's. This follows a phase down from a high point of $59.5 million in fiscal year 1967. The Korean economy has grown rapidly in recent years and continues to maintain its strength. GNP has been increasing at an average rate of 11.7 percent over the past 5 years. We believe that a healthy growth rate may be maintained from the early 1970's on without development loans if wise judgments are made on allocating resources and other types of long-term official loans continue.

With the termination of supporting assistance and development loans, major amounts of AID assistance will not be required. However, we have not as yet fixed a firm phase out date for Public Lak 480 or technical assistance. In view of the heavy military burdens which will probably continue for a decade, additional Public Law 480 assistance will be required for some time. We also plan to continue the technical assistance program through the 1970's.

AUDITOR GENERAL

Mr. CONTE. Last year at page 51, I raised a question about corruption in the Vietnam AID program. You replied that this would be handled by a new Auditor General function. What is your assessment of the efforts made by the Office of Auditor General since its establishment?

Dr. HANNAH. The Auditor General operation was established as of June 16, 1969. In the first phase of its operation, the new AG organization concentrated its efforts on a reorganization and upgrading of the Washington audit, inspection, investigation, security, and operation appraisal activities. After preliminary work on these matters, it

moved into a second phase which concentrated on new arrangements for overseas-based auditors, under which all audit, inspection, and security personnel will come under the direct control of the AG operation in Washington.

Phase 1 of the operation has been quite successful. It is expected that during fiscal year 1970, the AG will conduct approximately 24 internal audits of missions, more than the total audits for the 3 previous years. Simultaneously this type of audit is being upgraded in terms of technical approach and management orientation.

Phase 1 has also included new efforts in overall audit planning, improved direction and coordination of audit activities, an upgrading of security and audit activities to assure greater impact on management, and improvements in the inspection and investigation activities.

Phase 2 has included initial reconnaissance trips to the various geographic areas abroad by joint teams representing the Controller and the Auditor General. These teams have set the groundwork for finalization of the necessary arrangements to bring audit personnel under the direct control of the Auditor General operation. As a result, new area Auditor General operations with overseas based audit personnel are now established in Latin America, Africa, East Asia, and Vietnam. The first office was activated in December and the others in February and March. It is expected that final arrangements for the Near East and South Asia region will be completed in late April or early May.

In summary, considerable progress has been made in the monitoring and surveillance area in the first 9 months of the AG operation. AID now has a single integrated AG activity. It is established at a high level in the organization, reporting direct to the Administrator. It is totally detached from operational responsibility and hence reviews operations from an independent point of view.

POPULATION CONTROL

Mr. CONTE. Last year, at page 42, I asked about your emphasis on population control. I see in the justifications that the program is still being emphasized. Are you satisfied with the progress you are making in this critical area?

Dr. HANNAH. Rapid progress is being made in this field, with the vigorous assistance of AID and other institutions and countries. The Agency is now providing direct assistance for the population program activities of 31 countries, including the most populous—India, Pakistan, and Indonesia. At the same time, many volutary groups and institutions are receiving indirect help through such organizations as the International Planned Parenthood Federation, the United Nations, OECD, the Pathfinder Fund, and the Population Council. The Agency's aid has helped to bring many new programs into being, enabled the expansion of others, and contributed substantially to necessary efforts in training, research, and communication.

With expanded funds available in recent years, the Agency's assistance in this field in the current fiscal year has the goal of $75 million, compared with the $45.4 million obligated in fiscal year 1969 and the $2.1 million obligated in fiscal year 1965.

Looking back at the past few years, the advances in both assistance and program action are impressive. However, the problem of excessive population growth, especially in the less-developed countries, is enormous, urgent, and complex. The scope and pace of worldwide action are far from adequate for any rapid slowing of population growth. In this context, none of us can be satisfied with the present progress.

However, we will continue our efforts to encourage AID-recipient countries to establish viable, effective programs and to expand and improve existing ones where required. As I have mentioned before, we will obligate as much of the funds earmarked for population as we can wisely spend. To the extent that we can promote more rapid progress through wise use of our funds, we shall do so.

PROMOTION OF TOURISM IN LATIN AMERICA

Mr. CONTE. What kinds of activities are you considering to promote tourism in Latin America?

Dr. HANNAH. The Dominican Republic has large undeveloped Caribbean beaches whose tourist potential is being examined by several potential investors. We are talking with the Dominicans about a loan to finance access roads and utility services to areas where private investors will be constructing resort facilities. In Central America, a portion of a proposed loan to the Bank for Economic Integration would be used for financing investments in construction of hotels and motels. Also under consideration are loans to Brazil for airport improvement to Colombia for tourist facilities, to Ecuador for tourism feasibility studies and to Guatemala for national parks development. Possibilities for technical assistance include advice and training in development of tourist services in Guatemala and Honduras, and surveys of improvement required in the Pan-American Highway System. Of course, these activities are merely illustrative; we are prepared to consider these, or any sound projects which may be presented, as opportunities arise and funding availabilities permit.

BALANCE BETWEEN MILITARY AND NONMILITARY AID

Mr. CONTE. Last year at page 58, I asked about the balance between military and nonmilitary aid programs. You replied, "I do not believe that the overall relationship between military and nonmilitary assistance in these low-income countries is generally out of balance." Do you still feel that way?

Dr. HANNAH. Yes; I still think there is a reasonable balance between our military and economic assistance programs overseas. The bulk of the military assistance is concentrated in four or five of the forward defense countries. The balance of the military assistance is provided in limited quantities for transportation and communications equipment and small arms and that sort of thing to countries in Latin America and a few in Africa. The problems that we face in Southeast Asia are special ones. Throughout the rest of the LDC's, I think that the proper restraint is being used in considering the needs of military organizations in various countries and that the program will probably continue at about the level that is now being provided.

VIETNAMIZATION

Mr. CONTE. You are proposing to spend $414.6 for Vietnam and possibly $100 million more at a later date. Are you optimistic about the Vietnamization effort?

Dr. HANNAH. I have just returned from Vietnam. This is the second time I have been there in the past 10 months. I have been going to Vietnam on and off for the past 15 years and until these last visits, I had not felt that there was a government which was really concerned about the future of that nation and the prospect of development of their economy and improvement of the general welfare of the people. For the first time, the people in the rural parts of Vietnam are beginning to understand that they do have a government which is concerned about them. There is strong evidence that the little people are willing to participate actively, assume the responsibility and contribute as much as they possibly can for the future growth and development of their country. President Thieu has fully committed his government to having a military force of 1.1 million people in the near future. I think that they can and will do this, and it is our hope that they can successfully support the military operations that we are now helping them with. However, we will have to provide sufficient economic assistance to help them to carry out this important effort.

GAO REPORTS ON LAOS AND THAILAND

Mr. CONTE. You are proposing $35.1 million for Laos and $26.3 million for Thailand. GAO recently reported on the AID program in Laos (B–133003) and in Thailand (B–133258). These are both lengthy reports, but I am sure you are familiar with their conclusions and recommendations. What have you done to implement GAO suggestions and see that future assistance is spent more effectively?

Dr. HANNAH. In Laos the overriding economic fact of life is that, due to the Communist aggression and insurgency, a large military and administrative structure has been forced on a government whose economic base would be seriously strained to maintain even a peacetime army and provide limited governmental support.

There are no formal recommendations for action by AID in the final GAO Audit Report. We believe the report shows, however, that AID has been prompt to recognize and acknowledge shortcomings and to take corrective action to the extent feasible in the complex Lao situation. In cases where corrective action is of an ongoing nature, such as more thorough planning for the rice production program, better control of spare parts and supplies, and tighter discipline on the use of air transport, major advances have been made and the mission is following through to insure maximum corrective action.

The GAO report stated that stabilization programs have been since 1964, "successful in maintaining a stable Lao currency, which tends to promote political and economic stability." We fully agree that, toward the objectives of minimizing dollar drain, reducing total dollar costs, and achieving more effective use of foreign exchange made available to Laos by the United States and other countries, we need better information on the needs and functioning of the Lao economy and on its availabilities and use of foreign exchange. The mission is work-

ing toward a feasible system of foreign exchange reporting by the commercial banks. We also agree that continuing analysis is essential in order to improve Lao tax policies, tax collections, and investment climate. Proposals for improved fiscal measures are being prepared by an IMF expert and will soon be available for consideration by the Lao Government.

In addition, a modest industry program is attempting to promote viable industrial and agro-industrial enterprises so as to increase exports, reduce dependence on imports, and satisfy an increased share of needed capital equipment imports under the U.S. commodity import program.

The report on Thailand correctly identifies several important problem areas. We had recognized virtually all of these and, in most cases had initiated corrective action. For example, the AID mission internal audit staff had begun an extensive audit of the accelerated rural development (ARD) program prior to the General Accounting Office review and, as acknowledged in the final General Accounting Office report, most of the GAO comments concerning utilization and maintenance of equipment and the operations of the Northeast ARD Center were taken from the AID mission report. The mission audit was published in June 1968 and appropriate action was either planned or already underway to act on the findings and related recommendations. In fact, AID took even stronger measures than suggested by the General Accounting Office to improve ARD management and commodity utilization.

Readjustments have been made in program planning and implementation to insure sound and improved administration and management of AID-support programs. Although AID has intentionally sought to step up the pace of Thai counterinsurgency programs, we have also monitored these programs carefully.

Among the specific actions taken during the period were the following:

(*a*) A reporting system was developed whereby each province participating in the ARD project would report monthly on three major aspects of program implementation: the amount of construction actually carried out as compared with what had been planned; the rate of utilization of project equipment; and the amount of equipment down for repairs (deadline rate). These reports will permit the AID mission and the Thai Government to monitor project progress on an individual province basis.

(*b*) A team of mission and Thai Government personnel inspected ARD operations in all provinces to identify equipment in excess of immediate requirements and to recommend the transfer of any excesses to other provinces.

(c) A special committee of mission and Thai Government personnel reviewed ARD engineering practices and operations and submitted a report with recommendations as to the organization of ARD and its management and personnel arrangements.

Mr. CONTE. Thank you.

Mr. LONG. We will insert certain questions submitted by Mrs. Reid.

Mrs. REID. Would you give us your comments briefly on how the authorization and requested appropriation for fiscal year 1971 may be coordinated into the recommendations of the Peterson committee?

Dr. HANNAH. The fiscal year 1971 appropriation request has been submitted

within the context of the 2-year authorization passed by Congress last year for fiscal years 1970 and 1971. This 2-year authorization, although lower than the administration had recommended for fiscal year 1970, allows for more intensive review of the task force report.

The report and the President's recommendations on the future shape of U.S. foreign aid programs are expected to be discussed with the Congress and the public this spring and summer. These discussions will help form the basis of the proposals the President will make to the Congress for its consideration in 1971.

During this period of discussion and consultation on the future shape of U.S. foreign aid programs, the existing programs must be carried on. The task force addresses itself to this question:

"Foreign assistance, like domestic programs, cannot be changed drastically from year to year without either a sacrifice of the goals the United States seeks or damage to the means for achieving them. Foreign assistance involves continuing programs, the actions of many other nations, and a functioning international framework—for all of which the position of the United States is of the greatest importance. This highlights the need for timely approval of the 1971 foreign assistance budget. Disruption of the U.S. program could undermine the entire system of international cooperation in this field."

Mrs. REID. What improvements in administration have resulted from the establishment of the Office of the Auditor General?

Dr. HANNAH. When we combined AID's audit, appraisal, security, inspection and investigation functions last June under a senior official reporting directly to the administration, we anticipated that it would result in broader coverage and more prompt resolution of deficiencies. Our expectations are being realized. In the first 7 months of operation the Auditor General's Office completed 12 audits of missions and expects to complete 10 more by June 1970. Thus the first year's output will exceed the preceding 3 years' total of 21. In the same period there was a 22-percent increase in the number of contract audit reports issued. Also the quality of the review work and the reports has been improved.

A system has been developed under which we expect to computerize all findings and recommendations by the GAO, the Inspector General for Foreign Assistance and the Auditor General to pinpoint recurring problem areas, trends, and the status of outstanding recommendations.

A committee of distinguished members of the American Institute of Certified Public Accountants has been formed to advise the Auditor General on technical and professional issues. Auditor General findings in project management have emphasized the need for increased management attention. Attention is being given to these and other problems identified in AG reports that will enable all our managers to improve their effectiveness.

We believe that the detachment of the audit function from the control and operation of the program has brought a new realization to our managers of the importance of doing a better job. Progress has been good even during this initial 9-month period of organization and personnel realinement. We are satisfied that the creation of the Office of Auditor General was an important step toward increased management effectiveness and that the coming year will further demonstrate this.

Mrs. REID. Since greater emphasis is being placed on technical assistance, what areas are being expanded?

Dr. HANNAH. The new emphasis on technical assistance is not a question of expanding the staff or developing more projects. Our current efforts are primarily directed at improving the quality of the technical assistance that we do. We established the Bureau for Technical Assistance in AID last fall to deal with the question of quality. The people in that bureau are trying to bring about a change by concentrating our efforts on the key problem areas that are hampering development in LDC's and where effective assistance can be provided. We are also more effectively encouraging universities and similar sources of highly skilled personnel in the United States to apply their best thinking to these problems. During the past 6 months, we have improved our consultations on major program operations with American professionals in agriculture, population, nutrition, education, science, and technology and the rest. Promising initiatives to improve the quality of our technical assistance operations are underway and I believe that in the near future these new efforts will prove successful and will assure recipient nations that they are getting the best advice and assistance that America has to offer. As initial steps to provide improved support for priority activities, we have recently expanded population activities in AID. We have also established an Office of Science and Technology within the new Bureau for Technical Assistance and an urban development staff in the Bureau will be manned by late summer.

Mrs. REID. How many research and educational institutions are receiving grants or have contracts to do research and carry on technical assistance?

Dr. HANNAH. At the moment there are 125 U.S. colleges and universities which have contracts or grants for research or technical assistance. About an equal number of U.S. educational institutions are involved in the program under small task orders directly from AID overseas missions. In addition to the universities, there are 20 other organizations which are doing research for us.

Mrs. REID. Would you list for the record the American schools and hospitals which are receiving assistance and how much each would get under the proposed fiscal year 1971 appropriations?

Dr. HANNAH. I will be glad to provide a table:

AMERICAN SCHOOLS AND HOSPITALS ABROAD

The proposed fiscal year 1971 program follows:

1.	American University of Beirut	$5,500,000
2.	American Farm School, Thessaloniki, Greece	110,000
3.	Robert College, Istanbul	2,100,000
4.	American University in Cario	200,000
5.	Escuela Agricola, Panamericana, Honduras	200,000
6.	Admiral Bristol Hospital, Istanbul	50,000
7.	Project HOPE	500,000
8.	Pierce College, Greece	100,000
	Program support total	8,760,000

Mr. LONG. Thank you very much, gentleman. We will now adjourn.

WEDNESDAY, APRIL 8, 1970.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

WITNESSES

SAMUEL DePALMA, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS
LOUIS FRECHTLING, DIRECTOR, OFFICE OF INTERNATIONAL ADMINISTRATION, DEPARTMENT OF STATE
RICHARD V. HENNES, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL ADMINISTRATION, DEPARTMENT OF STATE
SIDNEY S. CUMMINS, BUDGET OFFICER, OFFICE OF INTERNATIONAL ADMINISTRATION, DEPARTMENT OF STATE
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

The committee will consider this afternoon the budget request for voluntary contributions to international organizations. We have as witnesses the Honorable Samuel DePalma, Assistant Secretary of State for International Organization Affairs, and other supporting witnesses, whose names will be listed in the record.

Mr. Secretary, do you have a statement you would like to make for the record?

Mr. DePalma. Mr. Chairman, I have.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

Mr. DePalma. Mr. Chairman and members of the committee, I am here to testify in support of the President's request for voluntary contributions to multilateral organizations and programs.

In his report to the Congress on "U.S. Foreign Policy for the 1970's," President Nixon outlined the concepts embodied in a new strategy for peace through partnership. A central thesis of that report was that "the United States will participate in the defense and development of allies and friends, but that America cannot—and will not—conceive all the plans, design all the programs, execute all the decisions and undertake all the defense of the free nations of the world. We will help where it makes a real difference and is considered in our interest."

With respect to foreign assistance, the report states that "multilateral institutions must play an increased role in the provision of aid. We must enlist the expertise of other countries and of international agencies, thereby minimizing the political and ideological complications which can distort the assistance relationship."

The President's Task Force on International Development concluded in the same vein that more reliance on international organizations should be built into all U.S. policies relating to international development—whether they concern development assistance, debt rescheduling, tying, trade, investment, or population. This is basic to the new approach to foreign assistance we recommend. A predominantly bilateral U.S. program is no longer politically tenable in our relations with many developing countries, nor is it advisable in view of what other countries are doing in international development.

The issue for the present, however, is not whether U.S. development assistance should be bilateral or multilateral. The United States needs both, since it will be some time before the industrial nations are willing to provide all development assistance through multilateral channels and before the international organizations have the capacity to take on the entire responsibility. Even now, however, long-term development can be made essentially international in character.

The U.N. system of organizations constitutes the major international forum in which developed and developing countries confer not only on political questions but also on economic and social problems, of which one of the most important is the development of two-thirds of the world which lives at the poverty level. The U.N. system covers practically every aspect of development on a worldwide basis, and close to 80 percent of the annual resources of the system are concentrated on or related to development.

In organizational terms, the system includes the United Nations itself, subsidiary bodies such as the U.N. Conference on Trade and Development (UNCTAD) and the U.N. Industrial Development Organization (UNIDO), the 11 specialized agencies and the Interna-

tional Atomic Energy Agency, and operating programs such as the U.N. Development Program (UNDP), U.N. Children's Fund, and the world food program. Together these agencies and programs cover the entire spectrum of development assistance and practically all of them are engaged in varying degrees in technical assistance and preinvestment activities within their respective fields of competence.

The U.N. system is now gearing up for the Second U.N. Development Decade by defining overall and sectoral development objectives and by formulating a common strategy to achieve them.

Within the U.N. system, the UNDP plays the central role in economic and social development activities and should, we believe, play an increasingly important role in coordinating these activities:

UNDP is now expending over $225 million annually and operates in 130 countries and territories.

It finances the bulk of the technical assistance and preinvestment activities of the U.N. bodies and specialized agencies, including the World Bank, which serve as executing agents.

The UNDP is a cooperative program in which both advanced countries and less developed countries participate. Developed countries have been steadily increasing their contributions, while assisted countries are assuming progressively their responsibility in the partnership required to make external aid effective.

With a view to increasing the effectiveness of its operations during the Second U.N. Development Decade, the UNDP is engaged in an intensive review of its operations and procedures to improve its performance. The basic document for this review is the "Study of the Capacity of the U.N. Development System" prepared by Sir Robert Jackson and a team of prominent experts and issued last November. While asserting that multilateral development cooperation through the U.N. system can be made to work effectively as demonstrated by its very considerable achievements, Jackson found that the capacity of the U.N. system, as now organized and operated, to deliver developmental assistance is strained both quantitatively and qualitatively.

The major recommendations of the Jackson study are:

Introduction of a programing system which would closely link all inputs of the U.N. system to the needs of each country in accordance with its development plans.

Efficient and prompt execution of projects using all available resources, both within the U.N. system and outside it (e.g. private contractors).

Strengthening of the evaluation system to maintain accountability of the administration for the use of resources contributed to the UNDP, to measure results, to judge the effectiveness of the methods used, and to draw conclusions for guidance in future operations.

Efficient follow-up as an integral part of each project.

The introduction of an efficient information system.

Organizational reforms at the country, regional, and headquarters level designed to integrate more closely the various compounds of the U.N. system.

Strengthened authority of U.N. Resident Representatives.

Better staffing at all levels involving measures to attract and retain highly qualified personnel.

Improvement of the financial system including a shift to annual funding of longer-term projects.

The United States helped to initiate the Jackson study and is now actively seeking support for the implementation of most of its recommendations, especially those listed above. The report was considered in a special session of the Governing Council of the UNDP in late March. The discussion revealed a wide consensus regarding the nature of the reforms needed to improve the effectiveness of the UNDP. The concept of country development plans as the basis for U.N. systemwide programing found wide support, as well as the concept that the UNDP should be the central point for coordinating all U.N. development assistance. The United States and other major contributors favor closer cooperation of UNDP with the World Bank group and its development activities.

Studies initiated at the March session of the Governing Council will be considered at the next meeting in June, when we intend to press for earliest possible implementation of desirable reforms.

FY 1971 APPROPRIATION REQUEST

We are requesting the appropriation of $146,920,000 for contributions to multilateral programs under four provisions of the Foreign Assistance Act of 1961 as amended:

Under section 302(a) (International Organizations and Programs), $122,620,000 for contribution to the U.N. Development Program, the U.N. Children's Fund, and eight other programs. No funds are proposed for two programs included in our request last year—U.N. Technical and Operational Assistance to the Congo and U.N. Programs for Southern Africans.

Under section 452 (Supporting Assistance), $19,300,000 for contributions to the U.N. Relief and Works Agency and the U.N. Force in Cyprus.

Pursuant to section 302(e), $1 million for a special contribution to UNRWA for expansion of technical and vocational training of Arab refugees.

$4 million for the U.N. population program, pursuant to the authorization in section 202 (Development Loans) and the transfer authority for population activities contained in Title X of the act.

U.N. DEVELOPMENT PROGRAM (UNDP)

The United States pledged $86.2 million to the UNDP for calendar year 1970, an amount which represents, on the basis of present data, 35.7 percent of total pledges from all governments ($241.2 million). Our pledge of $71 million in 1969 represented 33.3 percent of the total, while in the previous year the U.S. pledge of $75 million represented 37.2 percent of the total. The major increases in pledges are from developd countries, particularly those represented in the Development Assistance Committee.

We believe that an increase of our 1971 contribution to $100 million will strengthen our influence in achieving necessary reforms in the UNDP. If funds for such a contribution are appropriated, we will

make clear that the prospect of future contributions at that level, to say nothing of possible increases, will depend on the degree to which the UNDP and the U.N. system generally undertake the reforms which we and many other particiuating governments consider necessary.

By the beginning of this year UNDP had earmarked over $1.1 billion for 1,185 Special Fund projects, of which 311 have been completed. Counterpart contributions from recipient governments are estimated at almost $1.7 billion. The Special Fund part of the UNDP provides resource surveys and feasibility studies, helps establish technical, educational and training institutions, finances research in the application of technology to the needs of the less developed countries, and assists countries to develop their capacity for development planning.

The technical assistance side of the UNDP, which provides experts and fellowships, is of particular value to the least developed countries. For 1970 technical assistance programs totaling about $50 million are planned.

UNDP activities are coordinated with the bilateral assistance programs of the United States and other countries in the field as well as at the headquarters level. U.S. AID missions are instructed to consult with UNDP Resident Representatives with a view to coordinating their respective activities, preventing overlapping and duplication and insuring that programs complement each other.

Proposals for UNDP Special Fund projects are transmitted from Washington to our AID missions for review and comment. These comments are combined with suggestions emanating from U.S. Government agencies in Washington and submitted to the UNDP Secretariat prior to consideration of projects by the UNDP Governing Council. Our diplomatic and AID missions are also requested to submit an annual review of UNDP activities. Pertinent comments and recommendations are transmitted to UNDP Headquarters and to the executing agencies.

U.N. CHILDREN'S FUND (UNICEF)

UNICEF is currently assisting 141 countries and territories in developing their services to children and mothers. At its 1969 meeting, the Executive Board of UNICEF approved allocations of $35.8 million: 60 percent in the field of health, 18 percent in education, 8 percent for nutrition projects, and 3 percent for family and child welfare activities. UNICEF is shifting the focus of its assistance from equipment and supplies to activities which have a multiplier effect, such as training stipends and assistance in planning national programs for the improvement of maternal and child services.

Pledges from 125 countries to UNICEF for 1969 totaled $34.3 million of which $31.3 million in unspecified and local costs contributions qualified for a matching contribution of $12 million (38.4 percent) by the United States. An additional $1 million was contributed by the United States on a nonmatching basis, as authorized by the Congress. UNICEF also received contributions of Public Law 480 commodities from the United States valued at $4.3 million. Additional income is realized by UNICEF from private sources such as Christmas card sales, of which such U.S. sources in 1969 contributed $3,910,404.

A contribution of $13 million—the same amount as in fiscal year 1970—is proposed for fiscal year 1971, to be pledged on a 40-percent matching basis.

WORLD FOOD PROGRAM

The World Food Program uses food aid to stimulate economic and social development, to assist in preschool and school feeding programs, and to meet emergency food needs. Through October 1969 a total of 357 development projects and 89 emergency operations had been approved.

For the period 1971–72, pledges of $215.4 million from 48 countries were recorded at a pledging session held in January 1970. The United States pledged up to a total of $125 million for this period, subject to action by the Congress. The pledge included up to $85 million in commodities and $37 million in shipping services, both available under Public Law 480, as well as $3 million in cash toward the administrative expenses of the program.

The $1.5 million is requested as a U.S. cash contribution for 1971, the first year of the 2-year pledge period.

UN POPULATION PROGRAM

Growing awareness in the U.N. system and within U.N. member states of the importance of the world population problem was reflected in several actions in recent months. The United Nations Fund for Population Activities was placed under the management of the Administrator of the U.N. Development Program, in order to relate more closely U.N. action in the population field to problems of economic and social development. In January the U.N. Secretary General issued an appeal for further funds, and in response the United States pledged $7.5 million toward a target of $15 million for 1970 with a proviso that U.S. payments would be matched by other governments on a 50/50 basis.

Projects under consideration by the UNFPA for funding include support for demographic training activities, research in demographic and population questions, advisory missions and other technical services to member countries, national program support for equipment and supplies, information and documentation services, meetings and seminars, and staff costs within the U.N. system of organizations. A number of additional project proposals are expected from developing countries as well as from WHO, UNICEF, FAO, and UNESCO.

A total of $7.5 million is proposed for fiscal year 1971 to complete the funding of the pledge for 1970 activities as well as for further contributions in 1971.

U.N. INSTITUTE FOR TRAINING AND RESEARCH

UNITAR seeks to make the U.N. system more effective by applying modern research techniques to U.N. problems, both in the policy area and in operations, and by improving the competence of U.N. personnel through training. Its budget for 1970 is $1.3 million which is financed by contributions from 78 governments, including $400,000 from the United States. It is proposed that the United States con-

tribute $400,000 in fiscal year 1971, subject to the condition that cumulative contributions from the United States do not exceed 40 percent of total cumulative contributions from all governments.

SPECIAL CONTRIBUTIONS FOR VIETNAM

To assist the Government of South Vietnam in meeting some of its urgent economic and social needs and to lay foundations for increased multilateral assistance in the posthostility era, the United States has encouraged several U.N. agencies to undertake important projects in Vietnam.

The Food and Agriculture Organization is well into a project for determining the commercial feasibility of and training Vietnamese in deep sea fishing off the Vietnamese coast. Thus far the United States has contributed about $1.4 million for this project and the Netherlands Government $220,000. The World Health Organization is planning with the Vietnamese Government the establishment, construction, and staffing of a National Institute of Public Health. The United States has contributed $1 million to this project and the Netherlands Government half that amount. Meanwhile we anticipate that the UNICEF Executive Board this month will take final action on a project to assist in constructing and equipping permanent facilities for the National School of Social Work which is training specialists for care and resettlement of Vietnamese displaced by the war.

It is proposed that $950,000 be appropriated in fiscal year 1971 to cover the final installments of the U.S. contribution to FAO to the fisheries project and to UNICEF for the school for social work.

INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA) —OPERATIONAL PROGRAM

The important safeguards provisions of the Nuclear Non-Proliferation Treaty (NPT) to prevent the diversion of nuclear materials from peaceful to military uses will be implemented by the IAEA. The Agency already has an effective safeguards system in operation financed from the assessed budget by all IAEA member states. This system must be expanded to meet the requirements of the NPT. By supporting the technical assistance activities of direct benefit to the less developed countries, the United States also helps to gain their support for the safeguards program which is vital to our efforts to stop the proliferation of nuclear weapons.

A contribution of $1,550,000 to the operational program is proposed for fiscal year 1971, an increase of $150,000 over 1970 to help meet expanding requirements for assistance to developing countries in the peaceful uses of atomic energy. It is recommended that $630,000 in cash be pledged on a 40 percent matching basis to the IAEA and that $920,000 be provided by the United States in the form of technical seminars and meetings, training courses, small equipment grants and fellowships.

WORLD HEALTH ORGANIZATION (WHO)—MEDICAL RESEARCH

The International Agency for Research on Cancer, an affiliate of WHO, is engaged in studies designed to identify the causes of

cancer, including environmental studies on digestive tract cancer and on the potential carcinogenic hazards of DDT. Annual contributions in support of the agency's work are $150,000 from each of nine member states; $150,000 is requested in fiscal year 1971 for the U.S. annual contribution to the agency.

WORLD METEOROGICAL ORGANIZATION (WMO) VOLUNTARY ASSISTANCE PROGRAM

The world weather watch is a global plan to provide for the rapid collection and exchange of weather data, thereby improving weather forecasting. While developed countries are able from their own resources to collect and disseminate weather data, special assistance must be provided to the poorer countries if they are to produce the required data and transmit it for worldwide use.

The voluntary assistance program coordinated by WMO provides assistance in two categories: (1) equipment and service programs to which advanced countries make contributions in kind, and (2) the voluntary assistance fund financed with cash contributions.

A U.S. contribution of $1.5 million is proposed for fiscal year 1971, which would include a cash contribution of $150,000 on a 40 percent matching basis and $1,350,000 for contributions of U.S. equipment, experts, services and training, administered by the Environmental Science Services Administration.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE (ISVS)

Interest has increased in the functions performed by ISVS which include the encouragement of and assistance to countries wishing to organize Peace Corps-type programs and the exchange of information between countries on volunteer service activities. The participation of the United States fulfills one of the objectives of the Peace Corps Act—to encourage volunteer activities in the field of development.

For fiscal year 1971 a contribution of $70,000 to the budget of ISVS is proposed on the condition that it does not exceed 28 percent of total governmental contributions and that it will be used only to finance clearinghouse functions.

UNITED NATIONS RELIEF AND WORKS AGENCY (UNRWA)

In the turbulent Middle East situation, UNRWA continues to provide essential services to more than 1 million Palestine refugees under difficult circumstances. In the face of rising costs of goods and services and increased requirements for assistance to refugees, UNRWA's administration is now faced with the necessity of cutting back on its current operations unless additional pledges are forthcoming. The United States contributed $13.3 million in cash and $8.9 million in commodities in fiscal year 1970 and proposes to maintain the same level of support in fiscal year 1971. The U.S. share of governmental contributions is now between 55 and 60 percent.

On the basis of our knowledge of UNRWA operations, as well as assurances recently received from the UNRWA Commissioner-General, we believe he is taking all measures possible under the circumstances existing in the area and in accordance with his mandate to as-

sure that all contributions, including those from the United States, are not used to subsidize military or paramilitary activities or for any other purpose foreign to his mandate.

The Foreign Assistance Act of 1969 authorized a special contribution of $1 million in each of the fiscal years 1970 and 1971 for "expansion of technical and vocational training of Arab refugees." We are discussing specific proposals advanced by UNRWA for the most effective utilization of these funds to increase the number of refugees who, with proper training, will be able to become self-supporting.

UN FORCE IN CYPRUS (UNFICYP)

UNFICYP plays a stabilizing role on the island of Cyprus, where tension between the Turkish and Greek communities continues to be significant. The size of the force has been progressively reduced to 3,600 men. The costs are partially met by governments providing military and police contingents and partially by funds administered by the U.N. The United States has pledged on a cumulative basis about 40 percent of the estimated U.N. costs since inception of the force in 1964; however, our share is only one-third of the total cost when contributions in kind as well as cash are taken into account.

It is proposed that the United States pledge $6 million to the support of UNFICYP during fiscal year 1971, an amount which would represent about 40 percent of the costs to the U.N. for maintenance of the force.

Mr. PASSMAN. Thank you very much for your statement. We will proceed to ask you a few questions. I want to make it abundantly clear that I try to be as impersonal as I can. When I refer to you, I am speakin, of course, of the agency. There is never intended to be anything personal about the way I run the hearings or about the manner in which I question. I interrogate the way I do because I am concerned, greatly concerned, because it looks like the bureaucrats of the executive branch are misleading President Nixon concerning funds for foreign aid. When I look at the total budget request from all spigots of foreign aid last year, all branches, good and bad, it was $10,528 million. When we look this year we find the total request has jumped to $12,133 million. It just goes up and up, and new spigots are being created.

I think you men are dedicated. You live with your own program, but we have to look at the overall budget. With all the trouble that we are in in this country, our balance-of-payment situation, deficit financing, runaway inflation because we are spending money, trying to be everything to everybody everywhere, it kind of disappoints me to see that you are now requesting an increase over fiscal year 1970.

1971 APPROPRIATION REQUEST

As I read your proposal, your asking price for 1971 is $160,730,000; is that correct?

Mr. DEPALMA. Sir, the portion for which I am testifying is $146,920,000. I did not include the estimate for the Indus Basin Development Fund.

Mr. PASSMAN. It is a part of the package you are requesting; is it not?

Mr. DE PALMA. Yes, sir; but I am only speaking to the part——

Mr. PASSMAN. This particular agency we are examining this afternoon is $160,730,000.

Mr. DEPALMA. That is the total request for voluntary contributions to multilateral programs.

Mr. PASSMAN. This is $23,600,000 above the estimate for fiscal year 1970; is that correct?

Mr. DEPALMA. Yes, sir; that is correct.

Mr. PASSMAN. Then you know why I am concerned. Every witness who comes before this committee representing a particular agency is requesting an increase. Of course, Dr. Hannah has stated on numerous occasions or reaffirmed the statement that there is always an asking price and a taking price. I know this is your asking price, but the committee will try to figure out the taking price. We know the score but it makes our job more difficult.

MULTILATERAL PROGRAMS

Would you please indicate for the record which programs listed on page H–1 are entirely dependent on voluntary contributions, and which ones also receive an assessed contribution from the United States.

(Discussion off the record.)

Mr. DEPALMA. I would rather put something in the record.

(The information follows:)

RELATIONSHIP OF VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL PROGRAMS AND ASSESSED PAYMENTS TO INTERNATIONAL ORGANIZATIONS

1. Voluntary contributions to U.N. development program, U.N. Children's Fund, U.N. Institute for Training and Research, U.N. Relief and Works Agency, and U.N. Force in Cyprus: These programs were established by action of the U.N. General Assembly but they are separately administered, budgeted, financed, and audited. They were created to carry out various operational functions which serve the broad purposes of the U.N. In creating them the General Assembly authorized the financing of the programs by voluntary contributions only.

None of the assessed payments to the U.N. regular budget made by the United States and other members is used to finance these programs.

2. Voluntary contributions to the world food program: The world food program was established by joint action of the U.N. General Assembly and the conference of the Food and Agriculture Organization (FAO). The program is separately administered, budgeted, financed, and audited.

None of the assessed payments to the U.N. regular budget or to the FAO by the United States and other members is used to finance the world food program.

3. Voluntary contributions to the U.N. population program: The United Nations Fund for Population Activities (formerly titled the Special Trust Fund for Population) was established by the Secretary-General of the United Nations to finance an expansion of the U.N. program in population/family planning. This Fund is supported exclusively by voluntary contributions and in May 1969, was placed under the direction of the administrator of the U.N. development program.

Assessed payments made by member states to the U.N. regular budget are used to support the Population Division of the U.N. Secretariat's Department of Economic and Social Affairs, which is continuing its traditional work in demographic studies and research. In addition, it is anticipated that the Population Division will be used as an executing agency for projects within its competence to be funded from the resources of the Population Fund.

4. Voluntary contributions for special projects in Vietnam: Voluntary contributions are made by the United States to the Food and Agri-

culture Organization (FAO), the World Health Organization (WHO) and the U.N. Children's Fund to finance adidtional projects in Vietnam that they are not able to finance from their regular resources.

The U.S. contributions for Vietnam projects, together with contributions from the Netherlands Government, are placed in trust funds which are distinct and separate from other funds. The trust funds for Vietnam projects are separately administered, budgeted, and audited.

None of the assessed payments made by the United States to FAO and WHO is used to finance the special projects in Vietnam.

5. Voluntary contributions to the operational program of the International Atomic Energy Agency (IAEA): The operational program is designed to provide assistance to less-developed countries in the peaceful uses of atomic energy. The program is separately financed from voluntary contributions and separately budgeted and audited.

The statute of the IAEA precludes the use of assessed payments for operational programs of assistance to members. Therefore, none of the assessed payments of the United States and other members is used to finance the operational program.

6. Voluntary contributions to the voluntary assistance program of the World Meteorological Organization (WMO): This program was established by the WMO Congress for the purpose of assisting less-developed countries through training and the provision of equipment to increase their capability in obtaining and communicating weather data and thereby to play their role in the world weather watch.

The voluntary assistance program is separately budgeted, financed, and audited. Contributions are made voluntarily by countries, and are not assessed on the entire membership.

The assessed payments made by the United States and other members to the WMO regular budget are used to finance the organization's activities in coordinating the exchange of weather data. These activities include the development and adoption of plans for international cooperation in meteorology; they are nonoperational in character.

None of the assessed payments made by the United States or other members is used to finance the voluntary assistance program.

7. Voluntary contributions to the International Agency for Research on Cancer of the World Health Organization (WHO): The Agency was established by a resolution of the WHO assembly to conduct research in selected areas. Only a limited number of the countries holding membership in WHO elected to support the cancer agency. The Agency's funds are separately budgeted, administered, and audited. The Agency is located at Lyons, France, and not at WHO headquarters in Geneva.

None of the assessed payments to the WHO made by the United States and other members is used to finance the cancer agency.

8. Voluntary contributions to the International Secretariat for Volunteer Service (ISVS): The ISVS is supported entirely by voluntary contributions. The United States and other members do not make assessed payments.

PRESIDENT NIXON'S STATEMENT ABOUT MULTILATERAL INSTITUTIONS

Mr. PASSMAN. In the justification statement you quote President Nixon as saying, "Multilateral institutions must play an increasing role in the provision of aid." What did he say before reaching this one sentence and what did he say after this sentence? This was a part of a statement.

Mr. DE PALMA. Yes, sir; it was a part of a report by the President.

Mr. PASSMAN. Let's put the entire speech in the record.

Mr. DE PALMA. We will be glad to do that.

(The information follows:)

UNITED STATES FOREIGN POLICY FOR THE 1970'S—A NEW STRATEGY FOR PEACE—A REPORT BY THE PRESIDENT, FEBRUARY 18, 1970

EXTRACTS

1. *Peace Through Partnership—The Nixon Doctrine.*—As I said in my address of November 3, "We Americans are a do-it-yourself people—an impatient people.

Instead of teaching someone else to do a job, we like to do it ourselves. This trait has been carried over into our foreign policy."

The postwar era of American foreign policy began in this vein in 1947 with the proclamation of the Truman Doctrine and the Marshall Plan, offering American economic and military assistance to countries threatened by aggression. Our policy held that democracy and prosperity, buttressed by American military strength and organized in a worldwide network of American-led alliances, would insure stability and peace. In the formative years of the postwar period, this great effort of international political and economic reconstruction was a triumph of American leadership and imagination, especially in Europe.

For two decades after the end of the Second World War, our foreign policy was guided by such a vision and inspired by its success. The vision was based on the fact that the United States was the richest and most stable country, without whose initiative and resources little security or progress was possible.

This impulse carried us through into the 1960's. The United States conceived programs and ran them. We devised strategies, and proposed them to our allies. We discerned dangers, and acted directly to combat them.

The world has dramatically changed since since the days of the Marshall Plan. We deal now with a world of stronger allies, a community of independent developing nations, and a Communist world still hostile but now divided.

Others now have the ability and responsibilty to deal with local disputes which once might have required our intervention. Our contribution and success will depend not on the frequency of our involvement in the affairs of others, but on the stamina of our policies. This is the approach which will best encourage other nations do their part, and will most genuinely enlist the support of the American people.

This is the message of the doctrine I announced at Guam—the "Nixon Doctrine." Its central thesis is that the United States will participate in the defense and development of allies and friends, but that America cannot—and will not—conceive all the plans, design all the programs, execute all the decisions and undertake all the defense of the free nations of the world. We will help where it makes a real difference and is considered in our interest.

America cannot live in isolation if it expects to live in peace. We have no intention of withdrawing from the world. The only issue before us is how we can be most effective in meeting our responsibilities, protecting our interests, and thereby building peace.

A more responsible participation by our foreign friends in their own defense and progress means a more effective common effort toward the goals we all seek. Peace in the world will continue to require us to maintain our commitments—and we will. As I said at the United Nation, "It is not my belief that the way to peace is by giving up our friends or letting down our allies." But a more balanced and realistic American role in the world is essential if American commitments are to be sustained over the long pull. In my state of the Union address, I affirmed that "to insist that other nations play a role is not a retreat from responsibility; it is a sharing of responsibility." This is not a way for America to withdraw from its indispensible role in the world. It is a way—the only way—we can carry out our responsibilities.

It is misleading, moreover, to pose the fundamental question so largely in terms of commitments. Our objective, in the first instance, is to support our interests over the long run with a sound foreign policy. The more that policy is based on a realistic assessment of our and others' interests, the more effective our role in the world can be. We are not involved in the world because we have commitments; we have commitments because we are involved. Our interests must shape our commitments, rather than the other way around.

We will view new commitments in the light of a careful assessment of our own national interests and those of other countries, of the specific threats to those interests, and of our capacity to counter those threats at an acceptable risk and cost.

We have been guided by these concepts during the past year in our dealings with free nations throughout the world.

In Europe, our policies embody precisely the three principles of a durable peace: partnership, continued strength to defend our common interests when challenged, and willingness to negotiate differences with adversaries.

Here in the Western Hemisphere we seek to strengthen our special relationship with our sister republics through a new program of action for progress in which all voices are heard and none predominates.

In Asia, where the Nixon doctrine was enuniciated, partnership will have special meaning for our policies—as evidenced by our strengthened ties with Japan. Our cooperation with Asian nations will be enhanced as they cooperate with one another and develop regional institutions.

In Vietnam, we seek a just settlement which all parties to the conflict, and all Americans, can support. We are working closely with the South Vietnamese to strengthen their ability to defend themselves. As South Vietnam grows stronger, the other side will, we hope, soon realize that it becomes ever more in their interest to negotiate a just peace.

In the Middle East, we shall continue to work with others to establish a possible framework within which the parties to the Arab-Israeli conflict can negotiate the complicated and difficult questions at issue. Others must join us in recognizing that a settlement will require sacrifices and restraints by all concerned.

Africa, with its historic ties to so many of our own citizens, must always retain a significant place in our partnership with the new nations. Africans will play the major role in fulfilling their just aspirations—an end to racialism, the building of new nations, freedom from outside interference, and cooperative economic development. But we will add our efforts to theirs to help realize Africa's great potential.

In an evermore interdependent world economy, American foreign policy will emphasize the freer flow of capital and goods between nations. We are proud to have participated in the successful cooperative effort which created Special Drawing Rights, a form of international money which will help insure the stability of the monetary structure on which the continued expansion of trade depends.

The great effort of economic development must engage the cooperation of all nations. We are carefully studying the specific goals of our economic assistance programs and how most effectively to reach them.

Unprecedented scientific and technological advances as well as explosions in population, communications, and knowledge require new forms of international cooperation. The United Nations, the symbol of international partnership, will receive our continued strong support as it marks its 25th anniversary.

INTERNATIONAL ASSISTANCE

The international economic successes of the past have been mainly among the industrial nations. The successes of the future must occur at least equally in the economic relations between the industrial nations and the developing world. These new achievements may not be as dramatic as the creation of the Common Market, or the completion of the Kennedy Round of trade negotiations, or the birth of Special Drawing Rights. But the needs are at least as compelling.

There will be a continued requirement for international assistance to developing countries. First, however, we must be clear about what aid can do and what it cannot do. If aid is to be effective, its function must be understood by both donor and recipient.

Economic assistance is not a panacea for international stability, for political development, or even for economic progress. It is, literally, "assistance." It is a means of helping and supplementing the efforts of nations which are able to mobilize the resources and energies of their own people. There are no shortcuts to economic and social progress.

This is a reality, but also a source of hope. For collaborative effort can achieve much. And it is increasingly understood among developed and developing nations that economic development is an international responsibility.

Many of the frustrations and disappointments of development have come not so much from the failure of programs as from the gap between results and expectations. A new understanding of the scope of the challenge and the capacity of programs will help us set feasible goals, and then achieve them.

What will be America's part in this effort?

When I came into office, it was clear that our present assistance program did not meet the realities or needs of the 1970's. It was time for a searching reassessment of our objectives and the effectiveness of our institutions. I therefore named a Task Force on International Development, chaired by Mr. Rudolph Peterson, to explore the purposes and methods of our foreign as-

sistance. Its report, due shortly, will provide the foundation for a new American policy.

One truth is already clear: a new American purpose and attitude are required, if our economic assistance is to contribute to development in the new environment of the 1970's. As I stated on October 31 in my address on Latin America:

"For years, we in the United States have pursued the illusion that we alone could remake continents. Conscious of our wealth and technology, seized by the force of good intentions, driven by habitual impatience, remembering the dramatic success of the Marshall plan in postwar Europe, we have sometimes imagined that we knew what was best for everyone else and that we could and should make it happen. Well, experience has taught us better.

"It has taught us that economic and social development is not an achievement of one nation's foreign policy, but something deeply rooted in each nation's own traditions.

"It has taught us that aid that infringes pride is no favor to any nation.

"It has been taught us that each nation, and each region, must be true to its own character."

In our reappraisal of the purposes and techniques of foreign assistance, we have already reached several conclusions and we have adopted policies to begin to carry them out:

Multilateral institutions must play an increasing role in the provision of aid. We must enlist the expertise of other countries and of international agencies, thereby minimizing the political and ideological complications which can distort the assistance relationship. We are already contributing to a number of international and regional institutions: the International Development Association, the Inter-American Development Bank, and the Asian Development Bank. I will shortly propose a new U.S. contribution to the Special Funds of the Asian Bank. And I am prepared to respond positively to proposals for replenishment of the resources of the Inter-American Bank and the International Development Association.

The developing countries themselves must play a larger part in formulating their own development strategies. Their own knowledge of the needs must be applied, their own energies mobilized to the tasks. This is the approach I emphasized in my address on Latin America.

Our bilateral aid must carry fewer restrictions. I have therefore eliminated some of the most onerous restrictions on the U.S. aid program and have directed that all remaining restrictions be reviewed with the objective of modifying or eliminating them.

Private investment must play a central role in the development process, to whatever extent desired by the developing nations themselves. I proposed, and Congress has authorized, an Overseas Private Investment Corporation to improve our efforts to make effective use of private capital. And we have given special attention to the developing countries in our relaxation of restraints on foreign investment by U.S. corporations.

Trade policy must recognize the special needs of the developing countries. Trade is a crucial source of new resources for them. Thus, as already described, I have proposed and am urging a worldwide and comprehensive system of tariff preferences for the products of developing nations.

But these are only first steps. We are already considering the proposals of the Pearson Commission on International Development, sponsored by the World Bank. When the report of the task force on international development becomes available, I will propose a fresh American assistance program, more responsive to the conditions of the 1970's.

Our new foreign-aid program must distinguish clearly among the various purposes our assistance is designed to serve. Economic development requires sustained effort by donor and recipient alike. Assistance for this purpose will be wasted if—prompted by political considerations—it is deflected by the recipient or the donor to other ends. Similarly, we shall not be putting our own resources to their most productive use if we are unable to insure continuity in our support.

We must focus on the achievement of our real objective—effective development—rather than on some arbitrary level of financial transfer. We shall need to see that various policies affecting the development process—trade, aid investment—are fully coordinated. And new institutions will be needed to meet the realities and the challenges of the 1970's.

Thus, our assistance program, like the rest of our foreign policy, will be changed to serve the future rather than simply continued to reflect the habits of the past. We have already begun that change. I expect a new approach to foreign assistance to be one of our major foreign policy initiatives in the coming years.

STATEMENT TO RECIPIENT OF AID SHOWING EACH COUNTRY'S CONTRIBUTION

Mr. PASSMAN. Would you describe briefly for the record at this point your interpretation of a multilateral institution?

Mr. DEPALMA. My interpretation of a multilateral institution?

Mr. PASSMAN. As it would apply to an AID program.

Mr. DEPALMA. Such programs are funded by contributions from a number of governments administered by an international staff; and the contributions are voluntary.

Mr. PASSMAN. And when the contributions are made, of course, it is left up to any man's judgment whether they are voluntary or not. There has been more arm twisting to get some of these voluntary contributions than goes on to get Members of Congress reelected. When the disbursements are made they are made in the name of the organization, is that correct?

Mr. DEPALMA. Made by the organization; yes, sir.

Mr. PASSMAN. When the disbursements are made, they are made by the organization to the recipient?

Mr. DEPALMA. Yes, sir. The recipient countries are provided with the services of experts, fellowships, and equipment. The international organizations do not disburse funds to the recipient.

Mr. PASSMAN. When you make this contribution of services to the recipient, do you furnish him a list showing in every instance what part the United States contributed and what part other nations contributed?

Mr. DEPALMA. The recipients have all of that information.

Mr. PASSMAN. I didn't ask that question, Mr. Secretary. I said, Do you, when you make the disbursement, furnish to the recipient a statement showing what portion came from the United States?

Mr. DEPALMA. Yes; the agency publishes such documentation.

Mr. PASSMAN. Let me see that form. I want specifics this time. What form accompanies that check?

Mr. DEPALMA. I don't know that it accompanies the check.

Mr. PASSMAN. Now you have answered my question. The recipient, of course, has no way of knowing what part of this contribution comes from the United States. His primary interest is getting this check.

Mr. DEPALMA. The recipient doesn't get our check, sir.

Mr. PASSMAN. I know he doesn't. The point I am trying to make, Mr. Secretary, is when you get into these international organizations, the funds lose their identity.

Mr. DEPALMA. Yes, but——

Mr. PASSMAN. I am glad you said, "Yes," sir.

Mr. DEPALMA. I said, "Yes, but," sir, because the recipients do know what proportion we contribute and what proportion is contributed by other donors.

Mr. PASSMAN. Providing, of course, just by chance they may happen to pick up some circular or some statement.

Mr. DePALMA. If they read the documents issued by the administrators of the international program.

Mr. PASSMAN. You have Members of Congress that don't know what funds the United States provides to these institutions, so how in the world could the recipients know? They are mainly interested in getting the funds, and if you do not send out with this check an attachment showing what part comes from the United States, they have no way of knowing unless by chance they happen to read it in the paper. The point I am trying to make, if we are going to give away our wealth, we should make sure the recipient knows who the donor is. That is my only point. I know that they don't know, you know that they don't know, and I am just afraid if some of us don't do our homework a little better, the first thing you know the internationalists will have succeeded in getting assistance over into the international organizations. We would then lose the right of detailed examination on the individual projects.

Is the United States under any legal obligation to provide the funds requested for these so-called voluntary contributions?

Mr. DePALMA. None whatsoever.

PROGRAMS DESIRED BY COUNTRIES THROUGH INTERNATIONAL ORGANIZATION

Mr. PASSMAN. Thank you, Mr. Secretary. You state on page H–1 that developing countries prefer assistance in the field of family planning to come from an international organization rather than from one nation; is that correct?

Mr. DePALMA. Yes, sir. We think that there are instances where——

Mr. PASSMAN. Why should it be on an international organization basis?

Mr. DePALMA. The reason is that family planning and population control is still a sensitive subject in many countries, in many places——

Mr. PASSMAN. Is it right?

Mr. DePALMA. No; it is not right.

Mr. PASSMAN. Do you think it is right to have family planning?

Mr. DePALMA. Yes, indeed.

Mr. PASSMAN. So do I. Why don't we just be realistic——

Mr. DePALMA. We are, sir.

Mr. PASSMAN (continuing). And let them know? Why try to hide it in an international organization?

Mr. DePALMA. We are not hiding it. As you know we are working on it every way we can. We also provide family planning assistance on a bilateral basis.

Mr. PASSMAN. Mr. Secretary, you state on page H–1 that developing countries prefer assistance in the field of family planning to come from an international organization rather than from one nation. I should like to say that I support your views, that family planning is necessary. I don't think we should hide behind an international organization. I think we should just put it on the line, that we believe in family planning, we believe that it is necessary, and these are our views.

Mr. DePALMA. Actually, we are not hiding. We are trying to maximize our impact on this problem.

Mr. PASSMAN. It is the same difference.

Mr. DEPALMA. And using every way we can to get at it.

Mr. PASSMAN. It is the same difference, Mr. Secretary. I only read your own statement as to how they prefer it. I am just wondering why they prefer it to come from an international organization.

Mr. DEPALMA. Because it is a sensitive political subject at home, and some of them can begin programs in this area more easily if they receive help from an international agency.

Mr. PASSMAN. It is kind of disguised as to what we are doing and where it is coming from, is that right?

Mr. DEPALMA. I don't know that that is the primary motivation.

Mr. PASSMAN. I like the way you nod the correctness of it by the motion of your head. I think that is what is getting us into a lot of trouble, these subterfuges that we practice so as to accommodate these countries. Don't you think if it is going to be a success sooner or later we are going to have to meet it head on?

Mr. DEPALMA. I would hope every country would meet it head on. I agree with you fully.

Mr. PASSMAN. I hope you take that position in all of these matters, meet it head on rather than practice subterfuge and try to hide behind some international organization.

You also state developing countries tend to prefer assistance from international organizations in fields such as resource and transportation surveys. Why would that be true?

Mr. DEPALMA. Because some developing countries are sensitive about the discovery of resources, thinking that this would give whatever country had assisted them firsthand knowledge about what was available; less developed countries prefer in many instances to work with an international organization, where they don't feel that they enter into that kind of relationship.

Mr. PASSMAN. Bless your heart. You always get around to answering my questions. The point is that we do unintentionally or maybe intentionally, practice a subterfuge when we let the recipient receive the contribution through an international organization. We cease to be identified with it. You have just met it head on.

Mr. DEPALMA. I never tried to disguise it.

Mr. PASSMAN. Certainly I know that that is the way they feel, and you have a lot of people in America that would like to get all the aid over into international organizations.

(Discussion off the record.)

Mr. PASSMAN. Do you happen to know the definition of a liberal? 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. That is my definition.

Mr. LONG. I am a moderate.

Mr. PASSMAN. I knew that and that is why I wanted to describe a liberal.

(Short recess.)

Mr. PASSMAN. We will resume our hearing.

Mr. Secretary, would you supply a list of the countries receiving assistance from AID concerning the previously mentioned programs,

and also indicate if the country is receiving aid for the same purpose from international organizations.

Mr. DEPALMA. We will do that.

(The information follows:)

COUNTRIES RECEIVING ASSISTANCE FROM AID AND THE U.N. FUND FOR POPULATION ACTIVITIES

Among the countries receiving bilateral assistance from AID in population/family planning, the following countries have also received assistance from the United Nations Fund for Population Activities (UNFPA). The amount of assistance provided by the UNFPA has been relatively small in amount and has been primarily in the form of experts, fellowships and advisory missions which did not duplicate the assistance provided by AID: Tunisia, Afghanistan, India, Indonesia, Western Samoa, Philippines, Thailand, Dominican Republic, Honduras.

COUNTRIES CONTRIBUTING 60 PERCENT TO INTERNATIONAL ORGANIZATIONS PROGRAMS

Mr. PASSMAN. I note on page H–1 you say:

The United States fosters this expansion of resources by pledging funds on a matching basis whereby the United States typically contributes 40 percent on the condition that other countries pay 60 percent of the total.

Is that correct?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. From this statement may we assume that all programs listed on page H–1 at the indicated program level represent only 40 percent of the total program?

Mr. DEPALMA. Not for every program, sir, but for most programs.

Mr. PASSMAN. For example, the total program for the UNDP should be $250 million of which $100 million is contributed by the United States, is that correct? Or is that formula different?

Mr. DEPALMA. UNDP is strictly on the 40-percent matching basis.

Mr. PASSMAN. How many countries are involved in the 60-percent contribution for the U.N. development program.

(The information follows:)

GOVERNMENTS CONTRIBUTING TO THE UNITED NATIONS DEVELOPMENT PROGRAM

For the calendar year 1970 the following 123 governments pledged $155.1 million or 64.3 percent of the total of $241.2 million.

The same governments are expected to contribute in 1971.

Afghanistan	Cameroon	Dominican Republic
Albania	Canada	Ecuador
Algeria	Central African Rep.	El Salvador
Argentina	Ceylon	Ethiopia
Australia	Chad	Finland
Austria	Chile	France
Barbados	China	Gabon
Belgium	Colombia	Gambia
Bolivia	Congo (Brazzaville)	Germany, Fed. Rep. of
Botswana	Congo (Kinshasa)	Ghana
Brazil	Costa Rica	Greece
Bulgaria	Cuba	Guatemala
Burma	Cyprus	Guyana
Burundi	Czechoslovakia	Honduras
Byelorussian S.S.R.	Dahomey	Hungary
Cambodia	Denmark	Iceland

India
Indonesia
Iran
Iraq
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kenya
Korea, Republic of
Kuwait
Laos
Lesotho
Liberia
Libya
Luxembourg
Madagascar
Malawi
Malaysia
Maldive Island
Mali
Malta
Mauritania
Mexico
Monaco
Mongolia
Morocco
Nepal
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Rumania
Rwanda
Saudi Arabia
Senegal
Sierra Leone
Singapore
Somalia
Southern Yeman
Spain
Sudan
Swaziland
Sweden
Switzerland
Syria
Tanzania
Thailand
Togo
Trinidad and Tabago
Tunisia
Turkey
Ukrainian S.S.R.
U.S.S.R.
United Arab Republic
United Kingdom
Upper Volta
Uruguay
Vatican City
Venezuela
Vietnam, Republic of
Yemen
Yugoslavia
Zambia

Mr. PASSMAN. In an earlier examination dealing with one of the many agencies whereby funds are distributed to the so-called developing nations, we found that some of the nations received out of the International Development Association about 30 times as much as they put in. Does that happen in these international organizations?

Mr. DEPALMA. Yes, sir, there are nations which receive——

Mr. PASSMAN. I said 30 times.

Mr. DEPALMA. I don't know about the 30 times. I would expect there would be similar instances in the UNDP.

Mr. PASSMAN. That is a good racket, isn't it? It is kind of disheartening to have you people pick up 100 nations that put up 60 percent when the U.S. puts up 40 percent. Why do they contribute? Why do you want to show them as contributing when they are going to get back maybe 40, 50, or 60 times as much as they put in? Why don't you just list them as a friendly, less developed nation, and not list them as a contributor? If they are going to put in $1 and get back $30, wouldn't it be better to not let them put in anything and give them $29? Wouldn't you save a lot of bookkeeping?

Mr. DEPALMA. I don't think so, sir, because the whole object of this program is to achieve a partnership concept. The less developed nations contribute not only small amounts to the multilateral program itself but they also contribute local costs of projects in their own area.

Mr. PASSMAN. Let them put up the local cost. Don't interfere with that but you show them as being a contributor. It would be better just to show them as a recipient nation and give them the money. Look at the bookkeeping it would save.

Mr. DEPALMA. But it could destroy this effort that is being made to be sure that they all put up some of their own resources.

Mr. PASSMAN. And of course it would reduce the number of bureaucrats with good jobs and all that bookkeeping and detail work too, wouldn't it?

Mr. DePALMA. I suppose it might.

Mr. PASSMAN. I want to be polite about it but there is a problem.

PUBLIC LAW 480 COMMODITIES AND EXCESS FOREIGN CURRENCY

On page H–2 you state that U.S. agricultural commodities available under Public Law 480 and excess foreign currencies are utilized as a portion of the U.S. contribution.

Would you please list the programs which receive Public Law 480 commodities and the ones which receive excess foreign currencies?

(The information follows:)

INTERNATIONAL ORGANIZATIONS RECEIVING CONTRIBUTIONS IN THE FORM OF EXCESS CURRENCIES OR AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480—FISCAL YEAR 1971, ESTIMATED

[In thousands of dollars]

	Dollars	Excess currency	Public Law 480 commodities	Total
UNDP	97,500	2,500	----------	100,000
UNICEF	13,000	----------	4,462	17,462
World food program	1,500	----------	[1] 42,500	[1] 44,000
IAEA operational program	1,525	25	----------	1,550
UNRWA	4,780	8,520	8,900	22,200
UNRWA, refugee training	1,000	----------	----------	1,000
Total	119,305	11,045	55,862	186,212

[1] In addition the United States will provide shipping services estimated to amount to about $18,500,000.

Mr. PASSMAN. Is it not true that Public Law 480 commodities are in addition to what you have programed for these programs? They are in addition to what you are requesting?

Mr. DePALMA. In the cases we have indicated, they are in addition to the cash contribution.

Mr. PASSMAN. Let's look at the total request of $160,730,000. In order to get the total cost, you would have to add the cost of the Public Law 480 commodities, wouldn't you?

Mr. DePALMA. Yes.

Mr. PASSMAN. Would you not also have to add certain excess currencies to get the grand total?

Mr. DePALMA. No, sir; those are included.

Mr. PASSMAN. But not the Public Law 480. What is the cost of the Public Law 480 commodities going into this area?

Mr. DePALMA. The total is $55,862,000.

Mr. PASSMAN. Let's put the two figures together. What is the grand total?

Mr. DePALMA. $202,782,000.

Mr. PASSMAN. You mean $217 million.

Mr. DePALMA. I am sorry, sir, we did not include the Indus Basin funds estimate.

Mr. PASSMAN. Let's put it all in.

Mr. DePALMA. I just don't know about our contributions to the Indus Basin fund. I don't think there is any pay out for Public Law 480 contribution there.

Mr. PASSMAN. What is the grand total, gentlemen?

Mr. DEPALMA. $216,592,000.

Mr. PASSMAN. I believe we have to pay for the Public Law 480 commodities, do we not?

Mr. DEPALMA. Yes, indeed.

Mr. PASSMAN. So it becomes an altogether different figure when you make it all-inclusive, does it not?

Mr. DEPALMA. It is a larger figure.

Mr. PASSMAN. I appreciate your frankness, Mr. Secretary. That is why I have battled this foreign aid program. It is very confusing.

TOTAL U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS, 1969–1971

Would you please furnish a record showing the total U.S. contribution to international organizations and programs similar to the one included on pages 1075 through 1078 of last year's hearings?

(The information follows:)

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS, FISCAL YEARS 1969–71, ESTIMATED [1]

[In thousands of dollars]

	1969			1970			1971		
	State contributions appropriation	AID ch. III appropriation	Other appropriation	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation
United Nations and specialized agencies:									
United Nations	[3] 37,180			[3] 41,270			[3] 46,451		[4] 20,000
United Nations Children's Fund		13,000	[5] 4,313		13,000	[5] 4,462		13,000	[5] 4,462
Special contributions for Nigerian relief			[5] 17,856			[5] 22,420			[5] 4,225
United Nations development program		71,000			86,188			100,000	
United Nations force in Cyprus		6,000			6,300			6,000	
United Nations Fund for Population Activities			[7] 2,500			[6] 4,000		3,500	[6] 4,000
United Nations High Commissioner for Refugees program			800			1,000			800
United Nations Institute for Training and Research		400			400			400	
United Nations Relief and Works Agency		13,300	[5] 8,900		13,300	[5] 8,900		13,300	[5] 8,900
UNRWA—Arab refugee training					1,000			1,000	
United Nations Research Institute for Social Development			325						
United Nations technical and operational assistance to the Congo		500			300				
Food and Agriculture Organization	8,750			8,336			10,086		
U.N./FAO—world food program		1,300	[5] 48,500		1,300	[5] 48,500		1,500	[5] 61,000
Intergovernmental Maritime Consultative Organization	103			111			122		
International Atomic Energy Agency	3,294			3,374			3,672		
IAEA—operation program		1,000			1,400			1,550	
International Civil Aviation Organization	3,125			3,731			3,769		
International Labor Organization	6,209			6,653			7,459		
International Telecommunication Union	592			616			642		
United Nations Educational, Scientific, and Cultural Organization	9,085			10,531			10,531		
Universal Postal Union			70			75			78
World Health Organization	18,076			19,533			21,681		
International Agency for Research on Cancer		150			150			150	
Drug monitoring program			95			144			
World Meteorological Organization	668			699			775		
WMO—voluntary assistance program		1,500			1,500			1,500	
Special contributions for Vietnam		400			692			950	
Subtotal	87,082	108,550	83,359	94,854	125,530	89,501	105,188	142,850	103,465

See footnotes at end of table.

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS, FISCAL YEARS 1969–71, ESTIMATED [1]—Continued

[In thousands of dollars]

	1969			1970			1971		
	State contributions appropriation	AID ch. III appropriation	Other appropriation	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation
Inter-American organizations:									
Organization of American States	12,662			13,641			16,155		
Inter-American Export Promotion Center						500			500
Special Development Assistance Fund			3,714			4,500			4,500
Special Multilateral Fund, Inter-American Cultural Council			3,700			2,300			10,000
Pan American Health Organization	6,550			8,403			9,264		
Special Fund for Malaria Eradication			1,000			500			
Inter-American Indian Institute	62			62			62		
Inter-American Institute of Agricultural Sciences	2,223			2,437			2,759		
Inter-American Tropical Tuna Commission			416			427			492
Pan American Institute of Geography and History	90			90			90		
Pan American Railway Congress Association	5			5			5		
Postal Union of the Americas and Spain			15			20			22
Subtotal	21,592	0	8,845	24,638	0	8,247	28,335	0	15,514
Regional organizations:									
North Atlantic Treaty Organization	3,819			[3] 6,040			4,691		
North Atlantic Assembly	58			61			60		
Asian Institute of Economic Development Planning			126						
Central Treaty Organization			136			123			123
Multilateral Science Fund						20			20
Multilateral Technical Cooperation Fund			95			75			105
Population program						[3] 20			[3] 20
Colombo Plan Council	6			6			6		
Nam-Ngum Development Fund (Mekong Basin)			3,500						
Indus Basin development		24,071				7,530			5,850
International Control Commission for Laos	394			320					
Organization for Economic Cooperation and Development	4,295			4,647			4,970		
Population Fund						100			
Southeast Asia Treaty Organization	316			320			364		
South Pacific Commission	180			198			199		
Subtotal	9,068	24,071	3,857	11,592	0	7,868	10,290	0	6,118

Other international organizations:									
Customs Cooperation Council							219		
General Agreement on Tariffs and Trade			509			575			628
Hague Conference on Private International Law	8			10			10		
Intergovernmental Committee for European Migration			3,600			3,500			2,900
International Bureau of Exhibitions	6			12			12		
International Bureau of the Permanent Court of Arbitration	1			1			1		
International Bureau for the Protection of Industrial Property	11			13			14		
International Bureau for the Publication of Customs Tariffs	17			17			17		
International Bureau of Weights and Measures	58			66			75		
International Coffee Organization	198			200			260		
International Commission for Conservation of Atlantic Tunas						10			10
International Commission for the Northwest Atlantic Fisheries			6			7			7
International Cotton Advisory Committee			24			24			24
International Council of Scientific Unions and Associated Unions	94			97			100		
International Criminal Police Organization			29			29			29
International Hydrographic Bureau	15			16			16		
International Institute for Cotton			[5] 1,968			[5] 1,816			[5] 1,671
International Institute for the Unification of Private Law	2			10			9		
International Lead and Zinc Study Group			5			5			5
International North Pacific Fisheries Commission			23			23			23
International Rubber Study Group			7			7			7
International Secretariat for Volunteer Service		50			70			70	
International Seed Testing Association			1			1			1
International Sugar Council	22								
International Union of Official Travel Organizations			7			12			12
International Whaling Commission			1			1			1
International Wheat Council	26			30			34		
Interparliamentary Union	27			27			27		
Maintenance of certain lights in the Red Sea	4			4			4		
North Pacific Fur Seal Commission			5			4			4
Permanent International Association of Navigation Congresses			2			2			2
Subtotal	489	50	6,187	503	70	6,016	798	70	5,324
Total	118,231	132,671	102,248	131,587	125,600	111,632	144,611	142,920	130,421
Grand total by years, all appropriations		353,150			368,819			417,952	

[1] Includes contributions to public intergovernmental organizations and programs which are administered by the organizations and programs in accordance with their own financial rules and regulations. Contributions and subscriptions to international financial institutions and loans are excluded.
[2] Administrered by the Bureau of International Organization Affairs, Department of State.
[3] Excludes offsets for repayment of U.N. bonds: Fiscal year 1969, $3,882,000; Fiscal year 1970, $3,950,000; and fiscal year 1971, $3,928,000.
[4] Special contribution for expansion of U.N. Headquarters.
[5] Public Law 480.
[6] Includes $2,000,000 cash and $20,420,000 under Public Law 480.
[7] Supporting assistance appropriation.
[8] Development loan appropriation.
[9] This includes $1,800,000 for conversion of NATO Headquarters.

ALLEGATIONS AGAINST CERTAIN U.N. ORGANIZATIONS

Mr. PASSMAN. In a statement by Elmer B. Staats, Comptroller General of the United States on March 5, 1970, before the House Foreign Affairs Committee, certain criticisms were leveled against various U.N. organizations. I will list some of these criticisms and ask your comment. On page 7, the statement says that there is no effective working mechanism for directing or coordinating the activities of the U.S. departments and agencies involved with the international organizations. Would you like to comment on that statement?

Mr. DEPALMA. I consider that a matter of personal judgment. There is a mechanism, and we use it all the time. Our bureau works in close concert with all the departments and agencies in town, including AID. We have interagency committees. We go over all these programs, and we coordinate as best we can.

Mr. PASSMAN. Let's not put this on the basis of a personal view. Mr. Staats is Comptroller General of the United States, and he usually works with a very large staff of efficient, well-trained men in his field, does he not?

Mr. DEPALMA. He does.

Mr. PASSMAN. His statement is based upon the findings of a very able staff, would you not conclude that that is correct?

Mr. DEPALMA. I have worked with the staff and I agree with you. They are able.

Mr. PASSMAN. Let's keep it off the basis that it is his view. It is not his view. It is the view.

Mr. DEPALMA. Yes. All I am saying is if the question is how well the coordination is done we would like to improve it too. I have to agree that it can be improved.

Mr. PASSMAN. I accept that.

Page 8 indicates that the international organizations have not had an effective system for establishing priorities in terms of the greatest need. Would you like to comment on that?

Mr. DEPALMA. We would agree with that statement.

Mr. PASSMAN. Thank you. It is stated on page 10 that:

> The United Nations development system, as presently structured, lacks central coordinated direction with respect to programing and budgeting resources, and retrieving and disseminating the results of past and present efforts as a basis for improving future operations.

Mr. DEPALMA. It is the same finding made by the Jackson study, and this is the subject of the review which is under way now in UNDP. (Discussion off the record.)

Mr. DEPALMA. We are working very extensively with the major contributors, to get the changes in the UNDP system, which would get at that problem. We have made a start already, and we think that at the June meeting of the UNDP's Governing Council, we will be able to get action on reorganization and reforms, which will go a long way toward correcting this problem.

Mr. PASSMAN. One way of doing that is just to say we are not going to contribute any more funds if you do not correct the operation. You and I know that most of these funds either directly or indirectly are coming out of the United States taxpayers' pockets. We put up 40

percent and a lot put up 1 percent. We pour in millions of dollars into their nations. What you people should do is to say this is it until such time as you come up with a program you think is sound. You could straighten this thing out overnight. I just wish everyone of my friends in the executive branch, with all their wonderful experience, and their many diplomas and degrees, would have a little commonsense and knowledge of how to run a business. When you run a business, decisions are made head on. That is why free enterprise is successful. Why don't some of you pepole meet it head on and say, "As long as I am in this position you don't get any money until these simple and necessary reforms are put into effect." It would work.

Mr. DEPALMA. Mr. Chairman, we are meeting it head on. We have worked very intensively with other like-minded governments. We have achieved a very wide degree of agreement and we have made it very clear that there have to be changes in the system. Otherwise the level to which they aspire and the level at which we have been contriubting just won't be forthcoming.

Mr. PASSMAN. But you are asking for an increase. These people are smart and they know, Mr. Secretary, we don't mean what we say.

Mr. DEPALMA. I think they do know we mean what we say. The proof is the degree of agreement we found in the meeting.

Mr. PASSMAN. How much have we contributed to these international organizations since their inception?

Mr. DEPALMA. I don't have that figure. We can get it.

Mr. PASSMAN. Many billions of dollars.

Mr. DEPALMA. I don't know what the figure is.

Mr. PASSMAN. Wouldn't you say, Mr. Comptroller, that it has been many billions of dollars?

Mr. FRECHTLING. No, sir; not many billions.

Mr. PASSMAN. Billions of dollars. The point is that we are still trying to work out reforms but we are still dispensing funds very freely. I would suggest that you say we will not proceed until the agreements have been reached.

Mr. Secretary, there are many more serious criticisms set forth in Mr. Staat's statement, but I don't know whether there is any use pursuing it further. You understand the system, I understand the system, and we just hope——

Mr. DEPALMA. Mr. Chairman, let me just say that we have worked very closely with the GAO. We have cooperated fully. I believe you can corroborate that. We appreciate what they are doing, and we have the same goals in mind, and we are going after these same problems. We have just given them a reply indicating what we are doing.

Mr. PASSMAN. What percentage of the contributions are you withholding from the programs until these reforms have been worked out and approved?

Mr. DEPALMA. We are not withholding.

Mr. PASSMAN. I thought that would be the answer. Thank you, Mr. Secretary.

Mr. DEPALMA. We don't believe that would accomplish our objectives.

Mr. PASSMAN. If you just stop and decide where we are going, and after we have reached an agreement, then consider the contribution.

That is the way you operate a business, Mr. Secretary. I guess Federal agencies and international organizations are not supposed to operate that way.

U.N. Development Program

Briefly, we will consider the U.N. development program for which the fiscal 1971 proposed program is $100 million. If I read the record correctly, this is an increase of $13,812,000 over the fiscal 1970 allocation, is it not?

Mr. DePalma. That is correct?

Mr. Passman. I believe Mr. Nixon had predicted a balanced budget this year, with a small surplus.

Mr. DePalma. That is correct.

Mr. Passman. He is going to wind up like President Eisenhower did one year. He predicted a $2 billion surplus and wound up with a $13 billion deficit. Do you remember that?

Mr. DePalma. Yes; I do.

Mr. Passman. That is the direction in which he is traveling. I have been down to see our great President several times on this very subject.

This program has increased rather substantially during the past 2 years, has it not?

Mr. DePalma. Yes, sir; it has.

Mr. Passman. And inasmuch as you are asking for an increased appropriation, I would assume that it would continue to increase, at least for the next fiscal year.

Mr. DePalma. They call for an increase, largely and because other countries are increasing their contributions at a greater rate than we are.

Mr. Passman. Those are the countries that we go out and use our great influence, prestige, and pocketbook to get them to make a contributions in that not true?

Mr. DePalma. That has been the theory behind the 40–60 percent formula.

Mr. Passman. I hate to see you admit that but in complete honesty you did admit it. Isn't that a heck of a note that we think we are so smart that we have to go out and get recipient countries, and any others that may not be recipients, to make a little contribution.

We don't even know how to run our own fiscal affairs in America. We are wrecking our economy, confiscating our savings, and lowering the value of our insurance through inflation trying to teach other people to do things better when they already know how to do it better.

Some of the contributors, who are not recipients, realize that part of the contribution made will go to their former colonies, isn't that correct? I believe Great Britain and France are contributors.

Mr. DePalma. Yes, sir.

Mr. Passman. And a large part of this goes to their former colonies, such as India, Pakistan, and others? Does it not?

Mr. DePalma. Yes, sir.

Mr. Passman. You ought to hear some of those debates that take place in these countries when their parliaments consider aid requests.

They say, if we put up 3 percent you realize we can get the United States to put up 40 percent. Don't you see where the odds are? Look

at the strong trade agreements we have with our colony or former possession where profitable trade exists. Why don't we wake up to the fact that this is going on in other countries?

ALLEGATIONS AGAINST UNDP

I have read certain reports that criticize the UNDP. I wonder if we should continue to increase this program before these criticisms are met with corrective directives, and firmness on the part of those who represent us in these areas. Again, I am going to refer briefly to a statement of the Honorable Elmer B. Staats, Comptroller General of the United States before the House Foreign Affairs Committee, and also to a recent GAO report, No. B–168767, of March 18, 1970. Some of the allegations against the UNDP are as follows:

In Mr. Staats' statement it was said that a team of experts headed by Sir Robert Jackson of Australia concluded that 20 percent of all UNDP projects are not essential to the recipient countries' development.

Mr. DePALMA. That is what he said, sir. He did not document it, however. There is nothing in his report to indicate how he arrived at that figure.

Mr. PASSMAN. And I doubt if there is anything in yours that could refute it successfully.

Mr. DePALMA. Only that the projects were requested by countries and were approved after consideration in meeting in which everybody had a chance to assess them.

Mr. PASSMAN. I see. You know a lot of these projects are approved in an air-conditioned office where people never go out. They just approved them from paperwork. You know that, don't you, Mr. Secretary?

Mr. DePALMA. I assume that it is not always possible to check into every detail in the field, but UNDP proposed projects are reviewed by our missions abroad before they are submitted to the Government Council for approval.

Mr. PASSMAN. You have given an indirect answer but I would do the same thing sitting where you are. Certainly these things are approved here in Washington, thousands of miles away from the project. Did you know that we have 4,408 different projects scattered all over the world so it would be impossible to check on each one?

(Discussion off the record.)

ASSISTANCE GRANTED TO NON-NEEDY NATIONS

Mr. PASSMAN. Mr. Secretary, the GAO report indicates that from 1965 through 1969, $100 million of U.N. development program assistance was granted to countries where either they were relatively developed or seemingly in a position to pay for such assistance themselves. Did you read that part of the report?

Mr. DePALMA. Yes, sir.

Mr. PASSMAN. Is it correct?

Mr. DePALMA. It is correct.

Mr. PASSMAN. Thank you.

Mr. DePALMA. The problem is to determine an underdeveloped country, and you get different answers depending on who you ask.

Mr. PASSMAN. You know how I heard it explained one time? I think we know that some of the countries we are now helping which we call underdeveloped countries or less developed countries were at one time, two or three thousand years ago, thriving civilizations, is that correct?

Mr. DePALMA. Yes.

Mr. PASSMAN. So it would appear that 181 years ago we were a primitive undeveloped country of about 3 million, struggling to get started. So the then developed countries were enjoying great prosperity while we were undeveloped. While we were developing they were becoming undeveloped. Now we are developed and they are undeveloped and we are trying now to develop them while we are becoming undeveloped. I wonder after we finally become undeveloped helping them to develop if the then developed countries will come back and help this undeveloped country get back on its feet. Had you ever thought about that? That is the way it works out. I bet you are a reader of the Scriptures, aren't you?

Mr. DePALMA. Yes.

Mr. PASSMAN. Did you know we are walking right in the footsteps of nations who have fallen flat on their face trying to do what we are doing.

Let me read some of Paul's writings at this point. I will read II Thessalonians, chapter 3, verses 10 and 11 in which he said in the Holy writings: "For even when we were with you, this we commanded you, that if anyone would not work, neither should he eat. For we hear that there are some which walk among you disorderly, working not at all, but are busybodies."

Have you ever known of anything that rings so true with what is happening in America today? We also have some leaders who advocate a guaranteed annual income whether people work or not. The kind of problems that you people are trying to correct have been going on from time immemorial in every tongue and every civilization. You have always had the people who would not work and you have had those who were willing to work to support them.

Mr. DePALMA. Mr. Chairman, I would like to add that we have tried in the past to get an agreed definition of what is an underdeveloped country. It just proved impossible to get any kind of a workable definition, so that the system now is that everybody is eligible. As you know, we have had assistance programs——

Mr. PASSMAN. You say everybody is eligible?

Mr. DePALMA (continuing). We have had UNDP assistance programs for some of our own territories, since they wouldn't differentiate in any meaningful way. The administration of the U.N. development program does try to arrange it so that those recipients who are able put up more counterpart funds and cover the foreign exchange costs of the assistance they receive.

Mr. PASSMAN. What do you mean more counterpart funds?

Mr. DePALMA. The local costs of these projects.

Mr. PASSMAN. I know you are completely honest about it, but I don't think it is right to leave it in the record that way. These people

are spending out of their own resources for their own benefit, aren't they, Mr. Secretary?

Mr. DePALMA. Yes, of course.

Mr. PASSMAN. That is what you mean by counterpart funds, that these people are doing what they have always done from the beginning of their nation, regardless of its age, spending part of its resources on their own development. That is what you mean by counterpart funds?

Mr. DePALMA. That is correct.

Mr. PASSMAN. But they are the recipients.

Mr. DePALMA. That is right.

Mr. PASSMAN. It is understood that they are.

Mr. DePALMA. In a very few cases——

Mr. PASSMAN. They have always, Mr. Secretary, ever since these nations have been nations, used part of their resources in these fields that we are now helping them in, is that not true?

Mr. DePALMA (continuing). Right.

Mr. PASSMAN. They are the recipients. They are doing it for themselves, are they not? I don't think it is quite right to say we should give them money because they are doing it. It is assumed that they are going to continue doing some things for themselves. These clever arguments are not very convincing because they are helping themselves.

Mr. DePALMA. There are three countries that have actually put up trust funds to pay for some UNDP projects.

Mr. PASSMAN. Why do we get involved if they are putting up their own money?

Mr. DePALMA. Because they need the assistance, the expertise, and they rely on the U.N. system to get it.

Mr. PASSMAN. Why don't you let them go out and hire them?

Mr. DePALMA. It is not all that easy, Mr. Chairman.

Mr. PASSMAN. You think we can do it better?

Mr. DePALMA. It isn't we, but——

Mr. PASSMAN. Who are they?

Mr. DePALMA (continuing). Kuwait, Saudi Arabia and Libya.

Mr. PASSMAN. Kuwait is wealthier than we are on a per capita basis, aren't they?

Mr. DePALMA. About the same, sir.

Mr. PASSMAN. You mean they are participating in this program?

Mr. DePALMA. They are paying the costs of some of the assistance projects they receive.

Mr. PASSMAN. We go out and tell them how to do it, is that right?

Mr. DePALMA. Sir, I don't see that we are telling them how to do it.

Mr. PASSMAN. Why are we involved?

Mr. DePALMA. They are relying on this international program to get the technical help they feel they need.

Mr. PASSMAN. Technical help means that individuals go out and tell them how this should be done, isn't that right?

Mr. DePALMA. No, I think the governments decide what they want and then they ask the program to provide the expertise.

Mr. PASSMAN. Expertise means individuals in the field advising these countries.

Mr. DePALMA. Yes.

Mr. PASSMAN. Couldn't we just as easy let the information bureau tell them where to hire these experts rather than get involved?

Mr. DEPALMA. Certainly. They are certainly free to do that now, sir.

OVER EXTENDED CAPACITY OF THE UNDP

Mr. PASSMAN. We just have to get our finger in every pot, don't we?

According to the GAO report, the Jackson study of November 1969 reported that the present operation is already overextended in their capacity to handle development projects and that unless substantial reforms are undertaken, the ability of the system to effectively absorb projects will be limited to a level of about $200 million to $250 million annually. Even this amount, according to the study, is more than the system can handle effectively at present.

Are you familiar with that?

Mr. DEPALMA. Yes, sir.

Mr. PASSMAN. But nevertheless you are asking for an increase.

Mr. DEPALMA. The program is just now hitting that level. It is now at about a $225 million level.

Mr. PASSMAN. But you are asking for an increase in spite of these statistics?

Mr. DEPALMA. Yes, and also organizing support for reforms, and I think developing headway in making——

Mr. PASSMAN. Don't get away from my question.

Mr. DEPALMA (continuing). In making the changes.

Mr. PASSMAN. Don't get away so quickly, Mr. Secretary, because we are going to return to it. Not withstanding this information, which you agree is correct, you are asking for an increase in funds this year.

Mr. DEPALMA. We are.

Mr. PASSMAN. Let me assure you that I am going to do my very best to see that you don't get them. I believe you will appreciate it. In the face of this information, I just can't conceive of you people asking for an increase.

AMOUNT ESTIMATED FOR NEW PROGRAMS

Mr. Secretary, please tell the committee what part of the $100 million requested for fiscal 1971 is to be allocated to new projects or programs and what part is to continue on-going programs? You may insert that in the record.

(The information follows:)

U.N. DEVELOPMENT PROGRAM—USE OF CONTRIBUTIONS FOR 1971

For the calendar year 1970 it is estimated that 71 percent of the voluntary contributions to the U.N. Development program will be used to finance new projects and 29 percent for continuing projects and activities.

Present projections indicate that approximately the same ratio will be maintained in 1971. Therefore, of the $100 million proposed contribution by the United States for 1971, $71 million will be used for new projects and $29 million for on-going projects and activities.

Mr. PASSMAN. I would hope, Mr. Secretary, that with the situation of high-interest rates, impounded funds, and projects suspended in our own country, that you will try not to start any new projects.

U.S. CONTRIBUTIONS TO MULTILATERAL ORGANIZATIONS CONTINGENT UPON UNDP AND U.N. REFORMS

Mr. DePALMA. Mr. Chairman, may I just add one thing. I wonder if you noticed that in my opening statement I said that if we receive the amount that has been requested, we will make it clear that the prospect of future contributions at that level, to say nothing of any possible increase, will depend on the degree to which the UNDP and the U.N. system generally undertake the reforms which we and many other of the major contributors consider necessary.

Mr. PASSMAN. Mr. Secretary, you can understand why I would be at least a little frustrated when you admit that you have a fouled up system and badly needed reforms must be initiated but you still ask for an increase in the request.

You concurred with the reports but you still ask for an increase to start new programs. That is why compassion for my fellow man keeps me calm. I just can't comprehend this type of approach.

SOUTHEAST ASIA TRANSPORT SURVEY

I read in the Thailand Government news release that the UNDP has just approved a project calling for a Southeast Asia transport survey. If I am not mistaken, the Arthur D. Little Co. is now conducting such a survey for the Asian Development Bank; is that correct?

Mr. DePALMA. I am not familiar with that project.

Mr. PASSMAN. Would you like to have a look at this?

Mr. DePALMA. I would be glad to look at it.

Mr. PASSMAN. Look at it, because there seems to be a duplication of effort. They are well on their way in the study. The bank appears to be doing the same thing that the UNDP and these international organizations are proposing to do.

Mr. DePALMA. Many of these, sir, are coordinated and follow-on projects.

(Discussion off the record.)

Mr. DePALMA. The fact that a company is working on a project that sounds like a UNDP project may only mean that it is following up on a survey made by the UNDP which opened up an investment opportunity. Some company could then conduct its own further check to see whether it wants to put money in the project.

Mr. PASSMAN. It is being financed by the Asian Development Bank. We had an aid program some 10 years ago in Thailand and they said we had concluded it. Before I could return a year later they said they changed their minds and were going back into an aid program and they were so embarrassed they put on dark glasses and said they had been instructed out of Washington not to anwer my questions. Some heads rolled. This little country, while we were giving them $1 billion plus in foreign aid, they built up a surplus in their foreign exchange and gold reserves of over $1 billion. In 1968, we went out and said, "Since you are getting along so very nicely, we want to borrow a quarter of a billion dollars." They said, "No, nothing doing." So finally after diplomatic wrangling and arm twisting Thailand agreed to make us a loan of 100 million U.S. dollars for 4½ years, at a 6½-percent interest rate.

That is a true story, and here we are now with an aid program still going into Thailand. Do you believe, Mr. Secretary, with total new funds of $12,133 million, with a pipeline of $18 billion, for a grand total of $30 billion in 99 nations and five territories, and with 4,408 projects and subprojects, that it is possible to stay on top of this situation? It is almost impossible to control a program of that size. You know what led us into it? I say this respectfully. You are a very young man just getting started in a big way in a big Government. But 23 years ago it took the older Members, well fortified with seniority, to dare walk down to the well of the House——

Mr. LONG. Could I ask what happened to the grey-haired, Mr. Chairman?

Mr. PASSMAN (continuing). And calmly say, "Mr. Speaker, we are now embarking upon a program that may take us into as many as 17 European nations. Conceivably, the costs could go to $15 billion, and it may require 5 years to bring this mammoth aid program to a conclusion." You could hear a pin drop; it was fantastic after the expense of World War II, to get involved in such a program. Now contrast it. Seventeen nations? No, we finally got out to 121 nations and seven territories of the world. Five years. No. Twenty-four years and going strong. $15 billion? No, $195 billion, and getting bigger every year. You look at the record. Some of you men over there remember those days. We started this program and lost control of it. You ought to go back and read those old hearings.

Mr. Secretary, has the United Nations development program contacted the Asian Development Bank to see if a duplication of effort would result by conducting another survey?

Mr. DEPALMA. I do not know.

Mr. PASSMAN. I wish you would have a look at that.

Mr. DEPALMA. We will be glad to look at it.

(Information follows:)

SOUTHEAST ASIA REGIONAL TRANSPORT SURVEY

There is no duplication. The Asian Development Bank is administering a regional transportation survey of Southeastern Asia which is estimated to cost about $3 million. AID committed $1 million to the survey from fiscal year 1969 funds (see page 168, fiscal year 1969 East Asia Project Data Book of AID). The UNDP is contributing about $1 million and the Asian Development Bank the remainder from its own resources. Arthur D. Little Inc. of Boston, Mass., has been selected as the prime contractor to make the survey.

CONTRIBUTION OF EACH COUNTRY TO THE UNDP PROGRAM

Mr. PASSMAN. Would you furnish for the record a table showing the contribution of each country and its percentage to the total United Nations' development program for calendar years 1968, 1969, and 1970?

Mr. DEPALMA. Yes, sir.

(The information follows:)

UNITED NATIONS DEVELOPMENT PROGRAM
PLEDGES AND CONTRIBUTIONS OF GOVERNMENTS, 1968-70

Pledges and Contributions

	Calendar Year 1968 1/		Calendar Year 1969 2/		Calendar Year 1970 3/	
	Percent 4/	Amount	Percent 4/	Amount	Percent 4/	Amount
Afghanistan	0.05	$100,000	0.06	$119,000	0.05	$119,400
Albania	- -	4,000	- -	4,000	- -	4,000
Algeria	.10	200,000	.12	250,000	.11	275,000
Argentina	.15	308,571	.20	430,000	.18	430,000
Australia	.72	1,451,000	.68	1,451,000	.83	2,000,000
Austria	.62	1,239,000	.64	1,355,014	.66	1,600,000
Barbados	- -	7,500	- -	10,000	- -	10,000
Belgium	1.00	2,000,000	1.03	2,200,000	1.04	2,500,000
Bolivia	.02	30,000	.01	30,000	.01	30,000
Botswana	- -	5,600	- -	7,000	- -	7,000
Brazil	.50	1,000,000	.54	1,150,000	.48	1,150,000
Bulgaria	.03	58,500	.03	64,500	.03	74,000
Burma	.04	75,000	.05	100,000	.04	100,000
Burundi	.02	32,000	.02	32,000	.01	32,000
Byelorussian S.S.R.	.07	150,000	.07	150,000	.06	150,000
Cambodia	- -	10,714	- -	14,286	- -	18,018
Cameroon	.-1	24,844	.01	30,000	.01	30,216
Canada	4.99	10,014,556	5.88	12,518,111	6.22	15,000,000
Central African Republic	- -	- -	- -	4,000	- -	3,597
Ceylon	.09	175,000	.08	175,000	.07	180,000
Chad	- -	612	- -	- -	- -	540
Chile	.10	208,696	.13	275,848	.07	176,696
China	.06	127,000	.06	127,000	.06	157,000
Colombia	.07	150,000	.12	250,000	.10	250,000
Congo (Brazzaville)	- -	- -	- -	4,100	- -	4,100
Congo (Kinshasa)	.07	150,000	.07	150,000	.06	150,000
Costa Rica	- -	5,000	- -	5,000	- -	4,000
Cuba	.04	80,000	.04	85,000	.04	90,000
Cyprus	- -	13,199	- -	16,800	- -	17,520
Czechoslovakia	.28	554,016	.26	554,016	.26	623,269
Dahomey	- -	6,122	- -	4,082	- -	3,596
Denmark	5.18	10,400,000	7.32	15,600,000	6.47	15,600,000

	Calendar Year 1968 1/		Calendar Year 1969 2/		Calendar Year 1970 3/	
	Percent 4/	Amount	Percent 4/	Amount	Percent 4/	Amount
Dominican Republic	- -	5,000	- -	10,000	- -	12,000
Ecuador	.06	112,500	.05	112,500	.05	112,500
El Salvador	- -	9,700	- -	9,700	- -	9,700
Ethiopia	.03	61,250	.04	90,000	.04	95,000
Finland	.70	1,400,000	.75	1,600,000	.83	2,000,000
France	2.12	4,249,082	1.98	4,214,676	1.75	4,220,360
Gabon	.01	21,224	.02	49,465	.02	49,465
Gambia	- -	2,000	- -	3,000	- -	3,000
Germany, Fed. Rep. of	4.48	9,000,000	4.81	10,250,000	4.64	11,202,186
Ghana	.11	224,000	.12	250,000	.10	250,000
Greece	.14	290,000	.14	290,000	.16	400,000
Guatemala	.01	27,000	.01	27,000	.01	27,000
Guyana	.05	100,000	.05	110,000	.04	110,000
Honduras	- -	- -	- -	5,000	- -	5,000
Hungary	.04	85,178	.03	66,666	.04	100,000
Iceland	.01	20,000	.01	26,318	.01	31,818
India	1.49	3,000,000	1.41	3,000,000	1.46	3,500,000
Indonesia	.05	100,000	.06	120,000	.05	120,000
Iran	.21	430,000	.20	430,000	.24	585,000
Iraq	.11	220,000	.10	220,000	.09	220,000
Ireland	.06	115,000	.07	140,000	.08	190,000
Israel	.11	218,000	.10	218,000	.09	218,000
Italy	1.24	2,500,000	1.41	3,000,000	1.45	3,500,000
Ivory Coast	.01	25,000	.01	30,000	.04	90,000
Jamaica	.03	65,000	.03	66,150	.03	75,000
Japan	1.82	3,650,000	1.88	4,000,000	1.66	4,000,000
Jordan	.02	47,002	.02	47,002	.02	47,002
Kenya	.01	25,000	.01	25,000	.03	70,000
Korea, Republic of	.09	190,000	.09	190,000	.08	190,000
Kuwait	.15	300,000	.14	300,000	.12	300,000
Laos	- -	12,000	- -	12,000	- -	12,000
Lebanon	.05	99,709	- -	- -	- -	- -
Lesotho	- -	7,000	- -	7,500	- -	8,000
Liberia	.03	65,000	.03	65,000	.03	65,000
Libya	.07	150,000	.12	250,000	.12	300,000
Luxembourg	- -	16,000	.02	40,000	.02	40,000
Madagascar	- -	12,244	.01	24,490	.01	24,490
Malawi	- -	7,000	- -	7,000	- -	7,000

	Calendar Year 1968 1/		Calendar Year 1969 2/		Calendar Year 1970 3/	
	Percent 4/	Amount	Percent 4/	Amount	Percent 4/	Amount
Malaysia	.03	60,000	.04	90,000	.04	90,000
Maldive Islands	- -	330	- -	1,000	- -	1,000
Mali	.03	52,845	.03	54,082	- -	18,018
Malta	- -	5,020	- -	7,200	- -	7,200
Mauritania	.02	30,000	.01	30,000	.01	30,000
Mexico	.25	500,000	.23	500,000	.21	500,000
Monaco	- -	2,694	- -	2,672	- -	2,672
Mongolia	- -	12,000	- -	12,000	- -	12,000
Morocco	.11	219,123	.10	214,143	.09	219,124
Nepal	- -	8,820	- -	8,820	- -	13,230
Netherlands	3.66	7,361,111	4.03	8,583,333	3.91	9,444,444
New Zealand	.22	448,028	.24	504,032	.21	504,032
Nidaragua	.01	28,000	.01	28,000	.01	28,000
Niger	.01	20,408	.01	24,490	- -	21,583
Nigeria	.05	93,333	.04	93,332	.04	93,419
Norway	2.43	4,885,902	2.47	5,249,895	2.47	5,949,881
Pakistan	.41	832,500	.48	1,017,000	.42	1,017,000
Panama	.03	58,000	.03	58,000	.02	58,000
Paraguay	- -	- -	- -	- -	- -	2,000
Peru	.07	140,000	.07	140,000	.07	170,000
Philippines	.14	286,000	.23	500,000	.21	500,000
Poland	.20	391,000	.21	451,125	.21	517,500
Romania	.07	150,000	.08	166,666	.08	183,333
Rwanda	- -	5,000	- -	5,500	- -	6,050
Saudi Arabia	.15	300,000	.14	300,000	.12	300,000
Senegal	.04	80,000	.02	50,000	.02	44,065
Sierra Leone	.03	50,000	.02	50,000	.02	50,000
Singapore	.02	40,000	.04	80,000	.03	80,000
Somalia	- -	500	- -	2,000	- -	3,000
Southern Yemen	- -	- -	- -	960	- -	1,300
Spain	.14	278,572	.15	325,000	.20	475,000
Sudan	.08	160,000	.08	160,000	.07	170,000
Swaziland	- -	- -	- -	1,400	- -	2,800
Sweden	7.72	15,500,000	8.68	18,500,000	8.70	21,000,000
Switzerland	1.27	2,546,296	1.31	2,800,000	1.28	3,100,000
Syria	.01	20,942	- -	20,942	- -	20,942
Tanzania	.03	63,026	.03	70,028	.03	70,028
Thailand	.14	280,000	.17	355,000	.15	355,500

	Calendar Year 1968 1/		Calendar Year 1969 2/		Calendar Year 1970 3/	
	Percent 4/	Amount	Percent 4/	Amount	Percent 4/	Amount
Togo	----	5,000	- -	6,500	- -	5,000
Trinidad and Tobago	.03	60,000	.04	90,000	.04	90,000
Tunisia	.07	130,000	.06	130,000	.07	170,000
Turkey	.30	603,000	.28	603,000	.27	663,000
Uganda	- -	7,000	- -	- -	- -	- -
Ukrainian S.S.R.	.19	375,000	.18	375,000	.15	375,000
U.S.S.R.	1.49	3,000,000	1.41	3,000,000	1.24	3,000,000
United Arab Republic	.22	436,982	.21	436,982	.19	459,982
United Kingdom	5.85	11,750,000	6.65	14,160,000	5.87	14,160,000
United States	37.33	75,000,000	33.33	71,000,000	35.73	86,188,000
Upper Volta	- -	5,000	- -	5,000	- -	5,000
Uruguay	.09	172,500	.08	172,500	.07	172,500
Vatican City	- -	5,000	- -	5,000	- -	5,000
Venezuela	.43	870,000	.41	870,000	.36	870,000
Viet-Nam, Republic of	.01	22,000	.01	22,000	- -	22,000
Yemen	- -	- -	- -	2,000	- -	2,000
Yugoslavia	.31	620,582	.32	682,640	.31	750,000
Zambia	.03	50,000	.03	60,000	.02	59,999
Sub-total	91.33	183,463,333	93.21	198,549,466	93.28	225,038,075
Assessed and audited local costs	8.67	17,421,876	6.79	14,473,975	6.78	16,210,000
Total	100.00	200,885,209	100.00	213,023,441	100.00	241,248,075
Total number of Governments	119		122		124	

1/ As of July 1, 1969.
2/ As of November 30, 1969.
3/ As of January 1970.
4/ No percentage shown for amounts of less than 0.01 percent.

RESTRICTIONS ON CONTRIBUTIONS

Mr. PASSMAN. Mr. Secretary, does any country limit the use of its contributions to a particular country or area or a particular project or program?

Mr. DEPALMA. I just mentioned three countries that pay directly for some of the assistance they receive. I am not sure offhand whether in the UNDP there are other instances. There are trust arrangements in other programs such as UNICEF, but I don't know about UNDP. I will verify it.

(The information follows:)

U.N. DEVELOPMENT PROGRAM—LIMITATIONS ON USE OF CONTRIBUTIONS

The financial rules and regulations of UNDP provide that "voluntary contributions shall be made without limitation as to use by a specific participating and executing agency, in a specific recipient country or for a specific project. No contributing government shall receive special treatment with respect to its voluntary contribution nor shall negotiations for the use of currencies contributed to UNDP take place between contributing and recipient governments."

With regard to trust funds, the rules and regulations provide that "they may be established for specified purposes consistent with the policies, aims and activities of UNDP, subject to the prior approval of the governing council in each case." One case recently approved for Libya is an arrangement whereby the UNDP will administer funds provided by Libya to finance supplemental technical assistance activities in Libya.

In addition, the administrator of UNDP has accepted, at the request of the Secretary-General, delegation of authority to administer, or to participate in the administration of, certain trust funds established by the Secretary-General under the terms of U.N. financial regulations. In this category the administrator participates in the administration of the Special Industrial Services Trust Fund, which is jointly administered by the Executive Director of UNIDO and the admnistrator; the Fund of the United Nations for the Development of West Irian (FUNDWI); the funds-in-trust program for the Democratic Republic of the Congo; the trust fund for Lesotho; and the United Nations Fund for Population Activities.

DELINQUENT PLEDGES

Mr. PASSMAN. Were any member countries delinquent in their contributions to the United Nations' development program at the last accounting?

Mr. DEPALMA. In their pledges? Yes, I think there are some pledges still forthcoming.

Mr. PASSMAN. What countries, do you happen to know of now?

Mr. DEPALMA. I have a table showing as of April 30, 1969, $23,056,000 was still to be collected on pledges.

Mr. PASSMAN. What countries?

Mr. DEPALMA. It is a considerable list. Shall I read them out?

Mr. PASSMAN. A few of them.

Mr. DEPALMA. Afghanistan, Argentina——

Mr. PASSMAN. Let's have a look at Afghanistan. What is their pledge? They are one of the donors, are they not?

Mr. DEPALMA (continuing). They are one of the contributors, yes, sir.

Mr. PASSMAN. They are also one of the recipients.

Mr. DEPALMA. Yes, indeed.

Mr. PASSMAN. And they receive much more than they put in.

Mr. DEPALMA. I am sure they do.

Mr. PASSMAN. They don't have too much respect for this organization if they know they can get back $40 without even putting in $1. Is that the kind of situation you are confronted with?

Mr. DEPALMA. Yes.

Mr. PASSMAN. I appreciate your saying yes. That is one heck of a situation, Mr. Secretary, and a man with your ability ought to be able to straighten this out.

Mr. DEPALMA. Sir, I haven't got the exact comparison. I have not got their pledge for 1968. I have their pledge for 1969.

Mr. PASSMAN. Aren't they delinquent? Give us the amount they put in per year and what they get out per year. Will you do that?

Mr. DEPALMA. Yes, I think we can.

(The information follows:)

AFGHANISTAN—PLEDGES TO U.N. DEVELOPMENT PROGRAM, AMOUNTS OUTSTANDING, AND ASSISTANCE RECEIVED, 1950–70

For the calendar years 1950 through 1970, Afghanistan pledged $896,000 to the central account of the U.N. development program (UNDP) and its predecessor organizations. Of that total, Afghanistan's pledge for the calendar year 1970 was $119,000. As of March 31, 1970, the amount remaining unpaid was $114,519.

From 1950 through January 1970, the UNDP has programed technical and preinvestment assistance for Afghanistan in the amount of $35.8 million, of which $32.8 million represents funds drawn from the central account and $3 million represents Afghanistan's contribution to the local costs of UNDP projects.

In addition, the Government of Afghanistan has agreed to expend the equivalent of $20 million on buildings, facilities, goods, and services as its counterpart contribution to the UNDP projects.

CONTRIBUTIONS TO MULTILATERAL ORGANIZATIONS BY COMMUNIST COUNTRIES VERSUS BENEFITS

Mr. PASSMAN. I don't want to overplay this record, but after all, we do have serious problems in our own country. Let's look at these U.N. multilateral organizations. How many Communist countries are contributing to them?

Mr. DEPALMA. Would you like that information for the U.N. development program?

Mr. PASSMAN. Just read the Communist countries.

Mr. DEPALMA. The contributors among the Communist countries are Albania, Bulgaria, Byelorussia, part of the Soviet Union, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, Romania, Ukraine, part of the Soviet Union and the U.S.S.R. itself.

CONTRIBUTIONS AND AID ON BEHALF OF CUBA

Mr. PASSMAN. You mentioned Cuba. They contribute? What is their pledge of the total budget?

Mr. DEPALMA. In 1969 it was .04 percent.

Mr. PASSMAN. .04. That is pretty small, isn't it?

Mr. DEPALMA. That is very small.

Mr. PASSMAN. Putting it in another way, that is about 5 percent of 1 percent, isn't it?

Mr. DEPALMA. Yes.

Mr. PASSMAN. About 5 percent of 1 percent, and I believe we contribute 40 percent, is that right?

Mr. DEPALMA. In that year we were contributing about 33.3 percent.

Mr. PASSMAN. Cuba is eligible for contributions out of this organization, inasmuch as they are a member and a contributor, is that correct?

Mr. DEPALMA. That is correct, Cuba is eligible.

Mr. PASSMAN. It makes a pretty good record, doesn't it? They put up .04 of 1 percent. We put up 40 percent. They become a recipient and the administrators would make up their mind as to what part of any Cuban programs they would fund, is that correct?

Mr. DEPALMA. The administrators, in consultation with the governing council.

Mr. PASSMAN. That is what I said. That would be made at the policy level in the U.N.

Mr. DEPALMA. Yes, sir.

Mr PASSMAN. It wouldn't be made by any congressional committee?

Mr. DEPALMA. No, sir.

Mr. PASSMAN. It would be made by the policymakers in this international organization?

Mr. DEPALMA. That is right.

Mr. PASSMAN. As to what Cuba would get out of the pot, is that correct?

Mr. DEPALMA. The governments who are members of the UNDP Governing Council have a say in that too. They consider these requests.

Mr. PASSMAN. You mean the representatives?

Mr. DEPALMA. The representatives.

Mr. PASSMAN. But this is an international organization removed from the halls of Congress, is that correct?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. And they decide what programs for Cuba to approve or reject, is that right, sir?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. Could you furnish us a list of all programs and the amounts that have gone into Cuba for fiscal 1966 through fiscal 1970.

Mr. DEPALMA. Yes, sir; we can do that.

(The information follows:)

UNITED NATIONS ASSISTANCE TO CUBA a/
EXPENDITURES 1966-1968 AND ESTIMATED OBLIGATIONS 1969-70
(In thousands of U.S. dollars)

ORGANIZATION OR PROGRAM	Comment	EXPENDITURES - ACTUAL			ESTIMATED OBLIGATIONS		TOTAL
		1966	1967	1968	1969	1970	1966-1970
Assessed Contributions							
UNTA		11	8	13	14	17	63
WHO	Primarily for malaria eradication	127	112	38	113	186	576
PAHO	Primarily for malaria and aedes aegypti eradication	79	92	85	243	242	741
UNESCO		10	10	19	22	25	86
Voluntary Contributions							
IAEA		15	4	14	21	15	69
UNDP Special Fund Component	Central Agricultural Experimental Station project (approved in 1961 and started in 1964)	290	435	284	210	---	1,219
	Faculty of Technology project (approved in January 1966 and started in October 1966)	---	362	472	388	405	1,627

UNITED NATIONS ASSISTANCE TO CUBA EXPENDITURES 1966-1968 AND ESTIMATED OBLIGATIONS 1969-70 - Continued

ORGANIZATION OR PROGRAM Voluntary Contributions	Comment	EXPENDITURES - ACTUAL 1966	 1967	 1968	ESTIMATED OBLIGATIONS 1969	 1970	TOTAL 1966-1970
	Forestry Research and Training Center project (approved in January 1969)	---	---	---	150	200	350
	Faculty of Science project (approved in January 1970)	---	---	---	---	345	345
Technical Assistance Component	The projects are executed by the UN, FAO, ICAO, ILO, UNESCO, WHO, WMO, and ITU	500	217	300	350	365	1,732
UNICEF	Malaria eradication and education	16	45	163	150	125	499
	Total	1,048	1,285	1,388	1,661	1,925	7,307

a/ The United States contributions to the UN and its related agencies are conditioned on the stipulation that no part of that contribution may be used for assistance to Cuba, North Vietnam, Albania, etc.

Mr. PASSMAN. I would assume that they get back much more than they put in.

Mr. DEPALMA. I have figures for the U.N. development program. They have put in cumulatively $1,210,000 and the total assistance programed is $8,349,000.

Mr. PASSMAN. So they get back about eight times what they put in, which means indirectly they get substantial funds out of the U.S. taxpayer, is that correct?

Mr. DEPALMA. Indirectly.

Mr. PASSMAN. I said indirectly.

Mr. DEPALMA. In a sense, because no U.S. dollars are used for programs in Cuba.

Mr. PASSMAN. You don't have to get it direct.

Mr. DEPALMA. I understand.

Mr. PASSMAN. They put in a little over $1 million but get back $8 million, is that right?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. It is going to be most interesting reading.

Mr. DE PALMA. The overall figures for the Soviet bloc.

Mr. PASSMAN. Put that in, too. Cuba, our former child that we were so good to, we reared her with pretty clothes, good food, and dressed her up, and they were the greatest recipients of American generosity of any nation on the face of the earth but they became our enemy. Take binoculars on a clear day and you can almost see Cuba from the U.S. shores. If we permit that to happen 90 miles from our shores, I am just wondering what is happening around the world. Here is a Communist nation, an enemy of the United States, no diplomatic relations, yet they are receiving American taxpayers' dollars every year, under disguise of the U.N. You fool around and let this program get over into these multilateral organizations, and Cuba may become the greatest recipient of aid of any nation. It just shows you what can be done, Mr. Secretary, when you move into an international organization where you lose control of it.

Mr. LONG. Does the witness admit that Cuba is getting money indirectly from the U.S. taxpayers?

Mr. PASSMAN. Certainly. Let me repeat. What is the aggregate contribution?

Mr. LONG. Could we get an answer from the witness?

Mr. DEPALMA. They put in $1,210,000 from 1950 to 1970.

Mr. PASSMAN. And they got out?

Mr. DEPALMA. $8,349,292 over the same period.

Mr. PASSMAN. And our contribution is about 40 percent now, is it not?

Mr. DEPALMA. No, sir.

Mr. PASSMAN. 35 percent?

Mr. DEPALMA. It is estimated at 35.7 percent in 1970.

Mr. PASSMAN. And theirs is 5 percent of 1 percent.

Mr. LONG. Could I hear from the witness whether he admits that Cuba is getting——

Mr. PASSMAN. Let's get the total U.S. contribution for the same period? Those figures show they would get back eight for each one they put in.

Mr. DePALMA. Yes. Our table would show the total Communist contributions of all the Communist countries——

Mr. PASSMAN. You are getting away from my direct question on Cuba. I am interested in Cuba. They are getting out eight times as much as they put in.

Mr. DePALMA. That is right, but not U.S. dollars.

Mr. PASSMAN. Wait a minute. They are getting it out of the organization.

Mr. DePALMA. I am not arguing with your contention about the indirect effect. I am only saying that no U.S. dollars are used.

Mr. PASSMAN. Wait now. We are doing it indirectly and not directly.

Mr. LONG. Mr. Chairman, could we get an answer from the witness?

Mr. PASSMAN. The witness has given an answer already.

Mr. LONG. I haven't heard it. Perhaps he could repeat it.

Mr. PASSMAN. Wait a minute, Dr. Long. They put in $1 million. They have drawn $8 million out of the international organization.

Mr. DePALMA. That is correct.

Mr. PASSMAN. And in the international organization, we put up 35 percent of it, they put up .04 of 1 percent.

Mr. DePALMA. That is correct.

Mr. PASSMAN. Which means that they get out eight times what they put in.

Mr. DePALMA. That is correct.

Mr. PASSMAN. And inasmuch as we put up 100 times as much as they do, indirectly they are getting U.S. funds, aren't they or the equivalent?

Mr. DePALMA. They may be getting the equivalent. They are getting assistance through the contributions in other currencies from other countries. We have an arrangement whereby——

Mr. PASSMAN. But are the mathematics correct?

Mr. DePALMA. Yes, sir.

Mr. PASSMAN. So they are getting it indirectly, is that correct?

Mr. DePALMA. They are getting an equivalent, yes.

Mr. PASSMAN. You said yes. They are getting the equivalent indirectly.

Mr. DePALMA. In other currencies from other countries.

Mr. PASSMAN. It is the equivalent though. We are in the U.N.

Mr. DePALMA. That is correct.

Mr. PASSMAN. And we are providing these services out of this pot, aren't we?

Mr. DePALMA. That is correct.

Mr. PASSMAN. And when it goes in that pot it is all stirred up, is that correct, sir?

Mr. DePALMA. Not in the case of Cuba, assistance in the form of equipment and services have to be paid for in a specific currency. Nothing that goes into Cuba is paid for in U.S. dollars. Our UNDP contribution is made with that stipulation.

Mr. PASSMAN. But it is the equivalent?

Mr. DePALMA. Yes, sir.

Mr. PASSMAN. All currencies have a conversion rate do they not?

Mr. DePALMA. They do and I have agreed they get the equivalent.

Mr. LONG. Could I ask a question?

I would like to hear an answer. Mr. Secretary, do you then concede that Cuba is directly or indirectly getting U.S. dollars through multilateral organizations?

Mr. DEPALMA. No, sir; they are not getting U.S. dollars in any way directly or indirectly, but they are getting assistance.

Mr. LONG. Are you quibbling on the question of whether or not this is U.S. currency?

Mr. DEPALMA. Whether it is U.S. dollars, that is my point.

Mr. LONG. Don't you think that is a quibble?

Mr. DEPALMA. No, sir; I have said they get the equivalent. They get this amount of assistance.

Mr. LONG. So they are getting aid from the United States. Substantial aid?

Mr. PASSMAN. Indirectly.

Mr. DEPALMA. Yes, indirectly.

Mr. LONG. But they are getting it?

Mr. DEPALMA. They are getting it.

Mr. LONG. That is what I want to find out.

Mr. DEPALMA. Yes.

Mr. LONG. I think you are very reluctant to admit that.

Mr. DEPALMA. No, sir; I was just trying to be sure that I was making myself clear.

Mr. PASSMAN. You made it clear.

Mr. DEPALMA. That U.S. dollars are not involved.

Mr. LONG. But U.S. economic resources are involved.

Mr. DEPALMA. No, sir; because none of the goods and services that go into Cuba are purchased with U.S. dollars, but instead with other currencies contributed by other countries.

Mr. PASSMAN. You use U.S. dollars then to go into other countries. When you pull this local currency out and you create a vacuum, then U.S. dollars fill that vacuum, do they not?

Mr. DEPALMA. Yes.

Mr. PASSMAN. All right, it is the same difference. All currencies are convertible are they not, so if I had $1 million in Japanese yen or British pounds, I could convert that into dollars, could I not?

Mr. DEPALMA. Not for these purposes.

Mr. PASSMAN. You could convert them into dollars, could you not?

Mr. LONG. Mr. Chairman, could I ask the question a different way?

As a result of our contributions to multilateral organizations, is Cuba getting an economic benefit?

Mr. DEPALMA. Certainly, because if we were not contributing, the UNDP would have that much less in total to apportion among all the countries.

Mr. LONG. That is exactly the point. I think you are quibbling when you raise the question whether actual U.S. dollars go to Cuba.

Mr. DEPALMA. I wasn't quibbling. I was trying to make that one point. I said the equivalent was going in.

Mr. PASSMAN. I think you were fair but a little bit evasive and made me work hard to get the answer, but it follows nevertheless that these people get out much more than they put in, is that correct?

Mr. DEPALMA. It is correct, that Cuba gets much more out than it puts in.

Mr. LONG. Could I ask this question?

Can we really justify, can I justify and can Mr. Passman and Mr. Shriver justify U.S. resources going directly or indirectly to benefit Cuba when it is pretty clear that this is against the will of the American people? If there is any country in this world that is an anathema to the average American, it is probably Cuba. How can we justify this?

Mr. DEPALMA. We could not justify it in the case of Cuba alone and I wouldn't even try to. The program operates across the board for all U.N. members. Assistance goes through the program to countries against the desire of some of the contributors. Assistance goes to countries which the Russians don't want to help. Assistance goes to countries that the British or French would not like to help. The only way UNDP can work the program is to work it on a nonpolitical basis. Otherwise the thing would just be all fouled up.

Mr. PASSMAN. May I ask this question?

Under your understanding of multilateral programs, I believe that there is a trend or at least an urge on the part of many in this country to move a good part of the bilateral aid into the multilateral area, is that correct?

Mr. DEPALMA. I understand so, yes.

Mr. PASSMAN. If it is handled on that basis and aid moves into an international organization and if Cuba remains a member of the organization which distributes these funds, then this same formula could apply in larger amounts if the operators of the international organization should determine, is that correct?

Mr. DE PALMA. Yes.

Mr. PASSMAN. Thank you very much. We sure will do our best to see that it doesn't happen.

Mr. SHRIVER. Does Russia give for all international organizations, or do they restrict their contributions?

Mr. DE PALMA. They do not contribute to every one of the programs that we do; no, sir. They do to this program—the UNDP.

Mr. LONG. Are they as liberal as we are?

Mr. DE PALMA. No, sir.

Mr. LONG. Are they as liberal as we are in allowing money to go directly or indirectly to countries whose philosophies they don't approve?

Mr. DE PALMA. Yes. They have no veto on it at all. The Republic of China, for example, has received a considerable amount of assistance. Obviously the Soviets would not have wanted a penny to go there.

(Discussion off the record.)

UNICEF FUNDING OF CHILDREN'S CLOTHING FOR NORTH VIETNAM

Mr. PASSMAN. Let us see how muddled up this thing is getting. As you know with UNICEF, we have always been extremely cooperative. Now they are starting a very large program in North Vietnam. Are you familiar with that?

Mr. DE PALMA. They are considering a program in North Vietnam. They haven't done anything yet.

Mr. PASSMAN. I think we had just better put this in the record. UNICEF is considering a $200,000 program for North Vietnam.

In a statement, it was said that, "Slightly more than half of the $200,000 would be financed from a special contribution from the Government of the Netherlands; the balance, if approved by the Executive Board, would come from general resources. However, we have been assured that no U.S. contribution from public or private sources would be used for this purpose."

That is a misnomer. That is misleading. I like these people. I love children, but on the other hand what difference does it make whether you give them U.S. dollars, if you give them the equipment. Isn't that correct, sir?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. If you were in Japan and wanted to buy a set of pearl cuff links you would buy those with dollars or with yen?

Mr. DE PALMA. There is a difference in this case.

This is a special fund set up by the Dutch and the Swiss Governments, who are prepared to contribute the money for that program.

Mr. PASSMAN. 50 percent?

Mr. DE PALMA. No, sir.

Mr. PASSMAN. It comes out of the general fund. It would come from general resources.

Mr. DE PALMA. I don't know what paper you have, sir.

Mr. PASSMAN. I will put this in the record. This is a department paper, and it said it would come from the general resources.

Mr. DE PALMA. I may be in error.

Mr. PASSMAN. Let me read it again.

(The information follows:)

UNICEF AND NORTH VIETNAM

UNICEF is considering furnishing $200,000 worth of cloth for children's clothing to North Vietnam. Slightly more than half of the $200,000 would be financed from a special contribution from the Government of the Netherlands; the balance, if approved by the Executive Board, would come from general resources. However, we have been assured that no U.S. contribution from public or private sources would be used for this purpose.

The approval of the Executive Board of UNICEF by a mail poll is required before the project can be implemented. The proposal has not yet been transmitted to members of the Executive Board. If approved by the Executive Board, the project will be carried out by the North Vietnam Red Cross under the general supervision of the League of Red Cross Societies. Final arrangements have not yet been worked out with the League of Red Cross Societies. As soon as UNICEF is assured that the plans for the distribution of the cloth are satisfactory, the Executive Director of UNICEF will proceed with a mail poll of the governments which are members of the UNICEF Executive Board.

In this connection it should be noted that UNICEF will soon also circulate a mail poll on a project in South Vietnam. This is a project for a school for social welfare training to which both the United States and the Netherlands have pledged funds and which also needs to be approved by the Executive Board.

Mr. DE PALMA. I would like to check this and put something in the record. That statement may have been true at the time, but my understanding is the money will come from the Netherlands and Swiss Governments.

(The information follows:)

FINANCING PROPOSED UNICEF ASSISTANCE TO NORTH VIETNAM

The paper entitled "UNICEF and North Vietnam" was prepared in early December 1969. At that time the Department of State was informed by UNICEF that the proposed project would be financed with a special contribution from the Netherlands Government of $105,000, with the remainder to be financed from the general resources of UNICEF. However, in March 1970 the Swiss Government offered a special contribution of $95,000 for the project. Therefore the project, if implemented, will be financed entirely from special contributions made by the two governments, and none of UNICEF's general resources will be utilized. These contributions are in addition to the normal contributions of the Netherlands and Swiss Governments to the general resources of UNICEF.

Mr. PASSMAN. Let's put in the department's paper.

(Discussion off the record.)

U.N. CHILDREN'S FUND

Mr. PASSMAN. You are asking $13 million this year so far for the children's fund.

Mr. DEPALMA. Yes, sir.

Mr. PASSMAN. That is UNICEF as we call it.

WORLD FOOD PROGRAM

The UNFAO, that is United Nations Foreign Agricultural Organization, is that right?

Mr. DEPALMA. Food and Agriculture Organization.

Mr. PASSMAN. The United Nations Food and Agriculture Organization.

THE FISCAL YEAR 1971 REQUEST

The fiscal year 1971 requested is for $1.5 million; is that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. Again this is an increase of $200,000 above the fiscal 1970 allocation; is that correct?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Does Mr. Nixon know everybody is putting the big britches on him? He thinks he is going to have a surplus but in every agency, whether it is foreign aid or otherwise, they have got an increase in their budget.

(Discussion off the record.)

COUNTRIES PLEDGED FOR FISCAL YEAR 1969

Mr. PASSMAN. Would you provide for the record, Mr. Secretary, a table similar to that which appeared on pages 1101 and 1102 of last year's hearings showing the name of the 76 donor countries and the breakdown of each pledge for the 1969 period, with the percentages?

Mr. DE PALMA. Yes, isr.

(The information follows:)

World Food Program Pledges for Period 1969-70, March 1, 1970

(in U.S. dollars)

Contributing country	Commodities	Services	Cash	Total	Percentage[1/]
Algeria	-	-	20,000	20,000	.01
Australia	1,320,000	-	330,000	1,650,000	.64
Austria	900,000	-	100,000	1,000,000	.39
Bahrain	-	-	1,000	1,000	-
Barbados	4,000	-	-	4,000	-
Belgium	280,000	-	120,000	400,000	.16
Botswana	2,000	-	-	2,000	-
Brazil	145,000	-	-	145,000	.06
Cambodia	-	-	1,000	1,000	-
Canada	25,000,000	-	7,500,000	32,500,000	12.70
C.A.R.	-	-	899	899	-
Ceylon	84,034	-	-	84,034	.03
Chile	-	-	18,081	18,081	.01
China (Taiwan)	466,000	-	-	466,000	.18
Colombia	120,000	-	-	120,000	.05
Congo(Brazzaville)	-	-	3,597	3,597	-
Congo(Kinshasa)	-	-	5,400	5,400	-
Cuba	385,800	-	-	385,800	.15
Cyprus	-	-	1,000	1,000	-
Denmark	6,000,000	-	3,000,000	9,000,000	3.51
E.E.C.[2/]	60,500,000	-	8,805,000	69,305,000	27.08
Ethiopia	-	-	2,000	2,000	-
Finland	1,119,047	-	-	1,119,047	.44
France	738,739	-	560,346	1,299,085	.51
Gambia	-	-	480	480	-
Ghana	30,000	-		30,000	.01
Germany, Fed.Rep.of	4,243,557	-	2,092,896	6,336,453	2.48
Greece	155,000	-	-	155,000	.06
Hungary	80,000	-	-	80,000	.03
Iceland	4,123	-	-	4,123	-
India	333,333	-	166,667	500,000	.20
Iraq	66,668	-	33,332	100,000	.04
Ireland	639,949	-	319,974	959,923	.38
Israel	-	-	5,000	5,000	-
Italy	-	-	1,000,000	1,000,000	.39
Jamaica	-	-	9,000	9,000	-
Japan	319,182	-	620,818	940,000	.37
Kenya	-	-	1,400	1,400	-
Korea	-	-	6,000	6,000	-
Laos	-	-	833	833	-
Lebanon	-	-	4,769	4,769	-
Liberia	-	-	3,000	3,000	-
Libya	-	-	10,000	10,000	-
Luxembourg	-	-	18,000	18,000	.01

Contributing country	Commodities	Services	Cash	Total	Percentage 1/
Malawi	-	-	2,604	2,604	-
Malaysia	4,950	-	4,950	9,900	-
Mauritania	-	-	3,061	3,061	-
Malta	-	-	840	840	-
Mali	-	-	2,000	2,000	-
Morocco	25,000	-	-	25,000	.01
Nepal	-	-	1,000	1,000	-
Netherlands	8,703,704	-	2,407,407	11,111,111	4.34
New Zealand	291,219	-	179,211	470,430	.18
Niger	1,800	-	-	1,800	-
Norway	3,453,306	-	1,026,666	4,479,972	1.75
Pakistan	144,000	-	-	144,000	.06
Peru	34,642	-	-	34,642	.01
Philippines	-	-	177,979	177,979	.07
Saudi Arabia	30,000	-	10,000	40,000	.02
Somalia	-	-	1,000	1,000	-
Sweden	5,000,000	-	3,000,000	8,000,000	3.13
Switzerland	162,037	-	335,648	497,685	.19
Syria	24,038	-	-	24,038	.01
Senegal	-	-	3,597	3,597	-
Tanzania	14,006	-	-	14,006	.01
Thailand	40,000	-	20,000	60,000	.02
Trinidad & Tobago	-	-	5,000	5,000	-
Tunisia	15,000	-	3,500	18,500	.01
Turkey	100,000	-	-	100,000	.04
U.A.R.	100,000	-	-	100,000	.04
United Kingdom	1,983,841	-	991,920	2,975,761	1.16
United States 3/	70,000,000	27,000,000	2,600,000	99,600,000	38.92
Upper Volta	-	-	2,041	2,041	-
Venezuela	100,000	-	-	100,000	.04
Yugoslavia	180,000	-	-	180,000	.07
Zambia	-	-	5,000	5,000	-
TOTAL 4/	193,343,975	27,000,000	35,543,916	255,887,891	100.00%

1/ No percentages less than 0.01% are shown.

2/ European Economic Community consisting of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

3/ US pledged up to $70 million in commodities on the condition that the U.S. commodities would not exceed 50% of the total contributions of all governments in commodities and cash used for the purchase of commodities. The US also pledged shipping services (estimated at $27 million) to transport all of the commodities contributed by the US and an amount of cash, not exceeding $3 million, to help meet the administrative costs of the Program.

4/ Total of $255,887,891 does not include Food Aid Convention grains valued at $12,144,770 which will be channeled through WFP. The Program also will receive cash in the amount of $2,220,942 to cover transportation and administrative expenses.

Mr. PASSMAN. Please also furnish for the record a table showing the 357 development projects and 89 so-called emergency operations indicating the name of the country, the type of project, its cost and what kind of an emergency.

Mr. DE PALMA. We can do that, sir.

Mr. PASSMAN. Be sure and stress emergency. That is a lot of emergencies.

(The information follows:)

World Food Program Development Projects, as of Oct. 31, 1969

(In thousands of dollars)

	Total commitments
Afghanistan:	
Assistance to coal mines	$ 497
Construction of hydroelectric installations	778
Food assistance to:	
Boarding schools	4,265
University of Kabul	272
Paktia Development Corps	1,343
Vocational Training and Rehabilitation	129
Resettlement in Helmand Valley	625
Algeria:	
Assistance to:	
Primary schools	25,408
Teacher's colleges	596
Education and training of war orphans	1,715
Reafforestation and rural development	30,225
Barbados: School lunch program	416
Bolivia:	
Food assistance for rural teacher's college	1,087
Land settlement in 4 areas	2,985
Botswana:	
Community development and Tse-tse fly control	2,746
Livestock feeding scheme	624
Supplementary feeding program for children and mothers	6,545
Community development in drought stricken areas	1,269
Brazil:	
School feeding in 2 areas	5,260
Feeding in secondary schools	2,375
Burundi:	
Improvement of agricultural production	218
Refugees settlement	1,585
Secondary school feeding	3,255

	Total commitments
Cambodia: Production of toned milk	$ 91
Cameroon: Pilot settlement scheme	318
Central African Republic:	
Preschool feeding	341
Rural development	482
Settlement of Sudanese refugees	213
Training of unemployed rural youth for rural development	657
Ceylon:	
Food assistance to:	
Settlement of unemployed youth	678
Agricultural Development Corps	3,536
Colonists	8,726
Voluntary Labor Development Plan	3,780
Chad:	
Employment of youth in development	218
Land reclamation and school feeding	2,704
Nutrition education of mothers and preschool feeding	326
Stabilization of grain prices	793
Chile:	
Community development and improvements	700
Food aid to rural training centers	569
Training centers for skilled laborers	1,117
Community improvements in Arica	370
China:	
Canal lining and drainage	225
Tidal land reclamation	411
Development of Eastern Taiwan	1,136
Environmental sanitation improvement	2,474
Feeder road construction	1,525
Forest and rural road construction	1,895
Forest conversion	7,425
Irrigation and flood control	2,121
Land exploitation by retired servicemen	550
Land leveling	1,300
Reclamation of new land in cooperative farms	1,154
School feeding	7,405
Highway construction	2,251
Colombia:	
Development of amenities through self-help	1,659
Feeding in vocational training centers	1,512
Feeding program	2,144
Multipurpose development in Guajira	271

	Total commitments
Colombia cont'd:	
Production of animal feed by small industry	$ 384
Reafforestation	406
Congo(Brazzaville): Training of unemployed youth for rural settlement	680
Congo(Kinshasa): Reafforestation	231
Costa Rica: Land rehabilitation	657
Cyprus:	
Assistance to schools and hospitals	2,546
Promotion of mixed farming in dryland area	985
Soil conservation and tree planting	2,926
Dahomey:	
Experiment in feasibility of using yellow maize to stabilize price of white maize	382
Rural development	2,858
Ecuador:	
Afforestation in Ecuadorian highlands	808
Agrarian reform and colonization	586
Integration of Andean Indian farmers	828
Road construction and irrigation works	381
Ethiopia: Price stabilization of wheat	1,161
Gabon: Development of secondary and vocational education	723
Ghana:	
Development of poultry and pig industry feeding	356
Price stabilization	936
Volta River land clearance and settlement	4,232
Volta River resettlement	2,604
Greece: Reafforestation in selected areas	45
Guinea: Feeding scheme in technical schools	3,140
Guyana:	
Construction and extension of school buildings	187
Land settlement	668
Haiti: Economic development in southern peninsula	449
Honduras: Beetle pest control	107

	Total commitments
India:	
Assistance to labor on Rajasthan Canal	$ 4,190
Construction and renovation of bunds and banks	227
Improvement of feed for dairy cows	304
Improvement of milk supply	11,308
Intensive egg and poultry production and development of marketing centers	6,202
Renovation of irrigation earthworks	1,960
Rural manpower program	549
Supply of compounded balance feed for increased pork production	424
Supply of maize for poultry development	1,588
Utilization of rural manpower	92
Increase of milk production	1,337
Supply of milk to low-income groups	398
Construction of roads and land development	3,395
Forest development in Maharashtra	3,451
Soil conservation-four districts in Mysore State	2,891
Milk marketing and dairy development	55,960
Indonesia: Bali rehabilitation	1,867
Iran:	
Land drainage and livestock production	22
Construction of secondary roads	18
Iraq:	
Afforestation and forest improvement	637
Agricultural educational centers	835
Assistance to vocational, home economics and teacher training centers	1,775
Cooperative action for community development	1,337
Development of poultry industry and maize production	3,427
Integrated plan of development of north	2,810
Reconstruction of Euphrates flood-damaged area	1,565
Urban improvement and road construction	882
Improvement and maintenance of irrigation projects	8,320
Rehabilitation of Euphrates flood victims	1,535
Ivory Coast:	
Secondary school education	3,564
Promotion of secondary school education	307
Jamaica:	
Land settlement	82
Training in youth camps and construction of a youth village	608
Watershed management	2,316

	Total commitments
Jordan:	
Agricultural roads	$ 1,775
Improvement of nutrition in educational establishments	648
Bedouin settlement and improvement of Nomadic sheep husbandry	1,427
Planting village woodlots	236
Restoration of Hedjaz railway	1,266
Slum clearance	253
Soil conservation and olive tree planting	9,920
Development in dryland farming area	1,171
Korea:	
Watershed development	5,056
Canal and land development	2,586
Flood control programs	1,726
Tidal land reclamation	413
Prevention of river floods	705
Road and construction improvement	5,028
Land improvement	128
Lebanon:	
Establishment of mountain orchards on newly developed land	2,101
Land reclamation and afforestation	1,461
Revitalization of silk industry	469
Feeding program for children and youth	2,577
Lesotho:	
Institutional and livestock feeding	280
Preschool and school feeding	2,961
Self-help public works	2,303
Preschool and primary school feeding	12,189
Feeding of university students, boarding school pupils and hospital patients	1,249
Liberia:	
Feeding programs	790
Functional literacy	770
Madagascar:	
Educational feeding programs	2,133
Land settlement	627
Malawi: Multipurpose development in rural areas	672
Malaysia:	
Land settlement in West Malaysia	10,533
Job training	985

	Total commitments
Mali:	
Development of milk industry	$ 275
Literacy campaign	1,923
Rural development	1,678
Malta:	
Development of pig breeding	725
Development of dairy industry	680
Mauritania: School feeding	578
Mauritius:	
Expansion of milk production through livestock improvement	644
Primary school feeding	5,565
Mexico:	
Complementary feeding for preschool children	5,096
Rural works program	8,860
Morocco:	
Rural housing	13,000
Development of western Rif region	1,188
School feeding	2,530
Land development in Sahela-Sra	215
Feeding in boarding schools	4,176
Nepal:	
Commercial fish farm	239
Construction of approach raods to milk collection centers	103
Mixed feed for cattle	437
Rehabilitation program	330
Milk collecting and chilling center	59
Niger: Development of milk industry	240
Pakistan:	
Broiler development	1,659
Livestock development	2,460
Milk supply scheme	480
Railway hospital feeding	1,214
Panama: Agrarian reform and colonization	449
Paraguay:	
Land settlement	843
Reafforestation	475

	Total commitments
Peru:	
Colonization, San Lorenzo area	237
Construction of approach roads and other community development work	1,769
Food assistance to mothers and preschool children	1,932
Livestock development and promotion of sorghum	1,961
Philippines:	
Comprehensive development in 2 areas	349
Squatter resettlement	180
Food assistance to university students	758
Improvement of national irrigation systems	859
Livestock and poultry feeding	746
Provision of subsistence credit	768
Improvement of the national irrigation systems	2,204
Senegal:	
Development of food industries	306
Development of milk industries	672
Expansion of rural employment through self-help activities	1,250
Sierra Leone: Feeding in higher educational institutions	348
Somalia: Multipurpose development	824
Southern Yemen: Assistance to hospitals and in-hospital training	581
Sudan:	
Resettlement of Wadi-Halfa farmers	1,773
Community development	205
Khartoum green belt	134
Resettlement of Ethiopian refugees	995
Settlements of nomads	1,696
Water hyacinth control	1,218
Scheme for saw-milling and forest operations	948
Assistance to primary, secondary and vocational schools	23,887
Afforestation and forestry products development	483
Surinam:	
Land settlement	69
Resettlement for dam construction	170
Livestock feeding and agricultural diversification	360
Syria:	
Nomadic sheep husbandry	2,351
Community development schemes	626

	Total commitments
Syria cont'd:	
Construction of:	
Forest roads and afforestation	1,473
Public amenities	599
Secondary roads	3,874
Small dams	1,658
Distribution of dairy and poultry stock	747
House building through cooperative action	192
Installation of generators	435
Integration of livestock into farming system	666
Euphrates dam construction - development Euphrates Basin	15,065
Restoration of the Hedjaz railway	478
Improvement of the Aleppo-Akkari railway	4,456
Tanzania:	
4 settlement schemes	191
Land resettlement in 5 areas	151
Refugee settlement	1,877
Togo:	
School feeding	272
Training of rural youth	389
Rural community development	757
Trinidad and Tobago: Development of youth camps	304
Tunisia:	
Agricultural education establishments	648
Assistance to prevocational training centers	3,297
Construction of small dams	3,116
Food assistance to cooperatives	26,880
Reafforestation	489
Poultry production and sheep husbandry	1,631
Training of agricultural workers	610
Community development and institutional feeding	2,096
Turkey:	
Afforestation	715
Expansion and improvement of cement production	465
Assistance to boarding schools	8,959
Construction of secondary roads	505
Development of animal husbandry	1,310
Development of Zongulak Coal Basin	2,109
Erosion control and watershed protection	678
Establishment of 9 pilot villages	418
Establishment of forestry labor force	2,230
Expansion of nitrogen industry	516

	Total commitments
Turkey cont'd:	
Expansion of a pulp and paper factory	$ 410
Expansion of Karabul iron and steel works	613
Farmers' training camps	4,080
Housing reconstruction	10,341
Lignite mines development	460
Malaria eradication	533
Squatter housing	201
Village water supply	248
Mineral exploration	796
United Arab Republic:	
Agricultural development through tile drainage	5,225
Conversion of basin irrigation	12,455
Livestock improvement and land settlement	4,553
Nomad resettlement and livestock husbandry	3,875
Resettlement of the Nubians	2,013
Land settlement and reclamation	45,000
Uganda: Refugee settlement	1,126
Upper Volta:	
Construction of wells and small dams	484
Hospital feeding	539
Price stabilization scheme	417
Secondary school feeding	1,691
Land settlement	2,197
Western Samoa: Rehabilitation of banana industry	185
Yemen: School feeding	967
Yugoslavia: Postearthquake reconstruction	1,089
Zambia:	
Milk distribution	576
National youth service	401
Training and resettlement of refugees	802
Cambodia, Laos, Thailand: Development of lower Mekong Basin	296
TOTAL	$ 683,791

Sources: WFP Monthly Program Report, October 10, 1969 and Report of the 16th Session, Intergovernmental Committee, World Food Program.

Explanatory Note: The material in the presentation book referred to 357 development projects. The number of projects differs because the table combines similar projects which have been extended while WFP counts each extension of a project as a separate project.

WFP Emergency Operations Approved from Inception (1963) through October 31, 1969 (in thousands of dollars)

Afghanistan	Drought in seven provinces	$ 1,122
Algeria	Rehabilitation of needy and refugees	721
	Afforestation	1,375
	Flood victims	1,400
Bolivia	Emergency assistance to Bolivian Highlands	788
Brazil	Flood victims feeding	372
	Flood relief in Rio de Janeiro	3
Botswana	Famine and drought relief	2,031
	Aid to drought stricken areas	1,363
Burundi	Emergency feeding of refugees	311
	Relief of refugees	126
Central African Rep.	Emergency food aid to refugees	423
Ceylon	Cyclone victims relief	178
Chad	Famine relief	250
	Drought and floods	60
Chile	Storm and flood relief	415
	Drought	495
	Drought (Phase II)	610
Cuba	Hurricane victims relief	795
Congo(Brazzaville)	Refugee feeding	10
Congo(Kinshasa)	Malnutrition relief in the Kivu	67
Dahomey	Political refugees feeding	21
Dominican Republic	Drought	1,600

El Salvador	Refugees	500
Equatorial Guinea	Emergency assistance to hospitals and schools	361
Gabon	Refugee children	180
Gambia	Drought	358
Greece	Relief of earthquake victims	351
Guyana	Refugee feeding	
Haiti	Drought	1,182
Honduras	Flood victims relief	67
India	Drought	7,453
	Drought in Bihar and Uttar Pradesh	5,812
Indonesia	Relief of victims of volcanic eruptions	952
	Famine relief	609
	Flood victims	800
	Flood relief; East Java	558
	Resettlement of refugees	1,945
Iraq	Assistance for Euphrates flood victims	945
Iran	Relief of earthquake victims	277
Jamaica	Drought	491
Jordan	Displaced persons	2,773
Kenya	Famine relief	1,597
Lesotho	Aid to drought stricken areas	715
Mali	Drought relief	924
Mauritania	Drought	642
Mauritius	Cyclone relief	179
Morocco	Relief of flood victims	2,524

Nepal	Food aid for earthquake emergency	124
Niger	Drought	296
Nigeria	Civil victims	3,050
Pakistan	Flood emergency	625
	Drought (W. Pakistan) and cyclones (E. Pakistan)	2,828
	Relief of flood victims	415
Peru	Assistance to livestock	386
Philippines	Relief of typhoon victims	166
	Volcanic eruption	14
Sarawak	Relief of flood victims	213
Senegal	Drought	765
Somalia	Feeding following crop failure	495
	Drought	430
Southern Yemen	Drought	2,127
Sudan	Assistance to Congolese refugees	1,341
	Displaced Sudanese	435
Surinam	Flood victims	78
Swaziland	Drought	373
Syria	Euphrates flood	1,137
	Displaced persons	1,576
Tanzania	Rehabilitation of needy and refugees	32
	Feeding of Mozambique refugees	182
	Feeding of Rwandian refugees	32
	Feeding of Congolese refugees	8
Thailand	Hurricane victim's relief	76
Trinidad	Hurricane victim's relief	482
Tunisia	Flood victims	1,904

Turkey	Assistance for earthquake victims (1966)	1,304
	Earthquake (1967) in Pulumur and Terean	526
	Floods and storms	162
Uganda	Refugee feeding	235
	Refugees	91
United Arab Republic	Displaced persons	622
	Assistance to flood victims	51
Western Samoa	Assistance to hurricane victims	570
Yemen	Famine relief	1,686
	Drought victims	1,734
Zambia	Congolese refugees	17
	Refugees	31
	Angolan refugees	14
	Mozambique refugees	7
	TOTAL	$ 73,391

TRANSPORTATION COSTS

Mr. PASSMAN. You indicate on page H–4 that for the 1971–72 pledge period the United States pledged up to $85 million in commodities and $37 million in shipping services to transport these commodities; is that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. Why is the transportation cost so high as compared to the total commodities cost?

Mr. DE PALMA. Perhaps my A.I.D. colleague can give you a better answer. My understanding is that these are high bulk commodities, shipped in small lots. Because of the nature of the shipments they have to be shipped on ordinary cargo liners, rather than bulk cargo vessels, such as tramp steamers.

Mr. PASSMAN. What percentage would move in American bottoms?

Mr. FURMAN. At least 50 percent, sir. I will have to check.

It is averaging well over 50 percent.

Mr. PASSMAN. Will you also indicate for the record what amount would be shipped at bulk rates and what amount will be shipped at special rate?

(The information follows:)

DISTRIBUTION OF SHIPPING COSTS AT BULK RATES VERSUS SPECIAL RATES

The high ratio of shipping costs to the total program costs is the result primarily of two factors: Most of the material shipped is low-cost grain products which are high bulk. Because they are shipped in small lots, they have to be transported on more expensive, scheduled cargo liners rather than bulk cargo vessels, which would be cheaper. In fiscal year 1969, of a total of 1.8 million tons shipped, only 483 thousand were eligible for bulk shipment.

Also, U.S. cargo liners are used if they are available. In fiscal year 1969, approximately 70 percent was shipped on U.S. cargo liners, which are more expensive.

U.N. POPULATION PROGRAM

Mr. PASSMAN. The next program is the United Nations population program for which the fiscal 1971 estimate is $7.5 million; is that correct?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. That is an increase of $3.5 million above the 1970 allocation; is that correct?

Mr. DE PALMA. $3.5 million; yes, sir.

Mr. PASSMAN. It would appear that this program in all sectors has increased substantially over the past several years. Do you really believe, Mr. Secretary, that with so many organizations active in this field, such as private organizations, the U.N., and bilateral aid, that you can actually utilize this increase if it is given?

Mr. DE PALMA. I do, Mr. Chairman. This program is only at the very beginning stages in the U.N. We have worked very hard for several years to get a strong U.N. program going, and I believe it is now beginning to take hold. I think we will be able to utilize the amount requested.

Mr. PASSMAN. You use the term "take hold." However, it is just now beginning to take hold so why don't you operate at this level until it takes hold and you get a good firm program? Why do you come in and

ask for a substantial increase while it is taking hold, before you actually know for sure in what direction we are traveling? Why is it that every year every item in foreign aid must have an increase?

Mr. DE PALMA. I can't speak for every item, but in this case——

Mr. PASSMAN. Let's take your area, every item in your area just must have an increase. I guess you are familiar with Mr. Hannah's formula that there is an asking price and a taking price. Now you are going to make us work awfully hard to find out just what the taking price is, unless you will volunteer it.

Mr. DE PALMA. I don't want to quibble. We have not increased every item. Most of them are increasing. We have actually dropped requests for contributions to two programs. Five have not increased.

Mr. PASSMAN. The big programs are up.

Mr. DE PALMA. The Children's Fund is proposed at the same level; others are increasing.

Mr. PASSMAN. The big one is up, UNDP. I refer to the big funds.

TRANSFER OF $4 MILLION FROM DEVELOPMENT LOANS

I also note that $4 million in the fiscal 1971 request will be provided from the development loan program, is that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. Specifically in what agency is the development loan program carried in?

Mr. FRECHTLING. Mr. Chairman, I understand that the funds for development loans are appropriated initially to the President.

Mr. PASSMAN. I didn't know it went to the President.

Mr. FRECHTLING. And delegated to the Administrator of AID.

Mr. PASSMAN. Everything is appropriated to the President; isn't it? Let's knock the icing off and look at the plain cake. Is this not under the Agency for International Development? Must we apologize for overfunding them where they would have extra money last year and where they will have extra money this year? Why don't you come in with a direct request? Why do you have to now dip over into AID?

Am I correct in assuming that this $4 million will count against the $100 million authorized for population development, or is that in addition thereto?

Mr. DE PALMA. Yes, sir. It will count against the $100 million for population activities.

Mr. PASSMAN. Wouldn't it have been just as simple for you, since it is going to go into multilateral organizations, to ask for the $4 million rather than handling it this way? I am just talking about the simplicity of bookkeeping and enabling this committee to understand what you are doing. You want $100 million; is that correct?

Mr. DE PALMA. For UNDP, yes; but there is a separate request for contributions to the U.N. Fund for Population Activities.

Mr. PASSMAN. And you are getting $4 million of that over from AID; are you not?

Mr. DE PALMA. For population.

Mr. PASSMAN. Wouldn't it have been just as easy to have requested an additional $4 million rather than to have AID transfer the funds.

Mr. DE PALMA. Sir, the $4 million request for U.N. population activities is not a part of the $100 million request for the U.N. development program.

Mr. PASSMAN. I understand that but $4 million will be transferred to you from the development loan program.

Mr. DE PALMA. For population in title X. I see what you mean.

Mr. PASSMAN. This $4 million in your fiscal 1970 program will be from the development loan fund in AID; is that correct?

Mr. DE PALMA. $4 million.

Mr. PASSMAN. My point is why didn't you come in and ask for it and keep it in one package, rather than to have AID come in and ask for an appropriation, and they in turn transfer it out of the bilateral area over to the multilateral area. Isn't that what you are doing?

Mr. DE PALMA. Yes, under the transfer authority in title V of the Foreign Assistance Act.

Mr. PASSMAN. That is what you are doing isn't it?

Mr. DE PALMA. Yes.

Mr. PASSMAN. Certainly that complicates the bookkeeping, doesn't it?

Mr. DE PALMA. I will admit it complicates the bookkeeping.

Mr. PASSMAN. Are you people really trying to confuse us? We understand a little of it but you are going to get it to where none of us will know anything about the program.

If I remember correctly AID has not yet programed all of the $100 million authorized for the population program in fiscal 1971; is that correct?

Mr. DE PALMA. I don't know.

Mr. FURMAN. That is correct.

Mr. PASSMAN. Then why don't we fund the entire program of $7.5 million out of this authorized level?

Mr. FURMAN. I cannot answer that question at the moment, sir.

Mr. PASSMAN. Does it make sense to you? How about you, Mr. Director?

Mr. DE PALMA. It depends on what their other allocations are. I don't know.

Mr. PASSMAN. But your appetite for money is so great, we just are trying to cut it down.

(Discussion off the record.)

FISCAL YEAR 1970 POPULATION PROGRAM LEVEL

Mr. PASSMAN. Mr. Secretary, last year you presented a request for $2.5 million to this committee for fiscal 1970. I note this year that you have raised the fiscal 1970 allocation to $4 million but funded it entirely from the development loan account, is that correct?

Mr. DE PALMA. May I ask Mr. Frechtling, who is more familiar with this?

Mr. FRECHTLING. Yes, sir, we did ask for $2.5 million for the U.N. population program in the multilateral technical assistance authorization last year. We have funded the program in 1970 from funds transferred from the Development Loan appropriation.

Mr. PASSMAN. Up to $4 million.

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. Don't you think you could have waited and have gotten by on the $2.5 million? Why do you feel that you must move ahead on all these programs on a crash basis, when there is such a shortage of funds? Couldn't you have waited until this year?

Mr. FRECHTLING. The population problem has not been with us all that time.

Mr. PASSMAN. The problem has been with us quite a while but this program is new, isn't it?

Mr. DE PALMA. Yes.

Mr. PASSMAN. I don't know why you people can't live on what you justify instead of looking around all over the pea field trying to find something loose to transfer over to the multilateral program like you did here. You asked for $2.5 million for fiscal year 1970, and you now program $4 million for the same period and you plan to fund the entire amount from development loans. It is just that simple, isn't it?

Putting it another way, we made reductions, didn't we, in your program last year?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. But then you go down to AID and you get AID to void that reduction by giving you the money out of AID.

Mr. DE PALMA. In the single case of the population fund.

Mr. PASSMAN. Isn't that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. And you thought you had gotten by with it. I just hope the other Members will just listen to what we are uncovering here. What is the use of having hearings and the committee making reductions, if you people are going to turn around and get funds from the AID agency to offset the reductions we have made in your program I hope the committee will compensate well for that this year.

Mr. SRIVER. Would you yield?

Why would you do that?

Mr. DE PALMA. Because we had such substantial cuts in the appropriation request for multilateral programs.

Mr. SHRIVER. I know, but this was the statement of the Congress or that. Why would you go around the Congress?

Mr. DE PALMA. We didn't feel we had gone around the Congress. We used the authority Congress provided us, under title X of the FAA to fund population programs from any part I appropriation.

Mr. SHRIVER. Did you notify this committee that you were doing it?

Mr. DE PALMA. No, sir.

Mr. PASSMAN. I don't appreciate it and I want you to know it, gentlemen. That is why I just wish that we could tighten this thing up. You completely ignored the findings of the committee.

This is a new program and the committee felt some reductions should be made. You didn't pay any attention to it whatsoever. You go to the AID Agency without notifying this committee and get them to give you funds to offset the cuts we have made. I am going to stress that as forcefully as I can.

Mr. DE PALMA. We made all the cuts. We cut the programs accordingly. This is the one case——

Mr. PASSMAN. You did not follow the recommendations of the committee in this program. Last year the committee yielded to the Senate on some of these items, but even after we had reached a conference agreement, you ignored the conference agreement and went on down to the AID Agency and prevailed upon them to give you funds to offset the reductions we had made in your program. I certainly hope the committee in its wisdom will compensate adequately and reverse your actions this year.

CONTRIBUTIONS TO THE U.N. FUND FOR POPULATION ACTIVITIES

Would you provide a table for the record listing the countries contributing to this fund, indicating the name of the country, dollar amount, and the percentage of the contribution?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Also indicate which countries place restrictions on their contributions.

(The information follows:)

CONTRIBUTIONS TO UNITED NATIONS FUND FOR POPULATION ACTIVITIES, CALENDAR YEARS 1967-70

Country	Amount	Percentage
Denmark	$100,000	1.98
Finland	50,000	.99
Netherlands	50,000	.99
Norway	200,000	3.96
Pakistan	21,000	.39
Sweden	525,000	10.40
Trinidad and Tobago	5,000	.15
United Kingdom	95,992	1.90
United States	4,000,000	79.24
Total	5,046,992	100.00

The United States pledged an additional $7.5 million for 1970 on a 50-percent matching basis. While pledges from other countries for 1970 have not been made as yet, there are indications that the Federal Republic of Germany and Sweden will each contribute $1.5 million, Switzerland and Norway $200,000 each, Denmark and the Netherlands $100,000 each, and Finland $75,000.

Of the countries listed above, the Netherlands, Sweden, and the United States placed restrictions on some portion of their contributions.

Mr. PASSMAN. It makes a man reluctant to examine on this, because you people have become arrogant. I don't mean this personally but I am talking about the agency overall. You are ignoring the committee's recommendations.

UNITED STATES ASSESSED CONTRIBUTION TO THE U.N.

If I recall correctly the assessed contribution of the United States to the U.N. and its constituent agencies is limited by law to 33⅓ percent; is that correct?

Mr. DE PALMA. Yes, sir; to the U.N. and certain other international organizations.

Mr. PASSMAN. What would be the savings if we were to include such a provision in this bill? Would that be acceptable?

Mr. DE PALMA. Sir, I would say it would not be a wise thing to do.

Mr. PASSMAN. That is not up to you to make that judgment. I say would it be acceptable? Inasmuch as it is limited by law to 33⅓ percent, why not have this committee confirm that by carrying the same limitation? What would be so sinful about that?

Mr. DE PALMA. All I would say is that the contribution at the normal formula, 40–60, is based on our relative capacity to pay. If we get it down to the same amount that we contribute as assessed contributions, we will be contributing considerably below the amounts which, on a comparable basis, we are——

Mr. PASSMAN. What you want is a way to circumvent the law which limits it to 33⅓.

Mr. DE PALMA. No, sir. That law applies only to the assessed contributions.

Mr. PASSMAN. I am talking about the assessed contributions. Perhaps the committee will consider applying the percentage to the voluntary contributions.

You mentioned capacity to pay, do you realize that between 1969 and 1970, where we had the largest tax contributions in the history of our Nation, that we spent many billions more than we collected? When you talk about capacity, you are talking about capacity out of resources, out of taxes, or is it by deficit financing? Which one of the capacities are you talking about?

Mr. DE PALMA. It is increased by relative gross national product.

Mr. PASSMAN. There is nothing relative about gross national product. That is the old thing we fall back on. Do you realize that of the increases in gross national product in the past 25 years, that 54 percent of it has been through inflation and not in unit production? Do you know that, Mr. Secretary?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. You can have deflation and the GNP goes down. You have inflation and it goes the other way. There is nothing relative about the GNP.

Mr. DE PALMA. Inflation is a rather common phenomenon in other countries too.

Mr. PASSMAN. And you have such a thing as deflation too.

(Discussion off the record.)

COUNTRIES RECEIVING POPULATION CONTROL ASSISTANCE FROM U.N. AND A.I.D.

Mr. PASSMAN. Could you tell the committee which countries are receiving assistance under this program, and are also receiving assistance from AID for population programs?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. List them in the record.

Mr. DE PALMA. Yes.

(The information follows:)

COUNTRIES RECEIVING ASSISTANCE FROM AID AND THE U.N. POPULATION FUND FOR POPULATION ACTIVITIES

A list of countries receiving assistance from both the United Nations Fund for Population Activities and the Agency for International Development population programs is provided on page 223.

U.N. Institute for Training and Research

Mr. Passman. The next program is the U.N. Institute for Training and Research, for which the 1970 estimate is $400,000; is that correct?

Mr. De Palma. That is correct.

Mr. Passman. You state on page H–5 that the institute—

> Seeks to make the U.N. system more effective by (1) applying modern research techniques to U.N. operations; (2) clarifying problems and issues that face the U.N.; (3) improving the competence of U.N. personnel; and (4) providing for a broad range of training in international organizations and programs.

Is that correct?

Mr. De Palma. That is correct.

Mr. Passman. That confirms what I said originally and what the Comptroller General said. You are advocating doing the very things he recommended; aren't you?

Mr. De Palma. I am sorry, I don't understand how that relates to this.

Mr. Passman. You don't? Well, you are trying to clarify problems and issues that face the U.N., you say, improving competence of U.N. personnel.

Mr. De Palma. The Comptroller of the GAO has advocated that these organizations should have their own in-house systems for appraising and evaluating their work. This is one instance where we have a program going in that direction.

Mr. Passman. Didn't we establish in the U.N. report that inefficiencies existed?

Mr. De Palma. Yes, sir.

Mr. Passman. And that certain corrections should be made and you agreed it was true?

Mr. De Palma. Yes, sir; and we are trying to do something about it.

Mr. Passman. You are only repeating in your own statement what the Comptroller General previously had stated, that you should improve the competence, streamline the programs, and find new techniques.

It appears from the description of objectives, that the institute should be a part of the internal structure of the U.N. and not funded separately by voluntary contributions. Would you agree that that is correct?

Mr. De Palma. No, sir; because the institute couldn't perform its functions as well if it were part of the internal U.N. structure.

Mr. Passman. Why not?

Mr. De Palma. If it were an integral part of the U.N., the institute couldn't look at the U.N. itself as objectively as it can in the present situation.

Mr. Passman. Should it be looking at itself?

Mr. De Palma. I say it would be looking at itself if it were funded internally from the U.N., and I wouldn't expect people would look at themselves as critically under such conditions as they would if they were standing just alongside.

Mr. Passman. The U.N. started out as a peacekeeping organization. Now it has turned into pretty much a foreign aid operation, hasn't it?

Mr. De Palma. There is a large proportion of the resources going into economic——

Mr. Passman. And every member still does just exactly what it wants to do. I have never commended or condemned them. I just hope some day it can develop into what it was originally intended to do and that is to function as a peacekeeping organization.

Special Contributions for Vietnam

The next program is the special contributions for Vietnam, for which the fiscal 1971 estimate is $950,000; is that correct?

Mr. De Palma. That is correct.

Mr. Passman. This is an increase of $258,000 above the fiscal 1970 allocation; is that correct?

Mr. De Palma. Yes, sir.

Mr. Passman. Why don't you people stay out of there until this conflict is over? We are giving those people, as far as I am concerned, more aid than they can efficiently absorb. We are building them up to a standard of living that they had never dreamed possible.

Did you read in today's paper about the veterans marching in the streets in Vietnam?

Mr. De Palma. Yes.

(Discussion off the record.)

Mr. Passman. This is an increase, isn't it?

Mr. De Palma. Yes.

Mr. Passman. What are your functions in Vietnam?

Mr. De Palma. These programs are designed to get some of the U.N. multilateral programs on the ground there, because we are looking ahead.

Mr. Passman. Underground?

Mr. De Palma. On the ground. We are looking ahead to the postwar era when we hope we can get some multilateral assistance with other people coming in and putting up some money for what needs to be done there.

Mr. Passman. With all the money going into Vietnam, don't you think you should back out and let these people kind of run this show, until the war can be concluded?

Personally, I believe Mr. Nixon has a positive plan to get us out of Vietnam. I look at the number of troops on Vietnam soil when he assumed command, and it is my understanding that this number will be reduced by 150,000 with the next call. He is cooling it off, and he is getting us out, the way I see it. It looks to me like you would be interfering with other AID programs in the area.

Projects contained in this program

What special programs do you have in Vietnam?

Mr. De Palma. There are three main projects.

Mr. Passman. What are they?

Mr. De Palma. There is an offshore fisheries development project.

Mr. Passman. I heard about that thing 4 years ago. They are still working on that?

Mr. De Palma. Work on this project is moving forward satisfactorily, and we will be concluding one contribution to it with a final installment next year.

Mr. Passman. Exclusively under multilateral contributions?

Mr. De Palma. With the Dutch also providing funds. There is a special trust fund which the Food and Agriculture organization set up with the Netherlands and the United States contributing.

Mr. Passman. The next one?

Mr. De Palma. The next one is a social welfare institute.

Mr. Passman. Social welfare institute?

Mr. De Palma. For rehabilitation.

Mr. Passman. What are they socializing in?

Mr. De Palma. They are training specialists in rehabilitation and resettlement of refugees and so on. UNICEF is responsible for the project.

Mr. Passman. You just had to get into the act. The next one, please.

Mr. De Palma. The next one is a public health institute, the National Institute of Public Health, WHO is the executing agency.

Mr. Passman. I can't understand why you people get yourselves involved in Vietnam with all the aid and military moneys pouring in to the country. We are just spoiling another nation.

Mr. De Palma. These programs I think would be completed with the amounts we are requesting this year. That is our intention.

Mr. Passman. Are you going to start any new projects before this conflict is settled?

Mr. De Palma. We have no plans to start a new one.

Mr. Passman. Thank you. That sounds good. We will move along before you amend that statement.

International Atomic Energy Agency Operational Program

The next program is the International Atomic Energy Agency operational program, for which the 1971 estimate is $1,550,000, is that correct?

Mr. De Palma. That is correct.

Mr. Passman. If I am not mistaken, that is a $150,000 increase above the 1970 allocation.

Mr. De Palma. That is correct.

TOTAL CONTRIBUTION

Mr. Passman. I note on page H–6 you mention this program is funded primarily by voluntary contributions. What other funds are made available to the program, by whom and in what amounts? You can put that in the record.

(The information follows:)

INTERNATIONAL ATOMIC ENERGY AGENCY

THE OPERATIONAL PROGRAM BUDGET—SUMMARY OF INCOME, 1969

Item	General fund	Operating fund I [1]	Operating fund II [1]
Voluntary contributions of member states	$1,550,158		
Special contributions of member states:			
Italian Government	250,000		
Monaco Government	39,640		
Direct contributions for special projects:			
Ford Foundation		$55,000	
UNESCO		4,988	
Swedish International Development Authority		12,646	
Danish Atomic Energy Commission		10,000	
Reimbursable laboratory services		59,509	
Income from investment and short-term deposits	156,090		
Government contributions, in respect of experts' services			$48,509
Miscellaneous income		18,005	6,843
Drawings on unobligated balance		66,767	
Savings on prior years' operations		8,540	
Total	1,995,888	235,455	45,352
Transfers from general fund to operating fund I:			
Laboratory	(176,000)	176,000	
Trieste Centre	(285,000)	285,000	
Monaco Laboratory	(39,640)	39,640	
Transfers from general fund to operating fund II	(1,495,248)		1,495,248
Total		736,095	1,550,600

[1] The operational program of the IAEA is comprised of operating fund I which finances laboratory activities and operating fund II which finances technical assistance activities.

Source: The Agency's program for 1971–76 and budget for 1971. GOV/1390, Mar. 24, 1970.

World Health Organization—Medical Research

Mr. Passman. The next program is the World Health Organization-Medical Research, for which the fiscal year 1971 estimate is $150,000, the same as last year.

Mr. De Palma. Yes. For the International Agency for Research on Cancer.

Mr. Passman. That is specifically for cancer research?

Mr. De Palma. Specifically and exclusively.

World Meteorological Organization

Mr. Passman. The next program is the world meteorological organization voluntary assistance program, for which the fiscal year 1971 estimate is $1.5 million, the same as last year, is that correct?

Mr. De Palma. That is correct.

Mr. Passman. Who thinks up all these programs? Is there a regular staff working on them?

Mr. De Palma. Our own meteorological service in ESSA is responsible for technical work on this program.

Mr. Passman. I am not talking just about this one, but the 4,408 projects and subprojects scattered over the world. Do you have a special team that does nothing but think up programs to start? You know there is an award on deposit here for any foreign aid witness who can think of any project we have ever had in America since the Constitution was signed that you people haven't started one or more of them in some part of the world. I want to extend to you people the same invitation. Don't assign too many personnel, one man will be

enough, but if you can come up with any project we have ever had in America since the beginning of our country that you haven't started one or more of in the 121 nations of the world where we operate, you will get the prize. We are going to keep it up until 1975. There is no hurry, take your time. Your researchers can go over the records.

I also make the statement that we have at least 500 projects abroad that we have never started ones like in the United States. If you can disprove that you get the big prize. It is much better than the other one. You might compete for both of them. Assign one man to that one, too.

International Secretariat for Volunteer Service

Next we will consider the "International secretariat for volunteer service" for which the fiscal year 1971 estimate is $70,000 What is that?

Mr. De Palma. We contribute to a clearinghouse service run by this organization to exchange information on volunteer services.

NUMBER OF STAFF

Mr. Passman. What is the number of personnel involved in this little organization?

Mr. De Palma. I don't know whether I have that with me. It is a very small organization. I take it you mean the staff. I don't have that. We can supply that for the record.

(The information follows:)

Number of ISVS Personnel

The ISVS headquarters office in Geneva employs seven persons. In addition, two Peace Corps officers are detailed to that office.

In Washington, where a regional office is maintained, ISVS employs one full time and one half time employee.

Mr. Passman. Just what do they do?

Mr. De Palma. They are a clearinghouse for organizations like our Peace Corps, where they can exchange information and compare notes.

Mr. Passman. Talk about how long hair should be and when the next disturbance should be, things like that?

Mr. De Palma. Operating problems and so on.

(Discussion off the record.)

U.N. Relief and Works Agency

Mr. Passman. Next we have the U.N. Relief and Works Agency, for which the fiscal 1971 estimate is $14,300,000; is that correct?

Mr. De Palma. That is correct.

Mr. Passman. This is the same as last year?

Mr. De Palma. Yes, sir.

Mr. Passman. This figure includes $1 million which is earmarked for Arab refugee vocational training; is that correct?

Mr. De Palma. That is correct.

Mr. PASSMAN. Does that have anything to do with the operation out in the Middle East, the Gaza strip, Jordan?

Mr. DE PALMA. Yes, sir. We are now discussing with the Commissioner General, Mr. Michelmore, programs for using this money for added vocational training.

Mr. PASSMAN. I believe this is the same part of the world where we have a refugee program. They are even bringing up new generations right in these refugee camps; aren't they?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. It is a way of life for them. I don't suppose there is anything we can do about it.

ADDITION OF PUBLIC LAW 480 COMMODITIES

The dollar estimate of $14,300,000 is for the cash contribution, how much Public Law 480 commodities do you plan for this program?

Mr. DE PALMA. $8.9 million.

Mr. PASSMAN. And the grand total, it would have to be $22.2 million; isn't it?

Mr. DE PALMA. Yes; $22.2 million plus the special $1 million contribution for vocational training.

Mr. PASSMAN. Would it make better sense, be easier to understand, if you would just say, "We are requesting $23.2 million which includes $8.9 million for Public Law 480." If we didn't come up with these second questions, the people reading the record would actually believe these figures are——

Mr. DE PALMA. Sir, my proposed statement includes both figures.

Mr. PASSMAN. In the beginning, I believe you said you would have to add on Public Law 480, commodities some $50-odd million, to get the total request and bring it up to $202 million. You didn't volunteer that.

Mr. DE PALMA. I was speaking of this figure.

Mr. PASSMAN. You didn't volunteer that; did you?

Mr. DE PALMA. No, I didn't.

REFUGEE PROBLEM

Mr. PASSMAN. You make us get it the hardway. I must say that I am very much in sympathy with some of these refugee programs. On the other hand, I don't think that we have dealt as firmly with them, let me use the word as positively with them as we could. We do have individuals who encourage these people to believe that they are going to return to their homes in Israel. I don't believe this will ever happen. We should tell them these facts and then offer to relocate them. I have been there many times over a period of many years, and it is still a problem, isn't it?

Mr. DE PALMA. It is.

Mr. PASSMAN. I think it is from lack of firmness as to what our position really is. These people have been given some encouragement that sooner or later they are going to be paid fancy prices for their land and are going to be sent back. We won't make that decision. Israel will make that decision as to what they are going to get. Is that correct as to the lands?

(Discussion off the record.)

CONTRIBUTING COUNTRIES

Mr. PASSMAN. Mr. Secretary, would you provide for the record a list of the countries contributing to this U.N. Relief and Works Agency, the amounts and the percentage of the total? Please include the Public Law 480 commodities as a part of the grand total.

(The information follows:)

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

	Calendar year 1967		Calendar year 1968		Calendar year 1969 [1]	
	Percent [2]	Amount	Percent [2]	Amount	Percent [2]	Amount
1. Pledges and contributions by governments:						
Abu Dhabi	0.06	$20,927	0.11	$40,000	0.03	$10,000
Argentina				2,000		2,000
Australia	.59	201,600	.54	201,600	.92	364,934
Austria	.03	10,000	.03	10,000	.04	15,000
Belgium	.10	35,000	.09	35,000	.19	74,771
Canada	4.03	1,388,889	4.55	1,709,445	3.95	1,574,074
Central African Republic						1,800
Ceylon		1,000		800		800
Chile				1,000		1,000
China, Republic of	.06	20,000	.08	30,000	.08	30,000
Cyprus		560		240		480
Denmark	.81	279,815	1.84	691,333	1.44	572,881
Finland	.04	15,000	.16	60,000	.15	60,000
France	.69	237,729	3.00	1,128,457	1.71	681,585
Gaza Authorities	.45	155,547	.28	107,152	.23	93,414
Germany, Federal Republic of	2.17	750,000	5.72	2,149,263	7.72	3,073,056
Ghana		3,000		3,000		3,000
Greece	.04	15,000	.04	15,000	.04	15,000
India	.04	13,333	.04	13,333	.03	13,333
Iran	.04	12,695	.02	7,120	.01	6,000
Iraq	.29	100,000	.27	100,000	.25	100,000
Ireland	.07	25,000	.11	40,000	.13	50,000
Israel	1.09	376,142	1.57	591,629	2.37	942,072
Italy	.70	240,100	.43	160,871	.60	238,619
Jamaica		560				3,250
Japan	.12	40,000	.11	40,000	.13	50,000
Jordan	.48	163,737	.39	146,477	.41	164,994
Kuwait	.64	220,000	.59	220,000	.55	220,000
Lebanon	.15	51,839	.11	43,253	.13	51,222
Liberia		3,000			.01	5,500
Libya	.29	100,000	.27	100,000	.25	100,000
Luxembourg		3,000		3,000		3,000
Malaysia		1,500		1,500		1,500
Mexico			.05	20,000		
Monaco		204		204		204
Morocco	.07	25,000	.07	25,000	.10	40,000
Netherlands	.34	115,518	.29	110,193	.28	109,589
New Zealand	.24	84,000	.18	67,200	.17	67,200
Niger		510		2,500		450
Nigeria	.01	5,000	.01	5,000	.01	5,000
Norway	.24	84,000	.24	91,000	.28	111,810
Pakistan	.06	20,964	.06	20,969	.05	20,968
Philippines		1,250		1,250		3,750
Qatar	.03	10,000	.03	10,000	.03	12,000
Saudi Arabia	.86	297,778	.79	297,778	.75	297,778
Singapore				1,000		1,000
Spain					1.77	704,734
Sweden	6.38	2,200,773	5.92	2,222,369	5.51	2,194,018
Switzerland	.57	196,760	.52	196,760	2.18	869,056
Syria	.27	93,726	.24	88,770	.22	88,858
Trinidad and Tobago		1,000		1,500		
Tunisia	.01	4,000	.01	4,000	.01	4,000
Turkey	.03	10,000	.03	10,000	.03	10,000
United Arab Republic	.35	120,452		1,845		400
United Kingdom	13.05	4,500,000	11.98	4,500,000	11.30	4,500,000
United States	64.36	22,200,000	51.10	22,200,000	55.78	22,200,000
Vatican City	.05	18,500	.03	12,500	.03	12,500
Vietnam, Republic of						3,000
Yugoslavia	.06	20,000	.05	20,000	.05	20,000
Subtotal	100.00	34,494,408	100.00	37,561,311	100.00	39,799,601
2. Contributions by private and international agencies direct to UNRWA		1,038,880		2,671,553		1,773,160
Total		35,533,288		40,232,864		41,572,761

[1] Estimated on the basis of pledges as of February 1970.
[2] No percentage shown for amounts of less than 0.01.

NUMBER OF REFUGEES

Mr. PASSMAN. Is the number of refugees in this area continuing to increase in numbers?

Mr. DE PALMA. Yes, they are, but the number receiving rations is actually declining slightly.

Mr. PASSMAN. You may place in the record, if it is available, the number of refugees from 1965 through 1969 inclusive. That will give us a 5-year spread.

(The information follows:)

NUMBER OF REFUGEES REGISTERED WITH AND RECEIVING RATIONS FROM UNRWA, 1965-69 (DATA AS OF Dec. 31 OF EACH YEAR)

Year	Total registered refugees	Total ration recipients
1965	1,300,177	873,123
1966	1,330,077	859,966
1967	1,355,836	856,870
1968	1,375,915	825,679
1969	1,409,659	819,388

POSSIBLE OPERATING DEFICIT

Mr. PASSMAN. It is stated on page H-9 that a deficit of $4.8 million is expected in the 1970 program. Do you mean an operating deficit or a deficit as it would apply to the 1970 program? Do you mean that you have that much of an overdraft or that you will have to cut the program?

Mr. DE PALMA. If he continued the program at the planned level without cutbacks he would be that much short.

Mr. PASSMAN. This fiscal year closed June 30. Did the deficit come in commodities that you will make available or does it mean that you have in effect an overdraft somewhere?

Mr. FRECHTLING. Sir, the U.N. Relief and Works Agency operates on a calendar year basis, so the budget we are talking about is for calendar year 1970. The Commissioner General's estimate of his requirements was some $4.8 million more than he had in foreseeable receipts. He is now engaged and the U.N. is engaged, in appeals to contributors to help close the gap, and they are in the process of approaching governments to see of they can increase the contributions to the 1970 program. If sizable amounts are not pledged over and above what has been pledged to the 1970 program, the Commissioner General will have to cut back the level of services that he is now furnishing.

Mr. PASSMAN. You are talking about an anticipated defiict?

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. At what time will you make the decsion that the cutbacks will have to be made?

Mr. DE PALMA. The Commissioner General has already made it. In fact, he has started planning cutbacks and begun to implement some of them already.

Mr. PASSMAN. Additional contributions must come into the organization.

Mr. DE PALMA. From others, not the United States.

Mr. PASSMAN. You will maintain the level he has planned, and if additional contributions should come in, then you will increase the level, is that my understanding? If you had stated we are reducing this operation by $4.8 million I could understand it, but you used the term "deficit."

Mr. DE PALMA. I used that and it is not correctly stated in this case.

Mr. PASSMAN. In other words, you will reduce the cost of this operation by $4.8 million.

Mr. DEPALMA. That is correct.

Mr. PASSMAN. Now, it is understandable. Thank you.

U.N. FORCE IN CYPRUS

The next program is the U.N. Force in Cyprus. Your estimate for fiscal year 1971 is $6 million; is that correct?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. What is the population of Cyprus?

Mr. DEPALMA. I am sorry, I don't know.

Mr. PASSMAN. On page H–9 you state that the Security Council's mandate is scheduled to expire on June 15, 1970. I assume the mandate will be extended.

Mr. DEPALMA. We anticipate that it will. As we now see it, the force will be needed through 1971 at least.

Mr. PASSMAN. How long does the U.N. plan to maintain a force in Cyprus?

Mr. DEPALMA. I don't think anyone knows, sir. The U.N. Security Council extends the life of the Force usually on a 6 month basis.

Mr. PASSMAN. The turmoil is created by two of our other allies, is it not?

Mr. DEPALMA. That is where the danger lies.

Mr. PASSMAN. We have given these allies billions of dollars each and it hasn't changed their minds very much about anything, has it?

Mr. DEPALMA. No.

Mr. PASSMAN. They take it and do with it whatever they please. Mr. Secretary, will the United States supply services for this program in fiscal 1971, other than the proposed $6 million cash contribution?

Mr. DEPALMA. I am not aware of any at all.

Mr. PASSMAN. I ask this question because I notice that the United States has supplied airlift service in the past.

Mr. DEPALMA. We did, to get the force there in the beginning.

CONTRIBUTING COUNTRIES

Mr. PASSMAN. Would you supply for the record a list of the countries contributing either cash or services to this program, indicating the amount of contribution and its percentage of the total.

Mr. DEPALMA. Yes, sir.

(The information follows:)

CONTRIBUTIONS IN CASH AND IN KIND TO THE U.N. FORCE IN CYPRUS FOR THE PERIOD MAR. 27, 1964 TO JUNE 15, 1970 (AS OF MAR. 31, 1970)

Government	Contributions[1] in kind	Contributions in cash	Total contributions	Percent[2]
Australia	720,000	1,269,875	1,989,875	1.41
Austria		840,000	840,000	.59
Belgium		1,483,412	1,483,412	1.05
Botswana		500	500	
Cambodia		600	600	
Canada	14,775,000		14,775,000	10.44
Congo, Republic of		20,000	20,000	.01
Cyprus		582,600	582,000	.41
Denmark	1,865,000	1,485,000	3,350,000	2.37
Finland		425,000	425,000	.30
Germany, Federal Republic of		8,500,000	8,500,000	6.01
Ghana		11,667	11,667	
Greece		8,650,000	8,650,000	6.11
Iceland		6,000	6,000	
Iran		22,000	22,000	.02
Ireland		50,000	50,000	.04
Israel		26,500	26,500	.02
Italy		2,740,363	2,740,363	1.94
Ivory Coast		60,000	60,000	.04
Jamaica		13,800	13,800	
Japan		590,000	590,000	.42
Korea, Republic of		16,000	16,000	.01
Laos		1,500	1,500	
Lebanon		1,297	1,297	
Liberia		8,270	8,270	
Libya		30,000	30,000	.02
Luxembourg		45,000	45,000	.03
Malawi		5,590	5,590	
Malaysia		7,500	7,500	
Malta		1,820	1,820	
Mauritania		2,041	2,041	
Morocco		20,000	20,000	.01
Nepal		400	400	
Netherlands		921,000	921,000	.65
New Zealand	140,000	42,000	182,000	.13
Niger		2,041	2,041	
Nigeria		10,800	10,800	
Norway		1,374,954	1,374,954	.97
Pakistan		11,800	11,800	
Philippines		2,000	2,000	
Sierra Leone		11,900	11,900	
Singapore		3,000	3,000	
Sweden	2,330,000	2,260,000	4,590,000	3.24
Switzerland		1,295,000	1,295,000	.92
Thailand		2,500	2,500	
Trinidad and Tobago		2,400	2,400	
Turkey		1,839,253	1,839,253	1.30
United Kingdom	12,600,000	23,970,476	36,570,476	25.84
United Republic of Tanzania		7,000	7,000	
United States	1,254,100	[3]49,100,000	50,354,100	35.59
Venezuela		3,000	3,000	
Vietnam		4,000	4,000	
Zambia		38,000	38,000	.03
Total	33,684,100	107,817,859	141,501,959	100.00

[1] Contributions in kind comprise nonreimbursable costs of governments which are providing or have provided troops or services as reported by those governments. Austria, Finland, and Ireland are also absorbing certain additional costs incidents to the participation of their troops or police in Cyprus.

[2] No percentage shown for contributions of less than 0.01 percent.

[3] Total amount pledged against cost estimate of $117,600,000. Actual payments have totaled $40,100,000 or approximately 40-percent of contributions received.

Mr. PASSMAN. What supports the economy on Cyprus? Is it manufacturing, farming, a combination of both?

Mr. DEPALMA. I guess it is largely agriculture, some mining, and tourism.

ECONOMY OF CYPRUS

Mr. PASSMAN. I wish you would put in the record the land area, the population, and whether they are self-sufficient agriculturally speaking, what their exports are, and how they expect to maintain their

economy, if and when peace should prevail in that part of the world. You do know we have certain nations that can never be self-sufficient.

(The information follows:)

THE ECONOMY OF CYPRUS

Cyprus comprises 3,572 square miles with a population of approximately 628,000. The island republic is almost self-sufficient agriculturally with the exception of wheat and certain meat products. Its primary agricultural exports are citrus, potatoes, carobs, and vine products. In 1968, exports of copper and related minerals accounted for about 30 percent of total export earnings.

The basic structural flaw in the Cyprus economy is its dependence on "invisible" foreign exchange earnings to cover a growing annual trade deficit. Cyprus usually imports twice as much as it exports but has managed to register balance-of-payments surpluses due to foreign exchange earnings from the British bases on Cyprus, a subsidy paid by the Government of Turkey to the Turkish Cypriot community (20 percent of the population), the U.N. peacekeeping force, and a significant net capital inflow.

If a political solution brings peace and a return to normalcy, foreign investment and increased earnings from tourism should help to cover the foreign exchange losses anticipated by a phaseout of the U.N. Force and the Turkish subsidy.

PER CAPITA CONTRIBUTION

Mr. DEPALMA. The population figure is 628,000.

Mr. PASSMAN. Our contribution is over $1 per capita, isn't it?

Mr. DEPALMA. About $10.

Mr. PASSMAN. Not bad.

Mr. DEPALMA. It doesn't go to the inhabitants of the island in any way.

Mr. PASSMAN. Mr. Secretary, don't you know that everything that you give to people goes to the people either directly or indirectly? Countries are run for people. People run countries, don't they? Isn't that a statement of fact?

Mr. DEPALMA. Yes.

Mr. PASSMAN. You either put it at the bottom and it works to the top or you put it at the top and it works down to the bottom, isn't that the way it is?

Mr. DEPALMA. Yes, but this is to support the troops to maintain the peace.

Mr. PASSMAN. The troops get the money, they spend the money and it helps the people, doesn't it? However, some of these people in different parts of the world are clever enough that they are able to get the funds out of the country. Some of it winds up in Switzerland. I should say some of the assistance may get to the bottom. It depends on the country you are dealing with. Mr. Shriver, I turn the questioning over to you.

Mr. SHRIVER. Thank you, Mr. Chairman.

INCREASES IN BILATERAL AND MULTILATERAL PROGRAMS

Mr. DePalma on page 2 of your statement you say, a "predominantly bilateral U.S. program is no longer politically tenable in our relations with many developing countries, nor is it advisable in view of what other countries are doing in international development."

Mr. DE PALMA. That is the view of the President's task force that I am quoting from.

Mr. SHRIVER. With this in mind, you are requesting an increase in our multilateral program for fiscal 1971 of over $17 million and the President is expected to ask for approximately one-half billion dollars for other internationally supervised aid programs. At the same time you have presented a request for an increase of more than $300 million for our ongoing bilateral aid program. This looks like an increase in our aid expenditures at the same time that the whole concept is being studied, does it not?

Mr. DE PALMA. Yes.

Mr. SHRIVER. A rather large increase. As your statement and the justification point out, the U.N. development organizations do not have now the capability to expand their operations in a truly effective way due to the lack of qualified personnel and facilities. Why then should we increase our contributions until they have this capacity?

Mr. DE PALMA. Sir, that statement is made by a man who is very strongly interested in the multilateral system. Sir Robert Jackson is talking about the future. It was his job to see whether the U.N. system for delivering development assistance could double its capacity, and what would have to be done. He is pointing to the fact that changes are necessary in the structure and organization in order to do that. He found that the system has reached the level of operation where it is strained. I think the statement has to be taken in context.

Mr. SHRIVER. Do you agree with the statement?

Mr. DE PALMA. I agree with the statement; yes.

Mr. SHRIVER. And you also agree that we need an increase in contributions before they have that capacity?

Mr. DE PALMA. Sir, we have just now reached the point to which Jackson's statement referred. With our contribution it will be operating at that point. We will say that if they have any expectations of contributions at that level in the future, to say nothing of any increases, there will have to be the necessary changes.

Mr. SHRIVER. Considering all forms of our present foreign aid efforts, what is the percentage of bilateral expenditures and what is the percentage of multilateral expenditures in fiscal 1970? If you don't have it you can get it from AID.

Mr. DE PALMA. We can get it.

(The information follows:)

EXPENDITURES FOR BILATERAL AND MULTILATERAL FOREIGN ASSISTANCE IN FISCAL YEAR 1970

The total estimated expenditures (budget outlays) in fiscal year 1970 from U.S.-appropriated funds for all types of foreign assistance[1] is $3,595 million. Of this total $3,187 million, or 88 percent, is bilateral assistance, and $408 million, or 12 percent, is multilateral.

Mr. SHRIVER. In view of the proposed new direction toward more multilateral aid, what would you expect these percentages to be in 5 years?

Mr. DE PALMA. I haven't seen any projections in percentage terms, sir.

[1] Includes AID, MAP, Peace Corps, and Public Law 480, which is bilateral aid, and multilateral which consist of U.S. participation through the Treasury Department in international financial institutions and AID contributions to international organizations and other multinational activities.

Mr. SHRIVER. It is pretty hard to examine when you don't have the information, but if you could speculate as to the percentages in 5 years, do so for the record.

Mr. DE PALMA. All right, sir.

(The information follows:)

U.S. ASSISTANCE THROUGH BILATERAL AND MULTILATERAL CHANNELS, ESTIMATED 1975

The executive branch is engaged in a comprehensive reappraisal of U.S. foreign assistance programs, and the President is expected to submit his recommendations to the Congress in the near future. One of the issues under consideration is the extent to which U.S. resources will be channeled through multilateral and bilateral institutions. It is therefore premature to project the relative use of such channels by 1975.

U.N. CHILDREN'S FUND (UNICEF)

Total expenditures by UNICEF in calendar year 1971 are estimated at $53 million, of which administrative expenditures would account for 7.4 percent, operational services at 12.4 perecnt, and program costs at 80.2 percent.

Administrative services include the costs of all personnel and related services at New York headquarters, except the food conservation and supply divisions, as well as the costs of personnel and related services for a portion of UNICEF's European office in Paris.

Operational services include the costs of personnel and related services of (1) the offices of resident directors and UNICEF representatives in the field whose staff are in direct contact with governments, (2) the food conservation and engineering services advising governments, and (3) the procurement and shipping operations.

Program costs include the costs of medicines, equipment, machinery, supplies, expert services, and the like.

Of the proposed U.S. contribution of $13 million to UNICEF's 1971 program, it is estimated that 7.4 percent ($962,000) will be used for administrative services, 12.4 percent ($1,612,000) for operational services, and 80.2 percent ($10,426,000) for program expenditures.

WORLD FOOD PROGRAM (WFP)

All of the proposed U.S. contribution of $1.5 million to the 1971 activities of WFP is designed to help finance the administrative costs of the program.

It is estimated that the United States will also furnish in 1971 $61 million in commodities and shipping services under Public Law 480. This amount would represent the U.S. contribution to the program costs of the WFP.

U.N. RELIEF AND WORKS AGENCY (UNRWA)

The budget for UNRWA for 1970 totals $44.8 million, which includes 8.7 percent ($3.9 million) for general administration and internal services. Assuming that the ratio of administrative costs to total costs for 1971 will remain substantially unchanged, it is estimated that 8.7 percent ($2 million) of the proposed U.S. contribution would be used for administrative costs. The remainder of 91.3 percent ($21.2 million) would be used for program expenditures, including rations, housing, medical services, and education.

ADMINISTRATIVE EXPENSES

Mr. SHRIVER. How much of your fiscal 1971 request will go for administrative salaries and expenses? You can break that down by program if possible.

Mr. DE PALMA. I would have to. I think we can supply that for the record.

(The information follows:)

Portion of Proposed U.S. Voluntary Contributions, Fiscal Year 1971, To Be Used for Administrative Costs

The definition of "administrative costs" and their differentiation from program costs is a complex process which has been approached in different ways. It is a comparatively simple decision to attribute to administrative costs the salaries of the executive head and of the chief financial officer and attribute to program the acquisition cost of a piece of equipment delivered to an assisted country. The problem becomes more difficult, however, when one moves to the attribution of such costs as those for initial planning for a project, its review prior to implementation, and evaluation during and after the project is completed.

In a case of the U.N. programs and agencies to which U.S. voluntary contributions are proposed in fiscal year 1971, there is no common set of definitions and criteria utilized by them in attributing costs to administration or program. Each agency has developed its own definitions which are considered appropriate for its activities and structure. In some cases, costs are not divided between administration and program; additional categories such as program support are used to include costs which cannot be readily charged to individual projects but are clearly necessary for the implementation of many projects.

U.N. development program (UNDP)

The UNDP has developed the following categories: (a) Administration, (b) agency overhead, (c) program support services, and (d) project expenditures.

(a) Administrative expenses include: (1) at headquarters—the office of the administrator, the staff units responsible for general policy, financial management, administrative management and budget, and the like; (2) in the field—half of the costs of resident representatives, the entire cost of the general services staff, and related functions.

(b) Agency overhead expenses are those expenses of the executing and participating agencies for which they are reimbursed by the UNDP for services performed in connection with projects, including programing, formulation of projects and other policy matters, as well as technical and administrative backstopping of projects.

(c) Program support services include: (1) at headquarters—the program division and the geographic area divisions of the bureau of operations and programing, the evaluation division; (2) in the field—half the costs of resident representatives, the costs of deputy resident representatives, technical field advisers, and program officers.

(d) Project expenses are those expenses relating to capital inputs, and operating costs such as salaries and related costs of experts and other support personnel, cost of fellowships, cost of maintenance, repairs, rents, supplies, etc.

Based on these criteria, approximately 4.9 percent of UNDP expenditures in 1968 represented costs for administration, 5.7 percent for agency overhead, and 3.7 percent for program support services. On the assumption that the distribution of these costs will remain fairly constant, it is estimated that of the $100 million requested in fiscal year 1971 for UNDP, $4.9 million will be apportioned for administration, $3.7 million for program support services, and $5.7 million for agency overhead. The balance, 85.7 percent or $85.7 million, will be devoted to project costs.

Mr. SHRIVER. Do you have any idea what percentage it would be?
Mr. DE PALMA. We have it for several of the programs, I believe.

U.N. DEVELOPMENT PROGRAM

Mr. SHRIVER. In view of the major recommendations of the Jackson study of the U.N. development program, it would appear that increased international aid programs would be better handled by the World Bank or additional consortium arrangements. One of these recommendations is for efficient followup as an integral part of each project. Why isn't that done already?

Mr. DE PALMA. It is done. We want it done better. We are not satisfied with the procedures they have.

Mr. SHRIVER. You want an efficient followup then?

Mr. DE PALMA. We do.

Mr. SHRIVER. What we have had has not been too efficient?

Mr. DE PALMA. Not efficient enough.

Mr. SHRIVER. Another recommendation is for better staffing at all levels involving measures to attract and retain highly qualified personnel. This means higher pay, doesn't it?

Mr. DE PALMA. It may mean higher pay, but it also has to do with arrangements they have for recruiting and selecting candidates. This is one of their major problems. It is very difficult to get topnotch people who want to serve in distant hardship posts. It is a major difficulty. They are aware of it, and we want to see something done here.

Mr. SHRIVER. You don't think it is pay?

Mr. DE PALMA. Pay obviously has something to do with it, yes.

Mr. SHRIVER. How does the existing United Nations development programs pay scale compare with that of the major bilateral aid donor countries and the International Development Association?

Mr. DEPALMA. I don't think I have that kind of comparison, but I may be able to get that for you and supply it for the record.

Mr. SHRIVER. Put it in the record.

COMPARISON OF SALARY SCALES OF THE U.N. DEVELOPMENT PROGRAM AND SIMILAR PROGRAMS

While full information is available on the scale of salaries as well as allowances and other benefits for the professional personnel of the U.N. development program UNDP) and for the U.S. bilateral program administered by the Agency for International Development, there is not available any comprehensive tabulation of total remunerations (salaries, cost-of-living, housing, hardship post, education, family, and other allowances) of similar organizations of other countries engaged in foreign aid activities.

Information relating to the basic professional salary scales of UNDP and of AID are presented below, together with the salary scales of the foreign assistance agencies of Canada, Sweden, Switzerland, and the United Kingdom and of the World Bank.

The salary scale used by the UNDP is that employed throughout the United Nations system. The present scale became effective January 1, 1969, and presents gross salaries before taxes or staff assessments:

D–2	$26,410–28,520
D–1	21,960–26,260
P–5	19,120–24,030
P–4	15,260–19,530
P–3	12,380–15,980
P–2	9,940–13,010
P–1	7,600–10,390

The Foreign Service salary scale is utilized for personnel of the U.S. Agency for International Development. Salaries (before taxes) effective as of December 28, 1969, are as follows:

FSO–1	$33,505–35,505
FSO–2	26,358–31,632
FSO–3	20,888–25,064
FSO–4	16,760–20,114
ESO–5	13,618–16,342
FSO–6	11,245–13,495
FSO–7	9,450–11,340
FSO–8	8,098– 9,718

The present scale of the Canadian foreign assistance program, which is the same as that of the Canadian Foreign Service, is as follows (before taxes):

FSO–8	$25,252–26,601
FSO–7	23,072–24,995
FSO–6	20,377–22,627
FSO–5	16,142–18,208
FSO–4	13,497–15,211
FSO–3	11,049–12,630
FSO–2	9,145–10,322
FSO–1	6,540– 9,120

The Danish Development Assistance Administration pays personnel according to the following tax-free basic salary scale:

Class–I	$5,714– 7,613
Class–II	7,318– 9,546
Class–III	8,927–11,964
Class–IV	10,166–13,969
Class–V	13,156–16,104

In addition to usual allowances, Denmark also pays pension insurance premiums and provides other insurance such as health, life, and disability insurance.

The salary scales for Switzerland's Development Assistance Service field assignments are based on Bern salary rates, and are largely tax free. Typical base pay rates are: junior officer, $4,800 to $6,500; middle-level officer, $6,100 to $7,700; senior officer $8,600 to $10,300. In addition to the usual allowances, Swiss personnel receive a diplomatic allowance (somewhat comparabe to representation allowances) adjusted for the cost-of-living index and the element of hardship involved in the post assignment,

The United Kingdom system, entirely different from those outlined above, in effect relies primarily on a complex allowance system. The majority of overseas aid personnel are paid a basic salary by the host (assisted) country in line with local pay rates. To this basic salary, the United Kingdom adds a variety of allowances, largely tax free and including an inducement allowance, free housing and free medical service. In addition, an end of tour gratuity is paid, equal to 25 percent of the gross emoluments during a tour. The United Kingdom also hires a small number of personnel, largely technical specialists, at the going United Kingdom rate for a particular specialty, and adds allowances.

The International Development Association does not have a separate staff. Its resources are administered by staff of the International Bank for Reconstruction and Development (World Bank).

The salary scale of the World Bank (tax free) which became effective October 1, 1969 is as follows:

Department Directors and Deputy Directors	$22,000–$32,300
Chief Economists, Assistant Directors, and other senior staff	22,000– 27,800
A	21,000– 26,300
B	17,500– 23,700
C	13,800– 20,600
D	10,100– 16,400
E	8,000– 13,800
F	6,400– 10,600
G	5,350– 8,500

Mr. SHRIVER. Our contribution to the UNDP in 1969 represented 33.3 percent of the total. In 1970 this increased to 35.7 percent. What do you expect this percentage to be in 1971?

Mr. DE PALMA. The $100 million would be, as I recall, 36 percent of the expected contribution.

Mr. SHRIVER. That is an increase. Why should our contribution percentage be increasing?

Mr. DE PALMA. Sir, we have been operating on the 40–60 level. The theory is that we are restricted to 40 percent and we have not come up to that level for some time.

Mr. SHRIVER. But we are increasing each year, 1969, 1970, and 1971.

Dr. DE PALMA. Yes, sir; but we used to contribute at a level of 40 percent.

Mr. SHRIVER. Why are we increasing if we get it down to a lower figure. In other words, we are finally getting other countries more interested. Why are we now increasing our percentage?

Mr. DE PALMA. The whole system is based on relative capacity to pay, and our relative capacity would put as at about 40 percent.

Mr. SHRIVER. On what is that measured?

Mr. DE PALMA. The gross national product is the index we use.

Mr. SHRIVER. Does that include the very large deficit that Mr. Passman spoke about a little while ago?

Mr. DE PALMA. It is the whole product.

Mr. SHRIVER. It is only that?

Mr. DE PALMA. Yes, adjusted for low per capita national income.

RELATIONSHIP BETWEEN AID AND THE UNDP

Mr. SHRIVER. On page 8 of your your statement you mentioned briefly the relationship between our AID missions and the UNDP. Would you explain this further, perhaps giving some examples of specific projects which were discussed?

Mr. DE PALMA. I may have some examples with me.

Mr. SHRIVER. This is on page 8.

Mr. DE PALMA. Yes. I have some figures here. I don't have specific examples of projects, but our AID missions informally provides a critique of every Special Fund project which is proposed for UNDP financing. The critique from the field is sent to AID in Washington for further examination. These U.S. viewpoints are then combined and made available to the UNDP administration. They are fed into the UNDP review at that level.

As a result, just this last year of 176 Special Fund projects, which were approved by the UNDP, we had made specific suggestions for modifications in 116. The UNDP accepted many of our suggestions for 64 of those projects, and, in five additional cases, all of our suggestions were accepted. This would indicate that roughly 60 percent of the time we were able to get projects reformulated and adjusted.

Mr. SHRIVER. Will you go into that in some more detail in connection with projects?

Mr. DE PALMA. Yes. May I supply some for the record? I have a few examples here.

Mr. SHRIVER. Put it in the record.

(The information follows:)

SPECIFIC EXAMPLES OF PROJECTS PROPOSED BY UNDP AND EXAMINED BY AID

A Near East government requested assistance for study of erosion in a large delta area in which a major portion of that country's agriculture was raised. An examination by AID engineers of that proposal indicated the need for adding additional facets to that study. Due to construction of dams upriver, there was no accurate record of sediment transport. Without that study it was not practical, in U.S. experience, to design corrective or preventive works along the coast that were of a permanent value. The suggestion was accepted by UNDP.

Another Near East government requested assistance for planning and operating an industrial area. The United States, based on its experience in assisting that country with various industrial development organizations, suggested that costs could be reduced by UNDP by using more local experts and fewer expatriate personnel. The suggestion was accepted and costs were reduced by about $1 million during the life of the project.

A Latin American government requested assistance for planning a public water supply. About 60 percent of the citizens of that small country relied on untreated water. The United States suggested, after examination by AID engineers, that the projects also include sewerage treatment and development of an organization necessary for construction, operation, and management of the water system. The suggestion was accepted, the added cost was slight ($61,000).

A government in tropical Africa requested assistance in development of rice-growing. The United States has produced considerable research in that country; it had two related projects under consideration and the Republic of China had given other assistance in rice production. UNDP profited by the considerable research previously undertaken and undertook coordination of its project with other donors.

Another government in tropical Africa requested a preinvestment study of a damsite. UNDP was referred to previous studies and site selection for flood reduction, improvement of navigation, increased water supply, and power. UNDP was able to reduce the expected cost of the project by about $501,000.

U.N. CHILDREN'S FUND

Mr. SHRIVER. Furnish for the record a table showing the total contributions in all forms to the U.N. Children's Fund from all donors.

(The information follows:)

UNITED NATIONS CHILDREN'S FUND—CONTRIBUTIONS FROM ALL DONORS IN 1969

[In million of dollars]

	United States	Total
1. Contributions from governments:		
General resources	$13.0	$31.8
Local costs of field offices		.9
Specific projects		1.6
UNICEF-aided projects		4.8
Emergencies (commodities for Nigeria)	8.7	8.7
Total	21.7	47.8
2. Contributions from nongovernmental sources:		
General resources	3.4	5.5
Specific projects	.5	2.2
Total	3.9	7.7
3. Income from sales of greeting cards and related operations	2.0	4.0
Grand total	27.6	59.5

TOTAL U.S. CONTRIBUTION

Mr. SHRIVER. Also insert a table showing the U.S. percentage of contributions to each of the programs under your jurisdiction.

Mr. DE PALMA. Yes, sir.

(The information follows:)

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS—ESTIMATED AMOUNTS AND PERCENTAGES, FISCAL YEAR 1971

[Dollar amounts in thousands]

Organization or program	Amount	Maximum percent	Estimated percent
U.N. development program	$100,000	40.00	36.63
U.N. Children's Fund:			
Cash	13,000	40.00	40.00
Commodities	4,462		
U.N./FAO—World food program:			
Cash	1,500		36.00
Services	18,500		
Commodities	42,500	50.00	50.00
U.N. population program	7,500	[1] 50.00	[1] 50.00
U.N. Institute for Training and Research	400	40.00	[2] 32.93
Special contributions for Vietnam	950		[2] 83.01
International Atomic Energy Agency—Operational program:			
Cash	630	40.00	40.00
In kind	920		
World Health Organization—Medical research	150	11.11	11.11
World Meteorological Organization—Voluntary assistance program:			
Cash	150	40.00	40.00
Equipment and services	1,350		
International Secretariat for Volunteer Service:			
Cash	70	28.00	28.00
Personnel	48		
U.N. Relief and Works Agency (UNRWA):			
Cash	13,300	70.00	60.57
Commodities	8,900		
UNRWA—Arab refugee training: Cash	1,000		
U.N. force in Cyprus	6,000		[3] 40.00

[1] For calendar year 1970.
[2] Cumulative percentage to date.
[3] Percentage share of cost estimates.

FUNDS FOR WORLDWIDE POPULATION CONTROL

Mr. SHRIVER. There has been considerable discussion on whether the amounts earmarked by Congress for worldwide population control programs can be effectively used this year and next year. Do you feel that the U.N. efforts along this line are adequately funded now?

Mr. DE PALMA. I think they are for the present. The programs are now being organized. They are now drawing them up. I don't know what the situation will be in the future.

SPECIAL CONTRIBUTIONS FOR VIETNAM

Mr. SHRIVER. As as now the only other country which is contributing to the special contributions for Vietnam is the Netherlands.

Mr. DE PALMA. That is correct.

Mr. SHRIVER. Has there been any noticeable softening on the part of other nations regarding possible future contributions to this program as a result of the President's change in direction in our efforts there?

Mr. DE PALMA. No, sir; except the one project I mentioned in North Vietnam in which the Swiss Government is apparently interested.

Mr. SHRIVER. I am talking about the South.

Mr. DE PALMA. No, sir.

BILATERAL AND MULTILATERAL FINANCED RESOURCES AND TRANSPORTATION SURVEYS

Mr. SHRIVER. On page H–1 of the justifications, it is stated:

Developing countries also tend to prefer assistance from international organizations in fields which appear to them to have a strategic import; for example, resources and transportation surveys.

Would you prepare for the record at this point a list of all AID bilateral resources and transportation surveys funded in fiscal 1970 and those proposed for fiscal 1971?

Mr. DE PALMA. Yes, sir.

(The information follows:)

TRANSPORTATION/COMMUNICATIONS/MINERAL RESOURCES STUDIES

Area and item	1970	1971
East Asia:		
Djakarta Airport	$200,000	
Saigon Airport	250,000	
FAA navigation aids study	60,000	
Planned feasibility studies		$383,000
Kuantan—Segamat Highway feasibility study—Malaysia	185,000	
Africa:		
N.E. Congo—Transport feasibility study	30,000	
Dahomey—Cotonou int. bridge feasibility study		70,000
Freetown—Monrovia highway recon		15,000
Lake Chad supplemental telecom		15,000
Nigeria transport planning including training in planning		500,000
Latin America: Chile—Port studies	150,000	
NESA:		
CENTO R.R., economic optimization study	100,000	
Pakistan-mineral reserves appraisal	66,500	
Feasibility study of coal hydrogenation	8,427	
Total	1,049,927	983,000

Mr. SHRIVER. I want to see if that statement in the justifications is being followed.

USE OF EXCESS CURRENCIES

Page H–2 states:

Whenever appropriate or possible, contributions to international organizations are used which do not unfavorably affect the U.S. balance of payments.

Who determines when this is "appropriate or possible"?

Mr. DE PALMA. This has to do with our desire and our efforts to contribute excess currencies and agricultural commodities whenever they are useful resources for carrying out the voluntary program activities.

Mr. SHRIVER. "We" meaning who?

Mr. DE PALMA. The U.S. Government.

Mr. SHRIVER. The State Department and AID?

Mr. DE PALMA. Yes.

Mr. SHRIVER. What percentage of our contributions to the UNRWA and UNDP will be in excess foreign currencies in fiscal 1971?

Mr. De Palma. About $11 million for all programs.

Mr. Cummins. For UNDP, about $2.5 million or 2.5 percent out of a total contribution requested of $100 million would be in excess currencies. For the U.N. Relief and Works Agency about $8.5 million out of the total cash contribution of $14.3 million, which would be about 60 percent.

Mr. Shriver. How would that compare with the percentage for fiscal 1970?

Mr. Cummins. For fiscal 1970 we anticipate $2 million for UNDP and the same $8.5 million for UNRWA.

CONTRIBUTION LEAD OF OTHER DONORS

Mr. Shriver. You say we will increase our contribution in order to stimulate increased contributions by other nations. Since Congress has denied this increase in the past several years, will you tell us what has happened to the levels of other donors?

Mr. De Palma. The level has actually gone up for some other donors in the last year.

Mr. Shriver. So it really hasn't required our stimulation?

Mr. De Palma. Not yet but then we are talking about a trend and I don't know what would happen in the future if we continued to go down.

Mr. Shriver. Would you break down in dollar terms the amounts which have been spent in each of the five regions from the UNDP special fund for technical assistance since its inception?

Mr. De Palma. Yes, sir.

(The information follows:)

UNDP: EXPENDITURES ON PROJECTS, BY PROGRAM COMPONENT AND BY REGION, 1959–68

[In millions of dollars]

Region	1959–63			1964–68			1959–68		
	Special fund	Technical assistance	Total	Special fund	Technical assistance	Total	Special fund	Technical assistance	Total
Africa	14.8	44.8	59.6	134.8	93.7	228.4	149.6	138.5	288.0
The Americas	18.5	38.7	57.2	93.6	55.3	149.0	112.2	94.1	206.2
Asia and the Far East	20.7	58.5	79.2	94.8	68.6	163.5	115.5	127.1	242.7
Europe	4.5	9.1	13.6	23.0	11.9	35.0	27.5	21.0	48.6
Middle East	4.9	13.0	17.9	20.9	16.3	37.2	25.8	29.3	55.1
Interregional	1.4	5.7	7.1	2.4	20.5	22.9	3.8	26.2	30.0
Undistributed					2.2	2.2		2.2	2.2
All regions	64.9	169.9	234.7	369.6	268.5	638.1	434.5	438.4	872.8
Agency overhead costs	9.1	20.9	30.0	41.8	33.8	75.6	50.9	54.8	105.7
Total	74.0	190.8	264.8	411.4	302.3	713.7	485.3	493.1	978.5

Note: Totals do not add because of rounding.

WORLD FOOD PROGRAM

Mr. Shriver. On page H–4 it stated, the United States conditioned its pledge to the administrative expenses for the World Food Program on appropriate action by the U.S. Congress. What happens if Congress decides not to take this action?

Mr. De Palma. We simply will not contribute.

U.N. INSTITUTE FOR TRAINING AND RESEARCH

Mr. SHRIVER. Since its inception, the U.N. Institute for Training and Research has been justified to this committee as being necessary to train diplomats from developing nations, and thus to upgrade the quality of the U.N. operations. In view of the Jackson report, these efforts haven't been entirely successful. It would seem that these diplomatic personnel would eventually be adequately trained, or at least that their governments would be able to take over responsibility for their training.

Mr. DE PALMA. They should be increasing the aid and I am sure they will be. Of course, this program has only operated for a few years.

Mr. SHRIVER. We have spent over $4.5 million for this purpose, so when will it end?

Mr. DE PALMA. I don't know when the governments will feel that they are able to provide all the training. There are many governments which are new.

Mr. SHRIVER. You don't really think it is going to end in the foreseeable future?

Mr. DE PALMA. I don't expect that.

INTERNATIONAL ATOMIC ENERGY PROGRAM

Mr. SHRIVER. What countries are receiving training assistance in nuclear science under the international atomic energy program?

Mr. DE PALMA. We have a list and I would be glad to supply that for the record.

(The information follows:)

IAEA OPERATIONAL PROGRAM ASSISTANCE PROVIDED IN 1968[1]

The IAEA operational program provides technical assistance to developing countries to advance the peaceful uses of atomic energy. The program's resources are comprised of cash contributions and contributions-in-kind.

Cash contributions are made directly to the program and are administered by the International Atomic Energy Agency. Contributions-in-kind (services of experts, sponsorship of technical seminars and meetings, training courses, and small equipment grants) are administered by the contributing countries in accordance with their respective special interests. The assisted projects are normally selected from those approved by the IAEA for inclusion in the operational program.

[1] Data for 1969 will not be available until the September 1970 IAEA General Conference.

The following countries received assistance in 1968:

[In thousands of dollars]

Country	Cash expenditure	Contributions in kind [1]	Country	Cash expenditure	Contributions in kind [1]
Afghanistan	(0.8)	3.0	Morocco	3.9	
Albania		1.5	Nicaraqua	.3	
Algeria	.1	3.8	Nigeria	2.0	5.3
Argentina	19.5	24.8	Pakistan	23.4	39.3
Austria	3.0		Paraguay		.4
Bolivia	11.1	4.3	Peru	(.8)	
Brazil	22.6	37.8	Philippines	37.1	40.4
Bulgaria	21.6	4.0	Poland	19.2	8.3
Burma	5.3		Portugal	2.5	
Cambodia	18.9		Rumania	35.3	15.1
Ceylon	2.4		Saudi Arabia	1.1	2.3
Chile	40.4	10.2	Senegal	32.4	
China	37.8	23.4	Sierra Leone	5.9	
Colombia	7.7	23.2	Singapore	9.7	
Congo, D.R	11.5	2.3	South Africa		1.1
Costa Rica	5.6	10.7	Sudan	26.8	
Cuba	7.7		Thailand	36.5	46.2
Cyprus	2.4		Tunisia	15.5	2.7
C.S.S.R	2.3	16.8	Turkey	38.5	21.6
Ecuador	7.4		Uganda	8.7	
El Salvador	4.6	2.0	U.A.R	38.5	14.0
Ethiopia	1.4		Uruguay	24.8	7.5
Ghana	22.4	7.7	Venezuela	14.7	4.7
Greece	20.0	7.5	Vietnam	7.2	4.1
Guatemala		6.7	Yugoslavia	35.4	8.1
Hong Kong	.3		Subtotal	865.9	552.0
Hungary	20.2	11.8			
Iceland	.9		International projects:		
India	28.8	44.3	Americas	6.6	1.6
Indonesia	25.2	30.3	Interregional projects	40.5	4.4
Iran	14.2	16.7	Trieste Centre	35.0	
Iraq	14.4	7.0	Subtotal	82.1	6.0
Israel	13.3				
Jamaica	5.5		Miscellaneous: Bank charges	5.0	
Japan	1.5				
Kenya	3.0		Grand total	953.0	558.0
Korea, R	20.5	24.1			
Lebanon	2.6				
Mexico	22.0	7.0			

[1] Assistance in kind can only be estimated.

Source: The Provision of Technical Assistance by the Agency with special reference to 1968. GC(XIII)/INF/111.

WORLD METEOROLOGICAL ORGANIZATION

Mr. SHRIVER. On page H–7 it is stated that, "We will assist projects under the World Meteorological Organization which we believe are most important to our country." What specifically are you talking about?

Mr. DE PALMA. Our whole approach to this program is to get a worldwide meteorological network that will fill the enormous gaps in available weather data. Some 80 percent of the globe just isn't surveyed regularly. This program is designed to assist the countries in those areas and to create weather stations on the oceans to provide data and transmit it on a worldwide basis, so that we all have the data. We will benefit very directly because we now have to compensate for this enormous gap and we will then have data coming in which we do not now have.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

Mr. SHRIVER. Would you list for the record other countries' Peace Corps-like programs which are being assisted by the International Secretariat for Volunteer Service.

Mr. DePALMA. Yes, sir.

Mr. SHRIVER. And something about the scope of those programs.

Mr. DE PALMA. Yes, sir,.

(The information follows:)

FOREIGN VOLUNTEER SERVICE PROGRAMS

The following countries have volunteer service programs which have been assisted by the International Secretariat for Volunteer Services:

Country	*Type of program*
Argentina	Domestic and foreign.
Brazil	Domestic.
Bolivia	Domestic.
Chile	Domestic and foreign.
Colombia	Domestic.
Costa Rica	Domestic.
Denmark	Foreign.
El Salvador	Domestic.
France	Foreign.
Germany	Foreign.
Honduras	Domestic.
India	Domestic.
Indonesia	Domestic.
Israel	Foreign.
Ivory Coast	Domestic.
Liberia	Domestic.
Netherlands	Foreign.
Nicaragua	Domestic.
Norway	Foreign.
Panama	Domestic.
Peru	Domestic.
Philippines	Domestic.
Ruanda	Domestic.
Switzerland	Foreign.
Thailand	Domestic.
Trinidad	Domestic.
Uruguay	Domestic.

Mr. SHRIVER. Our Peace Corps delegates two staff members to that volunteer service, does it not?

Mr. DE PALMA. Yes, sir.

Mr. SHRIVER. Does our Peace Corps receive service from this organization?

Mr. DE PALMA. I don't know. It is a clearing house operation, so we exchange information. How much it benefits our Peace Corps I can't say.

ASSISTANCE TO ARAB REFUGEES UNDER UNRWA

Mr. SHRIVER. You say that great care is being taken to make certain that assistance offered to Arab refugees under UNRWA does not assist the terrorist organizations in Lebanon and Syria. However, on H–9 it says that the Lebanese Government police and other authorities responsible for maintaining security in the refugee camps have been absent. In addition it would appear doubtful that it is possible to adequately police the refugee activists in Jordan and Syria. Even the governments of these countries can't seem to exercise authority in thoes camps, so how could the UNRWA?

Mr. DE PALMA. Sir, we have been in extensive communication with the administrator of the refugee program. I have myself talked with him several times. On the basis of our knowledge of UNRWA operations, as well as the assurance which he has recently give us, we be-

lieve he is taking all measures possible under the circumstances existing in the areas, and in accordance with his mandate to insure that contributions, including those from the United States, are not used to subsidize military or paramilitary activists or for any other purpose foreign to UNRWA's mandate.

(Discusson off the record.)

U.N. FORCE IN CYPRUS

Mr. SHRIVER. In regard to Cyprus, the U.N. force there is being steadily reduced, is it not?

Mr. DE PALMA. It has been reduced. Its strength is 3,600 now, and we hope that it will be reduced somewhat in this coming year.

Mr. SHRIVER. How much was it reduced last year?

Mr. DE PALMA. The reduction was accomplished in 1968, when the strength of the force was reduced about 25 percent.

Mr. SHRIVER. If it is being reduced, why is our contribution remaining the same?

Mr. DE PALMA. We expect there will be further reductions. I don't know when that will be done.

Mr. SHRIVER. It has already been reduced.

Mr. DE PALMA. It was reduced 2 years ago from its high figure.

Mr. SHRIVER. Has there been a reduction in our contribution since that reduction in force?

Mr. DE PALMA. Yes, sir; from $8 million in 1968 to $6 million this year.

Mr. SHRIVER. So you expect the same thing to be true if there is a further reduction?

Mr. DE PALMA. Yes, but I don't know when that will be.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. Mrs. Reid.

Mrs. REID. Thank you, Mr. Chairman.

INTERNATIONAL CONFERENCES

Mr. Secretary, each year there seem to be more and more international conferences. Can you inform me as to the number of conferences which will require us to send representatives in 1971, and the approximate cost of participating in these conferences?

Mr. DE PALMA. The level of conferences in which we participate with one or more delegates is running at just over 600 a year. We have requested $1,125,000 for this purpose in fiscal year 1971 as part of the, "Conferences and contingencies," appropriation in the State Department budget.

Mrs. REID. In 1971 there will be this number?

Mr. DE PALMA. We anticipate 610 or 612. It is difficult to be precise. Some conferences that are scheduled don't take place and other ones spring up.

PURPOSE OF INCREASED U.S. CONTRIBUTIONS

Mrs. REID. Does it necessarily follow that an increase in U.S. contributions to international organizations produce a proportionate increase in the assistance produced by other countries?

Mr. DE PALMA. It has been a historical pattern. I don't know that I would want to state that it always will be. As was just pointed out, in the last couple of years, others have continued to increase their contributions to the UNDP when we did not. But the trend has been for other contributions to move with ours and the administrators of the programs certainly feel strongly that that is the case. They have been able to get added contributions from other governments on the strength of the contribution that they expected to be getting from us.

Mrs. REID. Do any of the amendments proposed for contributions for 1971 to include funds to make up any deficiencies for 1970?

Mr. DE PALMA. No ma'am.

POSSIBLE OVERLAP IN TECHNICAL ASSISTANCE

Mrs. REID. Are there any areas where the United Nations development program overlaps with technical assistance we are providing on a unilateral basis?

Mr. DE PALMA. There are areas where they complement and supplement each other. We don't think there is any duplication because our people work with the UNDP administrators in the field to avoid any duplication. There have been instances where the U.N. development program has picked up from us a project which we had started, but we do everything we can to avoid any kind of duplication. Since the UNDP is pressed to provide much more in the way of services than they have money for, they are not interested in duplicating anything either, so I think that there is very little if any real duplication.

BENEFITS TO CUBA

Mrs. REID. Is Cuba a beneficiary of any of the United Nation's programs?

Mr. DE PALMA. Yes.

Mrs. REID. Will you elaborate?

Mr. DE PALMA. Cuba is receiving, as I testified earlier, over $8 million from the U.N. development program. It has contributed just over $1 million to that program.

PARTICIPATION OF OTHER COMMUNIST COUNTRIES

Mrs. REID. How many of the Communist dominated countries are benefiting from United Nations development projects?

Mr. DE PALMA. Countries which have been assisted——

Mrs. REID. Have you provided this for the record?

Mr. DE PALMA. We are going to supply a table which will show UNDP assistance to Communist countries. It will also show that the Communist governments as a whole have contributed more than they have received. For example, they have contributed cumulatively $57.8 million and have received to date $36.9 million in the way of assistance.

Mrs. REID. You will provide that for the record?

Mr. DE PALMA. Yes, ma'am.

(The information follows:)

UNITED NATIONS DEVELOPMENT PROGRAM [1]

	Contributions, 1950 to 1970		Assistance, [2] 1950 to 1970	
	Amount (millions)	Percent	Amount (millions)	Percent
Soviet bloc countries	$57.9	3.1	$36.9	2.0
Yugoslavia	6.1	.3	22.5	.7
Free world countries	1,819.0	96.6	1,769.6	97.3
Total	1,883.0	100.0	1,829.0	100.0

Soviet bloc countries	Contributions	Assistance
Albania	$50,000	$428,792
Bulgaria	555,200	4,065,184
Byelorussian S.S.R.	1,850,000	----------
Cuba	1,210,000	8,349,292
Czechoslovakia	3,017,469	1,244,600
Hungary	994,166	2,078,192
Mongolia	77,000	5,512,439
Poland	4,086,667	8,232,247
Romania	1,133,599	7,036,616
Ukrainian S.S.R.	4,875,000	----------
U.S.S.R.	40,000,000	----------
Total	57,849,101	36,947,362

[1] The United Nations Special Fund (established in 1959) and expanded program of technical assistance (established in 1950) were merged into the United Nations development program on Jan. 1, 1966.
[2] For special fund component, reflects earmarking, including local costs contributed by recipient countries. For technical assistance component, reflects actual costs of completed projects and allocations for current projects.

TOTAL CONTRIBUTIONS TO THE CONGO

Mrs. REID. How much has AID contributed altogether to the U.N. technical and operational assistance to the Congo?

Mr. DE PALMA. I don't remember that cumulative total. Perhaps we have it here. As you know, we terminate our contributions to that program this year.

Mr. FRECHTLING. May I answer the question?

Through 1969 U.S. assistance to the Congo in the field of technical and operational assistance totaled $130,464,000 which included a very substantial amount during the early 1960's when there was a substantial rehabilitation program in the Congo.

Mrs. REID. Were there Americans who were technicians?

Mr. FRECHTLING. I don't think so, Mrs. Reid. There might have been in later years, but, you may recall, at that time the whole purpose of getting the U.N. engaged in the Congo was to prevent a confrontation of the big powers. Therefore most of the personnel from outside the Congo came from countries which were not considered to be major powers. These were U.N. personnel. There was an AID mission, but the larger number of experts and technicians——

MULTILATERAL ASSISTANCE FOR POPULATION PROGRAMS

Mrs. REID. One reason mentioned for channeling assistance through multilateral agencies is that they are often the only feasible method for pursuing our objectives. An example given is the population planning program of the U.N. Are there some of the present AID population programs which could conceivably be better handled by the United Nations?

Mr. De Palma. That may turn out to be the case in the future, when the United Nations program gets fully underway. One could certainly be mindful of that and try to switch them. But the U.N. programs are only now beginning.

We are operating on the basis of our knowledge of the attitudes of the various countries. There are countries which are very resistant to these programs, as you know, and it is very difficult to talk with them about the problem. There are others which are willing to cooperate and we have many bilateral programs. In order to fill these gaps, especially because of the importance we attach to this program, we wanted to get the U.N. into a position to provide these services. We have finally been able to get all of the U.N. agencies and the U.N. development program itself in a position where they have willingly accepted this mandate and are now working out the programs to put it into effect.

Mrs. Reid. Thank you, Mr. Secretary.

Mr. Passman. Mr. Riegle.

EFFECTIVENESS OF MULTILATERAL AID VERSUS BILATERAL AID

Mr. Riegle. Thank you, Mr. Chairman.

What kind of evidence do we have to show that multilateral aid is more effective than bilateral aid?

Mr. De Palma. I don't know what kind of evidence I could cite about its being more effective. I think the question, as the Peterson task force has pointed out, is whether, given all the problems of bilateral aid and the feelings that people have developed in the United States and abroad, one should think about an increased reliance on a multilateral system. By that, of course, we mean not only this relatively small U.N. program, but the international banks and comparable agencies. Those groups who have looked at the problem feel that this is the more likely way, that there should be an increase in the multilateral side. As I said earlier, no one has, to my knowledge, worked out a desirable ratio between bilateral and multilateral aid and, I don't know what relative proportions would be the right mix for the future, but it is the feeling that this is the direction in which we should be moving.

If I may continue, there is also a feeling, and these are judgments which I am not in a position to back, that multilateral organizations—I know this is the case with the World Bank, for example—can set standards and make demands for performance which are often difficult to do on a bilateral basis. International organizations can extract commitments from governments which are sometimes very difficult to extract on a bilateral basis.

Mr. Riegle. I gather what you are saying is that there is no evidence we can point to which demonstrates multilateral aid is more effective than bilateral aid.

Mr. DePalma. I am only saying I am unable to supply that kind of evidence. I don't say there isn't any. I am not aware of anything conclusive or specific.

Mr. Riegle. Wouldn't that be something you would want to have?

Mr. De Palma. I would like to have it.

Mr. RIEGLE. I am wondering if that isn't something that you want to make an effort to gather. Can't we research this to find out if there is some evidence around?

Mr. DE PALMA. I would think we can find something. I don't know how complete a story. I would think, for example, if one looked at the operations of the International Bank you could get some of the evidence.

Mr. RIEGLE. I am thinking now in terms of the money that you help administer. If I am not mistaken, we would provide approximately 40 percent of all the funds that are being expended.

Mr. DE PALMA. At least for the large programs.

Mr. RIEGLE. That is a pretty good chunk. That is a substantial sum of money, and certainly we could do a lot of things in a bilateral way should we choose not to go the multilateral route. I can appreciate your feeling that it is perhaps better in the future to do things on a multilateral basis. It seems to me to really give your case some punch, but we should do some analysis to find out whether we are getting more accomplished for every dollar spent. I don't just mean more done in terms of the interest of the United States but in terms of program.

Mr. DE PALMA. More development.

Mr. RIEGLE. Yes. Are we getting more done putting money out through the multilateral window rather than putting it out in the form of bilateral aid? Are we clear then that you will make an effort or your staff will make an effort to find out what kinds of research data exists that could resolve this question?

Mr. DE PALMA. I will certainly look for research that is going on in this area and will certainly report on it if it can be found. I just don't happen to know of any definitive studies.

Mr. RIEGLE. I would like to take it a step further and suggest that if we can find some tangible evidence which shows that this is a more effective way to bring about development, that is consistent with our international interests, I would think that would be an ace in your hand. I guess what I am saying, is that if there is research around you might supply it.

(The information follows:)

RELATIVE EFFECTIVENESS OF MULTILATERAL AND BILATERAL AID

The Department of State and the Agency for International Development have on several occasions studied in depth the question of measuring the relative cost effectiveness of multilateral and bilateral aid programs, but have not been able to reach any definitive conclusions.

The major difficulty is that truly comparable projects in terms of magnitude, objectives, timing, and environment are not available for comparison. The managements of both the U.N. programs and the U.S. bilateral programs endeavor to avoid duplication, which makes very unlikely the planning and implementation of two truly comparable projects.

In making the calculation of the relative advantage of multilateral and bilateral projects, whenever political and psychological factors weigh heavily, they are usually overriding because of the strong influence they have on the success or failure of a project. Cost considerations, while important, are not make-or-break factors in the same sense. As a criterion of cost effectiveness, they provide evidence on only one side of the equation, the input side.

To the extent, however, that field costs are relevant and comparable they tend to favor multilateral projects. Comparisons made by AID and State in 1967 showed a yearly cost to the United States to support an AID technician of about

$30,000, including all salaries and allowances. A similar technician working on a United Nations development program (UNDP) project costs $25,000 annually. This difference in gross expert cost is caused primarily by the higher salary and allowances of U.S. technicians which affects the AID program more than that of UNDP which recruits worldwide. Similarly, the cost to AID to train a person from a developing country was computed at about $5,000; the UNDP cost at about $4,750. When the 40–60 percent matching formula applicable to UNDP is taken into account the annual cost of the UNDP technician to the United States would be $10,000 (as against $30,000 for an AID technician); the cost of a UNDP trainee to the United States would be $1,900 (as against $5,000 for an AID trainee). On a technician-by-technician, trainee-by-trainee basis it was not possible, however, to measure whether an AID-financed project or a UNDP-financed project was more effective.

Ideally, a definitive study of comparative AID and UNDP costs and relative efficiency would require carefully controlled experimental conditions and a set of agreed input and output criteria. Because an experiment with proper controls would be expensive and difficult to arrange, we have not explored with the UNDP the possibility of making an indepth comparative study. Necessarily, however, the various aspects of bilateral and multilateral approaches are considered by AID and State whenever economic development policy is studied, developed or modified, and programs established. This process generally confirms our belief that the project cost to the United States is lower when financed through the UNDP rather than via the bilateral route; but it does not follow from this attribute of the direct cost factor alone that either the multilateral or bilateral channel invariably best suits or supports U.S. foreign policy objectives.

WORLD IMAGE OF THE UNITED NATIONS

What seems to be the image of the United Nations now in these other countries of the world? What seems to be the worldwide image of the United Nations at this time?

Mr. De Palma. In the field of economic and social development, the U.N. image is very good. The evidence we have indicates a very large majority of U.N. members strongly supports this program. Obviously, they are recipients, they do strongly support it, and there is a good U.N. image.

On the other hand, we have found, as we have pressed for changes in procedures and operations of the U.N. development program that even some of the smaller recipient countries acknowledge the need for more efficiency and better programing, programing more responsive to their own needs. They welcome the program, they like it, they support it strongly; but they also want to see improvements. The U.N. image overall, including its political and security work, of course, is a bit more clouded. People have grown somewhat discouraged at the inability of the U.N. to perform as expected in the political and security field. I think most governments are acknowledging also that their expectations, like ours, were perhaps exaggerated. The world situation is such that you can't really quite expect the performance we had hoped for. But there is a hope. No one has given it up that I know of. And there is much hope that this year, which is the 25th anniversary of the organization, will be used for real stock taking and that we will get on the road to improved performance even in the political and security field.

AID VERSUS THE U.N.

Mr. Riegle. I am wondering if in the less developed countries, the U.S. AID representative is more or less welcome than the United Nations AID representative.

Mr. De Palma. I couldn't say. I have no evidence one way or the other. Would you like to comment on that?

Mr. Frechtling. If I may, Mr. Riegle, in the countries where AID continues to operate under its restricted countries policy, the AID representative has much larger resources available to bring into the country through his role in negotiating programs and loans. The U.N. resident representative, after all is supervising a program which is normally of the range of a couple of million dollars at the most a year, therefore to the extent that the AID or the World Bank representative disposes of larger resources potentially available to a country they are probably more influential in that country than the U.N. representative would be.

Mr. Riegle. He would be what?

Mr. De Palma. Influential.

SELECTIVITY OF PROJECTS BY THE U.N.

Mr. Riegle. I wonder if the fact that the United Nations program would be smaller country by country from a dollar point of view, if that would mean that the United Nations programs are more selective. Do they get more efficiency with the dollars they spend, simply because they have to choose more carefully and their dollars are more limited. I would think they couldn't afford to get into marginal programs that perhaps a larger independent aid program might be able to take on.

Mr. De Palma. They certainly check out the requests carefully. They don't simply accept the request and they don't do it on a political basis, as is sometimes the case in bilateral programs, where you may find yourself for political reasons running a program about which you have some doubts. In the U.N. system, because there are so many more requests than they can honor, they check them out. There is a chance to argue with the government and just simply say we haven't got the money for that; you had better think of something else.

In relative efficiency terms, I don't know how you can prove this difference, but I think it exists.

Mr. Riegle. Are any of these United Nations programs loans rather than outright grants? Are they all in the form of grant aid?

Mr. DePalma. Technical assistance under the U.N. development program is a great basis. I am not speaking now of the International Bank, of course.

Mr. Riegle. But, nonetheless, I would think that when moneys are made available, that they would be made available on a program basis.

Mr. DePalma. Yes.

Mr. Riegle. In other words, somebody submits a proposal and requests x number of dollars to accomplish certain specific things. I would assume that there is some sort of a feedback process to give you an idea later on whether the program objectives are accomplished.

Mr. DePalma. Yes; and we are trying to improve that very process so that we will have a better idea how effective the program is. This is one of the things we are zeroing in on.

Mr. Riegle. You see, it would be very useful for us on this subcommittee, perhaps uniquely among all aspects of this branch of government, to obtain some measure of whether we are getting more done

with our dollars through multilateral channels. This could well happen, for reasons of fewer dollars and greater selectivity or for reasons of eliminating the political programs.

Mr. DePALMA. Yes.

FEELINGS TOWARD THE U.N.

Mr. RIEGLE. I would be interested in what you would think would be the reception of the United Nations in the United States today.

Mr. DePALMA. I think there is considerable disillusionment, but again from what I think were excessive expectations. I think we all expected that the U.N. would operate, as the charter indicated, on the assumption of the major powers working together and cooperating. That assumption did not prove to be fact and so the U.N. has been hamstrung in many respects. It has not been able to operate effectively as a peacekeeping agency. It has not been able to settle some disputes which have been brought to its attention because of disagreement among the major powers and beyond doubt there is disillusionment in this country.

On the other hand, and it is our business to follow this, we still detect very strong support for the U.N. People do want to see it operate more effectively, but I don't detect any great falling away of support for the U.N.

U.N. PERFORMANCE

Mr. RIEGLE. I asked the question in part to come back around and reinforce what I was driving at earlier, and that is the extent to which we can demonstrate that we are getting something done; improving the quality of life or more basically assisting people who are less well off. It seems to me that the gains in that area might well offset the disillusionment in other areas.

Mr. DePALMA. Yes, indeed. One of the difficulties, as you know, is that we usually have to talk in terms of overall figures or allegations about performance, and we are so seldom able to talk in detail about what actually is being done. There are hundreds and hundreds of ongoing projects and many, many success stories. We can dig them out, but who is going to read them? When you stack them up you get a long list. I could cite a couple of dozen eminently successful activities that we have with us now. We know of a strong training program in Iran, where an institute for technical training in industrial management was developed under UNDP auspices and now supported by the Government, a great success story. The Iranians now have an asset for building their own infrastructure of technically competent personnel which they never had before. It has worked beautifully. I don't say all the programs work that well, but there are many that have been great success stories, but people don't hear about those.

INFORMING THE PUBLIC

Mr. RIEGLE. It seems to me that if we are going to be able to participate as fully and in the way that we would like over a longer period of time, that some means has to be found to acquaint the public with whatever it is that we are doing that is positive and good.

Mr. DE PALMA. I agree with you.

Mr. RIEGLE. I think we have got to find a way to not stack the deck, but if there is good evidence, to see that that is brought forward. Maybe that ought to be done through the U.N. itself.

Mr. DE PALMA. Yes. They are aware of this need. One of the problems to which they are addressing themselves in connection with the second development decade, is precisely this question of public information and how you bring the story to the people. This is one of the things that they are very keen to do.

THE JACKSON REPORT ON THE UNDP

Mr. RIEGLE. I don't know how much conversation went on before I arrived with respect to the Jackson study. Was that discussed pretty thoroughly?

Mr. DE PALMA. I don't know how thoroughly. The chairman asked a number of questions about it.

Mr. RIEGLE. The net of the Jackson study seems to be that the UNDP needs a pretty significant overhaul.

Mr. DE PALMA. Right.

Mr. RIEGLE. Do you agree with this?

Mr. DE PALMA. We do agree. I said to the chairman that we have, and I think very successfully, worked with many of the major contributors since the Jackson report came out. We have reached a consensus which in essence is that the major reforms called for by the Jackson study must be put into effect.

Mr. RIEGLE. Is there a written agreement on this yet?

Mr. DE PALMA. Not yet.

Mr. RIEGLE. A formal document?

Mr. DE PALMA. Not yet. We had one session of the Governing Council of the UNDP where the governments made their desires known in no uncertain terms and set forth a work program. A series of recommendations and studies are being prepared for the meeting in June and we hope then to begin implementing some of these reforms. I think it is quite clear that the governments mean business and not only the major contributors, I might say.

Mr. RIEGLE. Would you be able to provide some kind of summary that does not anticipate more than we can prudently anticipate?

Mr. DE PALMA. I would be glad to provide a summary of the changes we feel are necessary in the system.

Mr. RIEGLE. I think that might be useful, and also any thoughts you might have as to how these reforms are actually going to be implemented.

(The information follows:)

U.S. VIEWS ON THE JACKSON CAPACITY STUDY

PROBLEM

The capacity study developed from a recognized need to define (1) the requirements of the lesser developed countries for technical assistance, and (2) the capacity of the U.N. system to expand its operation to meet the needs, once they were determined. The Administrator of the UNDP sought the assistance of the specialized agencies and the network of UNDP Resident Representatives in the lesser developed countries to assess the need. The second part

of the review, the assessment of the capacity of the U.N. system to provide such assistance, was entrusted to Sir Robert Jackson. His basic charge was to "make a series of recommendations for the further development of an efficient and economical system of formulating and delivering a program composed of projects truly responsive to the ascertained needs and priorities of the developing countries." To this end, Sir Robert undertook a review of the entire effort of the U.N. system of organizations in providing development assistance to the developing countries.

The "study" is a complicated document difficult to discuss and to act upon. It is important that the Governing Council not engage in sterile exchanges over the numerous possible interpretations of the text and recommendations. A sustained effort needs to be made to forestall such a debate by focusing on the basic problems confronting the U.N. development system and the reforms required to overcome these problems. The purpose of this paper is to identify those reforms which need to be enacted in order to obtain increased assistance. This is in keeping with the primary objective of the contemplated reforms, which is to render more effective assistance to the developed countries in their struggle for economic and social development and progress. Our objective is to work with others to obtain acceptance of the concepts identified in this paper without undue delay and, hopefully, by the end of 1970.

ESSENTIAL POINTS

The following would appear to be the essential principles which should be kept in mind in pursuing the necessary reforms in order to improve the efficiency and the capacity of the system to deliver increasing amounts of assistance to developing countries.

It is not necessary or desirable to seek formal endorsement of the findings of the capacity of the system as outlined in the study. The growth of an institution requires constant review, reappraisal, and reorganization. An institution or a system which does not undertake this as a matter of course will stagnate. The present review, prompted by the recommendations in the study, is just another step in what should be a continuous process of review, reevaluation, and revision, where necessary, in order to assure a dynamic system capable of growth. This approach does not mean any commitment to Sir Robert's "ideal" model which would appear impractical not only now but in the foreseeable future.

While the major thrust of the study is acceptable, the major recommendations as follows appear to be the most significant:

1. The UNDP is and must be the focal point for the technical assistance and preinvestment activities of the U.N. system, from the point of view of funds, priority setting for technical assistance, and the delivery of such assistance. It should be so organized that the system as a whole can deliver "the goods" efficiently and effectively, and in such a way as to attract increasing amounts of money. It is important that close links be developed between the IBRD and UNDP to assure appropriate paricipation of the bank group in the planning, implementation, and follow up of technical cooperation activities. Further efforts can be made to intensify cooperation and coordination between the two.

2. The primary role of the recipient governments cannot be emphasized too strongly in developing their own country plans, concentrating on high priority activities to stretch their limited resources, and coordinating requests for external assistance. Such planning should include firm and adequate provision for suitable and counterpart personnel and for necessary in-country resources.

3. Any reform in the U.N. development system should be based on a country approach and become strongly country-centered. The U.N. development cooperation cycle (UNDCC) is a major conceptual achievement and lays the basis for most of the other recommendations. UNDCC, as used in this paper, refers to the basic concept and does not mean endorsement of the details of all of its components. Proposals for the establishment of a UNDCC that would coordinate, through country programs and annual review, the technical assistance and preinvestment activities currently carried out by the various agencies comprising the U.N. development system should be accepted in principle.

(a) *Country programing.*—This would be based on development priorities established by the host country taking into account socioeconomic studies (either

already in existence, being undertaken by the IBRD, or to be undertaken by ESA or UNDP). The U.N. country programs (primarily technical assistance, pre-investment and related programs) would be developed in cooperation between the recipient government and the Resident Representative representing the U.N. system, with the advice of all the agencies at the field level. The U.N. development program would be geared to the country development plans, where they exist, and cover a period of 5 years. Indicative planning figures for each country would be established by UNDP to aid in making the 5-year projections.

(b) *Strengthening of the Resident Representative.*—In order to carry out the country programing and other functions under the UNDCC, the Resident Representative must be of a high caliber. It is recognized that this will require a review of and substantial changes in the personnel now employed. The Resident Representative should be given adequate supporting administrative staff (both at headquarters and at the field level); should have adequate sectoral expert advice, i.e., agency representatives attached to his staff. All approaches to the host government for all U.N. technical assistance and preinvestment matters should be made through the Resident Representative or on his behalf. He should oversee and be responsible to the UNDP Administrator on the planning, on-going evaluation, and followup, on the country level, of any project funded by UNDP.

(c) *Human resources.*—It is important that qualified personnel be attracted to and remain with the U.N. system to insure that the material resources made available to it are used in the most efficient manner possible. For this to occur it is necessary to review the present staffing arrangements and to insure the development of a corps of career officers many of whom will rise through the system to eventually assume positions of authority. This should be done in such a way as to conform with personnel arrangements of the organization within the U.N. system. The organizations within the system, which will continue to be the primary executing agencies for the UNDP should share the same conditions of service.

(d) *Role of the Governing Council.*—The Council's role would be changed from a mixed policy-administrative body to primarily a policy body. It would be relieved of the tedious and largely meaningless task of approving individual projects and instead concentrate on policy matters and on selective operational problems of general concern. The Council would approve country programs rather than individual projects and it would delegate authority and responsibility for running the program to the Administrator. This is a major innovation of UNDCC and the key that makes other pieces of essential reform fall into place.

(e) *Role of the Administrator.*—(i) Full responsibility for the administration of the UNDP financed programs should be vested in the Administrator, including authority to review and approve all projects;

(ii) He should be given responsibility for effective planning and budgeting and the kind of executive authority required to insure efficient management;

(iii) He should also be responsible for negotiating the overhead and other costs for services rendered as part of each contract with the executing agencies, and to have greater recourse to UNDP direct contracting to private and public institutions, organizations, foundations, etc.;

((iv) He should be fully accountable to the Governing Council for all funds under his administration, as well as for program deficiencies.

(f) *Organizational arrangements at headquarters.*—While it is recognized that the final decisions on the details of organization should be left to the Administrator, the concept of the program policy staff is acceptable, as are, in general the other recommended divisions, to increase administrative and technical capacity (some of which already exists). The creation of regional bureaus and a modern management system which includes evaluation followup and data systems also improve the headquarters administration. The secondiment of staff from the specialized agencies to serve at the UNDP Headquarters, and increased participation in programing at the field level as advisers to the Resident Representatives, should increase the effectiveness of the specialized agencies' inputs at the crucial stages in project formulation and execution.

(g) *Funding.*—The concept of full funding of all projects should be discontinued, and as the above reforms are instituted and adopted, moneys that are now set aside should be gradually released for programing. This would increase the resources of the UNDP over a period of 3 to 5 years with internal funds, giving governments time to increase their pledges to maintain this momentum after the pipeline has been exhausted. Arrangements will have to be made to retain enough money for project liquidation purposes if necessary.

Implementation.—It should be recognized that the Governing Council can adopt many of the recommendations only as goals toward which all participants will work in the years to come. The country programing will not spring full grown. There are projects in being which must be finished. It will take 3 to 5 years to complete the basic studies for all interested countries and these must be based on country requests.

The strengthening of the Resident Representative will take time to find the best people. The agency advisers cannot all be added overnight, but only as the program is enlarged and the Administrator, in consultation with the agencies concerned, agrees a country program warrants it.

The recommendations which can be implemented the soonest are those pertaining to the organization of the headquarters staff. But even in this case, in dealing with human beings, it cannot be done overnight, and governments should not be too impatient. Once the Governing Council has come to a decision it should then be a question of moving as quickly as possible. An Executive Council of the Governing Council could help achieve this result.

OTHER RECOMMENDATIONS

1. UNICEF–WFP.—The eventual merging of these two programs into UNDP is neither desirable nor practicable. However, steps might be taken to have UNICEF activities, and to the extent possible WFP (not emergency), included as part of the overall country program. It is also to be hoped that the UNICEF country representatives, where they exist, can be placed under the authority of the Resident Representative. In countries where there are no UNICEF representatives, the Resident Representatives should be designated as UNICEF Representatives, as has been done by the WFP.

However, the separate funds, separate governing bodies, and at least for the foreseeable future, separte secretariats should be maintained.

2. Interagency Arrangements.—The replacement of the IACB by a reorganized ACC is undesirable and probably unworkable. Far from streamlining the machinery it would add to the complications, and to the expense, by creating additional subsidiary bodies.

DIRECT IMPACT OF U.N. FUNDS ON THE INDIVIDUAL

Mr. RIEGLE. Has any estimate ever been made of what portion of the $160 million for international organizations and programs directly benefits the individual? In other words, what portion of this money is spent on overhead, advisor types, and how much actually comes out of the U.N. in terms of either food, population control, clothing, medicine, or education which directly benefits the individual. Do we have any functional measure of what slice of this actually gets through at the other end and directly impacts the recipient?

Mr. DEPALMA. I am not aware of any statistics that will get down to the individual except in some of the UNICEF programs, the number of children that have benefited, that have been inoculated and so on. Most of these other programs, of course, are in terms of training institutes or providing economic resource surveys, preinvestment surveys, so that it is awfully hard to relate that to the impact on individuals in the country.

Mr. RIEGLE. I am wondering if a way could be found. Let me leave it this way: I would like to ask that you or your staff people think about that question and think about what kinds of approximate assignment of dollars might be made. Maybe you would want more than just one or two or even three categories. I would be interested in getting some feel for how many of these dollars come out in the form of a physical improvement of some kind for the fellow at the other end of the pipeline who presumably is our target, versus how much goes for

overhead along the way, how much would go for indirect benefit of a kind, say economic studies or what have you, so we get some rough approximation. I realize this is difficult, and we will so treat it.

Mr. DEPALMA. It is as you say a very difficult thing to do. We know what the administrative costs of these agencies are. That is fairly hard information. But when you then get beyond that, actually to see what happens at the end of the line——

Mr. RIEGLE. The reason I raise that question is because we suffer from the same dilemma in this country today. As you know we are still collecting and dispensing about two-thirds of all the tax revenue raised in the country through the Federal Government, which I happen to think is too high a percentage. One of our problems today is that we have a very difficult time knowing to what extent we actually have been spending those dollars to benefit citizens. I think the only way we ever really think that problem through the way we ought to think it through is to try to assess where we are, so we can get some measure as to whether that seems to be the way we want to go, or whether we want to change and move in a different direction.

Mr. DEPALMA. I couldn't agree with you more. My only problem is I don't know what kind of information I will be able to supply but will be glad to take a look.

(The information follows:)

VOLUNTARY CONTRIBUTIONS TO MULTILATERAL ORGANIZATIONS AND PROGRAMS PROVISIONS OF RESOURCES DIRECTLY TO INDIVIDUALS

A preponderant portion of the funds requested for contributions to multilateral organizations and programs will be utilized to provide to assisted countries those external resources—technical skills and some capital inputs—which when geared with resources already available within the country will serve to increase productivity. The guiding principle in furnishing such aid is that the external aid should have a lasting multiplier effect, so that when external aid is discontinued for a specific project or program, it will continue to be productive. In consonance with this principle, programs, and projects are not normally devised to increase living standards by providing goods and services directly to individuals.

This principle is applicable to virtually all of the multilateral organizations and programs to which contributions are proposed in fiscal year 1971. However, in a few cases programs provide goods or services directly to individuals.

UN Relief and Works Agency (UNRWA).—Since its inception in 1948, UNRWA's principal objective has been to provide minimum care to persons displaced by Middle Eastern conflicts. UNRWA furnishes housing, food, health, and sanitation services and education directly to Palestine refugees. As of December 31, 1969, 1,409,659 refugees were registered with UNRWA, all of which received some form of goods and services. At that date 819,388 persons were receiving daily rations, 278,365 children were enrolled in UNRWA schools or receiving education grants and 3,656 were attending UNRWA vocational training courses. A total of 498,591 persons lived in UNRWA refugee camps or shelters. During the period July 1, 1968–June 30, 1969 UNRWA's dispensaries and clinics recorded 6,149,169 patient-visits.

U.N. Children's Fund (UNICEF).—While one of UNICEF's major objectives is to assist in building permanent institutions and programs in assisted countries for improving the health and welfare of children and mothers, it also provides direct benefits to individuals. In 1969 UNICEF recorded over 92 million cases in which persons received services, largely in the field of health:

33 million were tested or vaccinated against tuberculosis.
32 million were protected against malaria.
25.5 million were examined or treated for yaws.
43,000 were treated for leprosy.
2 million were treated for trachoma.
132,000 were trained with the aid of UNICEF stipends.

Furthermore, part of UNICEF's resources were used for direct emergency relief feeding, but data is not available on the number of persons directly benefited.

World food program (WFP).—This program distributes food directly to persons in need of better nutrition and also provides foodstuffs for labor engaged on development projects. WFP reports that at the end of 1969 projects then in operation had benefited directly about 3.5 million persons through the provision of foodstuffs. The projects through which the food was provided included:

Development of human resources

Expectant and nursing mothers	27,000
Preschool children	213,000
Primary and secondary school pupils	1,009,000
Training courses of various kinds (technical and vocational institutes in youth camps and through on-the-job training schemes)	434,000
Literacy and adult education courses	116,000
Hospital patients and convalescents	1,200
Total	1,807,200

Directly productive projects

Land development, crop production, fishery	1,256,000
Land settlement	88,000
Refugees	66,000
Forestry	266,000
Industry: Mining	61,000
Total	1,737,000

SUMMARY VIEWS

Mr. RIEGLE. Let me just ask this as a final question. Are there any other pertinent observations that come to your mind, after your time here today, that you want to add, any additional points you might want to make?

Mr. DEPALMA. I would like to say that I share the concern of the chairman, I share the concern of the Congress, I share the concern of the taxpayers. I think from my point of view, having looked at this

program—I have only had less than a year and a half of experience with it—I think we ought not to look at it as if we are doing a favor for other people or other countries. These are programs designed to deal with serious developmental problems in the world. They are the kinds of problems which if not taken care of, if people are not made to feel that something can be done to improve their conditions of life, are bound to result in increased tension, increased hostility and future conflict.

We can't ignore this kind of situation around the world any more than we can ignore it in the United States and in our own cities. It is a comparable problem and it needs the same kind of concentrated effort. Unfortunately, Mr. Chairman the money comes out of the taxpayer out of our pockets and that hurts. But it is, I feel, money spent for a very good purpose. It is not doing anybody a favor. It is in the interest of the United States to get the kind of peace and stability we want to see in the future.

Mr. RIEGLE. I yield.

FUNDING PRIORITY ITEMS

Mr. PASSMAN. Will the gentleman yield?

I wish that we had sufficient time for each one of you men, starting with the AID comptroller and his friend sitting there, and I will even include the young lady, to spend one day with me in my office and read the mail I get. Here is a recent story I will cite.

Tensas has the lowest per capital income of any county in the entire United States. Fifty-four percent of the people are on welfare because of mechanized farming and a lot of socialistic programs that have been put into effect. But by a majority they are good people. They want to work. Some of the fine local businessmen, about 10 of them, decided they would open up a plant there. They agreed that they would organize this company as a civic project. Each one would put $5,000 in the kitty, then they would seek outside capital. They called me in on it. I said I wanted to talk to Small Business Administration first. I called SBA about a loan for this housing project which would immediately put 103 people to work and within 6 months it would increase to 300 people. I said, "Gentlemen, can you possibly earmark $175,000 for this beautiful plant that will be built;" $525,000 was needed.

They said "No, we are very short of funds."

Then I called the Central Bank in Monroe and talked to the president and to the vice president. I said, "I want you to approve a loan for 50 percent of the cost for this housing project and I want you also to give these people $150,000 for operating capital." They stated immediately that "We have the money and we will be perfectly happy to make these people a loan of $325,000, if SBA will make them a loan of $175,000."

I pleaded with these people. I called Dallas, New Orleans, and they would tell me "Well, we have got to look at it again."

As I sit here and talk to you, I will be darned if I can get SBA to approve a $175,000 loan to these people, whereas the Central Bank is

ready to put up $325,000. This project will put 103 people to work, but SBA says they have to look at it. And I have to sit here and listen to all this testimony about $100 million here and $100 million there, to finance different projects all over the world.

But when I sit here and listen how you people throw our money away in the name of distressed people and I cannot get a loan from the SBA to finance a good project in America, it is very distressing. The Central Bank, even with a shortage of money, down in Monroe will put up $325,000 but SBA won't even put up $175,000. They might just as well say, "Leave them on welfare." I am testing my blood pressure. Thank you for yielding.

Mr. RIEGLE. I am delighted to yield to the chairman.

(Discussion off the record.)

Mr. RIEGLE. The chairman previously made a comment about priorities. I want to just add a thought of my own on this question, because you fellows ought to be aware of this input. We had a witness before this subcommittee within the last week who had been running the AID program out in Vietnam. He had been out there for some time. He was telling us how well we are doing in Vietnam and how much better things are there. He used as an example to make his point the fact that his wife has been with him for the last 10 months and is safer on the streets of Saigon than she is in the streets of Washington, D.C. I don't particularly care for that set of priorities. It seems to me that we have really made a gross error if we have expended more effort to make Saigon a safer place than we have Washington, D.C., Chicago, Los Angeles, or any city around the country.

In that sense I think the point the chairman makes is a useful one to make. For reasons of the Vietnam war we have devoted an enormous amount of strategic resources and primary economic resources that have detracted from our doing just the basic things that are in jeopardy in this country. There are just no two ways about it. Of course these are things that you know, but these are the kinds of things that this subcommittee tries to somehow weigh, when we look at these budget requests, and it is tough. You have a world that is in need, but if this country is going to continue to produce so that it can help other people, it is going to have to give somewhat higher priority to things that are undone and problems that have not been faced up to here at home. It could be the Hill-Burton hospitals that the chairman refers to or any number of other things. I appreciate your testimony today and I am glad to have you appear before this subcommittee.

Mr. PASSMAN. Thank you very much, gentlemen.

Mr. DEPALMA. Thank you.

THURSDAY, APRIL 9, 1970.

ADMINISTRATIVE EXPENSES, AGENCY FOR INTERNATIONAL DEVELOPMENT

WITNESSES

LANE DWINELL, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT
SCOTT BEHOTEGUY, SPECIAL ASSISTANT TO THE ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

GRANTS AND OTHER PROGRAMS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Technical cooperation worldwide:			
(a) Near East and South Asia	32,077	32,830	32,830
(b) Africa	56,910	57,680	66,670
(c) East Asia	43,339	39,800	39,800
(d) Interregional and special programs	47,921	53,204	58,830
Total, technical cooperation	180,247	183,514	198,130
2. American schools and hospitals abroad	15,100	26,063	8,895
3. Prototype desalting plant		20,000	
4. Surveys of investment opportunities	203	203	
5. International organizations and programs:			
(a) United Nations development program	71,000	83,750	100,000
(b) United Nations technical and operational assistance to the Congo	500	300	
(c) United Nations Children's Fund	13,000	13,000	13,000
(d) International Atomic Energy Agency operational program	1,000	1,338	1,500
(e) World food program	1,300	1,300	1,000
(f) International Secretariat for Volunteer Service	50	70	70
(g) United Nations Institute for Training and Research	400	400	400
(h) World Health Organization—Medical research	150	150	150
(i) Special contributions for Vietnam	400	692	950
(j) United Nations population program	2,500	2,500	4,000
(k) World Meteorological Organization—World Weather Watch	1,500	1,500	1,500
(l) United Nations special programs for southern Africans			50
Total, international organizations and programs	91,800	105,000	122,620
6. Indus Basin Development, loans	12,000		7,960
7. Indus Basin Development, grants	17,600	7,530	5,850
8. United Nations Relief and Works Agency (Arab refugees)		1,000	1,000
9. Supporting assistance:			
(a) Vietnam	312,800	382,700	473,300
(b) Near East and South Asia	4,312		
(c) Africa	29,582	16,600	8,300
(d) East Asia	94,278	69,680	55,000
(e) Latin America	2,300	1,910	1,500
(f) Interregional and special programs	14,030	160	200
(g) United Nations Relief and Works Agency	13,300	13,300	13,300
(h) United Nations peacekeeping: Cyprus	6,000	6,300	6,000
Total supporting assistance	476,602	490,650	557,600
10. Contingency fund	13,870	31,558	17,000
11. Alliance for Progress, technical cooperation	87,623	87,200	95,700
12. Administrative expenses, Agency for International Development	53,518	55,769	55,075
13. Administrative and other expenses, State	3,636	3,984	4,200
Total obligations	952,199	1,012,471	1,074,030

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)—Continued

	1969 actual	1970 estimate	1971 estimate
Financing:			
Recovery of prior year obligations	−86,988	−63,044	−64,580
Unobligated balance available, start of year	−120,191	−78,942	−750
Unobligated balance transferred from other accounts		−3,414	−3,200
Unobligated balance available, end of year	78,942	750	
Unobligated balance lapsing	6	2,210	
Budget authority	823,968	870,030	1,005,500
Budget authority:			
Appropriation	825,600	870,030	1,005,500
Transferred to other accounts	−3,432		
Transferred from other accounts	1,800		
Appropriation (adjusted)	823,968	870,030	1,005,500
Relation of obligations to outlays:			
Obligations incurred, net	865,210	949,427	1,009,450
Obligated balance, start of year	1,363,816	1,127,943	1,048,117
Obligated balance, end of year	−1,127,943	−1,048,117	−1,045,732
Outlays	1,101,083	1,029,253	1,011,835

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
AGENCY FOR INTERNATIONAL DEVELOPMENT			
Personnel compensation:			
Permanent positions	121,313	125,931	123,514
Positions other than permanent	1,524	1,445	1,287
Other personnel compensation	17,017	17,403	16,717
Special personal services payments	6,552	6,720	6,629
Total personnel compensation	146,406	151,499	148,147
Personnel benefits: Civilian employees	16,410	17,369	16,910
Benefits for former personnel	234	473	478
Travel and transportation of persons	14,313	14,483	15,461
Transportation of things	20,914	21,002	23,229
Rent, communications, and utilities	8,267	8,536	9,146
Printing and reproduction	1,291	1,415	1,430
Other services	290,077	342,110	370,891
Supplies and materials	170,327	170,430	171,066
Equipment	66,827	66,861	67,337
Lands and structures	32		
Investments and loans	15,000	5,000	12,960
Grants, subsidies, and contributions	75,420	75,465	80,000
Insurance claims and indemnities	201	166	209
Interest and dividends	25		
Total, Agency for International Development	825,774	874,809	917,264
ALLOCATION ACCOUNTS			
Personnel compensation:			
Permanent positions	1,243	793	306
Positions other than permanent	23		
Other personnel compensation	323	121	67
Special personal services payments	76		
Total personnel compensation	1,665	914	373
Personnel benefits: Civilian employees	284	162	79
Travel and transportation of persons	689	420	263
Transportation of things	240	95	80
Rent, communications, and utilities	208	2	3
Printing and reproduction	5	2	3
Other services	5,590	6,137	6,470
Supplies and materials	606	410	311
Equipment	125	120	64
Grants, subsidies, and contributions	117,013	129,400	149,120
Refunds			
Total, allocation accounts	126,425	137,662	156,766
Total obligations	952,199	1,012,471	1,074,030
Obligations are distributed as follows:			
Agency for International Development	825,774	874,809	917,264
Department of Health, Education, and Welfare	2,073	400	
Department of State	122,505	134,960	155,344
Department of Treasury (Internal Revenue Service)	50		
U.S. Information Agency	1,797	2,302	1,422

PERSONNEL SUMMARY

	1969 actual	1970 est.	1971 est.
AGENCY FOR INTERNATIONAL DEVELOPMENT			
Total permanent positions	10,746	10,333	10,274
Full-time equivalent of other positions	201	199	191
Average number of all employees	10,375	9,904	9,611
Average GS grade	9.1	9.1	9.1
Average GS salary	$11,428	$12,596	$12,663
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve Officers	4.1	4.1	4.1
Foreign Service Staff	7.2	7.2	7.2
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve Officers	$16,669	$18,730	$18,835
Foreign Service Staff	$7,933	$8,716	$8,774
Average grade, grades established by the Administrator, Agency for International Development (22 U.S.C. 2385)	14.4	14.4	14.4
Average salary, grades established by the Administrator, Agency for International Development (22 U.S.C. 2385)	$21,060	$23,827	$23,427
Average salary of ungraded positions	$3,322	$3,384	$3,477
ALLOCATION ACCOUNTS			
Total permanent positions	107	26	17
Full time equivalent of other positions	2	4	
Average number of all employees	107	54	17
Average GS grade	9.2		
Average GS salary	$10,403		
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve Officers	4.1	4.3	4.1
Foreign Service Staff	2.8	2.8	3.0
Average salary, established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801–1158):			
Foreign Service Reserve Officer	$15,916	$16,603	$17,569
Foreign Service Staff	$15,362	$17,004	$16,742
Average grade, grades established by the Administrator, Agency for International Development (75 Stat. 450)	6.4		
Average salary, grades established by the Administrator, Agency of International Development (75 Stat. 450)	$12,666		
Average salary of ungraded positions	$5,696	$5,696	$5,696

Mr. PASSMAN. The committee will come to order.

The committee will consider this afternoon the budget request for administrative expenses, AID, for which the fiscal year 1971 estimate is $51,125,000.

We have as a witness for the AID administrative expenses the Honorable Lane Dwinell and other supporting witnesses. Mr. Dwinell, would you like to make a statement to the committee at this time?

STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AID

Mr. DWINELL. Yes, sir.

Mr. Chairman, I am pleased to appear before the committee today to discuss with you our budget requests for three activities: Administrative expenses for AID, program support and interregional activities, and American schools and hospitals abroad. I would like to first speak to our request for administrative expenses for fiscal year 1971.

ADMINISTRATIVE EXPENSES

The AID authorizing legislation passed by the Congress last year included a 2-year authorization for fiscal years 1970 and 1971 at a level of $51,125,000 for administrative expenses for each of those years.

An authorization of $51,125,000 for fiscal year 1971 presents a serious problem for this Agency since it does not provide funds to cover the pay raise that became effective in July 1969. Funds for that pay raise were provided in fiscal year 1970 through a supplemental appropriation bill. We intend to request the Congress to authorize the transfer of $3,200,000 to administrative expenses from program funds in fiscal year 1971 to cover that pay raise.

Additionally, we anticipate a carryover of about $750,000 of prior year funds deobligated during fiscal year 1970 and are requesting that amount be made available for use in fiscal year 1971.

These amounts result in a total availability of $55,075,000 for fiscal year 1971. This contrasts with a comparable estimated availability in fiscal year 1970 of $55,769,300, a net decrease of $694,300. In addition to absorbing the net decrease in availabilities for fiscal year 1971, AID will have to absorb an increase in costs of $1,085,000 for items over which we have no control—overseas wage and price increases; periodic in-grade step increases for U.S. nationals; annualization of the 1969 pay raise; and the increase from 6½ to 7 percent for the Government's contribution to the civil service retirement and disability fund.

In order to keep within the fiscal year 1971 proposed availability of $55,075,000, which is $1.8 million below fiscal year 1970 on a comparable basis, we will need to reduce by 113 American man-years and 15 local man-years in administrative-funded staff that are sorely needed to manage the AID program effectively, and we will need to make a further cut in nonpersonnel costs, which have been progressively reduced over the years.

AID's administrative funding and employment have been reduced steadily for the past several years. The 1971 proposed program of $55,075,000 is $1,521,300 below the 1966 program. However, if adjustment is made in the 1966 program to take into account the recent pay raises and other cost escalations, the $56.6 million available in fiscal year 1966 would only be worth $42 million in fiscal year 1971—a 25.7-percent decrease. To accommodate to this sharp reduction AID has had to cut back on its administrative funded man-years by close to 1,100, or a reduction of 26.5 percent between fiscal years 1966 and 1971.

We feel that in the face of this annual attrition in the funds which pay for the hard-core management of AID, a creditable job has been done in conducting the program. We firmly believe that the appropriation of the full amount authorized for fiscal year 1971 is essential if we are not to create a situation in which further improvement of financial management would be impossible, and serious disruption of the Agency's administrative function and impairment of its overall operations would be inevitable.

In budgeting within the planned availability of $55,075,000, we have been careful not to retard the new Auditor General's operation, which got underway in fiscal year 1970, nor to eliminate other hard-core financial and general management positions. We consider these functions very high priority areas and we therefore effectively isolated such activities from reductions. As a result, we have had to cut deeply elsewhere—reducing resources for such items as housekeeping-type personnel, overtime, mail and files, automatic data systems, and records and reports—to stay within our funds and resultant personnel ceilings.

I believe we have gone as far as we can in paring down these important functions.

Mr. Chairman, AID's management job is a difficult one. We hope your committee will, through the approval of our request, assist us in carrying out this important role so essential to the proper conduct of the foreign assistance program of the U.S. Government.

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

The estimate for program support and interregional activities for fiscal year 1971 is $122.7 million. Expenses under this heading are for program implementation and backstopping activities conducted primarily in the United States. These activities provide program support on a worldwide basis because it would be impractical in most cases to charge the costs directly to individual country or regional projects or programs. These activities are funded from several appropriations based on a distribution of interregional costs among five regional bureaus. The major categories of expenses are:

PROGRAM SUPPORT, $31.9 MILLION

For salaries and related costs of program-funded personnel in Washington; domestic program support by the Department of State, and construction of facilities and grants to overseas dependents schools for the support of U.S. Government personnel and their dependents overseas.

INTERREGIONAL TECHNICAL ASSISTANCE, $38.3 MILLION

To provide technical leadership, guidance and support for regional and country programs in various fields such as agriculture, health, population, nutrition, science and technology, et cetera.

PRIVATE TECHNICAL ASSISTANCE, $14.4 MILLION

For the support of the International Executive Service Corps; the Asia Foundation, national nonprofit cooperative-type organizations, and payment of overseas freight costs in behalf of U.S. voluntary agencies on donated supplies for approved relief and technical assistance projects abroad.

DEVELOPMENT RESEARCH, $23.4 MILLION

To create and supply new information in the scientific and technological fields to be used for economic development, including $13.4 million specifically earmarked for population research.

INSTITUTIONAL DEVELOPMENT GRANTS, $7.5 MILLION

For grants under section 211(d) of the Foreign Assistance Act to U.S. universities and other qualified institutions to strengthen their capability in areas of interest to AID.

Other programs, $7.2 million, including $1.2 million for the Office of the Inspector General of Foreign Assistance and $6 million for special reimbursable programs in East Asia.

The estimate for fiscal year 1971 for all of the above activities is $17.7 million over requirements for the current fiscal year. This increase provides for:

$11.1 million additional for population and family planning programs, including population research;

An increase of $1.5 million in the regular development research program;

$3.5 million to expand the Institutional Development Grants program into economic and malnutrition fields under section 211(d);

Additional private assistance support of $3 million for the International Executive Service Corps, the Asia Foundation, and overseas freight costs on U.S. voluntary agency shipments;

$1.8 million for technical assistance support in fields other than population by private foundations, U.S. universities and other Federal agencies;

$1.5 million for general program support in Washington;

and $0.3 million for AID support of the Office of the Inspector General of Foreign Assistance.

The increases listed above totaling $22.7 million are offset by $5.0 million to be spent in fiscal year 1970 for emergency disaster relief operations since an amount cannot be projected for such activities in fiscal year 1971.

The largest amount of the increases in this program support and interregional activity is directed to programs which will help the developing countries reduce population growth and increase food production.

Section 241(a) of the Foreign Assistance Act of 1961, as amended, authorizes the use of funds to conduct a centrally organized program of research. The Foreign Assistance and Related Agencies Appropriation Act has for several years provided a limitation on funds used during the fiscal year for carrying out these research programs. The fiscal year 1970 Appropriation Act limits the research program to $9 million. We are requesting a $10 million ceiling for fiscal year 1971 to permit us to continue financing the essential projects now under way as well as to undertake some new research programs in agriculture, health, nutrition, and education.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Under section 214 of the Foreign Assistance Act, AID provides assistance to a limited number of "American sponsored" schools and hospital centers overseas. Section 214 provides that the assisted institutions must have been founded or sponsored by U.S. citizens. In the case of schools they must also serve "as study and demonstration centers for ideas and practices of the United States"; hospital centers are those designed "for medical education and research."

While AID assistance helps these institutions provide the quality education which can serve as a demonstration overseas for ideas and

practices of the United States, we believe that the institutions assisted also should be those in a position to contribute positively and effectively to the development of the region or country they serve. This has been the pattern of assistance AID has proposed to the Congress in our annual budget requests.

We believe that the support provided under section 214 has had a beneficial effect. Graduates of the different schools supported have become teachers, administrators, engineers, government officials, nurses, agriculturalists, businessmen, and doctors—the human resource infrastructure of development. By studying in an American school overseas the students have benefited both from American educational concepts and by contact with Americans in their educational process. At the same time, they have been trained in their native environment and in curricula related to that environment. They are thus more likely to lend their own efforts later to the development of their homelands.

Many of the institutions supported by the program have long traditions of service in their areas. All are well accepted by the countries in which they are located. For the most part their enrollments have never been higher despite the fact that several are located in countries of the Middle East where there is currently a significant anti-American sentiment among the population.

While these institutions play a useful role in the development process, we believe that U.S. Government support for them should not be open-ended. They should obtain the bulk of their operating income and capital needs from other than U.S. Government sources. We should not make it possible for these institutions to supplant private support by easy access to public funding. We believe increased private support is fundamental to their effective, continuing operations. We have continued to press this point of view and thus have not supported requests for increased levels of operating support, and wherever possible have reduced previous levels.

Priority in allocating assistance is given to financing needed capital costs which cannot otherwise be funded and for special programs or projects which are deemed essential to maintain the institution's financial viability and educational relevance. Special weight is given to types of assistance which in turn will increase the institution's ability to be self-supporting. In the latter category are teaching materials—books, language, and laboratory equipment, for example—which raise educational standards and permit the school to charge viable fees; or projects which help the institution to produce income by sales of services.

None of the levels of support proposed in fiscal year 1971 provides as much assistance as each institution feels it requires. In one case, the level proposed will result in a major operating deficit for the institution, which in turn will have to be met by endowment liquidation in the short run and doubtlessly by major restructuring of programs in the longer run. For other institutions it means, at the least, that unless they can find substantial additional funds from other sources, their programs must be cut back. With the costs of education increasing overseas, as they are in the United States, maintaining just the same level of U.S. support as in the past—as is the case for several of the institutions—means a lowering of the U.S. Government percentage of their total budgets.

We propose to provide Egyptian pound support to the American University in Cairo next year, as is being done this year, by drawing on the corpus of the pound endowment fund created last year. While it had been anticipated that only the earnings from the endowment would be used to cover current operating costs, this is not yet possible since the university has not yet been in a position to undertake the investment program ultimately planned.

For fiscal year 1971 the President is requesting $8,895,000 for eight institutions, as shown in annex A.

I should point out to the committee, since the fiscal year 1970 authorization and appropriation action were not completed until the year was well along, and since the section 214 portion contained several new institutions which have not yet submitted application detail to AID, that it is unlikely that all the funds provided can be obligated this fiscal year, even though we are doing everything possible to get the money obligated. In these circumstances I assume that the Congress may want to provide authority so that funds already appropriated can be carried forward for obligation next fiscal year when the projects have been properly developed.

(The information follows:)

Annex A—Fiscal year 1971 proposed program

1. American University of Beirut	$5,500,000
2. American Farm School, Thessaloniki, Greece	110,000
3. Robert College, Istanbul	2,100,000
4. American University in Cairo	200,000
5. Escuela Agricola Panamericana, Honduras	200,000
6. Admiral Bristol Hospital, Istanbul	50,000
7. Project HOPE	500,000
8. Pierce College, Greece	100,000
Program Support	135,000
Total	8,895,000

FOREIGN CURRENCY

Mr. PASSMAN. Thank you very much for your statement. We will now ask a few questions. I note that on page I–1 of the summary justifications that this budget "does not include administrative-type costs which will be financed out of cooperative country local currency trust funds during fiscal 1971." Is that correct, sir?

Mr. DWINELL. Yes, that is correct, Mr. Chairman.

Mr. PASSMAN. In other words, to get the grand total, any local currency, foreign currency, or counterpart funds, would have to be added to the $51,125,000 request to get the grand total would it not?

Mr. DWINELL. That is correct, Mr. Chairman, but I should like to point out the local currency in question are not U.S. owned. They are country owned and contributed in support of the AID program.

Mr. PASSMAN. What is the total amount of the local currencies that will be utilized for administrative expenses by AID for fiscal 1971, Mr. Comptroller?

Mr. FLINNER. We have this amount for State administrative support. The other figures we would have to prepare for the record, the individual country ones.

Mr. DWINELL. We do not have, Mr. Chairman, the individual country ones available.

Mr. PASSMAN. Gentlemen, it wouldn't be quite fair for me to attempt to pat or slap you on the wrist for this. This is just one of the things we have been letting go by the board in prior years, but it is very much a part of the total outlay, is it not? Could you give us the amount for fiscal 1970 or fiscal 1969?

Mr. FLINNER. A great part of it is being used to pay State administrative support.

Mr. PASSMAN. I don't care what you use it for. I want to know the amount.

Mr. FLINNER. I am sorry, I don't have that.

Mr. PASSMAN. Why didn't you tell me you didn't have it? Are you trying to throw me off the track?

Mr. FLINNER. No, sir.

Mr. PASSMAN. Can you furnish the amount for any one year?

Mr. FLINNER. We can give it for the record; yes, sir. I don't have it with me, I am sorry.

Mr. PASSMAN. Does it amount to as much as the new cash?

Mr. FLINNER. No, sir.

Mr. PASSMAN. You are that sure of yourself, anyway?

Mr. FLINNER. Yes, sir, because it is used to pay for the local employees' cost and local expenses and these costs are not as much as dollar costs.

Mr. PASSMAN. It buys just as much as dollars, doesn't it?

Mr. FLINNER. That is right.

Mr. PASSMAN. So the $51,125,000 is only a part of what you want for administrative expenses and to be able to tell the committee the grand total you will have to go back and do a little research, won't you?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. OK. That is good enough; and please come up with it if you can at the earliest possible date.

Mr. FLINNER. Yes, sir.

(The information follows:)

TRUST FUND OBLIGATIONS

The U.S. Government, and particularly the AID missions, continue to encourage the recipient countries to provide, to the greatest extent possible, the funds required to pay the local general overhead costs of administering AID-financed economic development program overseas. Such costs are classified as "Program Support and Administrative Costs." Local currency funds required to pay program support and administrative costs of the AID missions are deposited by the recipient country in a U.S. Treasury trust fund account and disbursed by the AID missions. If local currencies are not provided by the recipient country, these costs would have to be charged to dollar appropriated program or administrative funds.

Costs which are suitable for financing from recipient country trust fund accounts are:

Living and quarters allowances for mission personnel.

Travel within the cooperating country in connection with mission operations.

Overseas official travel of participants and mission personnel and their dependents whenever such travel can be paid with local currency.

Transportation of personal effects and other transport expenses within the cooperating country and overseas, to the extent that such expenses are payable in local currency.

Costs of auxiliary services in support of mission personnel in the cooperating country, whenever such costs can be paid in local currency. Included in auxiliary services are costs for the rental of office and residential space, utilities, supplies, printing, translation services, salaries of local employees such as technical assistants, drivers and clerical assistants, and local-service contracts.

Payment to the U.S. Department of State for locally furnished administrative support.

Because of the similarity of such costs for the support of all U.S. National employees overseas, separate accounts are not maintained for program support and administrative costs. Based on an estimate of such costs for administrative functions, an allocation of local currency trust fund obligations for these functions is as follows:

Fiscal year 1969	$4,861,000
Fiscal year 1970	4,779,000
Fiscal year 1971	4,474,000

AID REIMBURSEMENTS AND PERSONNEL DETAILED TO OTHER AGENCIES

Mr. PASSMAN. Thank you for your cooperation. I figured you would get it for us.

I note you also state AID will receive an estimated $2,300,000 in fiscal 1971 in reimbursements from other agencies. Is that correct?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Would that be added to the $51,125,000 plus the local currency to get the grand grand total?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. What a different story it makes when you have time to examine these things. Thank you.

Mr. Secretary, what services does AID perform for other agencies?

Mr. DWINELL. You asked, Mr. Chairman, what services our Agency provides for other agencies——

Mr. PASSMAN. Yes; for other Federal agencies.

Mr. DWINELL. It is generally personnel detailed to other agencies such as the Departments of Agriculture, Commerce, State and others. We will supply it for the record.

(The information follows:)

SERVICES AID SUPPLIES TO OTHER AGENCIES

The detail of AID personnel to other agencies is performed at the express request of such agencies who find themselves temporarily in need of qualified personnel with experience and expertise in particular fields of operation. Principally, AID personnel so detailed and whose costs are reimbursed to the AID administrative expenses account serve in administrative-type activities such as executive direction, personnel administration, property management and communications and record supervision. Agencies to which AID anticipates to detail employees during fiscal year 1971 from the administrative expenses account whose costs will be reimbursed to that account include (*a*) the Department of Agriculture, Interior, Labor and State, the Office of Economic Opportunity, the U.S. Information Agency and (*b*) such international organizations as the Organization for Economic Cooperation and Development, and the Pan American Health Organization. Additionally, reimbursable services which do not involve actual detail-out of AID employees are expected to be provided to the General Accounting Office, the Peace Corps and the Veterans' Administration.

UNEXPENDED BALANCE

Mr. PASSMAN. Last year you estimated there would be an unexpended balance as of June 30, 1970, of $3,771,000 in this account, and this year you estimate an unexpended balance of $9,919,000; is that correct?

Mr. DWINELL. Last year we estimated there would be an unobligated balance of approximately $1.5 million.

Mr. FLINNER. Yes, sir; this year I think our balance unexpended for June 30, 1970 is estimated to be $9,919,000.

Mr. PASSMAN. You missed it last year. You estimated an unexpended balance as of June 30, 1970 of $3,771,000 in this account, and this year you estimate this unexpended balance will now be $9,919,000. Let's reconcile the two figures with what we have in the justifications.

Mr. FLINNER. This year's figure is right.

Mr. PASSMAN. Let's look at last year.

Mr. FLINNER. That is what I am looking for. I believe in the book last year we showed $7,521,000.

Mr. PASSMAN. And June 30, 1970?

Mr. FLINNER. $3,771,000.

Mr. PASSMAN. Which means that the estimate for June 30, this year, is about two and a half times the estimate for the unexpended balance which you presented to the committee last year; is that right?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. You will find the $3,771,000 on page N-9.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Now you have revised the estimate to show the unexpended balance as of June 30 to be $9,919,000.

Mr. FLINNER. That is our latest estimate. It is still the $9,919,000; yes, sir.

Mr. PASSMAN. Last year you estimated this unexpended balance would be $3,771,000.

Mr. FLINNER. Yes. We did in our book last year estimate $3,771,000.

Mr. PASSMAN. But we are still thinking about the same fiscal year?

Mr. FLINNER. Yes; end of fiscal year 1970.

Mr. PASSMAN. Could you also supply these same figures for fiscal year 1968 and fiscal year 1969, indicating what amounts were originally proposed to the committee and what the revised figures turned out to be?

Mr. FLINNER. Yes, sir; I can supply that for the record. I don't have those figures with me.

Mr. PASSMAN. I certainly wouldn't accuse you—when I say you, I am referring to the agency—of ending up with so much money you didn't want to be embarrassed and you just put it in one of these gray areas. Will you check and give us an answer as to why the unexpended balance is two and a half times your original estimate?

Mr. FLINNER. Yes; I would like to.

Mr. PASSMAN. I am suspicious of a lot of things that happen because things seems to get all mixed up when you try to reconcile some of these earlier estimates with the revised amounts. See if you can get some information on it.

Mr. FLINNER. Yes, sir; I would be glad to.

(The information follows:)

The $3,771,000 estimated unexpended balance for June 30, 1970, contained in the 1970 congressional presentation was calculated incorrectly. Following are estimated unexpended balances compared with actual balances for 1968 and 1969:

	Unexpended balance
June 30, 1968—Estimated in 1968 budget	$10,212,000
June 30, 1968—Actual	11,113,000
June 30, 1969—Estimated in 1969 budget	8,157,000
June 30, 1969—Actual	11,369,000

Approximately 30 percent of the actual June 30, 1969, balance was composed of salaries and benefits earned by employees. About 25 percent was composed of unpaid obligations for contracts for audit services, personnel security investigations, computer programs and systems, training services, and cost of shared services due to the Department of State. Approximately 20 percent of the unexpended balance represented unpaid travel and transportation costs, with the remaining 25 percent composed of miscellaneous items such as rents, communications, utilities, supplies, and equipment.

It should be noted that AID policy is not to use the deobligation-reobligaiton authority for its administrative expenses appropriation. As unliquidated obligations are deobligated during the year they are accumulated and not reobligated. At the end of the fiscal year these amounts appear as unobligated funds and as such are requested to be reappropriated for use in the subsequent year.

Mr. PASSMAN. It stands out like a sore thumb, doesn't it?

Mr. FLINNER. Yes, sir; it does.

Mr. PASSMAN. And if you find that there is going to be $6 million more in the obligated unexpended category than what is shown here, give us a ring so we can compensate in reverse for it when we mark this bill.

Mr. FLINNER. I will be glad to.

Mr. PASSMAN. You do ask for any unobligated funds to be carried over. If it is unexpended but obligated, it automatically carries over; doesn't it?

Mr. FLINNER. Yes.

Mr. PASSMAN. And only if it is in the unobligated part it would lapse. I don't say that that is true, but this would be a pretty good way to keep from losing money, wouldn't it? I am just suggesting that and hope you prove me wrong.

Mr. FLINNER. I hope so.

Mr. PASSMAN. But you do say it stands out like a sore thumb?

Mr. FLINNER. There is a great difference, and at this point I can't tell you why the difference.

Mr. PASSMAN. You repudiated what you said a moment ago. I will have to say you did agree that it stood out like a sore thumb.

Mr. FLINNER. Yes, it does stand out like a sore thumb; no question.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. In the administrative expenses last year how much did you request for representation allowances?

Mr. FLINNER. It is not an individual item.

Mr. DWINELL. It was not set out as a separate line item.

Mr. PASSMAN. What do you have it mixed with?

Mr. FLINNER. It is just one appropriation.

Mr. PASSMAN. This year we thought we would find out what part of it represented representation allowances.

Mr. DWINELL. To give you, Mr. Chairman, an indication of approximately how much it runs, in fiscal 1969 the actual figure for representation allowances was $160,300. For fiscal 1970, for 6 months, it was $69,100.

Mr. PASSMAN. What does the representation allowance cover?

Mr. DWINELL. It covers allowances for certain entertainment allotments or allowances which are given to the appropriate officers in missions for what is commonly called, in the parlance of the Foreign Service, representation. We would probably call it modest entertainment expense.

Mr. PASSMAN. By modest, you mean the beverages are modest, or the expense?

Mr. DWINELL. Both, sir.

Mr. PASSMAN. You mean, there is nothing stronger than Coca Cola or ginger ale?

Mr. DWINELL. I think we would not have the exact breakdown with respect to it, anyway.

Mr. PASSMAN. It was $160,300 in 1969, $153,300 estimated for 1970, and it is going to jump up to $161,000 in fiscal 1971. Is that the estimate?

Mr. DWINELL. That is correct, sir.

Mr. PASSMAN. As the appropriation goes down, the administrative expense goes down, so goes the representation allowance; is that right?

Mr. DWINELL. It stays at about the same level, but I would say it was about proportionate to the needs of the service.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Let's go back on the record.

I see in fiscal 1971 the representation allowance—that is the part that we can see on the surface—is $161,000, is it not?

Mr. DWINELL. That is correct.

Mr. PASSMAN. Now, the representation allowance in the AID agency is similar to the representation allowance in other agencies, is it not?

Mr. DWINELL. Yes, it is.

Mr. PASSMAN. They have little parties for some of the foreign recipients along with the donors, and they discuss the advantages of aid over refreshments?

Mr. DWINELL. I think the answer to that, Mr. Chairman, is in dealing with foreign governments and representatives of foreign governments, regardless of whether it is in the strictly diplomatic area or whether it is in the area of activity in which the AID agency operates, there is a certain amount of necessary compatibility and interchange which is both desirable and, I think, in the best interests of our Government.

Mr. PASSMAN. I would expect that kind of an answer, but let's explore that and see if you can support it. As we practice the system in America when we go to these cocktail lounges and get a little representation allowance we become quite liberal and start grabbing for the checks, do we not? Isn't that kind of characteristic of the Americans, after they have had a little refreshment, they try to pay the check? We have always understood that was true.

Mr. DWINELL. Well, sir, that is not my experience. I come from New England and I can say that the effect of representation, as you define it, does not affect all people in that respect.

Mr. PASSMAN. Have you ever been to these cocktail lounges after the people have had four or five drinks and watched these scenes created by people trying to pay the check? You have experienced that; haven't you?

Mr. DWINELL. I have observed it on occasion.

Mr. PASSMAN. That is why I say it makes a poor man feel rich in many instances; doesn't it?

Mr. DWINELL. In some instances.

Mr. PASSMAN. I wonder if it works that way with these AID people. I wonder if they get to feeling like they want to pick up the check, and I just wonder if this representation allowance wouldn't cause them to be just a little bit more free with the American taxpayers' money. If it works at a cocktail lounge and it makes a poor man feel rich—and some of these people are poor people out administering this program; are they not?

Mr. DWINELL. Yes, sir; they are.

Mr. PASSMAN. I just wonder if they get that same feeling. I think we had better go out and check on that because we may have come upon something good this year. If you are going to give the man something you don't have to have a drink to give it to him; do you?

Mr. DWINELL. Certainly not; and I do not think that is the case as far as AID is concerned.

Mr. PASSMAN. Maybe not. I think we have come up with something. I think we should have a little language, possibly a limitation, preventing the discussion of aid after you have had more than three drinks because it sure makes you feel rich. Maybe we could save some money by not letting you people get into these aid discussions while you are spending the representation allowance.

REST AND RECUPERATION TRAVEL

Mr. Secretary, why is there such a large increase in funds requested for rest and recuperation when it appears that the total man-years have decreased from fiscal 1970. Last year you requested $147,200 and this year you are asking for $176,400; is that correct? We refer you to your own justifications on page 6.

Mr. DWINELL. I cannot explain, Mr. Chairman, why that slight difference does exist, but——

Mr. PASSMAN. It is a year's salary for a lot of people; isn't it? I mean, that slight difference would pay your salary for a year; wouldn't it?

Mr. DWINELL. It would, but in relation to the total appropriation I would not say it is so much.

Mr. PASSMAN. Let's see if that is right. It is about 20 percent, $147,200 in fiscal year 1970, and $176,400 for 1971, so let's put it on a percentage basis. It is not slight. It is very substantial when you look at it objectively. Who is resting and recuperating out of this account?

Mr. DWINELL. I am sure you are aware, Mr. Chairman——

Mr. PASSMAN. I am aware of a lot of things, but how about the answer to that question? Who is it that recuperates out of this account?

Mr. DWINELL. Most of our Foreign Service staff, our Foreign Service personnel, who are in hardship posts and have been for some time. They are, under established policies, given the opportunity for rest and recuperation.

Mr. PASSMAN. I have been in some of those posts that they call hardship and I had a lot of fun. I want to go back. Do any of these people that are resting and recuperating from their labors of dispensing funds want to come home?

Mr. DWINELL. Many of them would much rather come home.

Mr. PASSMAN. I have never met one yet that wanted to come home. Some day I will have the same look that you have had. I am almost tempted to ask you to put in the record the name of one person who wants to come home because of a hardship proposition.

May I ask you this question: Does this apply just in certain nations, or is it across the board?

Mr. DWINELL. It is not for all countries, Mr. Chairman, just certain countries.

Mr. PASSMAN. But you don't define it by names of countries. That decision is a policy decision at the AID agency; is that correct?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. How much additional leave do they get if they are abroad? They have their regular accumulated leave; do they not?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. I mean the AID people. What is that per year, let's say the average? I never met a Federal employee who didn't have more than 2 weeks. Anyway, is this in addition to his regular leave? If he is resting and recuperating is he resting and recuperating during his regular leave; or is this extra?

Mr. DWINELL. As I understand it, Mr. Chairman, this applies toward annual leave but not toward the home leave which Foreign Service people are entitled to at the end of a tour.

Mr. FLINNER. This is the cost of transportation to these places.

Mr. PASSMAN. I am not talking about home leave. I am talking about the rest and recuperation of these people who are dispensing funds for our overburdened American taxpayers. That is what I am talking about. Would you place in the record the countries and the amount given to the individuals in those countries for fiscal 1969 and from what account did you reimburse the individual? I think we should get into this. You give a man some money for rest and recuperation, to fly from this country to that country. He may like one spot better than the other while he is resting and recuperating from his arduous labors of giving away this money and we would just like to know to what countries this rest and recuperation account would apply. Could you give us something on that?

Mr. FLINNER. Yes, sir, Mr. Chairman. If you would, I can clarify this a little bit for you.

Mr. PASSMAN. Yes. You say just a little bit? Give us a little bit now and then place the information in the record.

Mr. FINNER. I can't give you all of the individual countries but they are the countries which are the most underdeveloped. This is to furnish the cost of travel when the employee goes on rest and recuperation. The time they take off is charged to their own annual leave and this is the cost of travel to designated places for rest and recuperation. Each person who is entitled to rest and recuperation has a designated rest and recuperation post to go to.

Mr. PASSMAN. I see.

Mr. FLINNER. In the proposal for 1971 for the $176,400 by regions, $5,400 is for Latin America.

Mr. PASSMAN. $5,400?

Mr. FLINNER. Yes.

Mr. PASSMAN. That is a very small percentage, about 3 percent of the total.

Mr. FLINNER. Most of the countries in Latin America do not have it. East Asia has $24,500. Vietnam has a large amount of $54,800 and the Near East-Southeast Asia has $39,200. Africa has $46,600.

Mr. PASSMAN. Let's put it this way so as to make a case and let you put more in the record. If I am assigned let's say to Thailand and I feel that I could rest better and recuperate quicker in Hong Kong, then I can apply for transportation to pay my expense over there; is that right?

Mr. FLINNER. If Thailand is entitled to rest and recuperation and Hong Kong is a post you could go to it would be, but I would have to check. I don't believe employees in Thailand are entitled to rest and recuperation travel.

Mr. PASSMAN. I am just using that to make a case. Let's take some other country. Let's take Korea. You have an AID mission there, do you not?

Mr. FLINNER. We do have a mission in Korea; yes, sir.

Mr. PASSMAN. If a man feels he could rest better and recuperate quicker in Tokyo he could apply for transportation and take his vacation in Tokyo; is that right?

Mr. FLINNER. If it——

Mr. PASSMAN. If it fits the formula.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. And it is all-inclusive. Some formula has to fit, unless you want me to ask you to place in the record where each tired and weary AID distributor of the overburdened taxpayers' funds traveled to or from last year. You don't want me to ask that question.

Mr. FLINNER. No. There is a policy on——

Mr. PASSMAN. I won't ask that. Now, let's ask this question. Put in the record the period of time they have to serve before they are eligible to dip into this rest and recuperation account. Also place in the record at this point, since the AID agency is going to disburse some type of funds in 99 nations of the world, so let's limit it to just AID agencies, what countries the AID people would be privileged to leave and go to while they are resting and getting over this terrible strain of having to give away this money. Will you do that?

Mr. FLINNER. Yes, sir.

(The information follows:)

Rest and Recuperation Expenses

A. The increase of $29,200 from FY 1970 to 1971 for Rest and Recuperation travel expenses is the net result of (a) increase in transportation cost brought about by rising price trends and (b) net increase in number of employees who, in accordance with time requirements prescribed for attainment of R & R eligibility, are expected to qualify for use of Rest and Recuperation during FY 1971.

B. Below are the Joint State/A.I.D./USIA Regulations covering Rest and Recuperation (section 698 of the Foreign Affairs Manual), which have been published in A.I.D. Manual Order No. 459.1, and which prescribe the general policies, legal basis, applicability provisions and guidelines covering rest and recuperation (R&R) travel of A.I.D. Foreign Service employees.

698 REST AND RECUPERATION

698.1 Purpose

The duration of an employee's assignment is determined by the interaction of a variety of factors. Important among them is the recognition that through continuity of service at a post it is possible to benefit from acquired knowledge and understanding of the post, country, and area. At certain posts, however, the benefits of continuity may be significantly diminished by the progressive loss of efficiency due to conditions of life at the post. At some posts, it is impractical, because of the high cost of transportation, to expect that an employee and his family will be able to travel at his expense to the closest place that offers beneficial change of environment.

698.2 Legal Basis

In order to alleviate such conditions and make is possible, in some instances, for an employee to remain at post for longer periods of time, and in other instances, to assist the employee to maintain his efficiency, section 911 (9) of the Foreign Service Act of 1946, as amended, provides for the payment of:

> "The travel expenses of officers and employees of the Service who are citizens of the United States, and members of their families, while serving at posts specifically designated by the Secretary for purposes of this paragraph, for rest and

recuperation to other locations abroad having different environmental conditions than those at the post at which such officers and employees are serving, provided that such travel expenses shall be limited to the cost for each officer or employee and members of his family of one round trip during any continuous two-year tour unbroken by home leave and two round trips during any continuous three-year tour unbroken by home leave."

698.3 Applicability

These regulations apply to all United States citizen Foreign Service employees stationed at posts abroad that have been specifically identified as eligible rest and recuperation posts (Exhibit 698.5-4), including employees of participating agencies assigned to A.I.D. missions, but excluding certain resident employees (see section 698.7-2).

698.4 Charge to Leave

The employee's absence from his post for rest and recuperation and necessary travel time is charged to annual leave, sick leave, earned compensatory time, or leave without pay, as appropriate.

698.5 General Procedures

698.5-1 Designation of Posts for Rest and Recuperation Travel

The chief of the diplomatic mission, in consultation with the responsible representatives of A.I.D. and USIA in the country, may recommend by joint airgram to the Department the designation of a post from which rest and recuperation travel may be granted. The principal officer at consular posts exercises this function in those countries where a diplomatic mission does not exist.

The Department, A.I.D./W, and USIA, acting jointly, will make a determination to approve or disapprove the recommendation. The decision to so designate a post is made if it is found:

a. That conditions of life at the post present distinct and significant difficulties for an employee and his family of sufficient severity to justify temporary relief therefrom during a period of assignment. These conditions include such factors as: unfavorable climatic conditions, isolation, inadequate transportation within the country, lack of adequate recreation facilities, unsuitable housing and sanitary conditions, lack of essential services, lack of medical or dental care, prevalence of communicable disease, and unusual personal hazards.

b. That the cost of transportation from the post to a suitable relief area is so great as to make it unreasonable to expect that the employee could finance his family's travel.

698.5-2 Designation of Relief Areas

The chief of the diplomatic mission, at a post included in Exhibit 698.5-4, in consultation with the principal representatives of A.I.D. and USIA in the country, recommends the relief area for each post concerned. The principal officer at consular posts exercies this function in those countries where a diplomatic mission does not exist. Such recommendations should be sent by joint airgram, subject: REST AND RECUPERATION. Action copies are to be sent to regional bureaus in the Department of State.

The Department, A.I.D./W, and USIA, acting jointly, will approve or disapprove this recommendation. A suitable relief area is a place possessing a significant change in climate, altitude, and environment which will contribute to the restoration of efficiency. For reasons of economy or other controlling considerations, the Department, A.I.D./W, and USIA, acting jointly, may select an area, other than that recommended by the chief of mission, which will afford the necessary physical and psychological change.

698.5-3 Change in Designated Posts and Relief Areas

The procedures used for changes in designated posts and relief areas are the same as those for designating posts and relief areas.

698.5-4 List of Designated Posts and Relief Areas

Attachment A lists the designated A.I.D. posts and relief areas for rest and recuperation travel. This list changes from time to time to reflect changing circumstances.

If a post is designated for both rest and recuperation travel and family visitation travel, see section 699.4-5.

698.6 Scheduling Rest and Recuperation Travel

The respective overseas establishments of each agency are responsible for scheduling employees and families to take rest and recuperation at Government expense.

698.7 Eligibility for Rest and Recuperation Travel

698.7-1 Employees

The intent of the law is to provide a measure of relief from environmental conditions existing at posts of assignment. To qualify for rest and recuperation travel, en employee must be assigned to one or more of the posts so designated for a total period at such posts of at least 2 years unbroken by home leave.

Employees assigned to Indian posts of New Delhi and Bombay attain eligibility for rest and recuperation travel in accordance with the following criteria:

a. Once during a 3-year tour unbroken by home leave:

b. During the second or successive tour at post of not less than 2 years, following a first tour of any duration.

Authorized transporation costs will be limited to one round trip during any continuous 2-year tour of duty and two round trips during any 3-year tour of duty unbroken by home leave. Keeping in mind the basic purpose of rest and recuperation travel, posts should generally not grant such travel to be taken within 6 months of the beginning or end of the employee's tour of duty.

If the Department, A.I.D., or USIA transfers an employee or separates him involuntarily after the employee takes rest and recuperation, but prior to the completion of the employee's scheduled tour of duty, no refund for his or his family's rest and recuperation travel need be made.

698.7-2 Resident Employees

Resident American employees are not eligible for rest and recuperation travel except as dependents of employees who are eligible for such travel in their own right. In such cases, the cost of travel will be charged to the agency by which the head of the household is employed.

698.7-3 Members of the Family

Eligibility for rest and recuperation travel of family members is directly contingent on the eligibility of the employee. Members of the family authorized rest and recuperation travel must meet the definition of family

established in section 117 of the Uniform Foreign Service Travel Regulations (6 FAM). Family members may travel separately from the employee, provided their travel conforms to sections 698.7-1 and 698.8-2.

698.8 Rest and Recuperation Travel

698.8-1 Authorization

Officers at a post delegated authority by section 121 of the Uniform Foreign Service Travel Regulations may authorize or approve round-trip transportation by less than first-class air accommodations for an employee and/or members of his family to the designated relief area. Except as stated below, section 100 of the Uniform Foreign Service Travel Regulations will apply.

698.8-2 Government Transportation and Other Accommodations

In scheduling trips, the authorizing officer should seek to make them at the least possible cost to the Government. For example, timing of trips should be arranged to take advantage of:

a. Military flights available without charge or at reduced fares;

b. Other Government charter or contract flights;

c. Special excursion rates or seasonal reductions in fares;

d. Surface transportation where rates are lower than the cost of less than first-class air accommodation;

e. Other official travel by the employee or members of his family.

698.8-3 Elective Alternatives

Actual travel may be performed by other classes or modes of travel (including by automobile), or from the post of assignment to a place other than the designated relief area, provided that the purpose of rest and recuperation travel is met. The authorizing officer determines in advance that such travel meets the objectives of the program.

If travel is to an elective alternative point in the United States, its possessions, or the Commonwealth of Puerto Rico, the granting of

leave is subject to section 432.1 and home leave eligibility is deferred in accordance with Exhibit 453.1. For A.I.D., see M.O. 438.1.

The cost to the Government of such travel to any elective point may not exceed the transportation expenses that would have been incurred for travel between the point of origin and the designated relief area by the applicable mode and class of travel provided in sections 698.8-1 and 698.8-2, and may not exceed allowable transportation expenses actually incurred.

698.8-4 Employee Contribution

Every eligible employee whose salary is $11,000 or less per year shall pay the first $50 of the total commercial travel cost for himself and his family with the Government paying the balance. An employee whose salary exceeds $11,000 per year will pay the first $100 of the total commercial cost of travel. When members of the family travel separately, only one contribution will be made. See 6 FAM 128.4 for State and USAID procedures for handling employee contributions. For A.I.D., see M.O. 459.1.

698.8-5 Nonallowable Expenses

The following expenses will not be allowed in connection with rest and recuperation travel:

a. Per diem;

b. Miscellaneous expenses (as enumerated in 6 FAM 141 of the Uniform Foreign Service Travel Regulations), except for transportation to and from airport and airport fees that are or would be incurred for direct travel; and

c. Unaccompanied or excess baggage.

Attachment A

A.I.D. Posts Designated for Rest and Recuperation and Designated Relief Areas

Post Designated for R&R	Designated Relief Area
African Countries	
Cameroon (All Posts)	Marseille, France
Central African Republic (All Posts)	Rome, Italy
Chad (All Posts)	Madrid, Spain
Congo, Republic of the (All Posts)	Rome, Italy
Dahomey (All Posts)	Marseille, France
Ethiopia (All Posts)	Athens, Greece
Gabon (All Posts)	Marseille, France
Ghana (All Posts)	Rome, Italy
Guinea (All Posts)	Marseille, France
Ivory Coast (All Posts)	Marseille, France
Kenya (All Posts except Nairobi)	Athens, Greece
Liberia (All Posts)	Paris, France
Malagasy Republic (All Posts)	Athens, Greece
Malawi (All Posts)	Athens, Greece
Mali (All Posts)	Marseille, France
Niger (All Posts)	Marseille, France
Nigeria (All Posts)	Rome, Italy
Senegal (All Posts)	Marseille, France
Sierra Leone (All Posts)	Madrid, Spain

Attachment A (cont'd)

Post Designated for R&R	Designated Relief Area
African Countries (cont'd)	
Somali Republic (All Posts)	Athens, Greece
Tanzania (All Posts)	Athens, Greece
Togo (All Posts)	Paris, France
Uganda (All Posts)	Athens, Greece
Upper Volta (All Posts)	Paris, France
Zambia (All Posts)	Athens, Greece
Latin American Countries	
Bolivia (All Posts)	Panama, Panama
Brazil (Brasilia, Fortaleza, CEARA, Recife)	Sao Paulo, Brazil
Colombia (Bogota, Barranquilla)	Curacao, Netherlands Antilles Nassua, Bahamas
Dominican Republic (All Posts)	Nassau, Bahamas
Ecuador (All Posts)	Panama, Panama
Guyana (All Posts)	Nassau, Bahamas
Haiti (Port-au-Prince)	Mexico, D.F., Mexico
Honduras (Tegucigalpa)	Mexico, D.F., Mexico
Paraguay (All Posts)	Montevideo, Uruguay

Attachment A (cont'd)

Post Designated for R&R	Designated Relief Area
East Asian and Pacific Countries	
Burma (All Posts)	Hong Kong
Indonesia (all Posts)	Hong Kong
Laos (All Posts)	Hong Kong
Philippines (Cebu, Davao (USIA), Cauayan (Isabela), Naga City (Camarines Sur), Iloilo City (Iloilo), Zamboanga (Mindanao)	Hong Kong
Korea (All Posts)	Tokyo, Japan
Thailand (All Posts)	Hong Kong
Viet-Nam (All Posts)	Hong Kong
Near East and South Asian Countries	
Afghanistan (All Posts)	Athens, Greece
Ceylon (Colombo)	Hong Kong
India (All Posts) (See-special provisions for New Delhi and Bombay in section 698.7-1.)	Hong Kong
Jordan (All Posts)	Athens, Greece
Nepal (All Posts)	Hong Kong
Pakistan (All Posts)	Hong Kong

Mr. PASSMAN. Good. We have assembled again some new items here we didn't know you had heretofore. We are studying a different part of the book. You made up new books. We went to an old section, you understand. You tried to get ahead of us and we just didn't want you to do that. Off the record.

(Discussion off the record.)

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

INERNATIONAL EXECUTIVE SERVICE CORPS

Mr. PASSMAN. I note on page I–4 that you are requesting a $1 million increase for the International Executive Service Corps; is that right?

Mr. DWINELL. The increase is $1 million?

Mr. PASSMAN. Yes.

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Over what?

Mr. DWINELL. An increase from $2.2 million to $3.2 million.

Mr. PASSMAN. What is the International Executive Service Corps?

Mr. DWINELL. The International Executive Service Corps is an organization which sponsors businessmen from this country to go to underdeveloped countries to give advice, and in the operation of many varied types of businesses based on the American business methods and skills which business executives in this country have acquired during their own experience.

Mr. PASSMAN. This is just another one of these faucets. Is he out looking for a place for investment, or is he just an observer?

Mr. DWINELL. Mr. Chairman, as I understand it, the men in the Executive Service Corps are advisers to foreign businesses. They are not looking for investments. They are asked by foreign businesses, or the Executive Service Corps headquarters are asked by foreign businesses, to supply experts in various fields.

Mr. PASSMAN. To discuss business operations, is that correct?

Mr. DWINELL. Generally to improve the operations of those businesses.

Mr. PASSMAN. I know that is the objective. It may not work that way, Governor. I respect you very highly. I know what this thing is and you know that I know, but I am trying to make a record on it. These people go out and exchange ideas?

Mr. DWINELL. That is correct.

Mr. PASSMAN. They could be called evaluators?

Mr. DWINELL. I would say rather than exchange ideas that the American businessmen carry ideas which have been acquired by them in their own business in this highly developed country to businesses which are trying to develop the proper techniques and business methods in lesser developed countries.

Mr. PASSMAN. Some of these people go to Japan, don't they?

Mr. DWINELL. I think not.

Mr. PASSMAN. Some of them go to Formosa, or Thailand?

Mr. DWINELL. Yes, we have had some go to Taiwan.

Mr. PASSMAN. Generally where we have AID programs? These people in Asia are smart people. I have gone to Taiwan and found that the business people there have developed a new sweetpotato. They started out with a Louisiana yam and they have improved on that

sweetpotato until now their yield is greater and they can produce that potato and ship it back to America about 20 percent cheaper than we can buy the yams down in Louisiana. You go in grocery stores and you will see yams from the Republic of China, and yet Louisiana is the largest yam producer on the face of the earth. Let us look at the textile industry. These people, as you know, buy the cotton or we give it to them and they process it, pay the duty, send the product back here from that part of the world 30 percent cheaper than we can produce it. It is the same with steel.

Japan can come to America, buy scrap metal, ship it all the way to Japan, pay the duty, pay the freight back, and deliver it at $290 a ton cheaper than we can sell it for up in Pittsburgh. We had better start teaching the people in America how to keep up with these foreign countries in many fields. Why we have permitted this situation I don't know. It is there, and I respect you, but I have a right to my views and I think it is a complete waste of money. We ought to bring these vacationers home.

To keep the record straight, in last year's hearings on page 338 and page 339 you stated it was first anticipated that the IESC—that is the International Executive Service Corps.—would eventually be financed entirely by voluntary contributions and AID would be able to phase out this assistance. Now it looks like we are phasing in rather than phasing out, doesn't it?

Mr. DWINELL. We are increasing it.

Mr. PASSMAN. What is the difference? Isn't my expression acceptable? You are phasing in rather than phasing out? That is the way with all of these temporary agencies.

ASIA FOUNDATION

Governor, you are requesting a $1,200,000 increase for the Asia Foundation; is that correct?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. What is the Asia Foundation, sir?

Mr. DWINELL. The Asia Foundation, Mr. Chairman, is an organization which is particularly concerned with technical assistance projects in various Asian countries. It deals to a great extent with private organizations and institutions, on the basis of private initiatives rather than with government programs. We feel that it has had a very successful impact on countries in which it has operated.

Mr. PASSMAN. How many Asian countries, Governor, are involved in it?

Mr. DWINELL. The AID countries in which the Asia Foundation operates, among those, anyway, are Afghanistan and Ceylon, Indonesia, Korea, Laos, Pakistan, the Philippines, Thailand, and Vietnam.

Mr. PASSMAN. Is it technical aid, in the main?

Mr. DWINELL. Yes.

Mr. PASSMAN. Why don't you administer it under the bilateral technical aid program?

Mr. DWINELL. I think one of the reasons is that this Asia Foundation has been organized to try to deal directly with groups and with individuals rather than through Government channels.

(The following material was subsquently received by the committee:)

AID first gave support to the Foundation 2 years ago, in fiscal year 1969, based on part of our interest in and congressional emphasis on—encouraging the participation of the private, nongovernment sector in development.

Our experience is that the Foundation succeeds in attracting significant matching Asian resources—in funds, use of buildings, personnel services—from the recipients of its grants, which are small scale in size. The contributions are listed in detail in the Foundation's semiannual reports to AID.

Our missions review the Foundation's work in the field on a regular basis. They given strong endorsement to the Foundation's type of small grants because of their responsiveness to Asian initiatives and their flexibility, and speed, and effectiveness in relation to the resources invested.

Mr. PASSMAN. You know, some of this stuff is shocking. I respect you because you are a great American. All of you are great Americans. You are a man with a brilliant mind. How you people think up all this stuff, Governor, I don't know. Here we are in a small item like this and we run into a ballooning technical aid program at a different level in the same countries. I don't think it is right, and I question whether I can do anything about it other than make a record.

Would you please provide for the record the year that this outfit started, the first appropriation, what countries it covered, and give us that each year up to and including fiscal 1970?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. And where it is domiciled.

Mr. DWINELL. We will do that, Mr. Chairman.

(The information follows:)

AID SUPPORT TO THE ASIA FOUNDATION

The Asia Foundation, with headquarters in San Francisco, was founded in 1954 and incorporated in the State of California.

AID support to the Foundation has been as follows:

Fiscal year 1969—$1,800,000 general program grant—302 for projects in Vietnam in university education, legal education and administration.

Fiscal year 1970—$2,800,000 general program grant—245 (estimate) selected projects in Vietnam, partly funded in local currency.

Fiscal year 1971 (request)—$4 million general program grant.[1]

Foundation activities covered by this support were in the following AID countries: Afghanistan, Ceylon, India, Indonesia, Korea, Laos, Pakistan, Philippines, Thialand, and Vietnam. AID support was applied also toward the Foundation's regional programs. The Foundation also has programs in Japan, Malaysia, Hong Kong, Singapore, Taiwan, and Ryukyus.

Mr. PASSMAN. Is there also a request in the regular State Department budget for funds for the Asia Foundation?

Mr. DWINELL. Yes.

Mr. PASSMAN. Governor, you know I respect you very much. Did you say yes? I didn't get the answer.

Mr. DWINELL. Yes, Mr. Chairman.

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[1] Includes funding of above Vietnam projects

Mr. PASSMAN. Thank you. I wanted to be sure I got that answer. Thank you, Governor, very much. Isn't that something?

CONSTRUCTION OF FACILITIES

Would you please provide for the record a list of the facilities to be constructed from the $367,000 requested for fiscal 1971, indicating the cost of these facilities?

Mr. DWINNELL. Yes, sir.

(The information follows:)

Construction of facilities—Section 636(c)

List of facilities proposed for construction or acquisition in fiscal year 1971:

Laos: Construction of 5 duplexes in Vientiane to replace houses deteriorated beyond economical repair	$177,000
Kenya: Acquisition of residence in Nairobi for occupancy by the mission director	60,000
Zambia: Acquisition of two residences in Lusaka to house mission personnel	130,000
Total	367,000

Mr. PASSMAN. It may be that all of the smart men are in the executive branch. I don't know. But I do know under the Constitution that Congress is the first branch of Government. You don't quarrel with that, do you?

Mr. DWINELL. No, Mr. Chairman; I do not.

Mr. PASSMAN. We are the paid representatives to try to keep Government spending under control and it is our duty to examine these programs to determine what level of funding should be granted. When I see programs like the ones previously examined, I think you are putting the big britches on President Nixon. It is impossible for him to know every one of these programs. I think he is making a smart President. You are going to wind up with a $7 to $12 billion deficit. Everything that has been reported out so far is up, up, up.

We reported out a big bill this morning, the education bill. Last year's bill for education was large but this bill was up $700 million. Some of them say this is the President's program. Heck, the President doesn't know any more about this program than I do. He couldn't. He may initial something you pass over his desk because some bureaucrats work out this formula but I am not foolish enough to believe that these are the President's programs. They are the President's programs in name only. But you people ought to be cutting back on this stuff. Every item we look into we find there is an increase over last year.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

The next item we will consider is American schools and hospitals abroad. The fiscal 1970 program is $25,900,000. The estimate for fiscal 1971 is $8,895,000; is that correct?

Mr. DWINELL. Yes, Mr. Chairman.

Mr. PASSMAN. The $25,900,000 did not include the $3 million that we finally approved in conference for the local currencies to be used in Morocco.

PIERCE COLLEGE

I note on page I–3 that you are requesting $100,000 for the Pierce College, Greece, in fiscal 1971; is that right, sir?

Mr. DWINELL. Yes, it is, Mr. Chairman.

Mr. PASSMAN. I am going to ask, if I may, how much assistance has been supplied by the United States to this institution up to the present time? Put it in the record.

Mr. DWINELL. I will supply it.

(The information follows:)

AID has given grants to Pierce College totaling $2,532,000 in the period fiscal year 1962–67.

Mr. PASSMAN. Governor, I also notice you are requesting an increase of $100,000 in program support for fiscal 1971; is that correct?

Mr. DWINELL. Yes, it is.

Mr. PASSMAN. Increase, increase, increase. Everything we see is increasing.

Mr. DWINELL. May I say Mr. Chairman that you have already noted a very substantial decrease in the total size of the American schools and hospitals program: From $25 million plus local currency in fiscal year 1970 to $8,895,000 requested in fiscal year 1971. The increase you refer to—on ASHA program support from $35,000 to $135,000 is only partially a net increase—in the sense that it simply reflects our intention of charging to the American schools and hospitals appropriation—the cost of the personnel engaged full time in the administration of the American schools and hospitals program.

Mr. PASSMAN. It takes money, though, doesn't it? It is an increase in money, and any time it is money I don't know how you can say it is not an increase. You might argue that the purpose is better but the actual amount of money requested represents an increase, doesn't it?

Mr. DWINELL. Except that some of the program support money for "direct hire" personnel ASHA staff has been provided for elsewhere, before.

Mr. PASSMAN. In other words, you are funding this one item out of the appropriation this year rather than out of some other Federal agency appropriation?

Mr. DWINELL. No.

Mr. PASSMAN. Out of some other spigot of AID?

Mr. DWINELL. We thought, Mr. Chairman, it would be appropriate to show this committee the true cost of operating this program.

Mr. PASSMAN. It wasn't intended to confuse the committee?

Mr. DWINELL. No, sir.

Mr. PASSMAN. In other words, you are pulling them off of first base and putting them out in center field?

Mr. DWINELL. No, sir.

Mr. PASSMAN. You have to learn how to play all over again. You make my job that much harder.

Would you please provide for the record a list of the AID institutions which were provided funds last year but for which no request for funds was made for fiscal 1971, indicating the status of the appropriation made in fiscal 1970?

Mr. DWINELL. Yes, Mr. Chairman.

(The information follows:)

The following institutions received earmarked appropriations in fiscal year 1970:

Weizmann Institute, Israel	$2,500,000
Merkaz Lechinuch Ichud, Israel	1,900,000
Amana Ulpenat BA, Israel	600,000
Beth Yaacov Avat Girl's School, Israel	1,200,000
Educational Center of Galilee, Israel	800,000
Hadassah Medical Center, Israel	4,850,000
Hospital and Home for the Aged, Israel	650,000
Hospital in Chemke, Nigeria	500,000
Total	13,000,000
University of North Africa, Morocco (local currency equivalent)	3,000,000
Grand total	16,000,000

As of this date, no application detail has yet been received from any of the above named institutions except the University of North Africa. Discussions have been held, however, or correspondence exchanged between AID and the sponsors of several of the institutions covering the preparation of applications.

Mr. PASSMAN. Thank you very much, Governor.

Mrs. Reid, would you take over, if you have some other questions?

AID EMPLOYEES PAID FROM ADMINISTRATIVE AND PROGRAM FUNDS

Mrs. REID. Will the requested appropriation of the $51,125,000 cover the direct hire employees of AID, such as the people working in India on fertilizer programs, or are they paid out of the funds used to finance special projects?

Mr. DWINELL. The $51,125,000 will pay the salaries of those people who are charged to administrative expenses in India or in any other part of the world, but those who are supported by a particular program would not be charged to this account but would be paid for from program funds.

Mrs. REID. Would you tell me how many of the direct hire employees are paid out of the program funds and how much out of the $51,125,000 requested?

Mr. DWINELL. Yes. Our estimated on board, Mrs. Reid, for June 30, 1970, would be 3,522 direct hire people who would be paid from administrative funds and 11,852 from program funds.

SHIPMENTS BY VOLUNTARY AGENCIES

Mrs. REID. In the case of shipments by voluntary agencies, does AID undertake to finance whatever volume these agencies can provide, or does AID limit the volume for budgetary reasons?

Mr. DWINELL. We have always, as I understand it, at least in recent years, had more requests than we have been able to finance. In our 1971 request we are asking for an increase in appropriations for freight charges for voluntary agencies, an increase of, I believe, from $5 million to $6 million.

Mrs. REID. An increase of what, did you say?

Mr. DWINELL. From $5 million to $6 million. That is, of course, as a result not only of increased volume but it reflects the inflation in freight costs, so that it would not necessarily mean that there would be

that much difference. That total increase in dollars would represent a proportionate increase in the amount of commodities which were financed.

AMERICAN UNIVERSITY IN CAIRO

Mrs. REID. Just one question about the American University in Cairo. Are there any Americans there now as teachers or students?

Mr. DWINELL. Yes; there are.

Mrs. REID. Did the chairman go into this at all?

Mr. DWINELL. No, he did not. Are you asking about the number of teachers?

Mrs. REID. No, if there are Americans there as teachers?

Mr. DWINELL. Yes; there are.

Mrs. REID. And how many?

Mr. DWINELL. I think we will have to supply it, but there are American teachers.

Mrs. REID. And students, also?

Mr. DWINELL. I am advised that nearly half of the faculty are Americans; 54 out of 115 full-time faculty this year. There are some American students—110 out of a student body of 3,964 in 1968–69—most of whom are engaged in Middle East or Arabic language studies.

Mrs. REID. Is there any interference from the Egyptian Government with the university there?

Mr. DWINELL. No; my understanding is that the university has had a very compatible environment, and has had no difficulty with the recent disturbance.

Mrs. REID. No difficulties at all?

Mr. DWINELL. That is correct.

RESEARCH UNDER SECTION 241 OF THE FOREIGN ASSISTANCE ACT

Mrs. REID. I wonder if you could comment briefly on how the research carried out under section 241 of the Foreign Assistance Act of 1961 is fed back into the agency, and what use is made of this research?

Mr. DWINELL. Of course that is a question which is rather broad. Taking various fields, the most important one now, is the field of population, research in family planning and on all aspects of the population program. These research contracts are granted in variously defined fields of research, and as successful developments are made known through progress reports and other publications, the agency is then able to put this knowledge to use in its overseas technical assistance programs. The same thing would be true in the field of agriculture or other fields in which research is undertaken.

Mrs. REID. If you want to expand on this for the record, I would appreciate it.

Mr. DWINELL. All right.

(The information follows:)

Feedback of research and use of its results is a key consideration in the initial selection of AID research projects. AID's Internal Research and Institutional Grants Council, composed of senior AID staff representing the major program units of the Agency, and the Administrator's Research Advisory Committee, composed of distinguished professional experts from non-Government institutions, look critically at this aspect in reviewing proposals.

These review groups are familiar with AID's overall program priorities and insist that proposals pass the tests of: (1) relevancy to program goals of AID and the developing countries; (2) potential for improving the economic and social development of the developing countries; (3) implementation by highly qualified research institutions; and (4) that the proposal be an integral part of a total systems approach to improvement in the scientific or technical field concerned.

These review processes are designed to assure that projects selected will be of maximum usefulness to AID and the less-developed countries. The results of the research are fed back into AID and their utilization assured by three general processes:

(1) Participation in research and project review by senior officials in AID line offices assures that research findings are built into the normal processes of mission program planning and development.

(2) AID project managers distribute summaries of research results and, as appropriate, significant research publications to overseas mission personnel and through them to host country scientists and government officials. Similar information is provided to international agencies, other U.S. Government agencies with related programs abroad and U.S. universities and similar institutions with overseas technical assistance activities.

(3) Individual research projects are designed specifically to accomplish maximum utilization of research results in the countries or regions within which the primary research activity is undertaken. They are designed also to assist the development of institutional competency within these countries in adapting the research to meet the specific characteristics of the country and to extend it into their total development efforts.

Representative illustrations in the field of agriculture of these processes of disseminating and utilizing research results are given below.

The research on cereals serves as an illustration of project feedback. Here, for example, the research on sorghum is coordinated between AID, the research contractor, international agencies, private research foundations, and the developing countries. Through the AID sponsored International Research Center of Purdue University significant research is produced on genetics and improvement of crop production and essential training for foreign scientists is provided. The research efforts produced high yielding, high protein, and aminoacid varieties which have been distributed to many countries for field evaluation and production.

The staff of this project worked with 31 different developing countries in which 61 major local cooperators were actively engaged in this research. The research data and interpretation of results are being distributed to almost 400 researchers throughout the world and to all AID missions which are concerned with cereal improvement.

Another example is the research project on nutrient status of soils. This project established 14 soil-testing laboratories and fertility evaluation programs and trained over 100 foreign technicians. The research reports of this activity are sent to almost all AID missions for their use and distribution to local research workers.

In agriculture, as in other research areas, each project is reviewed annually and at the conclusion of the project. Periodic and final progress and evaluation reports are transmitted to the field missions so that they and the developing countries are aware of the possible application of the research results to improving the country's economic and social development. As a result of summaries of economic research projects sent to the field over 12,000 requests have been made and more than 10,000 summaries and research reports have been distributed.

Mrs. REID. Mr. Chairman, that is all I have, but I would just like to welcome you to the committee, sir, and I would like to say a word of warm welcome to my good friend, Mr. Meyer, also.

(Discussion off the record.)

LOCAL FUNDS SPENT IN AID PROGRAMS

Mr. PASSMAN. Mr. Comptroller, could you furnish to the committee the estimated amount of local funds, worldwide, that will be spent in all phases of the AID program for fiscal 1971?

Mr. FLINNER. Yes.

Mr. PASSMAN. Do you have that figure now?

Mr. FLINNER. I don't have it with me but we can give it to you on programs as well as administrative.

Mr. PASSMAN. Everything. I don't care what you spend it for but I would like to have it. Heretofore we have just soft pedaled that, and of course to get the grand total, we would have to find out the amount of local currencies that will be used in all phases of our aid and assistance programs and add this to the dollar requests.

Mr. FLINNER. May I ask a question on that, Mr. Chairman. You are talking about how much of U.S. owned local currency as well as country trust funds?

Mr. PASSMAN. I am interested only in United States. When you get into these country trust funds, you are talking about counterpart funds, where the recipient and the donor agree upon what projects it shall be used for and it is understood that this money is to be spent in that country. I guess you can give us the amount of money that we will spend out of trust funds or counterpart funds that were created originally from free American commodities.

It is a very fine question you asked. I am glad you asked it because these funds were created from the sale of commodities we gave the countries; isn't that right?

Mr. DWINELL. Yes.

Mr. PASSMAN. That is a good question you asked. I want to thank you for helping me out. If you will, give us both of those.

(The information follows:)

ESTIMATED FOREIGN CURRENCY EXPENDITURES FY 1971

I. Foreign Currency Realized from Sale of Agriculture Commodities

Under the authority of Public Law 480 and Sections 402 and 502 of the Mutual Security Act of 1954, agricultural commodities have been sold to friendly countries for their currencies. These foreign currencies accruing from the sale are held by the U.S. Treasury and subsequently allocated to the Agency for International Development and the Department of Defense and used for economic and military activities in furtherance of the U.S. foreign assistance programs. Such funds may be made available to friendly countries on a loan or grant basis.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $326,243,000.

II. Country Owned Counterpart "Type A" Foreign Currencies

These currencies, which are in the custody of the participating government, were generated by A.I.D. or predecessor agencies dollar disbursements for grant aid to such countries pursuant to Section 609 of the Foreign Assistance Act. They are available for the general purposes set forth in applicable bilateral agreements which, when reduced to specific projects, are mutually agreed upon by the U.S. and the participating country.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $240,000,000.

III. Country Owned Counterpart "Type B" Foreign Currencies

These currencies, which are in the custody of the participating government, were generated under A.I.D. dollar loans or grants which required counterpart deposits by the participating government in a "Special Account." They are available for activities as mutually agreed upon by the U.S. and the participating country.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $225,000,000.

IV. Country Owned Counterpart "Type C" Foreign Currencies

In some instances, commodities furnished by Commodity Credit Corporation for disaster relief are sold internally by the receiving country. Any proceeds accruing from such sales are required to be deposited in this account and may be withdrawn by the cooperating country, for purposes mutually agreed upon by the U.S. and the participating country.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $2,500,000.

V. Country Owned Counterpart "Type D" Foreign Currencies

These currencies, which are in the custody of the participating government, were generated under Title 1, (formerly Title IV), P.L. 480, as Amended. The Government of the importing country deposits the proceeds accruing to it from the sale of commodities financed under a dollar and/or convertible local currency credit sales agreement into a "Special Account." These currencies are available for purposes mutually agreed upon by the U.S. and the participating country.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $175,000,000.

VI. Foreign Currency Trust Funds

Participating countries advance foreign currencies, pursuant to bilateral agreement, to the U.S. Government to be held in trust and to pay certain administrative and program expenses in connection with economic assistance and development grant projects. In the event of termination of programs, unused balances in these accounts would be returned to the participating country.

Estimated expenditures in FY 1971 in dollar equivalent of these foreign currencies is $82,725,000.

VII. U.S. Uses Excess Foreign Currencies Granted to Countries

When Public Law 480 agriculture commodities are sold to friendly countries for foreign currencies the applicable sales agreements provide for a distribution of the foreign currencies realized from the sale to be used for "country uses" and for "U.S. uses." Amounts for U.S. uses are deposited in the U.S. Treasury and are available for sale to other Government agencies to meet their overseas operational requirements. The agencies buy the currencies with their appropriated dollars. Section 1415 of Public Law 82-547 stipulates that foreign currencies are not available for expenditure except as purchased with appropriated dollars or as provided in appropriation acts. In certain circumstances, however, this requirement can be waived by the Bureau of the Budget, thus permitting the use of foreign currencies for country use without a charge to dollar appropriations.

Estimated expenditures in FY 1971 in dollar equivalent of these U.S. uses of excess foreign currencies made available for economic development purposes without being charged to dollar appropriation is $54,500,000.

A.I.D. CENTRAL RESEARCH PROGRAM

Projects Data from January 1962 through December 31, 1969

Substantive Area and Project Title a/	Contractor	Duration
A. AGRICULTURE AND FISHERIES		
Active Projects		
1. Analysis of data on the nutrient status of soils in Latin America.	North Carolina State University (csd-287)	6/25/63 - 6/30/70
2. Soil fertility requirements for efficient production of food crops on the extensive, deep, well-drained but relatively infertile acid soils of the humid tropics.	Cornell University (csd-2490)	6/30/69 - 6/29/74
3. Determination of research needs of soils of the tropics.	National Academy of Sciences (csd-2505)	6/30/69 - 12/31/70
4. Water management research in arid and sub-humid lands of the LDCs.	Colorado State and Utah State Universities (csd-2162 & 2167)	6/28/68 - 6/28/73
5. Development and use of improved varieties of the major cereal crops of Africa.	Agricultural Research Service, USDA (PASA RA-4-00	4/16/63 - 6/30/73

a/ Projects within the major substantive areas have been regrouped to reflect the organizational structure of the Bureau for Technical Assistance established Sept. 22, 1969.

Substantive Area and Project Title	Contractor	Duration
A. AGRICULTURE AND FISHERIES - Cont'd		
Active Projects - Cont'd		
6. Improvement of grain legume (pulse) production in the Near East-South Asia, East Asia and Africa regions.	Agricultural Research Service, USDA (PASA RA-3-00)	6/25/63 - 6/30/73
7. Inheritance and improvement of protein quality and content in sorghum vulgare.	Purdue Research Foundation (csd-1175)	6/30/66 - 6/29/71
8. Improvement of the nutritional quality of wheat through increased protein content and improved amino-acid balance.	University of Nebraska (csd-1208)	6/29/66 - 6/28/71
9. Preparation of a plan for orientation of research on cassava.	University of Georgia (csd-2497)	6/30/69 - 6/29/71
10. Research on farm and equipment power requirements for production of rice and associated food crops in the Far East and South Asia.	International Rice Research Institute (csd-834)	6/28/65 - 6/27/71
11. Tailoring of fertilizers for rice.	National Fertilizer Development Center, TVA (PASA RA(qa)5-69)	7/1/68 - 6/30/72
12. Control of weeds in the LDCs.	Oregon State University (csd-1442)	6/30/66 - 6/29/71

Substantive Area and Project Title	Contractor	Duration
A. AGRICULTURE AND FISHERIES - Cont'd		
Active Projects - Cont'd		
13. Control of vertebrate pests.	Bureau of Sport Fisheries and Wildlife Dept. of Interior (PASA RA(ID)-1-67)	4/5/67 - 4/4/72
14. Research on the sterility method of tsetse fly control (Africa).	Agricultural Research Service, USDA (PASA RA-1-00)	6/14/63 - 6/30/70
15. Research on hemoprotozoal diseases of food-producing livestock in LDCs.	Texas A&M University (csd-1947)	6/30/68 - 6/30/73
16. Laboratory and field testing of a newly developed food-and-mouth disease vaccine for potency, viability and immunity duration.	National Academy of Sciences (csd-2273)	6/30/69 - 6/29/70
17. Survey and analysis of the problems of cattle feeding systems and nutrition in the wet/dry tropics of Latin America.	University of Florida (csd-2498)	6/27/69 - 6/26/71
18. Role of agricultural prices in economic development.	Cornell University (csd-1438)	6/30/66 - 6/29/70
19. Analysis of demand prospects for agricultural exports of LDCs.	Economic Research Service, USDA (PASA RA-2-66)	6/1/66 - 6/30/70
20. Factor analysis for accelerating agricultural productivity in LDCs.	International Marketing Institute (csd-1467)	10/1/66 - 12/31/69

Substantive Area and Project Title	Contractor	Duration
A. AGRICULTURE AND FISHERIES - Cont'd		
Active Projects - Cont'd		
21. Rural development analysis: Agricultural sector planning models.	Michigan State University (csd-1557)	6/30/67 - 9/30/70
22. Analysis of capital formation and technological innovation at the farm level in LDCs.	Ohio State University Research Foundation (csd-2501)	6/30/69 - 6/29/74
23. Development of conservation processes for fish by-products.	Agrarian University Lima, Peru (csd-1904)	4/30/68 - 4/30/71
Completed Projects		
24. History and current status of arid lands research in the U.S. Contract # (025199)	American Assn. for the Advancement of Science (thru NSF grant, in part from A.I.D.)	6/30/62 - 4/30/64
25. Land tenure and reform in Puerto Rico PASA # (12-17-0017-41)	Economic Research Service, USDA	1/1/62 - 6/30/64
26. Study conference on means to increase agricultural procudtivity in underdeveloped countries.	Center for International Studies, M.I.T. (csd-452)	5/29/64 - 2/1/65
27. Mapping of research requirements for the Food-for-Peace program.	Michigan State University (csd-677)	6/29/64 - 12/31/65

Substantive Area and Project Title	Contractor	Duration
A. AGRICULTURE AND FISHERIES - Cont'd		
Completed Projects - Cont'd		
28. Appraisal of the administration of technical assistance programs, with special reference to T.A. in agriculture.	Syracuse University (csd-289)	6/26/63 - 6/25/66
29. Analysis of programs for the development of agricultural credit institutions and services.	Ohio State University Research Foundation (csd-463)	6/25/64 - 12/31/67
30. Comparative study of food marketing systems in Latin American countries in early stages of economic development.	Michigan State University (csd-786)	4/15/65 - 9/30/68
31. Analysis of data on development-related attitudes and behavior of a national semple of the Turkish peasantry.	Center for International Studies, M.I.T. (csd-811)	6/1/65 - 9/30/68
32. Diffusion of innovations in rural societies.	Michigan State University (csd-735)	12/10/64 - 12/31/68
33. Technical and economic factors associated with establishment of a seed industry in the LDCs.	Mississippi State University (csd-1203)	6/30/66 - 12/31/68
34. Analytical study of AID/University programs in agricultural education.	Purdue Research Foundation (csd-840 & 754)	2/4/65 - 6/30/69
35. Research and training in land tenure and reform in Latin America.	University of Wisconsin (repas-3)	5/11/62 - 6/30/69

Substantive Area and Project Title	Contractor	Duration
A. AGRICULTURE AND FISHERIES - Cont'd		
Completed Projects - Cont'd		
36. Study of farm marketing facilities and practices in Tropical Africa.	Stanford Research Institute (csd-801)	5/28/65 - 6/30/69
37. Analysis of factors associated with differences and changes in agricultural production in LDCs.	Economic Research Service, USDA (PASA RA-2-00)	3/20/63 - 9/30/69
38. Analysis of capital utilization in LDCs.	Ohio State University Research Foundation (csd-1937)	6/28/68 - 9/30/69

Substantive Area and Project Title	Contractor	Duration
B. HEALTH		
Active Projects		
1. Malaria eradication research (in support of worldwide program).	National Communicable Disease Center, USPHS (PASA RA(HA)-7-00)	1/17/62 - 6/30/75
2. Malaria immunity and vaccination.	University of Illinois (csd-1432)	6/30/66 - 6/29/71
3. Serologic diagnosis of malaria.	National Communicable Disease Center, USPHS (PASA RA(HA)-5-68)	4/1/68 - 12/31/72
4. Central America malaria research station.	National Communicable Disease Center, USPHS (PASA RA(HA)-2-67)	3/1/67 - 6/30/72
5. Investigation of engineering aspects of schistosomiasis control.	University of North Carolina (csd-2487)	6/30/69 - 3/31/70
6. Functional analysis of health center activities in developing countries.	Johns Hopkins University (csd-832)	6/24/65 - 6/23/70
7. Inter-American investigation of mortality in infancy and childhood.	Pan American Health Organization (csd-1431)	6/30/66 - 12/31/71
8. Development of a water pump for developing countries	Battelle Memorial Institute (csd-1434 & 2174)	6/30/66 - 6/30/70

Substantive Area and Project Title	Contractor	Duration
B. HEALTH - Cont'd		
Active Projects - Cont'd		
9. Development of methodology for determination of optimal design capacities of small water supplies.	University of North Carolina (csd-2494)	6/30/69 - 6/29/71
10. Measurement of nutrient loss from the intestinal tract due to malabsorption.	Nutrition Program, USPHS/HEW (PASA RA(HA)-9-69)	5/9/69 - 6/30/71
11. Thailand Malaria Operation Research Unit	National Communicable Disease Center, USPHS	8/29/69 - 8/28/74
Completed Projects		
12. Malaria insecticide research.	National Communicable Disease Center, USPHS (PASA # 5903-7)	5/1/62 - 6/30/64
13. Study of methods for improving the training and use of middle-level health manpower.	Medical College of Virginia (csd-312)	8/1/63 - 12/31/66
14. Research in health manpower planning for selected LDCs.	Johns Hopkins University (Contract #1883-1)	6/25/62 - 6/30/68

Substantive Area and Project Title	Contractor	Duration
B. HEALTH - Cont'd		
Completed Projects - Cont'd		
15. Feasibility study of the relationship of health investment and social and economic development.	Harvard University School of Public Health (csd-297 & PASA RA-11-00)	6/28/63 - 3/31/69
C. NUTRITION		
Active Projects		
1. Clinical evaluation of new protein sources for the prevention of malnutrition.	British-American Hospital - Lima, Peru (csd-1433)	6/27/66 - 6/26/71
2. Extending protein concentrates for child feeding by addition of inexpensive simple nitrogen sources.	Massachusetts INstitute of Technology and INCAP (csd-1441)	6/30/66 - 6/29/70
3. Lysine enrichment of wheat flour.	British-American Hospital - Lima, Peru (csd-1805)	6/27/67 - 6/26/70
4. Effects of extrusion processing variables on the nutritional quality of inexpensive high-protein food mixtures.	University of California, Davis (csd-1587)	6/30/67 - 12/29/70
5. Development of soy-based foods of high nutritive value for use in the Philippines.	Cornell University (csd-1815)	6/30/67 - 6/29/70
6. Improving the nutritive value of cereal-based foods.	Kansas State University (csd-1586)	6/30/67 - 6/29/72

Substantive Area and Project Title	Contractor	Duration
C. NUTRITION - Cont'd		
Active Projects - Cont'd		
7. Nutritional improvement of rice by fortification with synthetic amino acids and vitamins.	Harvard University School of Public Health (csd-2170)	6/30/68 - 6/30/70
8. A practival approach to the lysine and tryptophan supplementation of lime-treated corn.	Rutgers University (csd-2500)	6/29/69 - 6/25/70
Completed Projects		
9. Study of the influence of early nutrition on cognitive development in the young child in Peru.	Cornell University (csd-1209)	11/23/66 - 11/22/67
10. Evaluation of high-protein supplements in child-feeding programs in the Philippines	National Institutes of Health, USPHS (PASA RA-1-35)	6/28/65 - 6/30/68
11. Research on new processing technology for oilseed proteins.	Agricultural Research Service, USDA (PASA RA-12-00)	6/26/64 - 6/30/68
12. Adaptation of an integrated rice milling process and development of resultant food products for use in Southeast Asia.	Riviana Foods, Inc. (csd-1583)	6/30/67 - 6/30/68
13. Study of liver disease and nutrition in Uganda.	Harvard University (csd-1435)	9/7/66 - 9/6/68

Substantive Area and Project Title		Contractor	Duration
D. POPULATION			
Active Projects			
1.	Family Planning Research and Evaluation Center.	Pathfinder Fund (csd-1573)	6/30/67 - 6/29/71
2.	Evaluation studies of an international postpartum family planning program.	Population Council (csd-1565)	6/30/67 - 6/29/70
3.	Determinants of human fertility patterns.	Rand Corporation (csd-2151)	6/28/68 - 9/30/70
4.	Research for development of a once-a-month contraceptive pill.	Worcester Foundation for Experimental Biology (csd-2169)	6/30/68 - 6/30/71
5.	The epidemiology of outcome of pregnancy in diverse cultures in selected countries.	Johns Hopkins University (csd-2246)	5/1/69 - 4/30/72
6.	Research into the corpus luteum function.	National Institutes of Health, NICHD (PASA RA(HA)-8-69)	5/7/69 - 5/6/72
7.	Research on reversible sterilization.	University of North Carolina (csd-2504)	6/27/69 - 6/26/71
8.	Contraceptive development: A method to prevent pregnancy by direct or indirect anti-progestational activity.	Population Council (csd-2491)	6/30/69 - 6/29/73

Substantive Area and Project Title	Contractor	Duration
D. POPULATION - Cont'd		
Active Projects - Cont'd		
9. Determinants of family planning attitudes and practices, Phase II.	Harvard University (csd-2478)	6/30/69 - 6/29/72
10. Utilization of family planning services.	Bowman Gray School of Medicine, Wake Forest Univ. (csd-2512)	6/30/69 - 6/29/72
11. Fertility Determinants - A Theoretical Inquiry	Rand Corporation (csd-2533)	1/5/70 - 1/4/72
Completed Project		
12. Development of methodology for estimating birth rates, death rates, and population change from interview data.	National Center for Health Statistics, USPHS (PASA RA-1-66)	12/2/65 - 8/31/67

Substantive Area and Project Title	Contractor	Duration
E. EDUCATION AND HUMAN RESOURCES		
Active Projects		
1. Mathematics curriculum development in Africa.	Educational Development Center, Inc. (csd-1567 & res-21)	5/31/62 - 12/31/69
2. Research and development in beginning-science curricula for English-speaking tropical Africa (African Primary Science Program).	Educational Development Center, Inc. (csd-772)	2/17/65 - 6/30/71
3. Research on new techniques for training teachers of English.	American Institutes for Research (csd-1555 & repas-13)	6/30/62 - 2/28/70
4. Research on practical uses of cost analysis to improve educational planning and efficiency.	International Institute for Educational Planning (csd-1950)	6/30/68 - 6/30/70
		Subtotal . . . .
Completed Projects		
5. Evaluation of A.I.D. participant training facilities in the U.S. (pilot study).	American Institutes for Research (repas-11)	6/25/62 - 6/30/63

Substantive Area and Project Title	Contractor	Duration
E. EDUCATION AND HUMAN RESOURCES - Cont'd		
Completed Projects - Cont'd		
6. Overseas evaluation of the participant training program.	Bureau of Social Science Research, Inc. (ICA-1891)	6/16/62 - 11/15/65
7. Development of an educational research center for Central America.	Michigan State University (repas-7)	6/29/62 - 3/28/65
8. Impact of literacy on a Guatemalan peasant community.	University of South Florida (csd-843)	6/24/65 - 2/28/67
9. Research on the feasibility of applying new educational media in developing countries.	International Institute for Education Planning (csd-844)	6/29/65 - 5/31/67
10. Research and development of aptitude testing.	American Institutes for Research (csd-798)	5/27/65 - 8/10/68

Substantive Area and Project Title	Contractor	Duration
F. INSTITUTIONAL AND SOCIAL DEVELOPMENT		
Active Projects		
1. Study of political attitudes of youth as a factor affecting economic development.	Brandeis University (csd-824)	6/15/65 - 12/31/69
2. Research into the implementation of Title IX objectives.	Northwestern University (csd-2236)	2/3/69 - 9/2/70
3. Research on participation patterns in modernizing societies.	Harvard University (csd-2502)	6/27/69 - 6/26/72
Completed Projects		
4. Review of A.I.D. publications. (C-2412)	A.I.D. and American Institutes for Research	3/22/62 - 6/30/62
5. Evaluation of changes in attitudes toward progress of the Alianza in selected Latin American countries. (62-100-82)	USIA (Sub-c's: International Research Assoc, Inc., National Institute of Soc. and Econ. Studies)	6/29/62 - 3/31/63
6. Research on factors contributing to maladaptation of U.S. employees overseas (joint A.I.D./State/USIA/ Carnegie Foundation study).	Department of State (Repas 99-020-9)	6/26/62 - 6/30/63
7. Research on job performance standards (A.I.D. employees overseas).	American Institutes for Research (Repas-10)	6/25/62 - 6/24/64

Substantive Area and Project Title	Contractor	Duration
F. INSTITUTIONAL AND SOCIAL DEVELOPMENT - Cont'd		
Completed Projects - Cont'd		
8. Diffusion of information through radio and supporting media (pilot project in Ecuador).	American Institutes for Research (LA-27/Repas-18)	6/25/62 - 4/30/64
9. Development Research Digest.	National Planning Association (Repas-6)	6/21/62 - 7/31/64
10. Comparative studies of social and cultural change.	Cornell University (csd-296)	8/1/63 - 8/31/66
11. Research symposium on the development of administrative capacity in emerging countries.	Brookings Institution (csd-733)	11/23/64 - 5/22/66
12. Research symposium on comparative social change in developing countries.	Foundation for Research on Human Behavior (csd-756)	12/23/64 - 11/22/66
13. Symposium on communication research and the development process.	Michigan State University (csd-732)	10/26/64 - 12/31/66
14. Research on the process of institution-building: Four case studies of educational and training institutions.	University of Pittsburgh (csd-763)	12/31/64 - 3/31/67
15. Universities and political change in Latin America.	Brookings Institution (csd-672)	6/19/64 - 6/18/67

Substantive Area and Project Title	Contractor	Duration
F. INSTITUTIONAL AND SOCIAL DEVELOPMENT - Cont'd		
Completed Projects - Cont'd		
16. Socio-economic impact of electric power on rural development in Colombia (pilot study).	American Institutes for Research (csd-755)	12/31/64 - 8/31/67
17. Interaction of social values and political responsibility.	University of Pennsylvania (csd-719)	10/23/64 - 10/22/67

Substantive Area and Project Title	Contractor	Duration
G. INDUSTRIAL AND URBAN DEVELOPMENT		
Active Projects -- None		
Completed Projects		
1. Research in the utilization of Latin American woods (exploratory study).	Forest Service, USDA (AID-25)	4/12/62 - 10/11/62
2. Research on problems of shortage of power at the local level.	General Electric Co. (Sub-c's: MIT, SRI, CARE) (Repas-1)	3/26/62 - 2/28/63
3. Development and performance test of a solar-powered battery recharging center.	Hoffman Electronics Corp. (GS-005-29802)	5/25/62 - 5/14/63
4. Study of U.S. public and private cooperation in stimulating indigenous enterprises in Latin America and Africa.	National Planning Association (thru Dept. of Commerce) (C-4756)	5/25/62 - 5/1/64
5. Research on form plastics for housing.	University of Michigan (csd-288)	6/25/62 - 4/21/66
6. Cost of urban infrastructure for industrial development as related to size of urban center.	Stanford Research Institute (csd-802)	5/28/65 - 1/27/69
7. Urban housing in Latin America.	Cornell University (csd-817)	6/1/65 - 6/30/69

Substantive Area and Project Title	Contractor	Duration
H. PROGRAM PLANNING AND ECONOMIC STUDIES		
Active Projects		
1. Development of planning and planning assistance criteria.	National Planning Association (Repas-9)	6/22/62 - 8/31/70
2. Quantitative study of economic structure and growth.	Yale University (Repas-12)	6/28/62 - 6/30/70
3. Comparative studies of resource allocation and development policy.	Harvard University (csd-1543)	5/31/67 - 11/30/71
4. Import substitution and economic policy in economic development.	Williams College (csd-736 & 2475)	12/31/64 - 6/30/72
5. Growth and development effects of food aid shipments under Food-for-Peace Act of 1966.	Iowa State University (csd-2163)	6/29/68 - 6/28/71
6. Transport research program	Brookings Institution (Repas-5)	6/12/62 - 1/11/70
7. Comparison of Indian real per capita income and currency purchasing power with the U.S. and Japan.	University of Pennsylvania (csd-2481)	6/16/69 - 12/15/70
8. Employment and unemployment in the developing countries.	Yale University (csd-2492)	6/30/69 - 6/29/72

Substantive Area and Project Title	Contractor	Duration
H. PROGRAM PLANNING AND ECONOMIC STUDIES - Cont'd		
9. International air transport study (A.I.D. and other U.S. Government agencies).	Robert Nathan Associates Inc.; Systems Analysis & Research Corp. (thru BOB) (EB-87)	10/23/61 - 8/27/62
10. Projection and analysis of foreign trade patterns.	Yale University (Repas-4)	5/1/62 - 8/31/63
11. Effects of foreign aid on the U.S. balance of payments.	Haverford College (csd-275)	5/31/63 - 8/31/63
12. Analysis of certain effects of foreign aid on the economic growth of selected countries.	Johns Hopkins University (csd-445)	5/27/64 - 6/25/65
13. Improved analytical methods for development planning.	Center for International Studies M.I.T. (csd-467)	6/16/64 - 3/31/66
14. Capacity expansion planning factors.	National Planning Association (csd-753)	1/15/65 - 4/14/66
15. Venezuela development study.	Simulmatics Corporation (GMA 1-63)	3/6/64 - 9/30/66

Substantive Area and Project Title	Contractor	Duration
H. PROGRAM PLANNING AND ECONOMIC STUDIES - Cont'd		
Completed Projects - Cont'd		
16. Study of regional cooperation in South and Southeast Asia.	University of Wisconsin (csd-355)	3/23/64 - 12/31/67
17. Relation of investment in housing to economic growth.	Univ. of California at Los Angeles (csd-464)	6/30/64 - 8/31/69
18. Research on improved methods of planning and allocating U.S. assistance.	Rand Corp. (thru U.S. Air Force) (PASA RA-1-00)	11/1/63 - 8/31/69

Mrs. REID. Mr. Chairman, would you yield?
Mr. PASSMAN. Sure.

RESEARCH PROJECTS

Mrs. REID. To go back to my question about research, in the material you supply for the record, would you list the research projects?
Mr. DWINELL. Yes.
Mr. PASSMAN. Mr. Riegle.

NUMBER OF AID PERSONNEL WORLDWIDE

Mr. RIEGLE. I would also like to have a statistical presentation made, if I can that would show the number of AID personnel over the last 3 years, that are based in the United States and that are spread around the world. Then I would appreciate it if you would go further and indicate how many there are country by country, and how those numbers have changed over the last 5 years, year by year.
Mr. DWINELL. We will be glad to supply that.
(The information follows:)

U.S. NATIONAL DIRECT HIRE EMPLOYMENT AS OF THE END OF DECEMBER

	1967	1968	1969
United States	3,963	3,317	3,361
Overseas	4,954	4,539	4,075
Total	8,917	7,856	7,436

U.S. National Direct Hire Employment by Country
as of the end of December

	1965	1966	1967	1968	1969
AFRICA BUREAU					
Algeria	7	5	-	-	-
Cameroon	15	12	9	6	3 a/
Central Africa Republic	2	1	4	3	1 a/
Chad	8	9	10	4	2 a/
Congo	29	28	30	33	30
Dahomey	3	4	2	1	-
Ethiopia	67	70	64	63	49
Gabon	1	2	3	1	-
Ghana	34	40	49	43	38
Guinea	36	29	8	2	-
Ivory Coast	3	3	4	5	3 a/
Kenya	27	29	34	27	23
Liberia	79	71	66	46	42
Malagasy Republic	6	7	6	5	1 a/
Malawi	16	13	10	2	-
Mali	19	17	12	3	2 a/
Morocco	31	30	35	31	33
Niger	2	3	4	3	2 a/
Nigeria	186	182	161	132	131
Rwanda	-	3	2	-	-
Senegal	-	2	4	4	22 b/
Sierra Leone	11	11	4	-	-
Somali Republic	30	25	22	21	16
Sudan	47	36	4	-	-
Tanzania	18	18	17	15	14
Togo	9	5	3	3	1 a/
Tunisia	57	49	56	45	41
Uganda	20	23	27	23	24
Upper Volta	5	4	5	3	-
Zambia	12	12	11	7	9 c/
Regional	5	2	2	3	5
East Africa Regional	9	13	13	13	22
Total Africa Bureau	794	758	681	547	514

a/ Part of Central West Africa Regional office
b/ Central West Africa Regional office
c/ South Africa Regional office

U.S. National Direct Hire Employment by Country
as of the end of December

	1965	1966	1967	1968	1969
EAST ASIA BUREAU					
Burma	9	6	6	4	4
Indonesia	4	7	24	41	51
Korea	123	131	136	112	94
Laos	235	269	299	261	268
Philippines	71	60	69	66	57
Taiwan	16	8	5	3	1
Thailand	176	233	265	266	222
Regional	2	3	16	23	24
Total East Asia Bureau	636	717	820	776	721
LATIN AMERICA BUREAU					
Argentina	23	24	14	9	7
Bolivia	55	60	60	52	51
Brazil	171	174	163	152	133
Chile	35	34	34	33	34
Colombia	58	58	53	44	43
Costa Rica	25	27	28	21	18
Dominican Republic	37	79	76	65	61
Ecuador	52	57	50	34	33
El Salvador	23	22	23	21	20
Guatemala	35	37	32	26	30
Guyana	10	12	16	15	14
Haiti	3	-	-	-	-
Honduras	22	23	24	24	27
Jamaica	13	17	17	11	9
Mexico	6	5	5	3	1
Nicaragua	22	22	22	18	17
Panama	28	41	57	53	46
Paraguay	31	29	28	25	24
Peru	48	51	48	40	22
Uruguay	12	13	17	18	17
Venezuela	27	26	23	20	12
ROCAP	31	30	30	25	30
Regional	7	5	6	8	6
Total Latin America Bureau	774	846	826	717	655

U.S. National Direct Hire Employment by Country
as of the end of December

	1965	1966	1967	1968	1969
NEAR EAST & SOUTH ASIA BUREAU					
Afghanistan	93	85	108	100	86
Ceylon	-	2	2	3	5
Cyprus	3	3	-	-	-
India	101	101	122	110	94
Iran	77	40	17	-	-
Jordan	56	53	31	28	22
Nepal	56	55	53	43	39
Pakistan	147	139	152	139	134
Turkey	134	114	112	93	81
United Arab Republic	23	21	1	-	-
Yemen	25	23	-	-	-
Regional	10	6	4	5	9
Central Treaty Organization	12	11	9	8	5
Total Near East & South Asia Bureau	737	653	611	529	475
VIETNAM	620	1275	1952	1908	1661
NON-REGIONAL					
International AID Coordination - Paris	12	10	9	7	7
AID Coordination Office - London	4	3	2	2	-
Area Controller Office - Greece	6	6	9	5	5
Excess Property Offices	11	14	17	23	6
Inspections & Investigations Staff Offices	14	19	24	23	27
AID Coordination Office - Bonn	-	-	1	-	-
AID FAO Affairs - Italy	-	2	2	2	2
Technical Assistance Bureau - Taipei	-	-	-	-	2
Total Non-Regional	47	54	64	62	49
TOTAL OVERSEAS	3608	4303	4954	4539	4075

Mr. RIEGLE. I would say if the Chairman doesn't feel there is a need for a crossfire I will yield back at this point.

Mr. PASSMAN. Thank you.

TOTAL PERSONNEL INVOLVED IN AID PROGRAMS

Now, Mr. Comptroller, before we drop the curtain, could you again state for the record the total number of individuals per month that are drawing a stipend, a salary check or subsistence. I don't care by what name it is called, but if they are getting a monthly check they should be included, all categories, including the new categories that you are putting in this year.

Mr. FLINNER. As of December 31, 1969 in the category that you cover, which are direct hire, contract, foreign nationals, both United States and foreign nationals, for economic and military programs it is 48,105, and in previous discussion we were asked to get the figures for the Peace Corps. The Peace Corps has 11,749.

Mr. PASSMAN. Heretofore, you have given the grand total. They get a monthly subsistence while abroad.

Mr. FLINNER. The foreign national trainees while in the United States.

Mr. PASSMAN. All of them. Now, what is the grand total? Give me the grand total.

Mr. FLINNER. Adding the Peace Corps, the grand total would be——

Mr. PASSMAN. The Peace Corps are working abroad, aren't they? They are trained to work abroad.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. It is just as much a part of foreign assistance as all the others, isn't it?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Then give me the grand total.

Mr. FLINNER. 59,817.

Mr. PASSMAN. While your memory is relatively bright, can you think of any others to be added to that?

Mr. FLINNER. Not that are financed from AID.

Mr. PASSMAN. Financed from anything, regardless of what branch of Government. Do you know of any others that could be added to it?

Mr. FLINNER. I wouldn't know of any more.

Mr. PASSMAN. All right, we will rest on that. It shows what you get into when you make it all inclusive. I say this respectfully. The bureaucrats are putting the big britches on Mr. Nixon. You are going to wind up with a $7 to $12 billion deficit. Everything I have looked at so far this year has increased over last year, just like the education bill this morning. As I said, we came in with a fat bill last year and now it is already up $700 million before you start it through the Senate. Thank you, Governor.

Mr. DWINELL. Thank you, Mr. Chairman.

Mr. PASSMAN. Why don't you get on our side of the table sometime. With your background you could help a lot.

(Discussion off the record.)

THURSDAY, APRIL 9, 1970.

ADMINISTRATIVE EXPENSES, STATE DEPARTMENT

WITNESSES

FRANK G. MEYER, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF STATE
JOSEPH F. DONELAN, JR., DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE, DEPARTMENT OF STATE
RICHARD W. MURRAY, DIRECTOR, BUDGET PLANNING AND PRESENTATION, DEPARTMENT OF STATE
JAMES T. JOHNSON, DEPUTY DIRECTOR, OECD AFFAIRS, DEPARTMENT OF STATE
CHRISTIAN CHAPMAN, DIRECTOR, MILITARY ASSISTANCE SALES, DEPARTMENT OF STATE

Mr. PASSMAN. The committee will come to order.

The committee will next consider the administrative items applicable to the State Department. We have as a witness the Honorable Frank G. Meyer, Assistant Secretary for Administration, Bureau of Administration, Department of State and other supporting witnesses.

Mr. Meyer, we are very happy to have you before the committee. You have an awful lot of friends on the Hill. You have the reputation of being a good administrator. We are very pleased to have you before the committee. I wonder if you have a statement you would like to make to the committee?

GENERAL STATEMENT OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

Mr. MEYER. Yes, I do.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to support the Department's 1971 appropriation request for activities financed by the appropriation item, "Administrative and other expenses, State."

The President's 1971 budget carries a request for $4.2 million to fund the expenses related to administering these activities. However, due to staffing adjustments and the curtailment of 1970 costs, the Department now estimates that it can reduce its 1971 request by $100,000. We are requesting, therefore, only $4.1 million for 1971.

The four activities covered by the Department of State request are: (1) The U.S. Mission to the North Atlantic Treaty Organization (USNATO). This mission assists in the cooperative efforts of the 14 member countries in planning and providing for the defense of the North Atlantic treaty areas. The NATO posture exhibiting cohesion, determination, and effective military strength has been a major factor contributing to the lessening of East-West tensions in recent years. The positive and continuing role the Alliance plays was reaffirmed by President Nixon during his visit to Europe in February 1969.

(2) The U.S. Mission to the Organization for Economic Cooperation and Development (OECD) assists in the coordination and presentation of the U.S. positions on economic matters within the purview of

the OECD. This organization serves as the principal instrument of "Atlantic" cooperation in the economic field and is comprised of 22 significantly industrialized market economy countries of North America, Europe, and Japan. These countries account for approximately two-thirds of world industrial production, and 70 percent of world trade.

(3) Programs conducted by the Department of State under the Mutual Defense Assistance Control Act (Battle Act). These programs relate directly to the maintenance of trade controls by the United States to prevent the flow of strategic items to the Sino-Soviet bloc and Cuba. The purposes of the act are achieved through determination of the commodities to be included on the Battle Act list, coordination of activities involved in monitoring and reporting on shipments, conducting bilateral and multilateral negotiations aimed at controlling the flow of these items, and making recommendations to the President regarding the termination of assistance to countries in violation of the trade controls.

(4) Programs conducted by the Bureau of Politico-Military Affairs concerned with the supervision and general direction of the military assistance and the foreign military sales programs and the improvement of the foreign policy control over the level and character of worldwide U.S. military assistance and sales programs.

The reduced request of $4.1 million represents an increase of $400,000 over the amount appropriated for 1970 for these activities. However, taking into consideration funds to be transferred to cover the July 1969 Federal salary increases and a carryover balance from prior years the total amount available for 1970 is estimated to be $3,984,000 making the net increase requested for 1971 $116,000. This increase is required primarily to cover statutory salary increases, overseas wage and price increases resulting from continued inflationary pressures, and for strengthening the activities carried on by the U.S. mission to the North Atlantic Treaty Organization and the military assistance and arms sales supervision staff.

Mr. PASSMAN. Thank you very much, Mr. Meyer. We have a few questions to ask.

BUDGET REQUEST 1971

Mr. Secretary, your fiscal 1971 estimate is $4,100,000 and against that we shall compare the available funds for 1970 of $3,984,000; is that correct, sir?

Mr. MEYER. Yes, sir.

Mr. PASSMAN. This is an increase of $116,000 over fiscal 1970 availability; is that correct?

Mr. MEYER. Yes, sir; that is right.

Mr. PASSMAN. I wonder if you would like to subscribe to what Dr. Hannah so conscientiously and sincerely said to this committee and that is we have an asking price and a taking price.

Did you read that very honest testimony of Dr. Hannah?

Mr. MEYER. Yes, sir; I did.

Mr. PASSMAN. We would like to relate that to all of these questions. It is obvious that it works that way, but this is the first time a witness

has admitted it for the record. This is based upon the full appropriation; is it not?

Mr. MEYER. Yes, sir; it is, Mr. Chairman.

REDUCTIONS AND POSSIBLE EFFECTS

Mr. PASSMAN. It is only natural that reductions be made, and it is expected, is it not?

Mr. MEYER. It has happened a good many times before, Mr. Chairman.

Mr. PASSMAN. And the agency operated on the amount we appropriated; is that right?

Mr. MEYER. Yes, sir; we did.

Mr. PASSMAN. I couldn't ask for a better answer. I want to commend you, Mr. Meyer. This is only in keeping with your reputation as a good administrator.

VOLUNTARY REDUCTION

Originally the budget called for $4,200,000, and this is already a reduction of $100,000 below what you are presently requesting; is that correct?

Mr. MEYER. Yes, sir; that is right

MILITARY ASSISTANCE AND ARMS SALES PROGRAM

Mr. PASSMAN. If I understand the justification, Mr. Secretary, two positions are required in the Washington area to carry out activities of the military assistance and arms sales program; is that correct?

Mr. MEYER. That is right, Mr. Chairman.

Mr. PASSMAN. Would you put a little information in the record as to what their duties would be, and whether or not this is a new program.

Mr. MEYER. No, sir; it is not a new program.

Mr. PASSMAN. It has been carried heretofore?

Mr. MEYER. It has been; yes, sir. The two positions are in an activity which has been in this portion of the budget since 1968, Mr. Chairman. The need for them is chiefly on the basis that the number of cases that this small group of people have been processing each month has gone from about 11 per month up to 26, and although we tried to do the increased job on a lesser number of people, it now appears that we do need the two positions.

Mr. PASSMAN. This is only an estimate. You believe at this time you will need the two positions?

Mr. MEYER. I think we will need the two, Mr. Chairman. Although we are asking for these two positions, we have dropped other positions within this total administrative expense area, so that in total there is a decrease of one in the total, in this whole appropriation item.

Mr. PASSMAN. You have a net reduction of one position.

Mr. MEYER. Yes, sir.

Mr. PASSMAN. But in reality it is not. It is a matter of transfer.

Mr. MEYER. No; it is a net reduction of one position, Mr. Chairman.

Mr. PASSMAN. You mentioned something about personnel from other areas a moment ago; did you not?

Mr. MEYER. Yes, sir. We are adding in one portion of this, but we are deducting some in the other portion. We have a total net reduction of one position.

Mr. PASSMAN. That is the point.

Mr. MEYER. Yes, sir.

Mr. PASSMAN. And that is in NATO?

Mr. MEYER. Yes, sir; one position reduction in NATO, one in the economic area, and one in the Battle Act.

VOLUNTARY REDUCTION IN BUDGET REQUEST

Mr. PASSMAN. Would you mind indicating for the record how you were able to reduce the budget request by $100,000 from January to April?

Mr. MEYER. Chiefly, Mr. Chairman, by determining that we could make these employment reductions that we have reflected. We actually took out one position in total, and then we reduced the grade of two others. In other words, we dropped two senior positions and put in two lower grade positions, and in so doing we were able to make reductions so that instead of asking for $4.2 million we were able to scale it down to $4.1 million—that was the major portion of the reduction. A little bit of it is reflected in some of the other costs, in order to get it down a full $100,000. The employment reductions themselves amount to a little over $80,000.

Mr. PASSMAN. But the Bureau of the Budget approved $4.2 million.

Mr. MEYER. Yes, sir.

Mr. PASSMAN. You had an opportunity to go over it and make a reduction of $100,000 by decreasing personnel.

Mr. MEYER. Yes, sir, and we did so.

Mr. PASSMAN. It is natural, and as I say somewhere along the way we are going to arrive at the difference between the asking price and the taking price, that is expected. We know inflation is in there. We are going to try and find it and take it out but so far as you know at this time the $100,000 will ride through to the end of the next fiscal year.

Mr. MEYER. Yes, sir.

Mr. PASSMAN. Plus, of course, the adjustments that we make.

COMMUNICATIONS SUPPORT FOR NATO

Would you please explain briefly, Mr. Secretary, the $30,000 for improved communications support for NATO?

Mr. MEYER. Yes, sir. This is a voice communications facility to tie into a military network reaching to almost all of the places where we have major military installations. The connection between our NATO setup in Brussels and Washington is not very good, and the mission there has requested that we tie this into what is called an Autovon system with which the chairman is probably familiar. It is a direct voice communication. It operates very well. It is almost instantaneous. It gives a tie to all of the rest of the countries that are involved in NATO, as well as some of the other major cities in other parts of the world, where we do have some need for contact. The Defense Department and the State Department both would

share in the cost. The amount that is shown here is the State Department's share of making that initial installation, and also continuing to carry the cost of leasing the line that is necessary for its operation.

Mr. PASSMAN. As I think of the autobahn, I think of the highway in Germany, from Frankfurt to Austria.

Mr. MEYER. Yes, sir.

Mr. PASSMAN. It has the same name.

Mr. MEYER. Almost; this is Autovan.

NATO ENVIRONMENTAL IMPROVEMENTS

Mr. PASSMAN. Mr. Secretary, I notice that you have asked for an increase of $10,000 for increased consultations with respect to environmental improvements under NATO conference activities. Is this the type of environmental program that we think of as pollution?

Mr. MEYER. That is part of it, Mr. Chairman. It seems like that is about the most popular thing that there is at the present time.

Mr. PASSMAN. You had to get in on it?

Mr. MEYER. I think everybody in the world is involved in environmental problems. I think it is pretty natural.

Mr. PASSMAN. Pretty nasty.

Mr. MEYER. Pretty natural, where there are a group of nations involved which have any possible exchange of ideas that they would be bound to try to exchange them on environmental problems. I think to the extent that shipping between countries, air travel between countries and so on, in various places contributes to the pollutions in those places, we would be interested. To the extent they come up with any ideas we could use or we develop ideas that they could use, an interchange is worthwhile.

Mr. PASSMAN. How long have you been in the Government, Mr. Meyer?

Mr. MEYER. I am beginning my 38th year, Mr. Chairman.

Mr. PASSMAN. Would you ever have thought even 15 years ago we could have thought up so many different programs to spend money on?

Mr. MEYER. No, sir; I wouldn't even have thought so 10 years ago.

FUNDING FOR NATO

Mr. PASSMAN. Mr. Secretary, does the North Atlantic Treaty Organization receive any other U.S. funding besides that provided in this appropriation title?

Mr. MEYER. They do, Mr. Chairman, to the extent that the military contributes staff and so on to this mission also. Then of course, our own appropriation of Contributions to International Organizations within the State Department contributes a great deal to the NATO organization.

(Discussion off the record.)

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

Mr. PASSMAN. Mr. Secretary, I believe that you say you need two positions in Washington, to carry out the objectives of the U.S. mis-

sion to the Organization for Economic Cooperation and Development, abbreviated, OECD, which is located in Paris, is that correct?

Mr. MEYER. Yes, Mr. Chairman, that is right.

Mr. PASSMAN. Would you provide for the record the job, grade, and salary of the eight local positions funded under OECD appropriations?

Mr. MEYER. Yes, sir; I will be happy to.

(The information follows:)

LOCAL POSITIONS FUNDED UNDER OECD APPROPRIATIONS

Local position title	Grade	Fiscal year 1971 annual salary rates
Assistant to science adviser	FSL-1	$11,150
Economist	FSL-2	10 500
Librarian	FSL-4	6 640
Economic research assistant	FSL-5	6 190
Secretary	FSL-5	6 190
Administrative assistant	FSL-5	6 040
Administrative aide	FSL-6	5 650
Librarian	FSL-6	5 240

OECD HEADQUARTERS BUILDING—PARIS

Mr. PASSMAN. You know I actually didn't know that we had this beautiful seven-story building in Paris.

Mr. MEYER. The OECD building; yes, sir.

Mr. PASSMAN. But this is in effect an aid coordinating headquarters, isn't it?

Mr. JOHNSON. Mr. Chairman, the entire building is the OECD headquarters, with only a portion of that activity being involved in development assistance.

Mr. PASSMAN. Who built the building? There were contributions from different nations. What was our contribution toward building this building?

Mr. JOHNSON. It was built with funds from annual member country contributions to the Organization, our share of which was 25 percent, under the OECD scale of contribution.

Mr. PASSMAN. But this building is the location of the aid coordinating headquarters of Europe, isn't it?

Mr. JOHNSON. No, Mr. Chairman. The Development Assistance Committee of the OECD is only one committee of the entire organization, and occupies space within the building.

Mr. PASSMAN. I didn't say that you used the entire building.

Mr. JOHNSON. Yes, sir.

Mr. PASSMAN. I said the aid programs for many parts of the world are worked out at this headquarters in Paris, are they not?

Mr. JOHNSON. For the members of the Development Assistance Committee.

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

Mr. JOHNSON. Yes, sir.

Mr. PASSMAN. Then wouldn't it be proper to say that it is actually the coordinating headquarters of the aid for Europe?

Mr. JOHNSON. Of the major aid donors of the world.

Mr. PASSMAN. I say in Europe, but then they discuss the aid program worldwide.

Mr. JOHNSON. That is correct.

Mr. PASSMAN. And this headquarters is in Paris?

Mr. JOHNSON. Yes, sir.

Mr. PASSMAN. What is the number of personnel that we have in Paris connected with the OECD?

Mr. MEYER. We have 23, Mr. Chairman.

Mr. PASSMAN. If a man wanted to get a little more information about aid, than you would get here in Washington and get it quicker, he would go to the foreign aid headquarters in Paris, would he not?

Mr. JOHNSON. We depend very much on them for information on member country aid programs.

Mr. PASSMAN. Worldwide?

Mr. JOHNSON. Yes.

(Discussion off the record.)

Mr. PASSMAN. The aid coordinating agency of the world is domiciled in Paris, France. I might let the record show that so far as I am concerned, I would rather go fishing down in Louisiana than go to Paris, or Rome. The former clerk, Dr. Merrill, and I went out to the airport in Rome and waited for 8 or 9 hours, to get a flight out of Rome.

POSITIONS UNDER MUTUAL DEFENSE CONTROL ACT

Mr. PASSMAN. Would you provide for the record the job title, grade, salary, and location of the four local positions funded under the Battle Act request?

Mr. MEYER. I will be happy to, Mr. Chairman.

(The information follows:)

MUTUAL DEFENSE CONTROL ACT

Local position title	Grade	Fiscal year 1971 annual salary rates
Paris:		
Translator supervisor	FSL-1	$8,260
Do	FSL-1	8,260
Do	FSL-1	8,075
Rome: Economic specialist	FSL-2	6,905

Mr. PASSMAN. Speaking of the Battle Act, this goes back many, many years, to the beginning of foreign aid, when we discovered that so much of our aid was getting into other countries—strategic materials. We passed the Battle Act to tighten up on it.

Mr. MEYER. Yes, sir; that is right.

Mr. PASSMAN. I believe in the original aid act that it provided for nations to buy where they could get it the cheapest; is that right?

Mr. MEYER. I am sure that is right.

Mr. PASSMAN. They started buying a lot of material behind the Iron Curtain, with our approval. But we found that a lot of our strategic materials were getting through to the satellites of Russia, so we had to pass the Battle Act not to prevent these people from spending our dollars in the Communist countries and their satellites, but to keep

them from spending our money for so-called strategic materials. Is that correct?

Mr. MEYER. Yes, sir.

(Discussion off the record.)

Mr. PASSMAN. Mr. Secretary, have there been any violations of the Battle Act in the last year?

Mr. MEYER. No, sir; there have not.

MILITARY ASSISTANCE

Mr. PASSMAN. May I ask what is the need for the two additional positions to carry out the military assistance and arms sales supervision function?

Mr. MEYER. This is the item that I was pointing to a little while ago, Mr. Chairman, in that the number of cases of sales, cases that are being processed by this office have gone up so sharply that the present staff feels that they are unable to cope with them without having a great delay on those sales. It is a constant irritant for the people who are interested in the sales. We are asking for the two positions here, and dropping the three positions in the other three portions of the total submission.

Mr. PASSMAN. Mr. Secretary, you are talking about arms sales. This is the item the Congress did not appropriate funds to finance last year; is it not? I think the President asked for $275 million, and the Congress did not authorize it, and certainly this committee could not appropriate funds. Is this the same item we are talking about now?

Mr. MEYER. I defer to my colleague, Mr. Chapman.

Mr. CHAPMAN. Yes, sir. This is the Foreign Military Sales Act on which you just held hearings.

Mr. PASSMAN. So you had no appropriation last year?

Mr. CHAPMAN. This year.

Mr. PASSMAN. I mean for fiscal 1970. We are talking about a new fiscal year, fiscal 1971.

Mr. CHAPMAN. This is right.

Mr. PASSMAN. It would appear that you would be reducing the number of personnel rather than increasing them, Mr. Secretary.

Mr. MEYER. It didn't appear that that is the case based on the workload, Mr. Chairman. Even in the last period on which we have the record of the cases, they are more than double what the cases were a year and a half ago.

Mr. PASSMAN. What kind of cases, Mr. Secretary?

Mr. MEYER. These are sales cases for military sales which are processed by this office.

Mr. PASSMAN. I am not quarreling with your position. I am trying to understand why you would need additional personnel or even the number of personnel that you had previously, because there has been no appropriation since fiscal 1969. There has been no authorization.

Mr. MEYER. But the cash military sales cases have gone way up.

Mr. PASSMAN. If it is cash military sales, but the justification doesn't reflect that.

Mr. MEYER. Yes, sir; these are cash military sales.

Mr. PASSMAN. Your justification didn't indicate cash military sales.

Mr. MEYER. This is what it is.

(Discussion off the record.)

Mr. PASSMAN. May I ask this question, Mr. Secretary.

The two additional positions only appear as additional positions on the surface. You have a reduction of three positions in another area.

Mr. MEYER. Yes, sir; we have.

Mr. PASSMAN. But even so, this is to administer cash military sales, and it is not connected with the credit military sales.

Mr. MEYER. No, sir; it is not.

Mr. PASSMAN. And you have continuing authorization to make cash military sales?

Mr. MEYER. That is correct, Mr. Chairman.

Mr. PASSMAN. It is only the credit sales that have been held up because of lack of authorization?

Mr. MEYER. That is true.

Mr. PASSMAN. And that is being considered at this time.

Mr. MEYER. Yes, sir.

POSITIONS UNDER MILITARY ASSISTANCE AND ARMS SALES SUPERVISION FUNCTION

Mr. PASSMAN. Mr. Secretary, would you provide for the record the job title, grade, and salary of the eight positions involved in the $164,000 estimate for the military assistance and arms sales supervision function? You can put that in the record.

Mr. MEYER. Yes, sir; I will be very happy to.

(The information follows:)

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION FUNCTION

Position title	Grade	Fiscal year 1971 annual salary rate
Office director	FSO-2	$28,183
Political-military affairs officer	FSR-2	24,867
Do	FSO-3	23,646
Do	FSO-4	18,447
Do	FSO-4	17,920
Secretary	GS-8	9,577
Do	GS-7	9,679
Do	GS-7	7,639

Mr. PASSMAN. Mr. Shriver?

ENVIRONMENTAL PROBLEMS

Mr. SHRIVER. You are requesting an increase of $31,400 for the U.S. Mission to NATO, part of which will be used for a new committee on the Challenges of Modern Society.

Mr. MEYER. This is referring to the environmental problems, Mr. Shriver. These are actually air pollution, water pollution, and similar problems. The challenges to a modern society is a general name being used to cover all those environmental items.

Mr. SHRIVER. How much are you now spending for this activity for improvement of the environment?

Mr. MEYER. As far as this appropriation is concerned?

Mr. SHRIVER. Yes.

Mr. MEYER. To the best of my knowledge we are not spending any.

Mr. SHRIVER. Do you know how much the Federal Government is spending?

Mr. MEYER. No, sir; but I imagine that it is a tremendous amount.

Mr. SHRIVER. It is in excess of $2 billion.

Mr. MEYER. I am sure it is.

Mr. SHRIVER. But yet many people in the country don't realize that we are doing anything.

Mr. MEYER. I am sure that we are doing a great deal.

BUDGET REQUEST

Mr. SHRIVER. In your statement you say that you can reduce the request by $100,000. You are requesting, therefore, only $4.1 million for 1971. Then on the second page you say, "The reduced request of $4.1 million represents an increase of $400,000 over the amount appropriated for 1970 for these activities."

Is this an increase or decrease, and in what amount over the prior year?

Mr. MEYER. Mr. Shriver, originally the President's budget proposed $4.2 million fo this program, but by the time we got to preparing our justifications together and presenting them to this committee, we were able to make some small staff reductions which enabled us to take $100,000 out of the request. This is a $400,000 increase over the amount appropriated last year, even with this reduced amount, but that is a little bit misleading, because in fact in the current fiscal year there is also $214,000 of Pay Act, plus a small amount of carryover, so that the effective increase from the current year is really only $116,000.

Mr. PASSMAN. If the gentleman will yield.

You are not explaining away the fact that you made a savings?

Mr. MEYER. No, sir.

Mr. PASSMAN. By prudent pruning?

Mr. MEYER. We actually made this saving ourselves by a voluntary reduction of $100,000.

POLITICAL-MILITARY AFFAIRS

Mr. SHRIVER. On page 16 of the justifications you say the operations of the Director for Political-Military Affairs "requires close consultation and coordination with the Department of Defense, AID, the Arms Control and Disarmament Agency, Treasury, and other interested agencies."

As I remember it, we had quite a little confusion last winter during consideration of the fiscal 1970 Foreign Aid Appropriations bill, especially the item concerning a squadron of jets for the Republic of China. What role did the Bureau of Political-Military Affairs play in the determination of the administration's position on that item?

Mr. MEYER. I don't know whether they made any or not. Can you answer that, Mr. Chapman?

Mr. CHAPMAN. Yes, sir. All such requests have to go through our office. We have long recognized that Taiwan needed improved air defense, and this squadron became available from the Air Force in August and September, and with the Department of Defense we agreed that Taiwan was the foremost candidate to receive this squadron, which is composed of short range defensive planes.

Mr. SHRIVER. I didn't know that your committee or the State Department approved the Phantom jets at the time we had this on the floor of the House last winter.

Mr. CHAPMAN. State, by law, sir, has to approve all such transfers. The Secretary of State has the responsibility under the law to supervise and direct the program, and until 2 years ago he had delegated that authority to the AID Administrator, but 2 years ago he resumed that responsibility, and this office was created to act as his staff arm in this field.

REPRESENTATION ALLOWANCES

Mr. SHRIVER. How much is in the budget for representation?

Mr. MEYER. There is a total of $32,200.

Mr. SHRIVER. And how does that compare with the prior year?

Mr. MEYER. It is the same amount as 1970.

INTERNATIONAL EXECUTIVE SERVICE CORPS

Mr. SHRIVER. You are requesting an increase of $1 million, or almost 50 percent, for the International Executive Service Corps, yet you say on page I–8 of the justifications that this amount will merely continue AID's support at the fiscal year 1970 level. This is a worthy project, but why wouldn't a 50-percent increase raise the level of your support for it?

Mr. DWINELL. The apparent contradiction stems from the fact that $1 million of deobligated fiscal year 1969 funds were used to finance IESC in fiscal year 1970 along with $2.2 million of fiscal year 1970 funds. The total for the year was $3.2 million, the same amount now requested for fiscal year 1971. Here are the operations figures for fiscal years 1969, 1970, and 1971:

(The information follows:)

Fiscal year	AID contribution	IESC contribution	Projects
1969	$3,300,000	$2,400,000	420
1970	3,200,000	2,500,000	515
1971	3,200,000	[1] 2,500,000	500

[1] Estimated.

ASIA FOUNDATION

Mr. SHRIVER. You are planning to increase the support for the Asia Foundation by $1.2 million, or 43 percent, yet there is almost no justification material concerning what this organization plans to do with the money. Would you explain this further?

Mr. DWINELL. AID's general program grant to the Foundation would go toward support of its technical assistance activities in AID countries in the following areas:

1. Education and human resources, including youth programs;
2. Law and public administration;
3. Book programs, library development, local publishing, and communications;
4. Regional cooperation and training;
5. Rural and provincial development; and
6. Science and transfer of technology.

In fiscal year 1971, the Foundation proposes to make in these program areas about 320 project grants, in nine AID countries and in its regional programs, at total project costs now estimated at about $2.9 million. Related program-support costs in the nine countries and administrative costs would also be supported under the Agency grant.

Proposed programs by country are presented to AID each year for approval. In addition, field evaluations of the Foundation's current and proposed activities are made on a regular basis by AID missions. Every 6 months, the Foundation submits to AID a report of activities by country, describing each project and matching contributions made to it by the country institution or organization which initiated it and is carrying it out.

FUNDS FOR BOOKS AND TEACHING EQUIPMENT

Mr. SHRIVER. You are requesting new funds for Pierce College in Greece to provide library books and teaching equipment. I also serve on the Labor–HEW Appropriations Subcommittee, and we have received many letters from U.S. educators protesting the proposed elimination of Federal assistance for similar equipment here in our own colleges. If we at the same time initiate a foreign program for such equipment, however small in dollars, how do you suggest that we justify this to these letterwriters?

Mr. DWINELL. I think we have good rationale for our plans in this area. Actually, we are not initiating these kinds of activity for the first time. For many years we have been providing these types of educational assistance—books and teaching equipment—along with other types of aid, to selected American educational institutions overseas. The present program of aid for American schools and hospitals abroad (sec. 214 of the Foreign Assistance Act), had its beginnings in the late 1950's when it was recognized that American schools and universities overseas afford developing countries a special bridge of understanding with Western thought, through dissemination of American ideals and techniques which support economic and political development. The act provides that schools supported should serve as "study and demonstration centers for ideas and practices of the United States." Books and equipment—which enhance the ability of an educational institution to demonstrate U.S. practices and to teach more effectively—clearly fit and apply this legislation and policy.

The committee should note that AID is not requesting an expanded section 214 program. The $8,895,000 requested for fiscal year 1971 is a very tight figure—less than one-third of the amount appropriated for American schools and hospitals abroad in fiscal year 1970 ($28,900,000). This reduced request is consonant with the President's overall effort to hold down the foreign aid program to a modest size this coming year. But with regard to the provision of books and educational equipment, and the $100,000 requested for Pierce College for such purposes, we believe these make sense even in a very tight financial situation. The American schools abroad operate on very tight budgets and with very limited sources of income, and of course are faced with rising academic and operating costs. One of the first things which can suffer in such a situation is the provision of necessary books and

equipment—the very ingredients which give a modern American educational flavor to the schools' curriculums. I believe we are on very solid ground here in continuing to provide them, on a selective basis, of course.

AMERICAN UNIVERSITY IN CAIRO

Mr. SHRIVER. Would you explain further the status of the endowment fund created last year for the American University in Cairo?

Mr. DWINELL. I am very happy to. In June 1969, AID made an endowment grant to AUC of E£25 million, under the authority of the so-called Mondale amendment to Public Law 480. There were several conditions to be met before income earning investments in the United Arab Republic could be made, the major one being desequestration of the university. It now appears that this will probably not take place for some time. However, sequestration has in no way lessened the integrity of the university's academic program. Actually, AUC's board of trustees believes, and AID agrees, that the university is having a greater impact today than at any time in its 50-year history.

To assist the university in meeting the continuing local currency operating costs of the university pending desequestration, AID, as noted in my prepared statement, has authorized drawdowns on the body of the endowment fund; and under present circumstances plans to continue to do so. In fiscal year 1970 this drawdown will be approximately £1 million.

Mr. SHRIVER. Thank you. And thank you, Mr. Chairman.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

I have no additional questions, but Mr. Secretary, I would like to join the chairman in commending you. You certainly are known as an astute administrator, and I think the fact that your request is $100,000 less than the budget request, certainly points up the fact that you have carefully and prudently reassessed and reevaluated your department.

Mr. MEYER. Thank you very much, Mrs. Reid.

Mr. PASSMAN. Mrs. Reid, so far as I know, and I have been reviewing a lot of budget requests, this is the first time I have run into anything like this. I still believe the bureaucrats put the big britches on Mr. Nixon. I think when we finally get through with these bills, that we are going to have possibly a $7 to $12 billion deficit. We just can't increase every bill that comes along, without ending up in the red. I am worried about it, because I observe the trend already. It is in the wrong direction so far as I am concerned. You could confiscate all the wealth in America, and turn it into cash and you still would not have sufficient funds to do all the things labeled desirable by the politicians.

Mr. LONG. You mean people like us.

Mr. PASSMAN. Dr. Long, do you have any questions?

Mr. LONG. I have no additional comment.

Mr. PASSMAN. Thank you, Mr. Secretary.

FRIDAY, APRIL 10, 1970.

OVERSEAS PRIVATE INVESTMENT CORPORATION

WITNESSES

HERBERT SALZMAN, ASSISTANT ADMINISTRATOR FOR PRIVATE RESOURCES, AGENCY FOR INTERNATIONAL DEVELOPMENT
CECIL HUNT, ASSISTANT GENERAL COUNSEL FOR PRIVATE RESOURCES, AGENCY FOR INTERNATIONAL DEVELOPMENT
JOHN C. L. DONALDSON, INVESTMENT PROMOTION COORDINATOR, OFFICE OF PRIVATE RESOURCES, AGENCY FOR INTERNATIONAL DEVELOPMENT
PETER DICKERSON, PROGRAM COORDINATOR, OFFICE OF PRIVATE RESOURCES, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT

Program and Financing (in thousands of dollars)

Identification code 04-15-4030-0-3-152	1969 actual	1970 est.	1971 est.
Program by activities:			
Operating costs, funded:			
1. Loan program (administrative expenses)	---	---	347
2. Guaranty and insurance program:			
(a) Administrative expenses	---	---	2,355
(b) Loss incurred on claims paid	---	---	7,500
3. Investment promotion program:			
(a) Administrative expenses	---	---	348
(b) Investment survey costs	---	---	1,300
4. Cooley loan administration program (administrative expenses)	---	---	425
Total program costs, funded	---	---	12,275
Change in selected resources [1]	---	37,400	42,000
10 Total obligations	---	37,400	54,275
Financing:			
Receipts and reimbursements from:			
11 Federal funds	---	---	−425
14 Non-Federal sources	---	---	−27,650
21 Unobligated balance available, start of year	---	---	−98,100
22 Unobligated balance transferred from other accounts	---	−98,000	−20,000
24 Unobligated balance available, end of year	---	98,100	129,400
Budget authority (appropriation)	---	**37,500**	**37,500**
Relation of obligations to outlays:			
71 Obligations incurred, net	---	37,400	26,200
72 Obligated balance, start of year	---	---	47,400
73 Obligated balance, transferred, net	---	10,000	---
74 Obligated balance, end of year	---	−47,400	−89,400
90 Outlays	---	---	−15,800

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

Object Classification (in thousands of dollars)

Identification code 04-15-4030-0-3-152		1969 actual	1970 est.	1971 est.
11.1	Personnel compensation: Permanent positions	---	---	2,100
12.1	Personnel benefits: Civilian employees	---	---	180
21.0	Travel and transportation of persons	---	---	250
23.0	Rent, communications, and utilities	---	---	400
24.0	Printing and reproduction	---	---	50
25.0	Other services	---	---	380
26.0	Supplies and materials	---	---	65
31.0	Equipment	---	---	50
41.0	Grants, subsidies, and contributions	---	---	1,300
42.0	Insurance claims and indemnities	---	---	7,500
94.0	Change in selected resources	---	37,400	42,000
99.0	Total obligations	---	37,400	54,275

Personnel Summary

Total number of permanent positions	---	---	130
Average number of all employees	---	---	122
Average GS grade	---	---	10.1
Average GS salary [1]	---	---	$13,500
Average salary of ungraded employees	---	---	$6,200

[1] Excludes executive level positions.

Mr. PASSMAN. The committee will come to order.

We shall consider this afternoon the budget request for the Overseas Private Investment Corporation in the amount of $37,500,000.

We have as a witness the Honorable Herbert Salzman, Assistant Administrator, Office of Private Resources, Agency for International Development, accompanied by other supporting witnesses.

Mr. SALZMAN. I presume you have a statement you would like to make to the committee in support of your budget request.

GENERAL STATEMENT

Mr. SALZMAN. Yes, sir.

Mr. Chairman and members of the Committee, I am here to present the fiscal year 1971 appropriation request, and the administrative and operating budgets of the new Overseas Private Investment Corporation (OPIC).

Last year the Congress created OPIC as a wholly-owned U.S. Government corporation "to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social progress of less developed friendly countries (LDC's) and areas."

With its joint public-private Board of Directors, OPIC will reorganize and operate selectively—on a businesslike, financially self-sustaining basis—the U.S. Government's incentives to those U.S. private investments which contribute to development.

To sustain an increased use of these U.S. private investment incentive programs, Congress provided funds last year to capitalize OPIC partially, and to augment reserves which back up outstanding investment guaranties and insurance contracts.

TRANSITION STATUS

OPIC is in the process of taking over from the Agency for International Development's present Office of Private Resources its programs of preinvestment assistance, political risk insurance, guaranties of private loans and equity, and loans of foreign currencies to private enterprises. In addition, Congress authorized OPIC's capital to be used for a revolving direct investment fund from which it may make loans to private projects, and to make other investments, including the purchase of convertible debentures in private projects for eventual resale to private investors.

When President Nixon signed the Foreign Assistance Act of 1969 into law (Dec. 30, 1969), he simultaneously delegated to AID the administration of OPIC's programs and activities until the Corporation could be organized to conduct its own business.

This transition process—now underway—should be completed by July 1, the start of the new fiscal year. This means that OPIC's first full year of operations will be conducted during fiscal year 1971.

CAPITALIZATION

Congress authorized an initial capitalization of OPIC at $40 million, to be paid in equally in fiscal years 1970 and 1971, to be used as a direct investment fund. The first $20 million was made available in

fiscal year 1970 from reflows of principal and interest payments on AID and predecessor agency development loans. For fiscal year 1971 we request appropriation, from the same source, of the remaining $20 million authorized. This is not new obligational authority (NOA).

OPIC's direct investment fund is not a loan fund in the usual, programmatic sense. It is a revolving use of the Corporation's capital to generate income to finance OPIC's business, much as a private corporation uses its capital to earn income with which to operate its business. In addition to repayments of principal on its direct dollar loans, this fund will be credited to the extent allocated by the OPIC Board with (1) interest payments on direct loans; (2) profit from sales to private investors of convertible debentures and other loan instruments in projects; and (3) other earnings. Likewise, OPIC will charge the fund with realized losses (other than payments of insurance and guarantee claims which will be charged directly to the respective reserve funds).

It should be noted that under section 236 of the legislation all Corporation revenues and income shall be available to pay expenses of the Corporation, to add to its reserves, and to pay dividends on capital stock of the Corporation held by the Treasury.

The OPIC appropriations legislation was signed at the end of January, 7 months into the current fiscal year. In the past few months senior executive time has been devoted in large measure to the process of establishing the Corporation, including making the necessary legal, financial, physical, and personnel arrangements to transfer or institute OPIC's authorities. As a result until now we have not been in a position to begin to implement the direct investment authority.

This does not alter the judgment arrived at by the Congress last year that OPIC would need a capitalization of $40 million in its initial period of operations to achieve the corporate purposes of this fund. Important is the leadtime necessary for OPIC to be able to deal with U.S. private investments in developing countries, which often take as long as 2 to 5 years to plan and implement. Even though OPIC clearly would not commit the bulk of the $40 million in its first or second year of operations, it needs to have the funds in hand to assure the private investor they will be available 2 or 3 years later, when they will be used.

Because OPIC is not yet in operation, it is difficult to project use of the investment fund during fiscal 1971. However, for planning purposes we expect OPIC to commit between $10 and $15 million during the coming year in cases where OPIC's guarantee of private loans is not possible or appropriate, such as to:

(1) Take the initiative in providing early encouragement and commitment of financing to important development projects.

(2) Provide contingency funds for unanticipated gaps in project financing caused by a tightness of private money markets or high interest rates, by the smallness of the project making it unsuitable for institutional financing, or by a loan period too short for institutional lending but too long for bank term financing.

(3) Provide a means of sharing in the success of projects through sale of convertible debentures in such projects to private investors.

RESERVES

In fiscal year 1970 Congress appropriated $37.5 million in new obligational authority (NOA), which was half of the $75 million requested, to be applied to OPIC's new separate insurance and guaranty reserve accounts.

The original request last year took into account an anticipated growth of insurance coverage and guarantees of private loans. This program growth has taken place as predicted.

When OPIC is formally constituted, its Board of Directors will need to allocate the total existing reserve of $103 million between the Corporation's guaranty and insurance reserves. It also may allocate a portion (perhaps $17 million) of the liquid assets available on June 30, 1970, to supplement one or both of these reserves. Of the total amount available to the Board to be so allocated (an estimated $120 million), more than $50 million will have to be allocated to the Corporation's guaranty reserve account to satisfy the statutory requirement for a minimum fractional reserve of not less than 25 percent of outstanding guarantees. This is because outstanding guarantees by July 1, 1970, will total an estimated $203 million. This would leave less than $70 million for reserves to back up $7.6 billion insurance already outstanding—a reserve of less than 1 percent—and no reserves to back new guarantees. Also, new insurance is expected to be issued in the amount of $1.5 billion during fiscal year 1971, thus increasing still further OPIC's need for an adequate liquid insurance reserve.

INSURANCE RESERVE

The political risk insurance program has accounted for a substantial share of the fees collected and applied to the reserve. We know from the historical level of reserves that approximately $100 million has been sufficient to maintain investors' confidence in the insurance program, given the size of our present portfolio. Confidence in the program will erode at the point which, in the investors' judgment, the reserve becomes too low in relationship to outstanding liabilities.

Even if the OPIC Board allocates to the insurance reserve all the funds which it reasonably can, the reserve still will be less than 1 percent.

It is worth noting that in the 1950's the administration followed a 25 percent fractional reserve policy for insurance commitments. Based on this policy, the executive branch requested $180 million in 1962 for additional reserves for all guarantee programs, $110 million of which was requested to maintain a fractional reserve for $440 million of new political risk insurance expected to be written in fiscal year 1963. This request was reduced by Congress to $30 million, effectively changing the fractional reserve requirement. In so doing, Congress tacitly acknowledged that a reserve of $270 million was adequate to back up projected outstanding political risk insurance liabilities of $1.2 billion at the end of fiscal year 1963—a 20 percent reserve.

Reserves for the political risk insurance program cannot be estimated with the exactitude that reserves are set for commercial cas-

ualty or life insurance companies. Actuaries have informed us that the levels of reserves, and rates of fees necessary to generate reserves, cannot be actuarially computed. An operations research firm is now studying—with mathematical techniques—the whole question of fees and reserves for the insurance program. Its initial reaction is that our reserves are on the low side, but we do not want to request large additional reserves unless we are satisfied that they are needed. I believe that the range of $70 to $80 million is clearly a floor. When we have a better idea, supported by studies as to what the proper level should be, OPIC can then request action to establish that level.

We have paid out only $3.5 million in claims thus far in the program, but three-quarters of the insurance in the portfolio has been written in the last 5 years and, therefore, a lot of political events could come home to roost. We have had sufficient "near misses" that we expect some claims losses in the near future. Major losses could arise from a country's currency becoming incontrovertible for a sustained period; a major war; or a country expropriating, without compensation, a major insured U.S. investment. Any of these could easily and quickly build up to, or exceed, the $70 or $80 million level.

GUARANTY RESERVE

In fiscal year 1971 new guarantees are expected to be written in the range of $100 to $125 million, requiring under law an addition to the guaranty reserve of $25 to $31.25 million.

By legislative mandate—section 231 (b)—the investment guaranty program is the Corporation's principal business financing tool. It will encourage private long-term loans to private commercial enterprises which have a reasonable prospect of earning a profit without placing an unreasonable risk burden on the Government. Following present practice, OPIC will require that project sponsors bear a substantial portion of the financial risk of the enterprise.

Nevertheless, the statutory 25-percent fractional reserve provides for a substantial liquid reserve to pay claims of institutional lenders promptly upon notice of default. The availability of an adequate liquid reserve also will enhance the marketability of the guarantees, and will enable guaranteed private loans to carry a lower interest rate than would otherwise be the case.

Appropriation of $37.5 million will enable the Corporation to issue its expected level of guarantees in fiscal year 1971. The Corporation's ability to use its most important financing tool would be reduced by $4 for each $1 reduction in the reserve appropriation request. Thus, I strongly urge favorable committee action on the full $37.5 million appropriation requested.

ADMINISTRATIVE COSTS AND OPERATING BUDGET

In connection with the committee's review of OPIC's projected fiscal year 1971 administrative budget and program levels, I wish to call to your attention the attached proforma balance sheet, income statement, and program level analyses.

There are three points in connection with OPIC's administrative and operating budgets worthy of special attention:

(A) The expenses of OPIC's programs detailed in the attached budgets will be covered wholly by insurance and guarantee fees and other income earned by the Corporation, and will require no appropriation—NOA or otherwise;

(B) The projected administrative budget for fiscal year 1971 represents approximately 11 percent of anticipated gross income; and

(C) These costs of doing business compare favorably to costs borne by other international investment venture banking operations.

Another matter which requires the attention of the committee is the Corporation's anticipated requirement to incur a limited amount of representation expenses for the Board of Directors and senior officers' corporate business responsibilities. These responsibilities include, under sections 231(k) and 239(f) of the statute, informing the U.S. private investing community of OPIC's programs, and seeking private business participation in these activities. To do this, OPIC will need to conduct some official functions including occasional conferences with its Advisory Council and other private business organizations. We estimate that OPIC will spend no more than $10,000 for representation during fiscal year 1971.

In addition, the Corporation will likely require either purchase or lease of two motor vehicles. We request appropriate language in this year's appropriation bill to provide for these limited, but important, needs.

I would be pleased to answer any questions about either the Corporation's fiscal year 1971 appropriation requests, or the administrative and operating budgets as detailed in the attached tables.

(The tables follow:)

OPIC PROFORMA BALANCE SHEET (Thousands U.S. Dollars)
(at dates shown)

	FY ended 6/30/70		FY ended 6/30/71	
Assets:				
Cash		$ 2,000		$ 2,136
U.S. Obligations a/		25,000		48,000
Insurance & Guaranty Fund				
Insurance Reserve a/	$ 52,169		$ 52,357 a/	
25% Guaranty Reserve a/	50,875	103,044 b/	82,125 a/	134,482 b/
Direct Investment Fund		20,000		28,000
		150,044		212,618
Direct Investments		-0-		12,000
Fixed Assets		65		115
Total Assets		150,109		224,733
Liabilities, Reserves and Net Worth:				
Liabilities:				
Accrued Expense (Accounts Payable Salaries, etc.)	50		50	
Unapplied Collections (Advances)	577		577	
Total Liabilities		627		627
Reserves:				
Insurance Reserve c/	52,169		52,357	
Guaranty Reserve c/	50,875		82,125	
Total Reserves		103,044		134,482
Net Worth:				
Capital Stock	20,000 d/		40,000 d/	
Invested Earnings	25,000		48,000	
Unnapplied Earnings	1,438		1,624	
Total Net Worth		46,438		89,624
Total Liabilities, Reserves and Net Worth		150,109		224,733

a/ Subject to Board of Directors allocation to reserves, after provision for operating funds.
b/ Includes FY 70 and FY 71 requested appropriation for $37,500,000.
c/ Net after claim payments estimated at $6,000,000 for year ending June 30, 1970 and $7,500,000 for year ending June 30, 1971.
c-1/ Miscellaneous properties (notes, shares of stock, etc.), obtained incident to payment claims have not been assigned a value. Recoveries are contingent upon future events, i.e. negotiations and successful liquidations proceedings. Any recoveries will be reported as income in the year received.
d/ Includes FY 70 and FY 71 requested $20,000,000 for capital funds.

OVERSEAS PRIVATE INVESTMENT CORPORATION
PROFORMA INCOME STATEMENT
($ in Thousands)

		Fiscal Year Ending 6/30/70		Fiscal Year Ending 6/30/71
INCOME				
Insurance Fees	$22,343		$24,752	
Guaranty Fees	1,849		2,899	
Interest on U.S. Obligations	340		1,520	
Gross Income		$24,532		$29,171
EXPENSES				
Pre-Investment Assistance		800 1/		1,300 6/
Administrative Expenses 2/				
Staff Payroll	1,400		2,000	
Staff Benefits	125		180	
Professional Fees & Outside Services	110		387	
Travel	115		172	
Rent & Utilities	-		210	
Communications			74	
Printing & Reproduction	590 3/		50	
Office Supplies & Equipment			49	
Auditing			67	
Other		2,340	58	3,247
Total Expenses 4/		3,140		4,547
Less AID Funded Expenses		-890		0
Total Adjusted Expenses		2,250		4,547
NET INCOME 5/		$22,282		$24,624

Notes:

1/ Included is about $300,000 funded by AID for pre-investment assistance from TC/DG appropriations.

2/ The administrative expenses illustrate the costs which OPIC is expected to incur in fiscal 1971 to employ and maintain a total staff of 130 people to manage the anticipated new business as well as the $7.6 billion of outstanding insurance liabilities and approximately $200 million in the investment guaranty portfolio.

3/ Estimated as the value of services provided by AID in FY-1970 (e.g., unfunded personnel and travel, rent, utilities, cables and telephone, printing, etc.) not charged to the Foreign Investment Guaranty Fund.

4/ Cooley Loan portfolio administration costs are expected to be funded by an allocation of funds appropriated under Section 212 of the FAA.

5/ From the inception of the insurance and guaranty programs until December 31, 1969, investors have paid fees totaling $91.5 million; from this amount, in addition to administrative expenses, $3.5 million has been paid on insurance claims, and just under $7 million has been paid on guaranty claims.

6/ Maximum contingent liability -- indication of best estimate we can constructively apply to implementation of Investment Encouragement Authority (Section 234(d) of the Act); a commitment of funds which will be repaid if the assistance results in successful investment projects.

OPIC PROGRAM ESTIMATES

($ in millions)

	Actual FY 1969	Estimated FY 1970	Planned FY 1971
Insurance Written	$ 1,300.	$ 1,300.	$ 1,500.
Guaranties Signed	26.8	96.3	125.
Pre-Investment Assistance	.7	.8	1.3
Total Programs	$ 1,327.5	$ 1,397.1	$ 1,626.3

NOTES:

A. Insurance - Current applications on hand would indicate that in FY 1971 OPIC will issue new investment insurance of about $1.5 billion, involving approximately 250 U.S. investors.

The expiration of contracts and cancellations will cause a net addition to portfolio of around $1 billion and a total in the portfolio as of June 30, 1971, of about $9 billion.

The political risk investment insurance program currently covers U.S. private investment of about $540 million a year. This U.S.-insured investment attracts an approximately equal amount of investment from other countries, mobilizing a current total of about $1 billion in new investment annually.

B. Guaranties - Guaranties issued in FY 1970 reflect a number of years of work and development by the sponsors of the projects involved. A long lead time continues to be required in the development of successful projects, due to the complexity of establishing new enterprises in the less developed countries and the requirements that the projects be soundly conceived, and that potential markets and price of goods be carefully researched.

Unlike the insurance program, which has over 20 years experience, the guaranty program is relatively new and comparatively small. Nevertheless, our $200 million in outstanding guaranties have mobilized a total investment - U.S. and foreign - of $714 million.

We cannot precisely forecast annual program levels for FY 1971. For planning purposes, OPIC will issue an estimated $100 - $ 125 million of new guaranties in FY 1971. This figure could be significantly less if projects presently in the investigation stage take a longer period to develop than is currently contemplated. For some years ahead, we anticipate that the actual amount of guaranties issued in any given year will fluctuate, but - on the basis of past experience - we can approximate the average to be expected in a three-year period. This is similar to the experience of other international and national venture banking institutions (e.g., International Finance Corporation, ADELA, the U.K. Commonwealth Development Corporation, etc.), which in their initial years had wide fluctuations in the amount of investment financed in a particular year.

C. Pre-Investment Assistance - For FY 1971 we have budgeted a total of $1.3 million to implement Section 234(d) of OPIC's authorities. These funds would be employed by OPIC:

a) To share, with competent and experienced U.S. companies, the costs of identifying and making a pre-investment survey of an investment opportunity;

b) To share, with existing or new, sound investment companies, the cost of identifying, developing and surveying investment opportunities which the investment company would invest in and carry out;

c) To share, with non-profit associations, the costs of expanding programs to identify investment opportunities for implementation by U.S. companies, e.g., the Agribusiness Council.

Mr. PASSMAN. Thank you very much for your statement. We will now ask some questions.

First, I want to preface my examination with several remarks, I question whether I have ever been angry three times since I have been a member of this subcommittee. Many times the manner in which I question the witnesses is misunderstood by the witnesses and in other instances by the members of the committee. However, nothing I ever say or do is ever intended to be personal. As I understand the Constitution, the Congress is the first branch of Government. Is that your understanding?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. As such it is necessary, since we are elected by the people, to come to Washington and attempt to legislate wisely in their behalf, to watch expenditures, because the money we spend and give away actually belongs to the people we represent. Is that not true?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. In addition, I want to say that the imbedded bureaucrats in this administration are putting the big britches on President Nixon.

I think he is making a strong President and I am thoroughly convinced he submitted what he considers to be a tight budget, yet an adequate budget. But I am convinced also that the Congress is not going to pay any attention to it.

We have pursued the philosophy that we can promise everything to everybody, everywhere on borrowed money and it is causing me great concern.

TOTAL FOREIGN AID AND ASSISTANCE

The first money bill we considered yesterday had to do with education. The bill was over the budget last year and this year they exceeded the budget by $700 million over what the President requested. As we look at foreign aid we find that last year a lot of people didn't want to believe the compilation we had gotten up that showed that the total budget requests from all spigots of aid and assistance amounted to $10,528,303,000. Either the highest or one of the highest since the inception of the so-called foreign aid program. The program had been fragmentized, scattered all over the budget. Pieces of title I had been removed and put in other sections of the budget, so it could no longer be identified as foreign aid because it was no longer in title I.

We thought we had reached the alltime high but this year it is even higher. When we went through the budget we didn't find 22 spigots calling for $10,528,303,000 but we found 27 spigots calling for $12,133,525,000. We finished the day almost exhausted from putting these figures together and now we are told that we left out a lot of them. We have a tremendous foreign aid subsidy for coffee and sugar that is not included. We found out we are plowing back into the foreign aid program millions of dollars of American-owned foreign currency which would have to be added to this to get the grand total.

Even though I respect you very much, sir—you have a marvelous background—so far as I am concerned, if I were to meet my Maker in 60 seconds, I could make the final statement with a clear conscience that you had no more reason to set up this agency—so far as any practical benefit to the United States is concerned—than I would have to pull out a revolver and shoot you.

That is just my thinking and it is regrettable that I had to have business experience before I came here or I could be riding with these punches. But I know what we are doing to the American taxpayer; we are confiscating the savings of the thrifty by continuing this worldwide giveaway program.

We are diluting the value of insurance that you and others bought to protect your families. Just since I have been in Congress it has lost 54 percent. When I see the trend this year in these budget requests, it kind of worries me. Many of these bills which will be passed by Congress will add to inflation.

One of the really frightening things about this is that the clever artists in the giveaway agencies on foreign aid last year requested $2,710,020,000 in title I. This year it has been "drastically reduced." It is down to $2,200.5 million but when you go to the grand total, if you add it all up, this year it is $12,133,525,000 against $10,528,303,000 last year.

There are a lot of things I could do that I would enjoy more than attempting to lecture you. Let's work together and get this situation under control. Stop starting these new agencies with a lot of imaginary benefits to be derived from them: let's bring this thing under control, gentlemen, before we fool around and wreck America and cause people to lose complete confidence in us.

STATUS OF OPIC

Now, if I may, sir, of the $37.5 million we gave you last year, how have you disposed of it? How much of it have you obligated?

Mr. SALZMAN. $37.5 million has not been obligated. It is part of the reserve that has been established to back up the guaranty and insurance programs.

Mr. PASSMAN. One section of this bill provided for certain types of loans to be made to businesses investing overseas, did it not?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. How much have you committed toward these loans to be used overseas?

Mr. SALZMAN. None, Mr. Chairman. If I may state this for the record, the funds are not yet able to be received by OPIC because it does not yet have a board which is in a position to receive these funds.

Secondly, the——

Mr. PASSMAN. Let's take the first phase first. In other words, you don't even have a board to manage the account yet.

Mr. SALZMAN. The authorities and the activities contained in the Foreign Assistance Act of last year have been delegated by the President of the United States to the Administrator, of AID—he has been directed to conduct those activities and exercise those authorities.

Mr. PASSMAN. Did you not a moment ago say the board hadn't yet been created?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. You stick with that?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. How many will be on this board?

Mr. SALZMAN. Eleven people, sir.

Mr. PASSMAN. Have any of them been selected yet?

Mr. SALZMAN. Except for the Administrator of AID as ex-officio chairman, to my knowledge, no, sir.

Mr. PASSMAN. I want to commend you. See if you can't come back 1 year from now in the same position as you are in now, with no board. If you don't get a board, you can't spend these funds. I hope you have as much trouble in the future as you have had in the past creating this board.

TOTAL CONTINGENT LIABILITY

I note in your statement it is stated the insurance reserve is less than 1 percent of the insurance already outstanding of $7.6 billion.

Putting that another way, taking it out of the symbols into the long figures, it means $7,600,000,000; is that correct?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. What is the total? This is what we would call a contingent liability; isn't it?

Mr. SALZMAN. Yes, sir; the maximum contingent liability. In my judgment our actual risk is significantly less than that would indicate.

Mr. PASSMAN. We learned the other day in checking into another one of these many, many spending agencies that $205,880,000 was being requested in a supplemental for "callable capital" by the Inter-American Development Bank. If you want to elaborate a little, it simply means we are telling the Inter-American Development Bank to go out and distribute money as freely as they elect. We recognize we have no right of examination. We are forced to provide the funds previously authorized by another committee but some day, when they become defunct because of the type of loans they are making, then they will come back and say: "Now, Uncle Sam, we want to dig into these billions of dollars of callable capital funds that you set aside for us."

When we interrogate we find the purpose of having callable capital, is that it makes the lenders to the Inter-American Development Bank more secure in obtaining a settlement quickly in the event they need the money.

I mention that, Mr. Director, so you will realize the tremendous contingencies that we have. It was my privilege recently to complete a research paper. You look like the type of American who would like to help bring this under control. Since the inception of our bookkeeping system in 1789, 181 years ago, we have collected $2,235 billion in revenue from the American people, past and present. But, for every dollar collected and spent, we put the Government in debt an additional 71 cents alongside each one of those dollars. So, as we sit here and talk this afternoon, we have a public debt and an obligation for services previously rendered—not something we are going to do in the future—of $1,675 billion. Every man, woman, and child in America is indebted to its Government for $8,210 because of their extravagance for services previously rendered.

We just rush in, borrow money, spend it and then come in the following day to pass a lot of statutory obligations that say: "We are going to pay you in subsequent years for something you did previously."

We have created no reserves to pay for these benefits. We just put it on the cuff and unborn generations will have to shoulder the burden.

If we are going to put together a real contingent liability, we would have to add our guarantees, plus this callable capital, and plus those other categories, would we not, to get the total contingent liabilities?

Mr. SALZMAN. Yes, Mr. Chairman.

Mr. PASSMAN. We take the contingent liability which we assume we are not going to be called upon to pay out, but this other figure is something we are going to have to pay out. Interest on the public debt is now running nearly $20 billion annually; $51 million a day. More than $2 million per hour, every hour in the year. Just the interest on the public debt.

To give you an idea what a statute gets us into, our Government is presently mailing out 1,049 checks a month to relatives of Civil War veterans and that war was concluded 105 years ago.

I mention that so you will know just how long these statutes can run and the extent to which we have committed ourselves.

Let the record show I am not talking about trust accounts. Railroad retirement and social security. I am talking about statutes which we pass in Congress. So far as I am concerned, I am going to fight this as long as I am up here and I will take advantage of my position as committee chairman to lecture you people in the hope that just a little of it will be effective.

ACCOUNTABILITY TO THE CONGRESS

Mr. SALZMAN. Mr. Chairman, may I state for the record, in the first place, in the three and a half years I have been administering these programs, it has been my practice to submit to the Congress each year detailed information to the fullest extent that we had it, of the nature of the operations we were conducting, and as we could reasonably estimate them where known, the results thereof.

Second, with the establishment of OPIC, as a separate business organization—OPIC is a business itself——

Mr. PASSMAN. Oh, sure. It spends money though, doesn't it?

Mr. SALZMAN. We have made ourselves accountable to the Congress on a much more rigorous basis annually than we had in the past.

Mr. PASSMAN. That wouldn't make a bad program good.

Mr. SALZMAN. No, sir.

Mr. PASSMAN. A person could go to church every Sunday and get down on his knees every night but that still wouldn't necessarily make him an honest man. I contend you set up an agency here that never should have been set up, especially when you look at all the lending agencies we have in Government. If a man had plenty of money, he wouldn't come to you to borrow money to invest overseas, would he?

Mr. SALZMAN. Mr. Chairman, I have been trying to point out that we have much more accountability to the Congress under OPIC than we have had in the past as part of the Agency for International Development. A second and very important point the chairman made is the quality of the business and the manner in which it has been conducted. We have collected over $91 million in fees since the inception of the program and this year, ending June 30, 1970, we will clear, net, after expenses, over $22 million.

Mr. PASSMAN. Let us look at the record: In fiscal year 1963, the budget estimate for investment guaranties was $180 million. Is that right?

The committee allowed you only $30 million. Now, when we move along, we find in hearings of subsequent years that you didn't even need the $30 million; that you had actually only spent about one-third of the $30 million. Now, you can imagine what sort of a slush fund you people would have had, had we given you the full $180 million requested 8 years ago.

Mr. SALZMAN. Mr. Chairman, I would like to make clear something for the record.

Mr. PASSMAN. You recognize the facts of these figures I read into the record, don't you?

Mr. SALZMAN. Yes, and on page 7 of my statement I refer to the same facts.

Beyond and after the fiscal year 1963–64 to which the chairman referred, nearly $200 million of the reserve was further deleted.

The second point is that this is a reserve. These are funds that have not been spent and are not spent unless there is a call on the contingent liability, to which the chairman referred.

Another point I would like to make, if I may: As recently as 1967, the cumulative insurance outstanding amounted to $3,700 million, whereas at the end of this fiscal year it will amount to $7,600 million and at the end of 1971 it will amount—if the Congress authorizes us to use the authorizing ceiling—over $8,600 million against the same reserves.

Mr. PASSMAN. This is a great country. The greatest, the freest, the wealthiest, the strongest, ever created in the history of mankind because of the process we followed to become great. We are backing away from those processes. It really disturbs me to recognize that so many people take the position that, those who are putting up the money, those who may invest whether in one section or another, will feel a lot better if the money is appropriated so in case of default they don't have to wait for the Congress to get the funds away from the Government so we can snatch them quickly.

I always come back and say, "My country's word is good. Let us guarantee it. Why must we appropriate the money?"

They don't have a very good excuse except to say, "Other people would feel so much better if they knew the money was on hand."

The record is full of that.

Mr. SALZMAN. To make clear for the record, it isn't a question of whether the full faith and credit of the United States is good for the money and that we have to have it on hand. We are talking about a business situation in which large amounts of money may be pending collection and that, as you know, and as the committee knows, that when that money is not available, it doesn't earn and therefore the investor is out of pocket to the extent that he has to wait for that money to be forthcoming. It is not available to him for the uses for which it was intended and for which he has paid premiums over the years.

Mr. PASSMAN. That is admitting you operate a loose shop because you could foresee those things; that losses were developing, and then you could get your request in for the funds.

But I don't like the idea that my country's word is not sufficient, that you want money in the bank; that is a position a lot of the agencies take. That is entirely new in Government. It came into being just a very few years ago but it would appear that it is on the way in. The fact is that you are requesting more than you actually need, by the record, and you only justify it on the basis that you feel you should put a certain percentage aside in a cash reserve against the amount of insurance that is outstanding.

Mr. SALZMAN. Mr. Chairman, sir, if I may again for the record make it clear, we are anticipating that the losses will increase——

BOARD OF DIRECTORS

Mr. PASSMAN. You keep saying you want to make it clear There is nothing clear about this thing to me because you don't even have a board. You have been operating a year and you don't even have a board. I don't know why you should make things so clear when we gave you the money and you don't even have a board to pass on the applications. But I guess that is just one of your expressions. I have a lot of sayings that I use too, so I won't criticize you on that, but I don't think you could make anything clear until you get into operation with this board.

Who appoints this board?

Mr. SALZMAN. The President of the United States.

Mr. PASSMAN. All of them?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. With the consent of whom, please?

Mr. SALZMAN. Of the Senate.

Mr. PASSMAN. I know, but I am speaking about prior to that time. Does he discuss these people with the AID agency and the Secretary of the Treasury? Upon what basis will they be selected? That is really my question.

Mr. SALZMAN. I couldn't answer that precisely, Mr. Chairman, other than to assume there will be consultation and advice within the executive branch.

Mr. PASSMAN. You say the President appoints them and they then go to the Senate for confirmation.

Mr. SALZMAN. These appointments are made with the advice and consent of the Senate.

ANTICIPATED LOSSES

Mr. Chairman, you said it would be bad management if we did not anticipate losses and provide for them. My statement says we have had sufficient near misses that we expect some claims losses in the near future.

May I go off the record, sir?

Mr. PASSMAN. Sure. I don't know why. Put it on the record and we will take it off later if it is classified.

Mr. SALZMAN. I don't want to refer to countries specifically.

Mr. PASSMAN. You can refer to country X, country A and country B.

Mr. SALZMAN. Well, in several countries we have recently had sufficiently near misses that could have triggered losses, that could have very seriously invaded and perhaps wiped out the reserve. It is for that reason that we come up and call this to the attention of the Congress because it is the Congress responsibility, as you pointed out in the beginning, to make its decision.

I am referring to———

Mr. PASSMAN. I beileve we have pointed out in previous years the tremendous amount of money we were pouring into those countries, that it was unwise and this could be just the beginning of the end of a breakdown for a lot of these loans. They are disguised. They are not loans and even so this would have been a good time to say to the committee, "We think we will need so much money to make good on these guarantees." You would have had time to have gotten it.

I just hate to see these big slush accounts build up. You are not going to be there to administer it all the time. When you get this money on hand, it is so tempting, you understand. to find some way to get rid of it. We have experienced that before. Public money doesn't seem to belong to anybody, but the desire to give it away is overwhelming when you are in the position that you can. It is just characteristic of the individual.

POLITICAL RISK INVESTMENT INSURANCE PROGRAM

I believe you stated that we are presently looking at a contingent liability under the political risk investment insurance program of $7,600 million.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Would you list in the record at this point the nations where these loans were made, the name of the company and the amount? This is extremely pertinent information because it may be that we are going too far too fast. Could you do that?

Mr. SALZMAN. Gladly, and, Mr. Chairman, I could also give you right now by country the coverage, and we will supply it by company.

Mr. PASSMAN. Put that in the record.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT
Office of Private Resources, Insurance Division
Washington, D. C. 20523

Cumulative Report of All Political Risk Investment Insurance Issued
Since the Beginning of the Program in 1948 through March 31, 1970

THIS REPORT IS IN THREE PARTS: I. Less Developed Countries thru 6/30/69
II. LDC Issuance from 7/1/69 thru 3/31/70
III. Developed Countries(where insurance no longer is available)

SUMMARY SHEET

REGIONS	No. of Coverages	Convertibility	Expropriation	War Risk	Combined Exprop/War	Totals
Latin America	1861	$2,163,934,556	$ 954,961,742	$ 370,869,701	$1,153,807,197	$4,643,573,196
Near East & So.Asia	808	594,659,297	384,977,752	98,037,047	192,788,207	1,270,462,303
Far East	769	916,574,419	520,808,185	379,732,870	429,795,802	2,246,911,276
Africa	447	380,903,426	394,490,908	152,931,398	78,172,064	1,006,497,796
Europe	293	223,854,033	136,716,680	676,053	-	361,246,766
Worldwide	4178	4,279,925,731	2,391,955,267	1,002,247,069	1,854,563,270	9,528,691,337 [1]

Political Risk Insurance OUTSTANDING on March 31, 1970:

	$3,384,481,135.59	Convertibility
	1,611,872,825.66	Exproprietion
	812,999,991.44	War Risk
	1,764,589,335.10	Combined Exprop/War Risk
subtotal:	7,573,943,287.79	Political Risk Insurance
	54,000,000.00	Development Loan Fund Guaranty
Grand Total	7,627,943,287.79	Outstanding on March 31, 1970

Cumulative Fees collected through March 31, 1970: $ 94,868,696
Loan and Equity Investment protected: $3,705,890,519; Technical Assistance/Royalties: $197,538,973

[1] Gross face amount of insurance issued; cancellations and expired contracts should be subtracted to obtain insurance outstanding.

AID:PRR/FAD

I. Less Developed Countries and Areas (from inception in 1948 through June 30, 1969)

* Fiscal Year 1969

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Afghanistan					
Pan Am. World Airways, Inc.	Air travel facilities	$ 400,000	$ 200,000	$ 200,000	$
	TOTALS (3) $800,000				
Algeria					
Africa Cities Service	Oil exploration		9,750,000		
Drilling Specialties Co.	" "		2,000,000		
" "	" "		2,500,000		
" "	" "		1,500,000		
			15,750,000		
	TOTALS (4) $15,750,000				
Argentina					
American Foreign Power Co. Inc.	Mf.& dist. chem. fertilizer	17,400,000			
American Motors Int'l Corp.	Automotive vehicles	3,500,000			
" " " "	" "	3,500,000			
" " " "	" "	6,000,000			
" " " "	" "	3,000,000			
Associated Spring Corp.	Precision springs	615,000			
" " "	" "	53,125			
Bank of America N.T. & S.A.	Auto Axles/Transmissions	3,000,000			
*Bank of Boston Internat'l	Mining, milling, concentration, of lead & zinc	3,081,525			
Beaunit Corporation	Fibers and yarn	225,000			
Bendix Corporation	Auto brakes, cylinders	1,000,000	1,000,000		
" "	" " "	250,000			
" "	" " "	1,000,000			
Borden Company	Methanol & phenol compounds	6,500,000			
Cabot Corporation	Carbon black	4,000,000	4,000,000		
" "	" "	4,900,000	4,900,000		
" "	" "	1,500,000			
Cone Mills Corporation	Ropesoled shoes, canvas	5,000,000	5,000,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Argentina (Continued)					
DeKalb Agric. Ass'n. Inc.	Sorghum, corn, cottonseed,	$ 100,000	$	$	$
" " " "	poultry	3,140,000			
Development Credit Corp.	Mfg. utility vehicles	10,000,000	10,000,000		
Dow Chemical Company	Methand, sodium hydrox	1,956,000			
Eaton Manufacturing Co.	Truck axles	6,364,462			
Field N. R.	Low cost housing	2,000,000			
" "	" " "	1,200,000			
Ford Motor Company	Automotive vehicles	14,000,000			
" " "	" "	55,200,000			
General Electric Corp. (II)	Locomotive overhaul facility	1,000,000	1,000,000		
" " " (III)	" " "	900,000	900,000		
* " " " (III)	" " "	1,165,000	1,165,000		
" " " (VI)	Mfg. electrical equip.	1,408,000			
* " " "	" " "	800,000			
General Signal Company	RR signaling/safety devices	134,160			
General Tire & Rubber Co.	Polyvinyl chloride plastic	150,000			
Goodyear Tire & Rubber Co.	Polyester resin	1,500,000			
Hooker Chemical Corp.	Plastics and phenol	539,989			
" " "	" "	512,181			
" " "	Synthetic phenol	2,000,000			
Hi Life Packing Co.	Slaughter, freeze horsemeat	170,000			
" " " "	" " "	86,515			
IBM World Trade Corp.	Business machines	13,000,000	13,000,000		
" " " "	" " (expansion)	5,000,000			
International Packers Ltd.	Meat/vegetable packing	12,990,000	12,300,000		
Johnson Bronze Internat'l	Bearings/bushings	240,000			
Kaiser Aluminum & Chem. Corp.	Aluminum fabricating	1,380,000			
Lockheed Aircraft Int.	Auto Accessories/components	520,000			
Malan Construction Corp.	Engineering/construction	2,000,000			
National Distillers & Chem. Co.	Tire valves auto accessories	607,122			
Otis Elevator Co.	Elevators/escalators	422,000			
PASA PROJECT					
American Life Insurance	Petrochemicals	251,669			
Anaconda Wire & Cable	"	153,640	124,200		
Beckman Instrument, Inc.	"	100,100)	78,624)	78,624)	
" " "	"	20,340-A)	16,740-A)	16,740-A)	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Argentina (Continued)					
PASA PROJECT (Cont'd)					
Carrier International	Petrochemicals	$ 552,500	$ 459,000	$ 342,886	$
Chase International (CIIC)	"	5,201,181			
Chemical International (CIF)	"	838,901			
Chemetron Corporation	"	265,880	265,880	97,768	
Chicago Bridge & Iron Co.	"	1,890,000	1,522,800	1,190,000	
Cities Service Company	"	8,980,000	8,980,000	8,980,000	
" " "	"	1,920,351	1,454,384	1,381,665	
" " "	"	6,579,000	4,855,700	3,840,000	
" " "	"	877,002-A	877,002-A	833,152-A	
" " "	"	988,899-A	988,900-A	939,454-A	
" " "	"	1,001,640-A	1,001,640-A	951,557-A	
" " "	"	989,757-A	989,757-A	940,269-A	
Continental Oil Company	"	8,980,000	8,980,000	8,980,000	
" " "	"	1,920,351	1,454,384	1,381,665	
" " "	"	6,579,000	4,855,700	3,840,000	
" " "	"	877,002-A	877,002-A	833,152-A	
" " "	"	988,899-A	988,900-A	939,454-A	
" " "	"	1,001,640-A	1,001,640-A	951,557-A	
" " "	"	989,757-A	989,757-A	940,269-A	
Crosby Valve & Gage Company	"	190,000	161,000	127,000	
Crouse-Hinds Company	"	149,500	124,200		
Darling Valve & Mfg. Co.	"	55,250	45,900	35,700	
Dresser Industries, Inc.	"	2,584,000)	2,052,000)	1,500,000	
" " "	"	-259,000-A)	-216,000-A)		
Eli Wishnick Foundation	"	167,781			
Empresas Electricas Argentinas	"	1,677,800			
Fairbanks, Morse & Co.	"	36,400	30,240		
Fisher Scientific Co.	"	235,000	181,900	175,000	
Fish Inter-America, Inc.	"	5,200,000	5,200,000	5,200,000	
" " " "	"	4,111,800	3,034,800	2,400,000	
Fish Internat'l Constructors, Inc.	"	2,528,219	2,013,688	1,560,827	
" " " "	"	1,637,500			1,025,000
Foster Wheeler Corp.	"	130,000	103,680		
Fuller-Austin Insula Co.	"	450,000)	307,000)		
" " "	"	330,000-A)	245,000-A)		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Argentina (Continued)					
PASA PROJECT (Cont'd)					
J. P. Harle Forwarding Co.	Petrochemicals	$ 20,000	$ 20,000	$	$
Harle Shipping Co.	"	88,000	88,000		
Harle Profit Sharing Tr.	"	42,000	42,000		
Honeywell, Inc.	"	945,120	755,440		
Keystone Custodian Funds, Inc.	"	671,120			
" " " "	"	671,120			
" " " "	"	1,360,000	1,040,000		
" " " "	"	1,360,000	1,040,000		
" " " "	"	1,768,000	1,350,000		
" " " "	"	680,000	520,000		
Ladish Company	"	351,900	275,400	222,700	
Lazard Freres	"	1,887,524			
Levy, Janet W.	"	167,781			
Metropolitan Life Ins. Co.	"	35,485,315			23,066,875
Morgan Gty, Int'l Fin. Corp.	"	838,901			
Morgan Guaranty Trust Co.	"	25,684,281	20,022,640	15,374,834	
Philadelphia Gear Corp.	"	227,500	189,000		
Philadelphia Int'l (FIIC)	"	838,901			
Reid-Holden Eng. Inc.	"	875,000)	700,000)	654,500	
" " " "	"	123,000-A)	100,000-A)		
Rex Chainbelt, Inc.	"	165,750)	137,700)	117,000)	
" " "	"	71,770-A)	59,670-A)	49,000-A)	
Pittsburgh-DesMoines Steel Co.	"	1,936,742	1,713,600		
Rockwell Manufacturing Co.	"	1,222,980	1,000,620		
Samuel Moore & Co.	"	85,000	68,850	55,781	
Struthers Scientific & Int'l Co.	"	603,166	498,889	425,603	
Transoceanic-AOFC Ltd. Corp.	"	838,901			
Underwriters Bank, Inc.	"	335,560			
U. S. Rubber Company	"	8,980,000	8,980,000	8,980,000	
" " "	"	1,920,351	1,454,384	1,381,665	
" " "	"	6,579,000	4,855,700	3,840,000	
" " "	"	877,002-A	877,002-A	833,152-A	
" " "	"	600,000			
" " "	"	988,899-A	988,899-A	939,454-A	
" " "	"	1,001,640-A	1,001,640-A	951,557-A	
" " "	"	989,757-A	989,757-A	940,269-A	

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INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Argentina (Continued)					
PASA (Cont'd)					
Westinghouse Elect. Int'l Corp.	Petrochemicals	$ 11,366,750	$ 9,137,500	$	$
Witco Chemical Co., Inc.	"	4,860,000	4,860,000	4,860,000	
" " " "	"	1,038,946	786,849	747,507	
" " " "	"	3,563,600	2,630,200	2,080,000	
" " " "	"	473,583-A	473,583-A	449,904-A	
" " " "	"	534,006-A	534,005-A	507,306-A	
" " " "	"	540,885-A	540,886-A	513,841	
" " " "	"	534,469-A	534,469-A	507,745-A	
Witco Foundation	"	167,781			
Ralston Purina Company	Animal and poultry feeds	1,900,000			
Ramsey Corporation	Piston rings, other parts	524,984	524,984		
" "	" " " "	338,000			
Reynolds International, Inc.	Steel bars, wire mesh	650,000	600,000		
* Russell, Burdsall & Ward Bolt and Nut. Co.	Mf./sale of special products for automotive farm vehicles	400,000			
Tenneco Chemicals	Nuodex products license	100,000			
Thompson Ramo Wooldridge	Engine valves, parts	1,675,428	1,675,428		
" " "	Tie rod mfg.	203,800			
" " "	" " "	263,000			
" " "	Engine valves, parts	190,000			
* TRW, Inc.	Mfg./sale auto parts	556,000			
United Merchants & Mfr'rs. Inc.	Integrated textile plant	4,000,000			
U. S. Rubber Overseas, Inc.	Petrochemicals for rubber	6,500,000	4,000,000		
" " " "	" " "	300,000			
Valley Evaporating Co.	Evaporated applies		300,000		
Wagner Electric Corp.	Brake systems/fluid/prts.	147,468	147,468	73,734	
Wallace Chicks, Inc.	Breeding layer-type chicks	30,000	30,000		
Wallace Hatcheries, Inc.	" " "	20,000	20,000		
Westinghouse Electric	Electrical equipment		1,500,000		
* Wheelabrator Corp.	Mf./sell airblast equip., abrasives & repairs	80,000 100,100			
		$418,522,619	$184,437,982	$ 92,962,291	$ 24,091,875
	TOTALS (288) $720,014,767				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Bolivia					
*Allied Metal & Iron Corp.	Financing local mining enterprises	$ 200,000	$ 200,000	$	$
Andes Oil Company	Oil exploration & drilling		300,000		
Andes, Sohio & Hancock	" " "		2,000,000		
Arkel Engineering	Sugar	50,000	50,000		
Baker Oil Tools, Inc.	Oil drilling equip./services	8,500	8,500		
Bank of America	Commerical dev./savings bank	1,225,000	1,225,000	500,000	
*Bank of America N.T.&S. Ass'n	Banking facilities	1,000,000	1,000,000	250,000	
Big Chief Internat'l Corp.	Oil exploration & drilling	500,000	2,000,000		
" " " "	" " "		2,000,000		
Chaco Petroleum (Union Pet. Boliviana, S.A.; Monsanto Bolivia Inc., Murphy Oil de Bolivia, S.A.)	" " "		10,000,000		
Chase International Investment Corp.	Placer mine	666,660	666,660	427,869	
	" "	865,782	713,332	593,283	
* " " "	Mining/production/sale of tin	114,346			95,586
Constructora Jones y Associados	Road construction	1,000,000			7,000,000
Cuna Mutual Insurance Soc.	Credit union	84,000	42,000		
First National City Bank	Branch bank	1,000,000	1,000,000		
*First National City Overseas Corp.	Mining/export tin, silver and other minerals	750,000			750,000
*Engelhard Minerals and Chem.	Mina Matilda zinc mines	3,280,000	3,280,000	2,278,000	
Glick, Philip	Sugar	20,000	20,000		
W. R. Grace & Co.	Tin placer mine	5,364,000	5,364,000	2,549,040	
" " "	Tin & tungsten mine	457,600			457,600
* " " "	" " "	347,730	305,520	233,590	
" " "	Expand cement plant	224,498			224,498
* " " "	Distrbg. cement at La Paz	824,292			824,292
Harvest Queen Mill & Elevator Company	Tin concentrate production	795,500			500,000
Horvath Trading Co.	Housing	224,998	224,988		
Int'l Metal Processing Corp.	Tin concentrate	500,000			500,000
J. A. Jones	Corani hydroelectric plant	750,000	750,000		
Lockheed Aircraft Int'l	Tin placer mining	666,660	666,660	427,869	
" " "	" " "	865,782	713,332	593,283	
* " " "	Mining produc. & sale of tin	114,346			95,586
Meier, Oscar W.	Sugar	26,200	26,200		
Minerals and Chem. Div. Philipp Corp.	Zinc ore exploitation and marketing	8,280,000 3,280,000	8,280,000 3,280,000	4,435,000 2,278,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Bolivia (Continued)					
Nemir, A.S.	Sugar	$ 16,675	$ 16,675	$	$
Pan Geo Atlas Corporation	Oil well services		51,344		
" " " "	" " "		84,957		
Parker Drilling Company	Oil drilling		1,000,000		
Riley, Orlyn E.	Tire retreading plant	60,000	60,000	14,500	
Roscoe Moss Company	Ground water development	220,000			220,000
Smith, Dudley	Sugar	26,200	26,200		
Sonoma Quicksilver Mines	Tungsten mining	300,000	300,000		
South American Placers, Inc.	Gold dredging		3,000,000		
United States Steel Corp.	Tin placer mining	666,600	666,600	427,860	
" " " "	" " "	865,782	713,332	593,283	
* " " " "	Mining/prod./sale of tin (Estatsa S.A.)	126,846	95,586	67,962	
" " " "	Zinc ore exploitation	8,280,000	8,280,000	4,435,000	
" " " "	and marketing	3,280,000	3,280,000	2,278,000	
* " " " "	Mina Matilda zinc mines	3,280,000	3,280,000	2,278,000	
		$ 49,876,057	$ 64,970,956	$ 24,660,548	$ 10,685,562
	TOTALS (107) $150,193,123				
Botswana					
Botswana RST Ltd. & American Metals Climax	Dev. of minerals -- nickle and copper				2,185,518
					$ 2,185,518
	TOTALS (1) $2,185,518				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Brazil					
Abex Corporation	Cartridge & motor support bearings	$ 150,000	$	$	$
* Aeroquip, A.G.	Hose & hose fitting plant	500,000			
" "	" " " "	500,000	1,000,000		
Allis Chalmers Company	Cement grinding	650,000			650,000
Aluminum Co. of America	Prod. alumina/aluminum	13,680,000			13,680,000
" " "	" " "	6,755,000			
American Can Company	Plastic, paper & metal containers	540,000			540,000
American Mach. & Foundry Company	Automatic machine for cigarette industry	3,000,000			3,000,000
* B. F. Goodrich	Expansion of tire plant	432,000			432,000
* Borden Company	110 metric ton methanol plant	6,425,000	6,425,000		
Brinks Incorporated	Armoured car service	250,000			266,000
" "	" " "				344,000-A
Burroughs Intern'l Co.	Business machines	5,400,000	5,240,000	3,340,000	
" " "	" "	330,000	330,000	330,000	
* " " "	Assembly/sale of electronics components for computers			6,800,000	
* Chase Manhattan Bank	Mining/prod. & sale of alumina and aluminum	4,500,000			4,500,000
Corning Glass Works	Glass TV bulbs	6,192,000			6,192,000
" " "	" " "	6,600,000			6,600,000
DHJ Industries, Inc.	Interlining products	90,000			90,000
" " "	" "	17,820			17,820
* Firestone Tire & Rubber Co.	Mf./sale tires & tubes	8,400,000			8,400,000
* First National Bank of Boston	Tires, tubes & other rubber	1,006,200			1,006,200
First National City Bank	Steel mill	362,015			
* " " " "	Steel casting plant	1,500,000	1,500,000		
* " " " "	Mining/prod. & sale of alumina and aluminum	6,500,000			6,500,000
Ford Motor Company	Mfg. passenger cars	8,770,000	8,770,000	8,700,000	
Georgia Pacific Invest. Co.	Plywoods, veneers, etc.	6,000,000			6,000,000
* W. R. Grace & Co.	Phtalic anhydride & plasticizer	3,992,502			3,992,502
* " " " "	Prod. of plastic pipe, bottles, tubes & packing materials	1,121,532			1,121,532
Hanna Mining Company	Prod. alumina/aluminum	6,424,000			6,424,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Brazil (Continued)					
Hertz Intern'l Ltd.	Car rental service	$ 2,000,000	$	$	$ 1,200,000
Internat'l Flavors & Fragrances, Inc.	Flavoring/aromatic chem.	632,000			530,000
Kimber Farms, Inc.	Poultry breeding	54,000	54,000		
Martin Marietta Corp.	Mf. of dye	307,038			307,038
Morgan Gty Int'l Finance Corp.	Investment/develop. bank	904,000	904,000		
* Morgan Guaranty Trust Co.	Produce tire, tubes & rubber	467,667	467,667		
Olin Mathieson Chem. Corp.	Paper plant	1,953,000	1,953,000	1,953,000	
Phillips Invest. Co. (Quimica)	Petrochemicals/fertilizer	18,476,563	18,476,563		
" " " (Amazon)	" "	4,000,000	4,000,000		
" " " (Cotil)	" "	3,765,000			3,990,000
" " "	Carbon black	2,292,792	2,292,792		
Phillips Petroleum Co.	Petrochem./fertil. complex	5,917,000	6,109,300		
* Pittsburgh Steel Company	Mill for specialty steel strip & tire bread wire	2,400,000			2,400,000
Ralston Purina Co.	Animal & poultry feeds	400,000			
Ralston Purina de Panama S.A.	Animal & poultry feeds	1,097,000			1,097,000
* Schering Corporation	Mfg./promoting drugs	1,740,000	1,740,000	500,000	
* " "	" " "	1,250,000	1,250,000		
Shulton of Canada, Inc.	Cosmetics/toilet articles	145,500	106,500		
Standard Pressed Steel Co.	Mf. indus./automotive fasteners	1,050,000	1,050,000	525,000	
TRW, Inc.	Automotive steering gears	3,200,000			3,200,000
" "	" " "	800,000			
Union Carbide Corp.	Polyethylene/olefins/vinyl chloride	15,000,000	15,000,000	15,000,000	
U. S. Steel Int'l. Inc.	Metal heat treatment plant	553,100	553,100	553,100	
Xerox Corporation	Graphic reproduction service and equip.	1,960,000			1,960,000
" "	" " "	5,225,000			
" "	" " "	2,400,000			2,400,000
		$178,077,729	$ 77,221,922	$ 37,771,100	$ 86,830,092
	TOTALS (111) $379,900,843				
Br. Honduras					
* Sydney Abrams, et al	Raise & sell fermented and dried cocoa beans				$ 400,000
	TOTALS (1) $400,000				$ 400,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Cameroun					
* Bankers Internat'l Corp.	Estab. a commercial bank	$ 170,000	$	$	$ 170,000
* Gorton Corporation	Catching/processing & freezing seafood	700,000			700,000
		$ 870,000			$ 870,000
	TOTALS (4) $1,740,000				
Ceylon					
The Singer Company	Sewing machines	840,000			840,000
* " " "	Absorb-type coolers	336,000			336,000
* Union Carbide Corp.	Mfg. of dry cell batteries	744,000			744,000
* " " "	" " " " "	190,000			
		$ 2,110,000			$ 1,920,000
	TOTALS (7) $4,030,000				
Chile					
Alliance Industrial Development Corp.	Fish meal & fish oil	144,000	144,000	72,000	
* American Broadcasting Co. Inc.	Estab./opera. of TV program production Co.	199,792	199,792	199,792	
The Anaconda Co.	Copper mining	51,400,000			51,400,000
Bank of America	Pulp and paper plant	10,278,000			10,278,000
Bethlehem Chile Iron Mines Co.	Iron ore mining-El Romeral	20,000,000			20,000,000
Boyles Bros. Drilling	Drilling core sampling-copper and other minerals	750,000	750,000		
Braden Copper Co.	Copper mining	97,986,000	84,600,000		
Butler Manufacturing Co.	Grain storage structures	220,000	220,000	100,000	
Cerro Corp.	Copper-ore mining	18,405,000			14,201,000
The Chile Copper Co.	Copper mining/developing	11,225,000			11,225,000
" " " "	Exotica & Chuquicamata	22,500,000			22,500,000
" " " "	" " "	184,000,000			184,000,000
Continental Copper & Steel Industries, Inc.	Copper mining/processing	25,034,000			25,034,000
Crown Zellerbach	Tabulating cards	1,150,000	1,150,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Chile (Continued)					
Crown Zellerbach	Paperboard	$ 784,181	$ 650,000	$	$
Dow Quimica Chilena S.A.	Petrochemicals	2,857,140			1,660,000
Dow Chemical A.G.	"	4,615,625			
" " "	"	13,142,850			8,000,000
Dresser Europe S.A.	Refractories production	5,388,537			3,470,013
Ensign-Bickford Co.	Mf. detonating cord	500,000	500,000		
" " "	" " "	135,000	135,000		
Firestone Tire & Rubber Co.	Tire plant	11,070,000			11,070,000
" " "	" " (Royalties)	12,000,000			
First National City Bank	Branch bank		1,000,000		
Ford Motor Co.	Car, truck assembly	1,743,000			1,743,000
Grace National Bank of N.Y.	Fishmeal/marine products	655,782			
W. R. Grace & Co.	Petroleum storage	847,000	847,000	150,000	
" " "	Plant to produce resins	528,000			528,000
Int'l Chemical Fibers	Polyester staple fibers	1,100,000	924,000	880,000	
" " "	" " "	240,000	240,000	240,000	
" " "	" " " (additional)	295,750	273,000	273,000	
Int'l. Tel & Tel Sud Amer.	Telephone system	49,058,000	49,058,000	2,000,000	
" " " " "	" "	46,691,000	29,834,000	2,000,000	
" " " " "	" "	81,684,000	81,684,000		
Int'l. Tel. & Tel. Corp.	" "	15,600,000	15,600,000		
Johns-Mansville Corp.	Asbestos cement sheet/tile	232,000	232,000	116,000	
Koppers Company, Inc.	Blast furnace	5,109,000	4,401,600		
" " "	" "	1,391,000			
Marco Chilena, Inc.	Shipyd. for fishing vessels	780,000			
Marine Construction & Design Co.	" " " "	868,000	868,000	868,000	
Northwest International Bk.	Fishmeal/marine products	826,000	742,000	742,000	
Pan-Alliance Corporation	Fishmeal/oil	635,000	635,000	317,000	
Parsons & Whittemore, Inc.	Lumber & sawmill	500,000	500,000	500,000	
* Parsons & Whittemore - Lyddon, Limited	Bleached draft pulp mill in Arauco	7,251,000			7,251,000
* Parson & Whittemore - Pan American S.A.	" " " " "	2,900,000			2,900,000
Pet, Inc.	Refrigeration equip. mf.	470,000			470,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Chile (Continued)					
Pfizer Corporation	Fishing boats, fishmeal & oil	$ 2,942,000	$ 2,249,000	$ 1,500,000	$
" "	" " " "	2,000,000	2,000,000	1,000,000	
Ralston Purina de Panama	Poultry raising and animal	300,000	600,000	300,000	
" " " "	feed mill	600,000	1,000,000	300,000	
" " " "	" " " "	1,000,000	1,180,000	450,000	
" " " "	" " " "	1,180,000			
Rockwell Standard Corp.	Mf. leaf & coil suspension	325,000			325,000
" " "	springs	1,000,000			
Schmidt, Peter F. Jr.	Shipyd. for fishing vessels	122,000			
E. R. Squibb & Sons	Mf./distrib. pharmaceutics	25,000	50,000		
" " "	Branch plant	500,000			500,000
Simpson Timber Co.	Logging & sawmill operation	800,000	800,000		
*Wigley, W. David	Citrus nursery	70,000			70,000
		$724,053,657	$283,066,392	$ 12,007,792	$376,625,013
	TOTALS (128) $1,395,752,854				
China, Republic of					
Admiral Corp.	Electronic products	$ 1,499,700	$	$	$ 1,499,700
" "	" "	3,241,000			2,553,512
Allied Chemical Corp.	Ammonia, urea	8,960,000	8,400,000	6,500,000	
" " "	Fertilizer	1,750,000	1,750,000		
" " "	"	1,400,000			
American Cyanamid Co.	Drugs & animal feed		700,000	550,000	
Argonaut Products Corp.	Boat bldg. & glass products	125,000	250,000	125,000	
A.S.H. Industries, Inc.	Fishing tackle plant	435,500			435,500
Atlas Chemical Industries, Inc.	Commercial explosives	382,500	382,500	200,000	
" " " "	" "	183,600	183,600	100,000	
" " " "	" "	500,000			
Bankers Intern'l. Corp.	Development bank	600,000	600,000		
Chemtex, Inc.	Polyester staple fiber and	600,000	600,000	600,000	
" "	viscose rayon	266,546			266,546
* " "	Mfg. of nylon fiber	600,000	600,000	600,000	
Cimco Investment	Resort Hotel	50,000	50,000	50,000	
* Morrison-Shults Mfg. Company	Assembly of men's/boy's leather	17,000			17,000
* " " " "	dress gloves	8,837			8,837

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
China, Republic of (Continued)					
Cornell Dubilier Electronics	Electronics products	$ 830,000	$	$	$ 830,000
Corp.	" "	235,600			235,600
* " " "	" "	114,400			114,400
Eli Lilly and Company	Pharmaceuticals	800,000			800,000
* Fidelity Internat'l Corp.	Mfg. of nylon	250,000	250,000	250,000	
* First National City Bank	Commercial branch	810,902	821,804	100,000	
General Instruments Corp.	Electronic components, etc.	300,000	300,000	300,000	
" " "	" " "	20,000	20,000	10,000	
" " "	" " "	100,000	100,000	100,000	
" " "	" " "	180,000	180,000	90,000	
" " "	" " "	300,000	300,000		
" " "	" " "	8,580,000			8,580,000
* " " "	" " "				7,000,000
General Micro-Electronics, Inc.	Micro-electronic devices/	1,310,000	1,310,000	996,000	
" " "	circuits	50,000	50,000	40,000	
Heller, Bernie	Kiln-dry timber/mfg. wooden	80,000	80,000	80,000	
" "	articles	50,000	50,000	50,000	
Internat'l Dairy Eng. Co.	Recombined dairy products	120,000	120,000		
of Asia, Inc.	" " "	875,000			
* Internat'l Electronics Corp.	Electrolytric capacitors	80,000			80,000
Internat'l Engineers Federal,	Coke oven	200,000	200,000		
Inc.	Polyethlyene bags	62,500	62,500		
" " "	" "	125,000	125,000	125,000	
Mattel, Inc.	Mf. toy dolls/components	455,000			455,000
McPherson, John D.	Resort hotel	25,000			25,000
Mobil Investments, S.A.	Commercial fertilizer	700,000	700,000	700,000	
Morgan Gty. Internat'l Bkg Corp.	Financing for private inv.	400,000	400,000		
National Distillers & Chem.	Low-density polyethylene	7,388,000	7,388,000	3,694,000	
Corp.	" "	4,612,000-A)	4,612,000-A)	4,612,000-A)	
" " "	" "	5,423,000-A)	5,423,000-A)	5,423,000-A)	
Philco Corporation	Radio and TV receivers	14,900,000	14,900,000	8,200,000	
Pittsburgh Plate Glass	Sheet Glass	2,000,000			
Procter and Gamble A.G.	Detergents	740,000	1,080,000	800,000	
" " "	"		620,000	620,000	
R. C. A. Internat'l Ltd.	Mf. of memory prods.	3,500,000	3,500,000	2,500,000	
* Renrall Ltd.	Confectioneries	424,800			428,800
* " "	"	479,950			479,950

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
China, Republic of (Continued)					
Singer Company	Sewing machines	$ 400,000	$	$ 300,000	$
Socony Mobil Oil Co.	Ammonia, urea, fertilizer	8,400,000	8,400,000	7,000,000	
Squibb Mathieson Int'l Corp.	Dry cell batteries	500,000	500,000	500,000	
T.I.M. Corp.	Viscose rayon	100,000	100,000	100,000	
TRW, Inc.	Electronic components	3,400,000	3,200,000	2,242,000	
" "	" "	2,067,000			
Von Kohorn Internat'l Corp.	Rayon	500,000	400,000		
" " " "	"	559,242	559,241	72,000	
" " " "	"	72,000	100,000		
" " " "	"	24,000	6,000		
Westinghouse Elec. Internt'l	Electric generator equip.	2,140,320	1,881,600		
World Homes, Inc.	Low cost housing	255,000	255,000		
World Tableware Corp.	Mf. table flatware	1,490,000			1,490,000
		$ 97,048,397	$ 71,510,245	$ 47,929,000	$ 25,295,845
	TOTALS (161) $241,783,487				
Colombia					
Air Carrier Service Corp.	Aircraft, parts	$ 840,000	$	$	$
American Standard, Inc.	Vitreous China Sanitaryware		750,000		
" " " "	" " "	370,000			370,000
* " " " "	" " "	286,000			
American Sterilizer Co.	Hospital sterilizers/lamps/ tables	75,000			
" " "	"	127,736			127,736
" " "	" " "	62,000			62,000
W. R. Ames Company	Portable irrigation/agric. equip.	125,460	125,460	92,000	
Archer Daniels Midland Co.	Synthetic resins/paints, inks	104,000	104,000		
Bass, George S.	Production, processing, marketing of eggs	191,483	191,483		
Barnes Mfg. Company	Water pumps	91,364	91,364	48,000	
" " "	" "	10,318	10,318	10,000	
Berol Pen Company	Pens & pencils	445,000	890,000	459,000	
Cabot Corporation	Carbon black	3,000,000	3,000,000	3,000,000	
" "	" "	874,500	874,500	874,500	
" "	" "	750,000	750,000	750,000	
" "	" "	1,000,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Colombia (Continued)					
* Capehart, Randolph & Hughes, Ltd.	Produc. of edible oils	$ 170,000	$	$	$ 170,000
Celanese Corp. of America	Mf. polyester type yarn	838,600	838,600	419,300	
Cemac Development Corp.	Fertilizer plant	400,000			400,000
Chevron Transport Corp.	10" pipeline & terminal fac.		11,000,000		
" " "	8" " " "		2,700,000		
Cities & Southern Internat'l Corp.	Development banking	37,500	37,500		
	" "	393,132	393,132		
Compania Frutera de Sevilla (United Fruit)	Banana operation		1,234,400		
	" "		1,160,500		
Company for Investing Abroad	Financing--loans	200,000	200,000		
Constructora Emkay S.A. (Morrison/Knudsen)	Colegio Tunnel	400,000	2,000,000		
Container Corp. of America	Paperboard mf.	1,402,806	1,402,806	701,403	
" " "	" "	1,438,659	1,438,659	185,786	
" " "	" "	915,430	915,430	732,000	
" " "	" "	300,727	300,727	240,000	
Continental Can Company	Paper mill	825,000	825,000	825,000	
" " "	" "		2,000,000	1,200,000	
Continental Internat'l Fin. Corp.	Fin. for private enterprise		505,000		
Diamond Alkali Company	PVC plant	773,000	773,000	470,000	
" " "	" "	360,000			
" " "	" "	419,052	419,052		
Dow Chemical N.V.	High-pressure polyethylene	4,000,000			3,000,000
" " "	plant " " (Fees)	2,550,000			
* " " "	Polystyrene plant	2,400,143			2,400,143
* " " "	" "	1,516,308			1,516,308
DWG Cigar Corporation	Processing leaf tobacco	100,000	100,000	100,000	
" " "	" " "	147,500	147,500	75,000	
" " "	" " "	403,000	403,000	200,000	
Emery-Colombia, Inc.	Soap, waxes, paints	330,000	330,000	330,000	
Emery Industries	" " "	330,000	330,000	330,000	
" "	" " "	170,000	170,000	170,000	
First Nat'l Bank of Boston	Fin. for private enterprise	364,800			
First Nat'l City Bank	Branch commercial bank	1,140,000	1,140,000	500,000	
First Penn. Overseas Fin. Corp.	Invest./development banking	500,000	500,000		
Garcia Commercial, Inc.	Low cost housing	500,000	500,000	432,500	
" " "	" " "	40,000	40,000	40,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Colombia (Continued)					
General Electric Company	Electrical appliances	$ 1,974,000	$ 1,974,000	$ 2,477,000	
" " "	" "	2,900,000	2,000,000	2,774,000	
" " "	" "	2,082,000	2,082,000	1,220,000	
Gen. Tel. & Electronics International, Inc.	Fluorescent lamps	715,000	715,000	400,000	
	" "		400,000	210,000	
* W. R. Grace & Company	Methanol tank terminal	309,318			309,318
" " "	Mf. paper & pulp	11,764,000	11,764,000	10,034,000	
" " "	" " "	1,837,000	1,800,000		
" " "	" " " (additional)	6,680,000			6,680,000
" " "	Anhydride plastics, chemicals	265,152	265,152	350,692	
" " "	Molding resin/formaldehyde	1,801,080	1,801,080	1,178,067	
" " "	Canning vegetables, & fruits	302,618			302,618
" " "	Biscuits, cookies & candy	1,443,632			1,443,632
Goodyear Tire & Rubber Co.	Auto tires	558,120	279,060	279,060	
Harshaw Chemical Company	Commercial farming	400,000	200,000	200,000	
* Hawaiian Agronomics	Farming/agri. dev. & exp.	200,000			200,000
H.R.H. Construction Corp.	Low cost housing	250,000	250,000	216,250	
" " "	" " "	20,000	20,000	20,000	
Hertz Am. Express Int'l Ltd.	Auto rental	225,000	225,000	150,000	
" " " " "	" "	100,000	100,000	100,000	
IBM World Trade Corp.	IBM machines/equip	4,280,000	4,280,000		
International Paper Co.	Mfr. paper & pulp	11,764,000	11,764,000	10,034,000	
" " "	" " "	1,757,000	1,720,000		
" " "	" " "(additional)	6,680,000			6,620,000
Kohnstamm, H. & Company	Flavors, color compounds	80,000	80,000	80,000	
Listerhill Employee's Credit Union	Credit union promotion	24,386	21,182		
Manufacturers Hanover Int'l Banking Corp.	Banking	788,000	788,000		
Overseas Products Corp. of Monrovia	Electronic/tabulating equip.	229,760	229,760		
Owens-Corning Fiberglass Corp.	Thermal insulating products	1,036,000	1,036,000	725,200	
Pennzoil del Caribe C.A.	Lube oil-blending/canning/mktg.	150,000	150,000	150,000	
" " " "	" " " "	970,000	530,500	375,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Colombia (Continued)					
Phelps-Dodge Corp.	Electric wire/cable/copper rod products	$ 828,402	$	$	$ 828,402
" " "		93,384			93,384
Ramirez de Arellano & Torregrosa	Low cost housing	250,000	250,000	216,250	
" " "	" " "	20,000	20,000	20,000	
Raybestos Manhattan, Inc.	Mfg. friction products	50,000	50,000		
Rexach Construction Co.	Low cost housing	1,000,000	1,000,000	865,000	
" " "	" " "	80,000	80,000	80,000	
Rodic Chemical & Rubber Corp.	Electronic/tabulating equip.	116,116	116,116		
Schering Corp.	Expansion of pharmaceutical facilities	259,592			259,592
Sonoco de Mexico, S.A.	Mf. & sale of paper cones	314,502			312,502
* South American Sportsman's Development Corp.	Establ./opera. resort hotel	1,500,000			1,500,000
Sperry Rand Corp.	Electronic/tabulating equip.	65,814	65,814		
Texas Petroleum Co.	Lube oil blending	2,086,000	2,086,000	1,686,000	
" " "	Terminal warehouse		340,000	340,000	
Wagner Elec. Corp.	Brake systems	131,000	131,000	131,000	
		$100,239,594	$ 88,394,895	$ 46,496,008	$ 26,537,635
	TOTALS (233) $261,668,132				
Congo (Kinshasha)					
Intercontinental Hotels Corp.	Grands Hotel de Congo	$ 280,313	$	$	$ 210,000
Pluswood Industries	Lumber processing	100,000)	100,000)		
" "	" "	75,000-A	75,000-A		
" "	" "	300,000	300,000		
		$ 755,313	$ 475,000		$ 210,000
	TOTALS (8) $1,440,313				
Costa Rica					
Amer. Brdctg. Companies Inc.	T. V. station	$ 105,000	$ 105,000	$	$
" " " "	" "	31,250	26,250		
" " " "	" "	28,125	23,625		
" " " "	" "	12,500	10,500		
" " " "	" "	9,555	7,791		
" " " "	" "	96,095	96,095		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Costa Rica (Continued)					
*Bank of America N.T. & S.A.	Commercial banking	$ 1,000,000	$ 300,000	$	$
* " " " "	" "	1,500,000	1,500,000		
*Chase International Invest. Corp.	Produc./distrib. rice	1,200,000	1,200,000		
Chemway Corporation	Mf. drugs/comestics	58,500	58,500		
*Childs, Sheldon M.	Mf./sell water pumps	80,000			
Clark Equipment, Company	Refrigeration equip. mfg.	100,000	100,000		
Compania Bananera of Costa Rica	Banana operation		2,664,700		
(United Fruit) " "	" "		3,715,800		
Continental Can Company	Mf. corrugated boxes	640,000	640,000		
*Costa Rican Farms, Inc.	Mechanized agric. opera.		600,000		
Crescent Corest Company	Ladies undergarments	36,400	36,400		
*Fehr, Robert O. & Edith B.	Mf. & sale centrifugal pump	40,000			
Firestone Tire & Rubber Co.	Tire/tubes mfg.	900,000			
" " " "	" " "	6,800,000	6,800,000		
" " " "	" " " (R)	4,460,000	2,260,000		
" " " "	" " " (additional)	2,260,000	900,000		
First National City Bank	Cement plant	392,000	392,000		
Overseas Corporation	" "	591,000	591,000		
Florida First National Bank at Key West	Highway construction				1,200,000
*Gaines, Thomas A.	Mf./sell water pumps	60,000			
Gen. Tel. & Electronics Export Corp.	Fluorescent lamps	315,000	315,000		
Glidden International C.A.	Paint products	362,000	362,000		
" " "	" processes	250,000			
Grace, W. R. & Co.	Candy plant expansion	308,000	308,000		
*F. B. Harbour, S.R. Harbour & R. F. Hopkins	Cultivating land & raising crops and cattle	200,400	200,400		
*Hudson Pulp & Paper Corp.	Expand product./sale of paper	432,000	432,000		
* " " " "	house-hold products.	500,000	500,000		
Kaiser "JEEP" Company	Assembly of Jeeps	156,080	156,080		
Johns-Manville Corp.	Asbestos cement products	90,000	90,000		
" " "	" " "	79,200	79,200		
Merck Sharp & Dohme (I.A.)	Mf. pharmaceuticals/animal health products	2,080,000	2,080,000		
National Blank Book	School supplies	43,622	43,622		
" " "	" "	10,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Costa Rica (Continued)					
* Pfizer Corporation	Mf./sale pharmaceutical &	$ 642,500	$ 530,000	$	$
* " "	veterinary products	600,000	610,000		
* Schiff, David T.	Mf./sell water pumps	80,000			
Standard Fruit Company	Banana operation		700,000		
" " "	" "		2,100,000		
St. Regis Paper Company	Dry yeast production	10,000	10,000		
Union Carbide Corporation	Dry cell batteries	1,127,500	1,127,500		
W. G. Belcher Lumber Company	Timber business	165,709	156,535		
		$ 28,122,436	$ 31,917,998		$ 1,200,000
	TOTALS (83) $61,240,434				
Cyprus					
Uniconsult, Inc. & Assoc.	Olive oil processing	$	$ 85,000	$ 85,000	$
	TOTALS (2) $170,000				
Dominican Republic					
* American Can Company	Can assembly plant	$	$	$	$ 642,000
* Bank of America N.T. & S.A.	Commercial banking	1,680,000	1,680,000	850,000	
* Central Aguirre Company	Agricultural development	817,500			817,500
The Central Aguirre Sugar Co. (CODDEA)	Land development; agric. products	250,000			250,000
" " " "	" " "	1,550,000			1,550,000
Central Ramano Corp.	Invertible molasses	800,000			800,000
" " "	" "	750,000	750,000	620,000	
Central Ramano By-Prod. Co.,Inc	Furfural	1,110,000			1,110,000
* Chase Manhattan Bank	Banking facilities	2,000,000	2,000,000	1,690,000	
Chase Manhattan Bank	Branches/International banking	500,000	500,000		
" " "	" " "		1,920,000		
" " "	Safety equip. for Br. Bank	1,260,000	930,000-A 1,260,000	8,000,000-A 1,260,000	
* City Wide Refrigeration	Reconditioning/selling elec. appliances				100,000
Compania Gen. De Inversions, S.A.	Lumbermill	80,000			80,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Dominican Republic					
*DeJunco & Crus Company	Estab. & opera. cattle ranch	$ 100,000	$	$	$ 100,000
First National City Bank	Commercial banking		1,200,000	180,000	
" " " "	" "			20,000,000-A)	
" " " "	" "	550,000	550,000	300,000	
*Hitt, Charles and	Single-unit family dwellings	100,000			100,000
* Zalduondo, Arthur	" " " "	620,000			620,000
Import & Export Corp.	Processing milk & by-products		60,000	60,000	
International Bank	Lumber mill	105,740			105,740
" "	" "	186,000			186,000
I. S. Joseph Co., Inc.	Storage tank-fats/oils	350,000	175,000		
Jaragua Inc.	Refurbishing hotel/motel	500,000			500,000
Nebraska Agricola Dominicana, Inc.	General farming of milo and vegetables	2,500,000	2,500,000	1,750,000	
Nebraska Consolidated Mills	" " " " "	1,500,000			1,500,000
" " "	" " " " "	(125,000)			(125,000)
" " "	" " " " "	(775,000)			(775,000)
*Rosenthal, Edward	Mf./sale of wood cabinets and furniture	100,000			100,000
Stokely-Van Camp, Inc.	Integrated food/veg. processing	350,000			350,000
* " " " "	" " " "	196,000			196,000
Thomas E. Quick	Lumber mill	5,540			5,540
" " "	" "	20,000			20,000
Tibbals-Crumley-Musson	Mortgage financing	16,000	16,000	8,000	
Tiefer, Richard	Raising/packing bananas	53,000	150,650	30,000	
Tocomo Corporation	Mortgage financing	185,000	160,000	150,000	
" "	" "	24,000	24,000	12,000	
Warner Lambert Pharm. Co.	Confectionary products	190,500	190,500	190,500	
" " " "	" "	194,000	194,000	194,000	
Western Hemisphere Enterprises, Inc.	Leasing autos, buses, trucks	200,000	200,000	100,000	
Willson International, Inc.	Hatchery/poultry farm	100,000	100,000		
Zachery Co. of Santo Domingo	Elec. power generating plant	200,000			695,146
		$ 19,593,280	$ 14,560,150	$ 35,394,500	$ 10,277,926

TOTALS (95) $79,825,856

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ecuador					
American Broadcasting Co. Inc.	T.V. Station	$ 30,086	$ 30,087	$ 30,087	
" " " "	" "	60,000	60,000	60,000	
" " " "	" "	175,933	175,934	175,933	
" " " "	" " (expansion)	118,132	118,132	118,132	
Bank of America	Tires and rubber	745,000	745,000		
" "	Palm kernel bearing trees	20,000	20,000	10,000	
*Bromley, John E.	Feeding cattle/raising maize	10,000			10,000
*Bromley, John R.	fiber plants/African Palm	5,000			5,000
" " "	" " " "	45,000			45,000
Chemoleum Int'l. Ltd.	Fertilizer	200,000	304,000	250,000	
" " "	"	100,000-A	152,000-A	125,000-A	
" " "	"	210,000	210,000	210,000	
Chem. Seal Corp.	Coating materials/sealants	310,000	310,000	100,000	
City Investing Company	Processing foods	450,000	450,000		
" " "	" "	520,000	520,000		
Co. for Investing Abroad	Development finance	200,000	200,000		
Continental Grain Co.	Grain processing plant	350,000	350,000	350,000	
" " "	" " "	800,000	800,000	800,000	
*Continental Internat'l Fin. Corp.	Financing private enterprise	160,000			160,000
*Continental Ill. Nat'l Bank	Private development financing	40,000	40,000		
CUNA Mutual Insurance Society	Branch Insurance office	80,000	80,000		
DelMonte de Puerto Rico, Inc.	Fish freezing; cold storage	2,655,000	2,655,000	1,600,000	
Estrella Blanca de Panama, S.A.	Tuna processing plant	487,500	487,500	487,500	
Dow Chemical N.V.	Parmaceuticals	4,353,804	4,353,804	1,500,000	
1554 Corporation d.b.a. The Mellinger Co.	Palm-kernel bearing trees	170,000	170,000	57,000	
First National City Bank	Commercial banking		280,584		
" " " "	Branch banking	200,000	200,000	200,000	
* " " " "	" "	1,840,000	920,000	920,000	
FMC Corporation	Growing pyrethrum for	165,200	165,200		
" "	insecticides	221,700	221,700		
General Tire & Rubber Co.	Tires and tubes	1,549,360	1,549,360		
*Georgia Pacific Internat'l,Corp.	Construct & operate a sawmill				2,300,000
*W. R. Grace and Company	Integrated pulp & paper mill	542,432			700,000
" " " "	Chemicals and paints	252,945			390,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ecuador (Continued)					
W. R. Grace and Company	Corrugated boxes	$ 106,774	$ 106,774	$	$
" " "	" "	860,216	860,216	860,216	
" " "	" "	354,000	336,000	336,000	
" " "	" "	151,900	141,600	141,600	
" " "	Wrapping & grocery bag paper	1,641,333			1,641,333
" " "	Ammonia storage terminal	2,996,000	1,668,700	1,172,000	
Hamilton, Warren E.	Agric. hand tools	50,000			
Indo-American Seafood Corp.	Processing & sale of seafoods	56,000	56,000	56,000	
International Paper Company	Corrugated boxes	966,990	966,990	966,990	
" " "	" "	354,000	336,000	336,000	
" " "	" "	151,900	141,600	141,600	
" " "	Mf. wrapping & grocery bag paper	490,000			448,000
" " "	" " " " "	1,151,333			1,151,333
* " " "	" " " " "	540,219			387,787
McLaughlin Gormley King Co.	Growing/extract pyrethrum	224,000			224,000
" " " "	Marketing insecticides	60,000	60,000	20,000	
Morton International Ltd.	Extracting/packaging salt	780,000	780,000		
*New York Hanseatic Corp.	Evaluating/processing indust. credit applications	60,000		60,000	
Nicolas R. Arroyo	Sugar mill	1,237,500			1,162,500
Perley A. Thomas Car Works	Mfg. busses/trucks	70,000	70,000	70,000	
Phelps Dodge Corp.	Pharmaceuticals	168,350	168,350		
Phelps Dodge Int'l.	Telephone cables	54,000			
Rankin Sea Products Co.	Seafood processing	342,276	342,276		
Renrall Limited	Mf. confectionaries/gum	100,000	100,000	100,000	
" "	" " "	112,232	112,232	112,232	
Robin Hood Flour Ltd.	Animal & poultry feeds	320,000			320,000
" " " "	" " "	285,000			285,000
Seaboard Allied Milling Corp.	Grain processing plant	350,000	350,000	350,000	
" " " "	" " "	800,000	800,000	800,000	
S. B. Penick Company	Cultiva. pyrethrum		175,000		
Sterling International	Corrugated boxes	192,000	160,500		
St. Regis Paper Company	" "	150,000			
" " " "	" "	800,000	750,000	630,000	
" " " "	" "	70,000	70,000	31,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ecuador (Continued)					
Texaco, Inc.	Lubricating oil storage	$ 305,000	$	$	$ 260,000
" "	" " "	1,234,000			1,234,000
*Williams, James L.	Feeding cattle/raising maize	5,000			5,000
	fiber plants/African Palm	30,000			30,000
		$ 34,687,115	$ 24,120,539	$ 13,117,290	$ 10,818,953
	TOTALS (171) $82,743,897				
Egypt					
Mandrel Industries Co. Ltd.	Seisographic oil & gas explo-	$	$ 700,000	$ 620,000	$
	ration				
	TOTALS (2) $1,320,000				
El Salvador					
American Standard, Inc.	Air conditioners/refrigera.	$ 240,000	$ 240,000	$	$
ATSA Export-Import, Inc.	Store & rec. bulk molasses		261,554		
Bemis Company, Inc.	Multiwall paperbags	300,000	300,000		
Cardinal Export Corp.	Dist. phonograph records	30,000	15,000		
" " "	" " "	30,000-A	30,000-A		
First National City Bank	Financing private enterprise		600,000		
Foremost International S.A.	Dairy processing plant	334,000	212,775		
General Motors Corp. & IRCA	Lease of Locomotives	2,508,935	2,139,024		
International Harvester Co.	Truck/tractor assembly	400,000	400,000		
*Ken Fankhauser, et al	Raising/selling turkeys	205,520	205,520		
*McCormick & Co., Inc.	Mf./pack/dist./spices, herbs	150,000	150,000		
Phelps Dodge Corp.	Electric wire & cable	1,200,000	1,200,000		
" " "	" " "	300,000	100,000		
*Sinclair Caribbean	Petroleum storage & marketing	1,500,000	1,500,000		
William Underwood Co.	Mfr. & sell deviled ham	200,000	200,000		
" " "	" " " "	100,000	100,000		
		$ 7,498,455	$ 7,653,873		
	TOTALS (30) $15,152,328				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ethiopia					
Kalamazoo Spice Extraction	Spice industry	$ 160,000	$ 160,000	$ 160,000	$
* Mandrel Industries, Inc.	Coffee processing plant	339,250	339,250		
		$ 499,250	$ 499,250	$ 160,000	
	TOTALS (5) $1,158,500				
French Guinana					
Mann Shrimp of St. Laurent	Shrimp/other seafood	$	$ 200,000	$	$
	TOTALS (1) $200,000				
Gabon					
Mobil Oil Corporation	Refinery at Port Gentil	$ 2,091,859	$	$	$ 2,091,859
* " " "	Refinery to mfg. petroleum products			911,106	
Morgan Guaranty Int'l Banking	International banking service	244,440	244,440		
* Corp.	" " "	122,355	122,355		
Texaco, Inc.	Refinery at Port Gentil	925,000			829,000
* " "	Refinery to mfg. petroleum prod.			425,000	
		$ 3,383,654	$ 366,795	$ 1,336,106	$ 2,920,859
	TOTALS (10) $8,007,414				
Ghana					
Abbott Pharmaceuticals Ltd.	Pharmaceutical prods.	$ 880,000	$	$	$ 880,000
* Exfin Trading Corp.	Product. of maize & other food/fiber crops	61,720			61,720
Firestone Tire & Rubber Co.	Tire plant & rubber farm	7,056,000			7,056,000
" " " "	" " " "	6,120,000			6,120,000
* " " " "	Royalties for Co's processes	3,540,000			
* " " " "	" " " "	112,000			
IBM World Trade Corp.	Business machine rental/sale	802,000			802,000
Parker House Sausage Co.	Slaughter house	420,000	420,000		
* Kaiser Alum. & Chem Corp. & Reynolds Metals Co.	Alumina smeltering services	22,000,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ghana (Continued)					
* Prospect Corp.	Prod. of maize & other food fiber crops	$ 468,260	$	$	$ 468,260
Union Carbide Corp.	Mfg. dry cell batteries	200,000	200,000	145,000	
" " "	" " " "	735,000	735,000	735,000	
		$ 42,394,980	$ 1,355,000	$ 880,000	$ 15,387,980
	TOTALS (23) $60,017,960				
Greece					
Allied Chemical Corp.	Fertilizer	$ 12,000,000	$	$	$ 12,000,000
American Cement Corp.	Cement plant	900,000	900,000		
American Cement Internat'l.	" "		1,260,000		
" " "	" "		200,000		
American Rad. & Standard	Vetreous china saniware	2,800,000			2,800,000
Bear Brand Hosiery Co.	Hosiery	173,828	134,405		
Dresser Industries	Barite & Bentonite	337,500	267,500		
" "	" "	594,700	595,000		
Don Baxter, Inc.	Intravenous solutions, etc.	100,000			
Downington Mfg. Co.	Pulp/paper plant	200,000	200,000	200,000	
Ethyl Corporation	Plastics, ethyl compounds	18,800,000			15,100,000
* " "	Mf./sale antiknock compounds and vinyl chloride	9,600,000			8,500,000
W. R. Grace and Company	Adhesives & polishes	266,000			266,000
* Int'l Standard Elec. Corp.	Mfg./assemble telecommunication equipment	400,000			
		1,800,000			1,800,000
Kiminas, John C.	Resin molding compds. & marine paints				97,778
Michalos, George P.	" " " "				12,222
* Panagiotes Paschalides	Mf. knitted clothing	600,000			600,000
Parson & Whittemore Co.	Pulp/paper plant	200,000	200,000	200,000	
Parsons & Whittemore Mill Machinery Ltd.	Pulp & paper	1,600,000	1,600,000		
Parsons & Whittemore, Inc.	" "	2,350,000	2,125,000	2,125,000	
Phelps Dodge Corp.	Mfg. wire, cable/copper rod rolling mill	2,800,000			2,800,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Greece (Continued)					
Rexall Drug & Chem. Co.	Plastic containers	$ 750,000	$	$	$ 1,150,000
" " " "	" "	300,000			300,000
*Union Carbide Corp.	Mf. of dry cell batteries	2,000,000	2,000,000		
* " " "	" " " " "	100,000			
		$ 58,672,028	$ 9,481,905	$ 2,525,000	$ 45,426,000
	TOTALS (48) $116,104,933				
Guadeloupe					
International Paper Overseas Ltd.	Corrugated containers	$ 800,000	$ 800,000	$	$
	TOTALS (2) $1,600,000				
Guatemala					
Farmen & Son Logging Co.	Logging operation	$ 177,000	$ 177,000	$	$
Farmen, Oliver	" "	70,000	70,000		
Goodyear Tire & Rubber Co.	Rubber & rubber products		100,000		
" " " "	" " "		1,900,000		
Koppers Co., Inc.	Timber operation		325,000		
R. J. Noble Co.	Sand and gravel operation	200,000	200,000		
		$ 447,000	$ 2,772,000		
	TOTALS (9) $3,219,000				
Guinea					
General Ore & Chem. Corp.	Bauxite mining	$	$ 9,600,000	$ 5,000,000	
Halco (Mining) Inc.	Aluminum products	100,000	600,000	100,000	
" " "	Mining bauxite ore	2,000,000	2,500,000	1,000,000	
" " "	" " "	9,000,000-A	8,500,000-A	4,000,000-A	
" " "	" " "	20,000,000	20,000,000	15,000,000	
* " " "	Mf. calcined & other bauxites	54,668,000	51,020,000	44,616,096	
* " " "	" " " "	42,703,920	29,555,600	23,943,885	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Guinea (Continued)					
Olin Mathieson Chem. Corp.	Bauxite & alumina	$	$ 32,000,000	$	$
* " " " "	Construc./opera. of alumina plant		2,366,961		
* " " " "	" " "		16,858,039		
* " " " "	" " "	6,329,486			
* " " " "	" " "	1,800,000	1,800,000		
*Omaf Corp.	" " "	30,119,420	29,912,000		
" "	Bauxite & alumina		40,000,000		
		$166,720,826	$244,712,600	$ 93,659,981	
	TOTALS (29) $505,093,407				
Guyana					
B. B. McCormick & Sons	Airport highway construction	$	$	$	$ 2,457,292
Chase Manhattan Bank	Branch Bank	650,000	650,000	650,000	
*Continental Grain Company	Flour mill/feed & grain	372,000			372,000
* " " "	storage	600,000			600,000
Reynolds Metals Co.	Bauxite mining, drying/storage				16,316,000
*Seaboard Allied Milling Corp.	Flour mill/feed & grain storage	868,000			868,000
*Seaboard Overseas, Ltd.	" " " " "	599,600			599,600
		$ 3,089,600	$ 650,000	$ 650,000	$ 21,212,892
	TOTALS (13) $25,602,492				
Haiti					
Brachman, Leon	Lard, oil processing/packing plant	$ 293,000	$ 293,000	$	$
Continental Copper & Steel Industries, Inc.	Copper mining and exploitation	1,770,000	1,340,000		
Greater New York Fillet Co.Inc.	Seafood processing	200,000	200,000		
Joe Bain	Tourism	100,000	100,000		
" "	"	14,000	14,000		
J. De Beers & Son, Inc.	Baseballs/softballs		6,000		
" " " "	" "		40,000-A		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Haiti (Continued)					
Ben/Muriel Shindler	Marine Piers-Tourism	$ 14,000	$ 14,000	$	$
Phillips, Arthur	Plastic items		300,000		
Louis Scharf, et al	Chocolate and associated	139,680	139,680		
" " "	products	52,625	52,625		
" " "	" " "	117,000	117,000		
" " "	" " "(additional)	40,320	40,320		
Texaco Carribean, Inc.	Fueling system	137,000	137,000		
Tober Baseball Mfg. Co.	Softballs, cores, coverage	40,000	40,000		
Tomar, Julius & Anne	Base ball products		100,000		
Valentine Petroleum Chem. Corp.	Crude oil refinery	3,325,000	3,325,000		
" " " "	" " "	4,000,000	4,000,000		
West India Fruit & SS Co.	Banana produce/process		1,000,000		
		$ 10,242,625	$ 11,258,625	$	$
	TOTALS (33) $21,501,250				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Honduras					
A. E. Staley Mfg. Co.	Corn starch, etc.	$ 1,049,600	$	$	$ 1,049,600
" " " "	" " "	1,250,000			1,250,000
American Broadcasting Companies, Inc.	Television	150,000	150,000	150,000	
* " " "	"	48,000	48,000	45,000	
	Expand/modernize TV facilities	79,200	79,200	79,200	
Bemis Bros. Bag Company	Spinning, weaving fabrics	336,000	336,000	336,000	
" " " "	Cotton & burlap bags	223,350	223,350	223,350	
Compania de Sacos Centroamericana	Multiwall paper bags	200,000	200,000		
Constructora Emkay, S.A.	Hydroelectric plant (Canaval)	150,000	2,000,000		
" " "	Construction/route # 18	500,000	1,800,000		
*Cressy R. & Lois S. Murray	Construction/opera. of a tourist resort		100,000		
Empacadora del Norte, S.A.	Slaughterhouse/cold storage	600,000	350,000	600,000	
Fulton Supply Company	Roads, hotels, etc.	600,000	600,000		
International Banking Corp.	Commercial banking		1,530,000		
Continental Ill. Nat'l Bank and Trust of Chicago (Int'l Food-Alberti)	Slaughterhouse operation	89,500	89,500	69,810	
	" "	162,500	162,500	115,000	
	" "	230,000	230,000		
" " " "	" "	97,500	97,500	71,000	
" " " "	" "	142,000	142,000		
" " " "	" "	151,450	151,450		
New York & Honduras Rosario * Mining Company	Mining silver, lead, zinc	2,068,000	1,034,000		
	" " " "(expand.)	700,000	700,000		
Pure Oil Co. of Honduras	Exploration for oil		1,900,000		
Rowland, William D.	Torist resort	40,000	40,000		
Schwabach, Perutz & Co.	Detergents	50,000	50,000	50,000	
Standard Fruit Company	Banana processing plant		1,200,000		
" " "	Locomotives/bananas		1,800,000		
" " "	Banana boxes plant		1,050,000		
" " "	" " "		1,050,000		
" " "	Pineapple seed & planting		2,400,000		
Stepan Chemical Company	Detergents, sulphuric acid	328,000	328,000		
Tela Railroad Co. (U.F)	Banana boxes plant		3,226,400		
" " " "	" " "		10,972,300		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Honduras (Continued)					
Texaco, Inc.	Puerto Cortia petrol refinery	$ 20,368,000	$	$	$ 16,271,000
" "	" " " "	2,000,000			2,000,000
Theonett & Company	Produc./sale flavors & extracts	50,000			50,000
		$ 31,663,100	$ 34,040,200	$ 1,739,360	$ 20,620,600
	TOTALS (72) $88,063,260				
Hong Kong					
American Liberty Oil Company	Hotel	$ 367,500	$	$	$
" " " "	"	203,419			
" " " "	"	200,000			
Corley, O. P.	"	10,706			
Corrigan, Leo Francis	"	567,500			
" " "	"	71,375			
" " "	"	1,061,946			
Corrigan and Wynne	"	5,987,485			
Corrigan, Leo F., Jr.	"	71,375			
Jordan, Edwin B.	"	71,375			
First National Bank in Dallas	"	1,727,777			
Mercantile Nat'l Bank of Dallas	"	1,727,777			
Wynne, Toddie L.	"	1,061,946			
		$ 13,130,181	$	$	$
	TOTALS (13) $13,130,181				
India					
Air Products & Chem. Inc.	Welding, cutting, equip.	$ 1,050,000	$ 1,050,000	$ 1,050,000	$
Allied Chemical Corp.	Nylon filament yarns	1,251,600	1,251,600	1,251,600	
American Cyanamid Co.	Antibiotics	600,000	300,000	950,000	
American Home Products Corp.	Pharmaceuticals	84,611	42,306		
" " " "	"	134,720	134,720		
" " " "	"	2,341,710	2,341,710	1,800,000	
A. P. Green Refractories, Co.	Mfg. refractory products	377,100			377,100
" " " "	" " "	360,000			
Arbor Acres Farm, Inc.	Poultry Breeding	131,250	131,250	105,100	
" " " "	" "	81,250			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
ARBEC	Poultry Breeding	$ 65,768	$ 65,768	$ 65,768	$
Archer Daniels Midland Co.	Core oil/resin blenders	60,000			
Ashland Oil & Refining Co.	Carbon black	1,300,000	1,300,000	1,300,000	
Atlas Chemical Industries	Mf. commerical explosive	1,300,000	1,000,000	1,000,000	
Bharat Steel Tubes, Ltd.					
Abbey Etna Machine Co.	Steel pipe/tubing	140,002	140,003	140,003	
" " " "	" " "	100,000			
" " " "	"(assigned fm Fitkin)	191,281	191,280	191,281	
AMF Thermatool, Inc.	" " "	59,850	59,850		
Andrews, Stanley B., M.D.	" " "	40,320	40,320	40,320	
Arwood Commercial Corp.	" " "	200,000	200,000	100,000	
Atlas Commercial Corp.	" " "	19,992	19,992	19,992	
Christensen, Gleen K	" " "	10,500	10,500	10,500	
Cline, Hubert L.	" " "	21,000	21,000	21,000	
Curtis, George L.	" " "	21,000	21,000	21,000	
Gorayeb, Joseph C.	" " "	200,000	200,000	200,000	
Hankinson, John E.	" " "	100,800	100,800	100,800	
J. D. Diffenbaugh, Inc.	" " "	21,000	21,000	21,000	
Leahy, Paul J.	" " "	12,600	12,600		
Marren, C. Charles	" " "	200,004	200,004	200,004	
Rowley, Robert W.	" " "	4,200	4,200	4,200	
Ray, Homer G. Jr.	" " "	79,800	79,800	79,800	
Sanner, V. H.	" " "	24,990	24,900	24,990	
Scott, William N.	" " "	50,400	50,400	50,400	
Smith, Frederick L.	" " "	2,100	2,100	2,100	
Smith-Scott, Inc.	" " "	139,999	139,998	139,999	
Stranahan, Stephen	" " "	150,360	150,360	150,000	
" " (additional)	" " "	250,362	250,362	200,000	
Sutton Engineering Company	" " "	19,992	19,992	19,992	
Voltz, Clyde W.	" " "	5,040	5,040	5,040	
Wing, Paul A.	" " "	2,100	2,100	2,100	
Wolfe, W. D.	" " "	2,100	2,100	2,100	
Carrier Corporation	Refrigeration	1,260,000	1,260,000		
" "	"	1,000,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
*Chemtex, Inc.	Mf. cellulose acetate molding compd. for raw films	$ 1,824,350	$	$	$ 1,824,350
Chevron Chemical Co.	Ammonia/urea fertilizer		3,222,000		
" " "	(Coromandel)		361,000		
Continental Bank Internat'l	Elec. hoists, cranes, lift trucks	922,300			
" " "	Fertilizers	1,006,092			
Continental Device Corp.	Silicon semiconductors	200,000		100,000	
Continental Drill Corp.	Twist drills/cutting tools	150,000	150,000		
Cooper Alloy Corp.	Plastic products	7,270			7,270
" " "	" " (R)	100,000			
Corning Glassworks	Borosilicate glassware	3,090,000	3,090,000	3,090,000	
Cummins Engine Co.	" "	3,150,000	3,150,000	3,150,000	
" " "	" "	2,471,000			
Dekalb Agric. Assoc.	Hybrid seed, corn	450,000			
" " "	millet and cane	128,520			128,520
Fafnir Bearing Company	Steel balls, bearings, etc.	1,000,000			
Fidelity Internat'l Corp.	Banking	100,000	100,000		
Financial & Develop. Fund	Fiscose filament rayon	1,000,000	1,000,000		
Firestone Tire & Rubber Co.	Rubber products	3,540,000	3,540,000	2,375,000	
" " " "	" "	1,575,000	1,575,000		
Frick Company	Refrigeration	535,500	535,500	535,500	
" "	"	862,500			
" "	"	204,000-A	204,000-A	204,000-A	
Garvey Grain, Inc.	Spiral weld steel pipe	2,000,000	2,000,000	1,000,000	
*General Electric Company	Mf. of incandescent & fluorescent lamps	292,000			
* " " "		84,490			84,490
" " "(I)	Elec. prods (x-ray, calrod etc)	1,785,000	1,785,000	1,484,000	
" " "(II)	Fluorescent/incandescent lamps	928,718	928,718	866,000	
General Tel. & Electronics International, Inc.	Mfg. glass products	756,000	756,000	756,000	
	" " "	750,000			
* " " "	" " "	119,500			119,500
B. F. Goodrich Company	Tires & tubes	1,480,000	1,480,000	1,480,000	
" " "	" "	2,000,000	350,000		
Goodyear Tire & Rubber Co.	Rubber products	6,800,000	4,500,000	4,320,000	
" " " "	" "	5,700,000			
" " " "	" "	2,236,000			1,669,500
" " " "	" "	750,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
Great Lakes Carbon	Calcined petroleum coke	$ 672,000	$ 672,000	$ 672,000	$
" " "	Graphite electrodes/anodes	1,050,000	1,050,000	1,050,000	
" " "	" " "	573,800			
Hewitt-Robins, Inc.	Materials handling equip.	617,400	617,400		
* IBM World Trade Corp.	Mf./sell/service IBM machines	11,841,420			11,841,420
Indo-American Seafood Corp.	Seafood processing	25,000			
International Harvester Co.	Farm tractors	1,464,500	1,464,500	1,318,050	
" " "	Farm Tractors	535,500	535,500	481,950	
* International Investment	Mf. cellulose acetate molding compd. for raw films	47,250			47,250
International Min. & Chem. Corp.	Fertilizer	5,000,000			2,860,000
" " " "	" (additional)	640,000-A			320,000-A
International Standard Elect. Corp. (IT&T)	Crossbar switching equip.	2,500,000	2,500,000	3,500,000	
" " "	" " "	1,720,000	1,720,000		
	" " "	250,000			
Interstate Equipment Corp.	Aerial transport (rope)	400,000			1,600,000
& Johns-Manville Corporation	Asbestos-cement prod.	231,000	231,000	231,000	
" " "	" " "	500,000	50,000		
" " "	" " "	550,000	550,000	550,000	
" " "	" " "	94,500	94,500	94,500	
" " "	" " "	590,000			
" " "	Mineral wool	189,000	189,000	189,000	
Johns-Manville India	Mf. mineral wool products	100,000			
Johnson & Johnson	Surgical dressings	756,000			
Justus Roe & Sons, Inc.	Steel measuring tapes	410,000	205,000		
Kaiser Alum. & Chem. Corp.	Bauxite mining & integrated aluminum plant	6,216,000	6,216,000	2,100,000	
" " " "		670,933			670,933
Kaiser Alum. & Tech. Services	" " "	504,000	504,000	250,000	
" " " "	" " "	54,000			54,000
Kaiser Engineers Overseas Corp.	Quarrying and cement prod.	229,535			229,535
Kaiser Jeep Internat'l Corp.	" " " "	456,760			456,760
H. Kohnstamm & Co., Inc.	Pigments & intermediaries	48,884	48,884	48,884	
" " " "	" "	16,820			16,820
" " " "	" "	6,034			6,034
Paul L. Kohnstamm	" "	80,000	80,000	80,000	
" "	" "	7,316			7,316
Kropp Forge Company	Finished forgings	900,000			900,000
" " "	" tech. ass't.	25,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
Lapic, Inc.	Pulverized sulphur insecticides	$ 102,900	$ 102,900	$ 102,900	$
Morris, Lorrie	Electronics factory	26,666			26,666
* " "	Mf. of electronic compounds	89,066			89,066
Madras Fertilizer Plant					
*Amoco India, Inc.	Madras Fertilizer	17,800,000			17,800,000
Chemical Bank N. Y. Trust	Ammonia/urea fertilizer	6,066,250			6,066,250
Madras Oil Refinery					
*Amoco India, Inc.	Integrated oil refinery	4,680,000			4,680,000
First National City Bank, N.Y	" " "	2,232,000			2,232,000
as Trustee for various Pensions	" " "	4,464,000			4,464,000
First National Bank of Chicago	" " "	1,488,000			1,488,000
" " for Pension Funds	" " "	500,000			500,000
" " for Various Trusts	" " "	2,476,000			2,476,000
Chase Manhattan Bank	" " "	5,580,000			5,580,000
Manufacturers Hanover Trust	" " "	5,580,000			5,580,000
Mansfield Tire & Rubber Company	Tires & related products	1,060,000	1,060,000		
" " " "	" " "	3,820,000			
" " " "	" " "	523,950	523,950		
McNally Pittsburgh Mfg. Co.	Coal preparation	1,932,000	1,932,000	1,932,000	
Merck & Co., Inc.	Parmaceuticals	5,040,000	3,000,000		
Miehle-Goss-Dexter, Inc.	Printing	630,000	630,000	630,000	
" " " "	Presses, cutter, etc.	180,000	50,000		
Mine Safety Applicance Co.	Miners lamps/other products	206,650	206,650	105,000	
Mississippi Glass Company	Glass making	500,000	500,000		
Morgan Gty Int. Fin. Corp.	Investment banking	63,000	63,000		
National Standard Co.	Tire bead, cycle wire	1,050,000	1,050,000	1,050,000	
Norton Company	Mf. abrasives & abra. products	750,000			
Otis Elevator Company	Elevators	460,000	630,000	460,000	
" " "	"	412,650	412,650	412,650	
" " "	" expansion	280,000			280,000
Parsons & Whittemore So. Asia	Pulp & paper	3,150,000	3,150,000		
Pfizer Corporation	Pharmaceuticals	5,200,000			5,200,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
Phelps Dodge Enfield Int'l Corp.	Elec. wire and cable	$ 2,260,000	$ 2,260,000	$ 2,260,000	$
" " " " "	Copper/aluminum wire cable	300,000	100,000		
Phillips Petroleum Company	Carbon black	787,500	787,500	787,500	
" " "	" " (additional)	255,937	255,938	255,937	
" " "	Oil refinery	3,675,000	6,000,000		
" " "	" "	12,700,000	12,350,000		
" " "	" "	6,000,000			
Picker X-ray Corporation	X-ray/allied equipment	150,000			
Purolator Products Inc.	Mfg. filters	226,800			226,800
Revere Copper and Brass	Copper & brass shapes	525,000	250,000	700,000	
" " "	Copper/brass tubes & rods	168,000	84,000		
Reichhold Chem., Inc.	Synthetic resins	378,000	378,000	378,000	
" " "	" "	200,000	20,000		
Richardson-Merrill, Inc.	Proprietary drugs/menthol	1,157,432	1,157,432	1,157,432	
Rohm & Haas Company	Plasticizers	720,000	484,000	484,000	
" " "	"	10,144,000			7,063,000
Searle, G.D. & Company	Pharmaceutical prods.	720,000	720,000	360,000	
Standard Pressed Steel Co.	High-strength industrial fasteners	259,400	259,400	259,400	
" " "		308,700	308,700	308,700	
Sperry Rand Corp.	Typewriters	139,000	139,000	139,000	
" " "	"	556,000-A			556,000-A
E. R. Squibb & Sons	Pharmaceuticals	1,512,000	1,512,000	1,512,000	
Squibb-Mathieson Int'l Corp.	Tetracycline/amplotericin	320,000			320,000
Steel Improvement & Forge Co.	Forge shop to mf. steel	200,000	100,000	100,000	
" " " "	" " " " "	600,000			
Stein,Hall & Company, Inc.	Mannalagacten	630,000	500,000	630,000	
Sulphur Export Corporation	Sulphuric acids	400,000	424,000	371,000	
Taylor Instrument Companies	Scientific instrument process control (Royalties)	315,000	315,000	315,000	
" " "		180,000			
Textron Industries, Inc.	Mf. of screws, nuts, etc.	530,000			
" " "	" " " "	150,000			
Transworld Seafood Corp. (Assigned from Indo Am.)	Seafood processing	257,250	257,250	257,250	
Universal American Corp.	Mfg. of bearings	730,000	630,000	960,000	
Universal Oil Products	Styrene & other chemicals	165,800			
Vermont American Corp.	Mf. of dies	105,000	105,000	105,000	
Vickers, Inc.	Hydraulic equip.	1,071,000			1,071,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
India (Continued)					
Vickers, Inc.	Hydraulic equip. (R)	$ 150,000	$	$	$
Victor Mfg. Gaskets Company	Gaskets	255,000	255,000	255.000	
*Von Kohorn, Henry	Mf. cellulose acetate molding	47,250			47,250
Von Kohorn Intn'l Corp.	Viscose Filament rayon yarn	611,100	611,100		
*Von Kohorn-Universal	Mf. cellulose acetate molding	306,640			306,640
Warner Lambert Pharm. Co.	Mfr. chemicals/drugs	1,050,000	1,050,000	1,050,000	
Weil, Gotshal & Manges	Nylon filament yarns	207,900	207,900	207,900	
Wheelabrator Corporation	Blast cleaning equip.	129,000	129,000	129,000	
" "	" " "	220,000			
Witco Chem. Co., Inc.	Transformers/specialty oil (R)	1,000,000			
Wyman-Gordon Company	Forgings & castings	1,071,000	1,071,000	1,071,000	
" " "	" "	906,946			906,946
* " " "	" "	78,480			78,480
" " "	" "	1,000,000			
" " "	" "	9,508-A	9,508-A	9,508-A	
		$233,621,468	$102,344,025	$ 57,950,150	$ 90,258,896
	TOTALS (445) $484,174,539				
Indonesia					
American Cable & Radio Corp.	Satellite communication	$ 5,490,000	$ 5,490,000	$ 5,490,000	$
" " " "	Station & connecting link	5,460,000			5,460,000
*American Express Int'l Banking Corp.	Branch(es for general commercial banking	1,000,000			2,200,000
*Bank of America, Nat'l Trust & Savings Ass'n	" " " "	6,000,000	6,000,000	1,000,000	
Chase Manhattan Bank	Branch bank	7,000,000	16,000,000	10,000,000	
*First Nat'l City Bank	" "	1,000,000			1,000,000
Freeport Sulphur Company	Mineral exploration		3,700,000	500,000	
* " " "	" "		1,800,000		
*Frontier Lumber Company	Cutting, selling export timber				1,000,000
*Max Factor Company	Mf./distrib. of Max Factor	3,600,000			
* " " "	cosmetics	740,000			740,000
*Nurub Corp.	Process natural rubber	294,000			294,000
Petroleum Helicopters Inc.	Helicopter transportation				770,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Indonesia (Continued)					
*Singer Sewing Machine Company	Br. assembly/distrib. of sewing machines	$ 200,000	$	$	$ 200,000
*Tri-Lane Equities Ltd.	Seafood processing/packaging				500,000
*Virginia International Co.	Hevea Crumb rubber plant	252,000			252,000
" " "	" " " "	800,000			800,000
		$ 31,836,000	$ 32,990,000	$ 16,990,000	$ 13,216,000
	TOTALS (32) $95,032,000				
Iran					
Allied Chemical Corp.	Petrochemicals	$ 30,000,000	$ 30,000,000	$	$
" " "	"	2,000,000	2,000,000		
" " "	"	1,240,000			
" " "	"	1,696,000	1,696,000		
* " " "	Sulphur, ammonia, products of four natural gas	13,200,000	13,200,000		
* " " "	Nylon Plant	544,000	544,000		
* " " "	" "	2,000,000	2,000,000		
American Cyanamid Company	Pharmaceutical prods.	656,000	656,000		
" " "	" "	800,000			
*Amoco International	Sulphur/LPG-NGL plant	10,224,000	10,224,000		
Dresser Industries, Inc.	Mining & process. barite	250,000	250,000		
" " "	" " "	175,000	175,000		
Electric Storage Battery Co.	Dry cell batteries	140,000	350,000		
" " " "	" " "	235,200	235,200		
" " " "	" " "	500,000			
F.M.C. Corporation	Pumps, irriga. equipment	1,333,333	1,333,333		
General Tire International Co.	Pneumatic tires	2,601,600	4,000,000		
" " " "	Pumps, tubes, repairs	1,200,000			
B. F. Goodrich Co.	Rubber tubes & tires	3,080,000	3,080,000		
* " " "	Tire/rubber plant	630,064	630,064		
" " "	Rubber, plastic, chem. prods.	133,334-A	133,333-A		
" " "	" " " "	1,450,000	1,120,000		
" " "	" " " "	6,000,000	2,000,000		
" " "	" " " "	4,812,000	4,812,000		
" " "	" " " "(R)	3,500,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Iran (Continued)					
International Dairy Engrs. Co.	Milk & milk products	$ 506,666	$ 506,666	$	$
" " " "	" " "	56,333	56,333		
" " " "	" " "	710,000	150,000		
" " " "	" " "	188,667	188,667		
I.T. & T Industries Inc.	Dry cell batteries	1,176,000	1,176,000		
Pan Alliance Corp.	Sheet glass	800,000	800,000		
Phillip Bros. Div. of Min. & Chem.	Reinforcing bars & shapes	950,000	950,000		
" " " "	" " " (additional)	390,000	390,000		
	Chrome mining/marketing	522,666	522,666		
Pfizer Corporation	Pharmaceuticals	1,200,000	1,200,000		
Proctor and Gable A.G.	Synthetic detergents	1,700,000	1,700,000		
" " Luzern	" "		667,000		
Squibb, E. R. & Sons	Pharmaceuticals/medicine	306,000	306,000		
" " "	Mf. pharmaceuticals	204,000-A	204,000-A		
" " "	" "	2,800,000			
Universal Food Corp.	Mf. yeast & bakery products	173,400	173,400		
" " "	" " " "	60,000			
Webster Publishing Co.	Book publishing	20,177	20,177		
		$100,164,440	$ 87,449,839	$	$
	TOTALS (78) $187,614,279				
Israel					
American Can Company	Metal containers	$	$	$ 171,390	$ 259,000
*American Electronic Labs., Inc.	Electronics plant	259,000			171,710
" " " "	Mf. of electronic equip.	171,710			
E. W. Bliss Company	Metalworking machinery		1,129,950	1,129,950	
" " "	" "		1,360,050-A	1,360,050-A	
Brinks Incorporated	Armored cars	260,000	260,000	91,000	
Brinks Israel of Delaware	" "	500,000			
Construction Aggregates Corp., Kaiser Engineers Construction; & Mocco Corp. - Joint Venture	Construc. of dikes/auxiliaries at the Dead Sea		6,834,000	5,000,000	
Continental International Investment Company	Investment Co.		64,000		
	" "		53,250		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Israel (Continued)					
*Electrogenics, USA, Inc.	Mf. of machine parts	$ 415,000	$	$	$ 415,000
First Penna. Overseas Fin. Corp.	Investment Company	65,000	65,000		
" " " " "	" "	50,000	50,000		
*Gen. Telephone & Electronics International Ltd.	TV picture tubes, lighting products (expansion)	6,750,000			6,750,000
*Gerber Scientific Instruments Company	Dev. & mf. computer & assed products	160,000			160,000
Kaiser 'Jeep' Corp.	Vehicle assemly plant	642,700			642,700
*Madera Corporation	Plant to convert phosphate rock into acid	12,041,250	12,041,250	6,250,000	
Minerals & Chemicals Div. Phillip Corp.	Mfg. copper wire			66,667	
	" " "			50,000	
Philadelphia International Investment Corp.	Investment Company	200,000	200,000		
	" "	150,000	150,000		
Sonneborn Assoc. Petro. Corp.	Oil distribution			1,500,000	
*Travenol Labs.	Medical products	100,000			100,000
* " "	" "	100,000			520,000
		$ 21,864,660	$ 22,207,500	$ 15,619,057	$ 9,018,410
	TOTALS (43) $68,709,627				
Ivory Coast					
Banker's International	Bank expansion	$ 326,530	$ 326,530	$	$
Intercontinental Hotel Corp.	Hotel in Abidjan	1,500,000	1,500,000	750,000	
" " "	" " "	2,000,000-A			2,000,000-A
Mobil Oil Corporation	Oil refinery	2,371,400			2,154,319
" " "	" "	597,365		1,291,424	597,365
Morgan Gty. International Banking Corp.	Commercial banking	328,000	328,000		
	" "	326,540	326,540		
National Packing Co.	Freezing/storing fish	400,000	400,000	320,000	
Texaco Inc.	Oil refinery	1,050,000			1,050,000
" "	" "	325,000		433,000	325,000
		$ 9,224,835	$ 2,881,070	$ 2,719,424	$ 6,126,684
	TOTALS (24) $20,952,013				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Jamaica					
Allen Stevens Corp.	Deep water harbor	$ 40,000	$	$	$ 40,000
Anaconda Co., J. L. Anaconda International Corp., & Anaconda Jamaica, Inc.	Alumina plant (ALPAR)				87,142,000
Brinks, Incorporation	Security system	86,792	86,792	18,000	
*Garvey Grain, Inc.	Flour/feed mill & sow farm	247,996	247,996	210,000	
Goodyear Tire & Rubber Co.	Mf./sale tires, tubes	900,000			1,500,000
" " " "	related products	1,500,000			1,510,000
" " " "	" " "	1,510,000			
Kaiser Alum. & Chem. Corp. & Kaiser Jamaica Corp.	Alumina plant (ALPAR)				61,572,656
Ledgehill International, Inc.	Paint & related products	56,000			
" " "	Ready-mix concrete	150,000			
Leeds, Richard H.	Deep water harbor	10,000			10,000
Ralston Purina Co.	Animal feedstuffs	252,000	252,000	100,000	
Reynolds Metals & Reynolds Jamaica Alumina	Alumina plant (ALPAR)				86,202,203
Reynolds Metals Co.	Bauxite mining				12,000,000
Sanders, Stephen	Deep water harbor	20,000			20,000
Thomson, Chester	" " "	10,000			10,000
Thomson Leeds Co., Inc.	" " "	10,000			10,000
Weiller, Peter J.	" " "	10,000			10,000
		$ 4,802,788	$ 586,788	$ 328,000	$250,026,859
	TOTALS (32) $255,744,435				
Jordan					
Wm. L. Crow Construc. Co.	Airport construction	$	$	$	$ 1,200,000
Phillips Petroleum Co.	Oil exploration		6,750,000		
Robert L. Parker	Oil exploration equip.		1,250,000		
		$	$ 8,000,000	$	$ 1,200,000
	TOTALS (3) $9,200,000				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Kenya					
William H. Atwell	Tea plantation & factory	$ 200,032	$ 200,032	$	$
Bank of America	Dry cell batteries, etc.	75,000			75,000
California Packing Corp.	Pineapple marketing/canning	310,000	310,000	310,000	
" " "	" " "	650,000	650,000	650,000	
" " "	" " "	600,000			
California Texas Oil Corp.	Oil refinery	2,632,000	3,000,000	3,000,000	
*Fonville Enterprises, Inc.	Establish/opera. cattle ranch	74,000			74,000
Intercontinental Hotels Corp.	Hotel operation	2,591,000			2,591,000
" " "	" "	188,126			188,126
Overseas Tankship Corp.	Oil refinery	1,150,000	1,000,000	1,000,000	
Parfet, Courtland E.	Beef and agriculture ranch	285,000	225,000	225,000	
" "	" " "	772,800	772,800	386,400	
" "	" " "	273,000			223,000
*Singer Company, The	Mf./assemble/sell/sewing machs.	516,680			516,680
" " "	" " " " "	140,000			140,000
Sullivan, Barry & Sallie	Irrigation & farming	58,800	58,800		
*Sullivan, Sallie Perkins	Agricultural project	42,732	42,732		
Trans World Airlines, Inc.	Hotel	280,000			280,000
* " " " "	" Nairobi	840,000			840,000
Union Carbide Corp.	Mf. dry cell batteries, etc.	1,050,000			1,050,000
* " " "	" " " "	500,000			
		$ 13,229,170	$ 6,259,364	$ 5,571,400	$ 5,977,806
	TOTALS (47) $31,037,740				
Korea					
American Airlines, Inc.	Hotel construction/operations	$ 11,000,000	$	$	$ 11,000,000
*American Cyanamid Company	Mf. of acrylonitrile fiber	390,000			
Applied Magnetics Corp.	Mf. magnetic recording heads	85,875			85,875
" " "	" " " "	9,125			9,125
Back Bay-Orient Enterprises	Financing/agribusiness	1,400,000			1,400,000
" " " "	Silk weaving/dyeing	60,000			60,000
" " " "	" " "	40,000			40,000
* " " " "	" " " (increase)	100,000			100,000
*Bank of Am. Nat'l T.S Ass'n	Commercial bkg. facilities	3,500,000			1,950,000
Bankers Trust Co.	Tuna fishing vessels	1,978,699	1,641,388	1,641,388	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Korea (Continued)					
*Berger & Plate Company	Processing Agric. commodities	$ 60,000	$	$	$ 60,000
" " "	for animal/poultry feed	90,000			
Caltex Petroleum Corp.	Oil refinery	55,000,000			55,000,000
Caterpillar Far East Ltd.	Seoul-Pusan highway				11,320,136
Chase Manhattan Bank	Commerical Banking	3,500,000			30,000,000
Chemtex Inc.	Polyester staple fiber	900,000			900,000
* " "	Synthetic fibers	3,661,848			3,661,848
* " "	Nylon filament & stretch yarn	2,692,572			2,692,572
Celanese Corp. of America	Sizing synthetic yarns	228,000	228,000	100,000	
" " "	" " "	80,000-A	80,000-A	80,000-A	
Continental Carbon Company	Carbon black plant	1,250,000			1,250,000
* " " "	" " "	950,000			950,000
* " " "	" " "	825,000			
*Control Data Far East	Plant to mf. electronic data	300,000			363,000
* " " " "	processing machines	400,000			400,000
*First Nat'l City Bank	Branch commercial banking	800,000			1,100,000
First Nat'l Overseas Investment Corp.	Long-term financing	350,000			
Gittelman's Sons	Mink breeding/producing	100,000	100,000	100,000	
Gulf Oil Corporation	Oil refinery	10,000,000	10,000,000		
" " "	" "	22,252,659	22,252,659	27,172,798	
* " " "	"Koco" refinery naphtha cracker	35,812,500	35,812,500	35,812,500	
* " " "	Improve electric generating capacity & transmission	37,200,000	37,200,000	37,200,000	
" " " (Great Britain) Ltd.	Fertilizer plant	21,000,000	21,000,000	10,500,000	
I.B.M. World Trade Corp.	Data processing products	870,000			870,000
International Harvester Export	Seoul-Pusan highway construct.	13,658,850			13,658,850
* Company	" " " "	3,369,381			3,369,381
Komy Corp.	Mf. of transitors	211,400			211,400
Motorola Inc.	Semi-conductor devices/circuits	4,609,338			4,609,338
Oak Electro/Netics Corp.	Electronic products	928,000			928,000
" " " "	" "	2,000,000			2,500,000
*Peavy Company	Production of animal feeds	63,000			63,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Korea (Continued)					
*PPG Industries, Inc.	Sheet glass producing	$ 1,500,000	$	$	$
Ralston Purina & Ralston	Chick hatchery & feed	165,900	132,500	50,000	
Purina de Panama	concentrate plant	102,000	102,000	150,000	
" " " "	" " (R)	200,000			
*Security Pacific National	Production of steel	1,500,000			1,500,000
Semiconductor, Ltd.	Electronic devices	3,405,000			3,405,000
" "	" & components	60,000			60,000
Signetics Corp.	Electronic circuits	561,499			561,499
" "	" "	870,000			870,000
Skelly Oil Company	Ulsan fertilizer	5,000,000	7,000,000	7,000,000	
Swift & Company	Plant fertilizer	5,000,000	7,250,000	6,750,000	
Vitamin Headquarters (Korea)Ltd.	Livestock feed supplements	100,000			100,000
*Westar, Inc.	Mf. knitwear	258,000			258,000
		$260,448,646	$142,799,047	$126,556,686	$155,307,024
	TOTALS (113) $685,111,403				
Laos					
Grove Jones	Road construction	$	$ 1,500,000	$ 1,500,000	$
	TOTALS (2) $3,000,000				
Liberia					
Bankers Int'l Finan. Co., Inc.	Mining Iron Ore	$	$ 2,621,250	$	$
First National City Bank	" " "		2,621,250		
" " " "	Iron exploitation		6,042,000		
" " " "	" "		855,000		
Intercontinental Hotel Corp.	Hotel in Monrovia	1,200,000	1,200,000	600,000	
" " "	" "		38,125	20,000	
" " "	" "		33,415-A	45,540-A	
* " " "	" "				55,680
Raymond International	Construction-equipment		4,180,000		
" "	" "		3,000,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Liberia (Continued)					
Star-Kist Foods, Inc.	Fish meal plant	$ 200,000	$ 200,000	$ 150,000	$
U. S. Rubber Universal Holdings, S.A. Luxembourg	Rubber plantation		2,875,500		
U. S. Rubber Overseas S.A.	" "		1,009,000		
U. S. Rubber Company	" "		11,626,073		
		$ 1,400,000	$ 36,301,613	$ 815,540	$ 55,680
	TOTALS (20) $38,572,833				
Malagasy					
California Texas Oil Corp.	Oil refinery	$ 766,000	$	$	$ 766,000
Overseas Tankship Corp.	" "	440,000			440,000
		$ 1,206,000	$	$	$ 1,206,000
	TOTALS (4) $2,412,000				
Malaysia					
Beatrice Foods Company	Sweetened condensed milk	$ 540,000	$ 540,000	$	$
" " "	" " "	12,329-A	12,329-A		
* " " "	Condensed milk plant	107,671	107,671	1,320,000	
* Bristol-Myers Company	Propriatary drugs & toiletry	64,184	64,184	64,184	
* " "Internat'l Corp.	products	1,310	1,310	1,309	
Carrier Corporation	Refrigeration	233,300	233,300		
General Milk Company	Recombined sweetned milk	1,200,656			1,200,656
* " " "	Produce condensed & evaporated	212,334			212,334
* " " "	milk	100,000			
* Mobil Oil Corp.	Distrib/market petroleum	11,800,000	11,800,000	6,700,000	
Morgan Gty. Int'l Fin. Corp.	Development bank	70,000	70,000		
Pahang Rubber Co., Inc.	Planting/cultivating rubber trees		387,650		
" " " "	" " " "		367,290		
* Philadelphia International	Integrated steel mill at Prai	360,000			360,000
* Investment Corp.	" " " "	70,000			70,000
Renrall Limited	Pharmaceutical plant	191,068	191,068	191,068	
		$ 14,962,852	$ 13,774,802	$ 8,276,561	$ 1,842,990
	TOTALS (34) $38,857,205				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Martinique					
International Paper Overseas,Ltd.	Corrugated containers	$ 800,000	$ 800,000	$	$
	TOTALS (2) $1,600,000				
Mauritania					
Texaco Africa Ltd.	Petroleum prods. terminal	$ 62,000	$	$	$ 57,000
" " "	" " "	108,000			108,000
		$ 170,000			$ 165,000
	TOTALS (4) 335,000				
Morocco					
*Aerojet-General Corp.	Satellite communication	$ 1,000,000	$	$	$ 1,000,000
Aluminum Co. of America	Aluminum doors/windows	140,000			140,000
American Food Industries, Inc.	Chewing gum/confections	400,000	400,000	400,000	
Continental Grain Co.	Wood pulp for paper	200,000	200,000	200,000	
*First National City Bank	Banking facilities	400,000			400,000
General Tire & Rubber Co.	Tires, rubber products	2,567,696	2,200,000	1,130,000	
Hallgarten & Company	Equipment leasing	59,000	59,000		
Kuhn Loeb & Company	" "	68,000	68,000		
Lehman Brothers	" "	68,000	68,000		
Merrill, Lynch, Pierce etc.	" "	68,000	68,000		
Morgan Gty. International Banking Corp.	Development banking " "	200,000	200,000		
		199,437	199,436		
Ryan, Frank	Expansion paprika plant	500,000			500,000
Wertheim & Company	Equipment leasing	68,000	68,000		
		$ 5,938,133	$ 3,530,436	$ 1,730,000	2,040,000
	TOTALS (31) $13,238,569				
Nepal					
Adams, Carsbie C.	Construction/operation of a resort hotel	$ 100,000	$	$	$ 100,000
Coapman, John Vernon	Tourist hotel/jungle resort	25,000	25,000	25,000	
Klein, Herbert W.	" " " "	12,500	12,500	12,500	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Nepal (Continued)					
Wynne, Toddie Lee. Jr.	Tourist hotel/jungle resort	$ 12,500	$ 12,500	$ 12,500	$
		$ 150,000	$ 50,000	$ 50,000	$ 100,000
	TOTALS (11) $350,000				
Nicaragua					
*Bamerical Internat'l Fin. Corp.	Mf./distrib. fiber cloth and bags	$ 400,000	$	$	$ 400,000
Bemis Panama, S.A.	Kenaf & jute bags	800,000	800,000		
Booth Fisheries Div., Consol. Foods Corp.	Fish processing	440,000	440,000	330,000	
*Cadmus Internat'l S.A.	Mf./sell millwork, lumber	800,000			800,000
Citizens Stand. Life Ins. Co.	Insurance business	97,143	97,143		
*First National City Bank	Commercial banking	714,286	714,286	714,286	
General Mills, Inc.	Wheat flour/poultry feeds	200,000	600,000	600,000	
" " "	" " " "		100,000		
Intercontinental Hotels Corp.	Hotel/related facilities	1,020,000			1,020,000
International Ore & Fertilizer Corp.	Fertilizer	610,644	533,708	400,000	
	"	200,000	200,000	200,000	
Leigh Textile Company	Fats/oils from cotton seed	1,000,000	1,000,000	1,000,000	
" " "	" " (expansion)	1,000,000			1,000,000
" " "	" " " " "	550,000	706,000	400,000	
Pennsalt Chemical Company	Chlorine, caustic soda, etc.	485,000			485,000
Ralston Purina de Panama, S.A.	Livestock/poultry feed	220,000	220,000	55,000	
Tropical Development Corp.	Logging, drying hardwoods		150,000		
Sears, Roebuck, S.A.	Retail store		1,000,000	1,000,000	
St. Regis Paper Company	Currugated boxes	45,000			
" " " "	" "	375,000	350,000	315,000	
		$ 8,957,073	$ 6,911,137	$ 5,011,286	$ 3,705,000
	TOTALS (46) $24,587,496				
Nigeria					
Arcturus Invest. & Development Inc.	Knitting mill	$ 434,700	$	$	$
	" "	548,800	302,400		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Nigeria (Continued)					
Arcturus Invest. & Development Inc.	Timbering operation	$ 111,000	$ 111,000	$	$
" "	" "	450,240	364,560		
Bankers Internat'l Finan. Co. Inc.	Financing/acceptance		291,720		
Brezina Construction Co., Inc.	Rock crushing plant	423,338	423,337		
" " " "	" " "	1,400	1,400		
Development Securities	Concrete products	60,000	40,000		
Dresser A.G. (Vaduz)	Distribution of drilling	715,250	715,250		
" " "	products	1,322,000	1,322,000		
" " "	Oil well logging/completion	1,189,000	1,123,000		
" " "	Grinding/mrktg drilling	466,448	466,448		
" " "	mud products	2,359,000	2,359,000		
" " "	" " "	59,000			
Indian Head Mills, Inc.	Textile mill	1,500,000			
" " " "	" "	4,200,000	4,200,000		
Foremost Dairies, Inc.	Milk & associated prods.	168,000	168,000		
Foremost International	" " "	250,000	250,000		
IBM World Trade Corp.	Business machines & parts	1,344,000	1,344,000		
I.T. & T Industries (Nigeria)	Dry cell batteries	1,680,000	1,680,000		
Philip Morris, Inc.	Growing leaf tobacco	1,000,000	1,000,000		
" " "	" " "	2,240,112	2,240,112		
Pfizer Corporation	Pharmaceuticals/veterinarian	350,000	175,000		
" "	Plastic molded products	500,000	250,000		
Stanley, C. M.	Concrete products	15,000	10,000		
Stanley Engineering	" "	30,000	20,000		
Texaco Africa Ltd.	Lumbricant blending plant	425,000	425,000		
U. S. Plywood	Lumber operation	1,018,080	1,018,080		
		$ 22,[illegible],368	$ 20,300,307	$	$
	TOTALS (52) $43,160,675				
Pakistan					
Alliance Industrial Dev. Corp.	Scientific glassware	$ 986,000	$ 986,000	$ 986,000	$
" " " "	Juice extraction	500,000	500,000	500,000	
* American Home Products Corp.	Pharmaceuticals			130,000	
" " " "	Drugs and chemicals	750,000	375,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Pakistan (Continued)					
Arbor Acre Farm, Inc.	Poultry breeding/hatchery	$ 124,800	$ 124,800	$ 62,400	$
*Bank of America	Financing construction of petrolum refinery	10,500,000			10,500,000
*Belbago, Inc.	Jute products	2,000,000	2,000,000	*2,000,000	
*Bigelow-Sanford, Inc.	Woven/tufted carpet plant (TA)	150,000			
Carter Products, Inc.	Pharmaceuticals	338,100	338,100		
E.R. Squibb & Sons, Inc.	"	600,000	600,000	600,000	
" " " "	"	500,000			
Foremost Dairies, Inc.	Milk processing plant	750,000			
" " "	" " "	840,000	420,000	*840,000	
General Mills, Inc.	Food processing	480,000	315,000		
General Tire & Rubber Co.	Pheumatic tires/tubes	1,600,000	1,600,000		
" " " "	" " "	1,200,000	1,400,000	*3,000,000	
Johnson & Johnson	Toiletries, medical aids			*646,000	
Johnson & Johnson Co.	Surgical & medical supplies	646,000	646,000		
" "	" " "	250,000			
Kaiser Engineers Pakistan, Inc.	Trimmu-Sidhanai Link		6,000,000		
Mangla Dam Contractors	Mangla Dam Construction		63,000,000		
Merck & Co., Inc.	Pharmaceuticals	636,000	636,000	*636,000	
" " "	"	314,000	314,000	*314,000	
" " "	"	560,000			560,000
Smith Kline & French Lab.	"	493,735	246,867		
" " "	"	50,000			
Stein, Hall & Co., Inc.	Mannagalac-animal feed	480,000	480,000	480,000	
Warner Lambert	Pharmaceuticals	179,000	350,000	*350,000	
		$ 24,927,635	$ 80,331,767	$ 10,544,400	$ 11,060,000
	TOTALS (58) $126,863,802				
Panama					
*Agricultural Corp of Kansas, * Inc.	Breeding dairy/beef cattle related farming	$ 320,000	$ 320,000	$ 320,000	$
		50,000	50,000	50,000	
American Broadcasting Companies, Inc.	Install TV station	114,408	114,408	114,408	
	" " "	382,000	382,000	382,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Panama (Continued)					
Chiquiri Land Company	Banana operation	$	$ 4,370,600	$	$
" " "	" "		5,202,300		
" " "	" "		327,700		
Glidden Company	Paint products	625,166	506,000	339,000	
Schering Corp.	Operation of pharm. plant		350,000		
St. Regis Paper Company	Corrugated boxes	535,000	525,000		
" " " "	" "	115,000			
" " " "	Paper packaging products	236,800			236,800
		$ 2,378,374	$ 12,148,008	$ 1,205,408	$ 236,800
	TOTALS (24) $15,968,590				
Paraguay					
Dugger-Holmes	Agricultural products	$ 785,000	$ 785,000	$	$
*First National City Bank	Commercial branch	439,602	241,781	109,900	
First National City, Morgan Gty. & Imperial Agric.	Cattle raising & farming	3,127,000	3,127,000		
Pure Oil Co. of Paraguay, Inc. (Williams Bros. Corp., Sinclair Paraguayan Oil Co. Tidewater Oil Co., Paraguay Gulf Oil Co.)	Exploration & exploitation		3,000,000		
		$ 4,351,602	$ 7,153,781	$ 109,900	$
	TOTALS (8) $11,615,283				
Peru					
Apollo International Corp.	Mortgage/loan banking	$ 150,000	$	$	$
Celanese Corp of America	Polyester fiber	4,000,000			
*Compania Minera del Madrigal	Develope/opera. mine to produce copper, silver, etc.	1,782,972			
Derby and Company	Fishing operation	83,500			
Elec. Storage Battery Co.	Mf. dry cell batteries (R)	400,000			
Eliacher, Haim S.	Low cost housing	74,000			
" "	" " "	100,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Peru (Continued)					
First National City Bank	Branch bank	$ 362,000	$	$	$
Ford Motor Company	Auto assembly plant	7,902,317			
Gloucester By-Products	Fish products	547,621			
" "	" "	75,000			
General Foods Corporation	Food processing	50,000			
" " "	" "	74,000			
W. R. Grace and Company	Hydroelectric plant	1,531,122			
" " "	" "	560,000			
" " "	Alkyd resin for paints	766,000			
" " "	Caustic soda, cholorine, etc. for synthetic fertilizer	3,000,000			
" " "	" " "	112,600			
" " "	" " "	486,458			
" " "	Folding boxes	222,800			
*" " "	Facilities to produce paper	20,547,942			
" " "	Electrical appliances assembly	186,000			
" " "	Fish-meal production	5,965,697			
" " "	Sugar, molasses, paper, etc.	18,420,000			
*" " "	" " " "	2,244,000			
IBM World Trade, Inc.	Office machines	4,000,000			
International Develop. Org.	Mortgage/loan banking	50,000			
International Harvester Co.	Sell & service tractors/trucks	500,000			
Kellog Credit Corp.	Telephone service	8,220,468			
Minerals & Chemicals Philipps Corp.	Operation of fishing fleet	321,300			
" " "	" " "	130,500			
Morgan Gty. International Banking Corp.	" " "	446,250			
" " " "	Develop./invest. banking	414,700			
" " " "	" " "	546,355			
Morgan Gty. International Finance Corp.	" " "	546,442			
Morton International Ltd.	Caustic soda & chlorine	217,210			
" " "	" " "	2,700,000			
" " "	" " "	1,660,000			
Pfizer Corporation	Pharmaceutical plant	350,000			
Ralston Purina Company	Fishmeal	670,000			
" " "	"	1,125,000			
*" " "	Mfg. animal & poultry feed	1,690,000			
		332,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Peru (Continued)					
Ralston Purina de Panama	Animal/poultry feedstuffs	$ 600,000	$	$	$
Ray-O-Vac Internat'l Corp.	Dry cell batteries	443,800			
" " "	" " "	7,500			
" " "	" " "	200,000			
Star-Kist International	Fishmeal plant	1,800,000			
" "	" "	111,900			
Suburban Internat'l S.A.	Liq/petroleum gas dist.	238,761			
" " "	" " " "	78,000			
" " "	" " " "	125,000			
*Sunbeam Corp.	Mf./sale elec. appliances	270,000			
* " "	" " "	194,824			
Texas Petroleum Company	Lubricating Oil blending	954,800			
Universal Foods Products International Co., Ltd.	Yeast & baking products	250,000			
		$ 98,838,839	$	$	$
	TOTALS (56) $98,838,839				
Philippines					
Addison-Wesley Publishing Co.	Printing/binding textbooks	218,000	$	$	$
Amoco Trading Int'l. Ltd.	Elec. generating facilities	9,000,000	9,000,000		
Amer. Broadcasting Companies, Inc.	TV operation	330,766	330,766	250,000	
American Home Prodcts Corp.	Pharmaceuticals	611,899	611,899		
American Radiator & Standard Sanitary Company	Vitreous China sanitaryware		724,000 282,542		
Arbor Acres Farm, Inc.	Poultry breeding farm	150,000			
" " " "	" " "	266,000			266,000
Archer Daniels Midland Co.	Surface coatings	70,000			
Arcturus Investment & Devel. Corp.	Major electrical appliance	269,764	269,764	269,764	
* Barbet Limited	Mf. & market tissues pads	4,599,000			4,599,000
* Brown Bros. Harriman et al	Copper mining/concentrating	40,000,000			40,000,000
Caltex Petroleum Company	Electric power facilities	15,000,000			
Castle & Cooke, Inc.	Fruit processing/production	44,998,000	30,535,000	23,399,000	
" " "	coffee/cocoa	28,553,000	23,320,000	15,092,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Philippines					
Chase International Invest.	Retail/wholesale financing	$ 385,252	$ 385,252	$	$
" " "	" " "	657,300	590,000		
Chemical Bank, N. Y. Trust Company	Expand. elec. generating	3,500,000	3,500,000		
Chemical Internat'l Finance Ltd.	Investment Credit-Consumer goods	492,546			
*Columbian Carbon Company	Production of Carbon black	1,080,000	1,080,000	1,080,000	
* " " "	" " " "	1,890,000			
Consolidated Dairy Products Co.	Dairy products	660,000			
Continental Bank Int'l	Expand elec. generating facilities	2,500,000	2,500,000		
Fidelity Internat'l Corp.	Expand financial operation	100,000	100,000		
First Pennsylvania Overseas Finance Corp.	Financing consumer sales	125,000			
	" " "	215,000			
*General Electric Company	Mf. elec. appliances	200,000			
*Gen. Telephone & Electronics International, Inc.	Modernize telephone system in Angeles City	1,363,000			1,100,000
General Electric Co.	Electric generating facilities	23,000,000			14,240,000
General Electric Credit Corp.	Consumer time financing	1,296,000			
General Foods Corp.	Coconut processing plant	2,620,000			2,620,000
General Milk	Filled milk products	576,300	576,300		
B. F. Goodrich Company	Tires/tubes and related	1,500,000	792,000		
" " "	rubber products	1,200,000	1,200,000	1,200,000	
" " "	" "	792,000			
" " "	Expansion "	2,297,632			2,297,632
" " "	" "	1,046,154-A			1,046,154-A
#Kimberly-Clark	Mf. & market facial tisques	4,410,000			4,410,000
" " "	" " "	600,000			
Koppers International C.A.	Integrated steel plant	1,400,000	1,400,000	1,400,000	
Morgan Guaranty Internat'l Finance Corp.	Financing consumer sales	200,000			
	" " "	345,000			
" "	" (expansion)	234,220	234,220		
* Phelps Dodge Corp.	Rolling mill	522,000			522,000
" " "	Electric wire & cable	765,000	765,000	765,000	
" " "	" " "	357,000	293,250	120,300	
" " "	" " "	510,000	510,000	510,000	
" " "	" " "	653,846		653,846	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Philippines (Continued)					
Phila. Internat'l Investment Corp.	Investment banking	$ 175,000	$	$	$
" "	" "	330,500			
Pillsbury Holdings (Canada) Limited	Wheat flour mill	500,000	500,000	500,000	
Rheem Manufacturing Company	Metal drums	200,000	250,000		
Seabrook Farms Co., Inc.	Fish cannery & by-products	909,919	909,919	800,000	
Smith, Kline & French	Pharm. mfg. & warehouse	1,200,000			700,000
Standard Fruit & Steamship Co.	Mfg. boxes/banana growing	7,000,000	7,000,000	4,000,000	
Star-Kist Foods, Inc.	Packing sardines	142,000	142,000		
Tubbs Cordage Company	Mf. rope & twine	2,000,000			2,000,000
Universal Foods Corp.	Yeast/other baking products	345,000			350,000
" " "	" " "	60,000			
Westinghouse Elect. Int'l S.A.	Major electric appliances	1,229,284	1,229,284	1,229,284	
" " "	Retail/wholesale financing	385,252	385,252		
	" " "	657,300	590,000		
		$216,693,934	$ 90,006,448	$ 50,615,348	$ 74,804,632
	TOTALS (118) $432,120,362				
Portugal & Territories					
The Firestone Tire & Rubber Co.	Mf. tires and tubes	$ 2,494,000	$ 2,494,000		
" " " " "	" " "	1,733,000	1,733,000		
Gen. Instrument Corp.	Electronic components	2,959,000	2,959,000		
" " "	" "		1,500,000		
Great Lakes Properties Inc.	Tourist resort center	7,329,944	7,329,944		
Ludlow Corporation	Jute, yarn and cloth	2,000,000	2,000,000		
Morrison-Knudsen of Portugal, Ltd.	Tagus River Bridge	2,000,000	6,000,000		
		$ 18,515,944	$ 24,015,944		
	TOTALS (13) $42,531,888				
Angola					
Borwick, Harry G.	Fried/frozen fish/fishmeal	$ 90,000	$ 90,000		
	TOTALS (2) $180,000				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Senegal					
Bankers Internat'l Corp.	Banking	$	$ 428,780	$	$
Builders Internat'l Inc.	House construction/selling	930,000			930,000
Internat'l Min. & Chem. Corp.	Phosphate mining/mrktg.	2,080,000	2,533,000		
" " " "	" " "	1,603,000	1,603,000		
" " " "	" " "	2,981,000	2,981,000		
Mobil Oil Corporation	Oil refinery	963,438			963,438
" " "	" "	1,361,294			1,038,648
Morgan Guaranty Internat'l Banking Corporation	Banking operation (expansion)	204,100	204,100		
Star-Kist Foods, Inc.	Freezing of fish	120,250	120,250	100,000	
Texaco (Africa) Ltd.	Oil storage depot	196,000			183,000
Texaco, Inc.	" refinery	960,000			960,000
" "	" "	700,000			535,000
" "	" "	530,000			398,000
		$ 12,629,082	$ 7,890,130	$ 100,000	$ 5,008,086
	TOTALS (26) $25,627,298				
Sierra Leone					
First National City Bank	Titanium mining/processing	$ 6,000,000	$ 6,300,000	$ 6,000,000	
Leon Tempelsman & Son	Diamond cutting/polishing	138,361	138,362	138,361	
" " "	" " "	98,000	98,000	98,000	
National Packing Co.(Ralston)	Freezing/canning tuna	1,080,000	1,000,000	254,550	
" " " "	" " "	750,000	750,000	95,450	
" " "	" " "	(437,500)	(437,500)		
Pittsburgh Plate Glass Co.	Titanium mining/processing	2,000,000	10,043,000	11,000,000	
" " " "	" " "	1,275,000	1,887,000	1,887,000	
Ralston Purina Company	Reconstituted milk products	61,600	61,600	31,000	
" " "	Tuna canning/freezing	(450,000)	(450,000)	(362,000)	
" " "	" " "			12,000	
Seaboard Allied Milling Corp.	Four mill; grain storage tank	875,000			875,000
" " " "	" " " " "	327,000			327,000
" " " "	" " " " "	1,125,000			
		$ 13,729,961	$ 20,277,961	$ 19,516,361	$ 1,202,000
	TOTALS (30) $54,726,283				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Singapore					
Beatrice Foods Company	Recombined dairy products	$ 190,890	$	$	$ 300,000
Bristol-Myers Corp.	Cosmetics, proprietary drugs			220,000	
General Milk Company	Sweetened condensed milk	20,000	20,000		300,000
W. R. Grace & Company	Chocolate and cocoa	584,000	584,000	613,000	
John-Manville Corp.	Asbestos cement plant	1,110,000			1,100,000
Mobil Investments S.A.	Oil refinery	3,300,000	3,300,000	3,300,000	
Mobil Oil Company	" "	17,000,000	17,000,000	17,000,000	
*Mobil Oil Malaya S.B.	Distrib./mrktg. petroleum	6,200,000	6,200,000	4,200,000	
		$ 28,394,890	$ 27,104,000	$ 25,333,000	$ 1,700,000
	TOTALS (20) $82,531,890				
Somalia					
Fearn Foods, Inc.	Processing/freezing shell fish	$ 741,640	$	$	$ 741,640
* " " "	Bunkering depot	118,000			118,000
Hammer Petroleum Company	Exploration of liquid/gaseous hydrocarbons				2,200,000
Quincy Market Coldstorage and Warehouse Company	Fishing/fish freezing (Assigned to Beatrice Subsidiary)	444,640	444,640	222,320	
		$ 1,304,280	$ 444,640	$ 222,320	3,059,640
	TOTALS (8) $5,030,880				
Sudan					
C. H. Leavell	Sewer system; treatment plant	$	$	$	$ 1,750,000
Walsh Construction Co.	Wad Medani Road		2,250,000	1,215,000	
	TOTALS (3) $5,215,000				
Surinam					
*St. Regis Paper Company	Corrugated boxes for Agri. & Indus. products	$ 300,000	$ 300,000	$ 130,000	$
	TOTALS (3) $730,000				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Tahiti					
Intercontinental Hotels Corp.	Hotel Taharas	$ 1,350,000	$ 1,350,000	$	$
*Joseph M. Long	Construct/operate 200	2,000,000	2,000,000		
* " "	room hotel	1,822,850	1,822,850		
* " " and Vera Mai Long	" " "	750,000	750,000		
		$ 5,922,850	$ 5,922,850	$	$
	TOTALS (8) $11,845,700				
Tanzania					
*Nello L. Teer Company	Construction of highway	$ 3,000,000	$	$	$ 4,000,000
	TOTALS (2) $7,000,000				
Thailand					
American Capital Corp.	Kraft paper mill	$ 1,200,000	$	$	$ 1,200,000
AOFC, Inc.	Cotton/silk fabrics/garments	285,134			285,134
" "	" " "(additional)	75,000			75,000
" "	" " " "	60,500			60,500
" "	" " " "	63,060			63,060
Bank of America	Kraft paper mill	1,939,741			1,939,741
Bristol-Myers Internat'l Corp.	Drugs & toiletry products			228,000	
Calabrian Co., Inc.	Farming	2,255,000			2,255,000
Consolidated American Services, Inc.	Aircraft serving facility	600,000			600,000
Cophag, S.A.	Confectionery, gum	200,000	200,000	200,000	
Castle & Cooke Invest. Inc.	Steel pipe/galvanized pipes	1,100,000	1,100,000	550,000	
Harry F. R. Dolan	Tapioca rice	49,400	100,000		
" " "	" "	50,000	50,000		
" " "	" "	100,000	100,000		
Downington Service Corp.	Kraft paper mill	520,000			520,000
Eastern Petroleum Engr. Corp.	Tube oil stocks refinery	45,000	45,000	45,000	
" " " "	" " " "	1,987,500	1,987,500	1,987,500	
Electric Storage Battery Co.	Batteries & flashlights	400,000	300,000	288,000	
" " " "	" "	23,240	60,160	12,000	
" " " "	" "	51,700	51,700	11,400	
" " " "	" "	85,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Thailand (Continued)					
Firestone Tire & Rubber Co.	Tires, tubes, related	$ 2,353,200	$ 2,353,200	$ 4,974,000	$
" " " "	products	2,305,300	1,410,600		
" " " "	" " "	2,000,000			
" " " "	" " "	175,000			175,000
General Milk Company	Condensed milk plant/	400,000	400,000		
" " "	distribution	1,200,000			1,200,000
" " "	" " " (R)	1,000,000			
Intercontinental Hotels Corp.	Hotels	476,000	476,000	428,000	
" " "	" (increase)	10,000-A	10,000-A	58,000-A	
" " "	Addition to hotel	755,600			755,600
" " "	" "	80,560			80,560
Intercontinental Housing, Inc.	Building family dwellings	216,951			216,951
IBEC	Cotton/silk fabrics/garments	145,068	145,068	145,068	
Internat'l Dairy Engr. Co. of Asia, Inc.	Dairy products	207,500	207,500		
" " " "	" "	750,000			
	" "	162,730	162,730		
Internat'l Stand. Elec. Corp.	Phone equipment, parts	242,718			242,719
Kaiser Cement & Gypsum Corp.	Cement & gypsum plant	3,494,000			3,494,000
" " " "	" " (additional)	334,000			334,000
Kimberly Clark Corp.	Sanitary supplies	180,000			180,000
Morrison-Knudsen of Asia	Telephone network	200,000	1,200,000	900,000	
National Lead Company	Paints & lacquers	178,500			178,500
" " "	" "	388,875			388,875
" " "	" "(additional)	153,701			153,701
Parsons & Whittemore South East Asia Corp.	Kraft paper mill	2,480,000			2,480,000
*Phelps Dodge Corp.	Mf. and sell copper	300,000			
*Phelps Dodge International	and alum. wire/cable	1,440,000			1,440,000
Renrall Limited	Drugs, cosmetics	52,245	50,563	50,000	
Schering Corp.	Pharmaceutical prods.	50,000	50,000		
Sterling International	Household paper products				100,000
Union Carbide Corp.	Tin smelter	650,000	650,000	1,500,000	
" " "	" "	7,500,000			7,500,000
" " "	" "	4,650,000	4,650,000	1,250,000	
Universal Oil Products Co.	Cracking process-licensing	565,000			
Warner-Lambert Pharmaceutical Company	Pharmaceutics	45,000	45,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Thailand (Continued)					
Wilbur Ellis Company	Paints & lacquers	$ 171,500	$	$	$ 171,500
" " "	" "	373,625			373,625
" " "	" " (additional)	147,674			147,674
		$ 46,925,022	$ 15,805,021	$ 12,626,968	$ 26,611,140
	TOTALS (125) $101,968,151				
Togo					
W. R. Grace and Company	Phosphate mining	$ 13,088,000	$ 13,088,000	$ 13,000,000	$
" " "	" "	8,842,000	7,074,000	7,074,000	
Texaco Africa Ltd.	Petrol. storage facilities	52,000			52,000
" " "	" " "	120,000			120,000
		$ 22,102,000	$ 20,162,000	$ 20,074,000	$ 172,000
	TOTALS (10) $62,510,000				
Trinidad					
Brink's Incorporated	Armored car system	$ 72,000	$ 72,000	$ 14,000	$
" "	" " "	27,654	22,854	3,500	
W. R. Grace & Company	Chemical fertilizer	17,749,125			
" " "	" "	23,872,000	23,872,000	21,900,000	
" " "	" "	14,877,000	11,100,000	11,100,000	
" " "	" "	9,604,000			9,604,000
" " "	" "	13,018,750			11,010,625
" " "	" "	7,000,000			7,000,000
Myerson Tooth Corp.	Artificial Teeth	165,317	165,317	165,317	
" " "	" "	75,873-A	75,873-A	75,873-A	
		$ 86,461,719	$ 35,308,044	$ 33,258,690	$ 27,614,625
	TOTALS (25) $182,643,078				
Tunisia					
*Alcoa International, Inc.	Mfg./sale of aluminum products	$ 76,500	$ 76,500	$ 76,500	$
" " "	Aluminum doors & windows	40,800	40,800	21,800	
Bank of America	Banking operation	85,000	68,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Tunisia (Continued)					
Firestone Tire & Rubber Co.	Tire & tube mf. (R)	$ 1,100,000	$	$	$
" " " "	" " "	1,200,000			1,200,000
Freeport Internat'l Inc.	Fertilizer	2,000,000	2,000,000	1,500,000	
" " "	"	893,000	726,000		
International Harvester Co.	Mf. of farm tractors	350,000	350,000	180,000	
Marshall Erdman & Assoc.	Woodworking	42,500	42,500	42,500	
Morrison-Knudsen of Africa	Construction-Airport		2,000,000		
Morgan Gty. International Banking Corp.	Commercial banking	289,200	289,200		
* Moss, George E.	Mf. stamped steel	78,800			78,800
* Moss, Roscoe Jr.	Heating radiators, pipes	9,900			9,900
* Moss Company, Roscoe	" " "	9,900			9,900
New World Development Corp.	Triple super-phosphate				199,664
Rimrock Tidelands, Inc.	Drilling rig		991,266	991,266	
Utah Construction Co.	Oued Nebana Scheme		2,000,000	2,000,000	
		$ 6,175,600	$ 8,584,266	$ 4,812,066	$ 1,498,264
	TOTALS (36) $21,070,196				
Turkey					
American Home Prod. Corp.	Pharmaceuticals	$ 2,780,000	$ 2,780,000	$	$
Bank of America	Hotel furnishings	1,049,600			
" "	Banking operation	278,000	223,000		
Brewster Thomas S.	Export Fruits, vegs., meat, fish	100,000	53,000		
California Texas Oil Corp.	Oil refinery	9,800,000			
" " " "	" "	29,357,000			
Chrysler International	Produc./dist. Chrysler prod.	3,936,000	3,936,000		
Continental Ore Company	Mining/production magnesite	1,666,667			1,666,667
Essex Interore, Inc.	Anhydrous sodium sulfate	17,000			17,000
" " "	" " "	483,000			333,000
General Electric Company	Electric products, lamps and refrigeration	1,700,000			3,400,000
" " "	" " "	850,000		418,000	
" " "	" " " "	150,000			
" " "	" " " "	1,100,000	1,100,000		
" " "	" " " "	137,500			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Turkey (Continued)					
Eregli Steel Mill					
Chase International	Integrated steel mill	$ 15,458,660	$ 14,032,441	$	$
Corde Company	" " "	1,661,750	1,661,750		
Chase Manhattan	" " "	4,111,391	4,111,392		
Foster Wheeler World Services Corp.	" " "	650,000	620,000		
Koppers Company, Inc.	" " "	as assigned	as assigned		
Westinghouse Elect. Corp.	" " "	as assigned	as assigned		
Federal Motor Truck Company	Trucks & vehicle parts	187,339			
First National City Bank	Tires, tubes, etc.	2,510,000	2,510,000		
Goodyear Internat'l Corp.	Tires, retreading	40,000			
Goodyear Tire & Rubber Co.	Tires, tubes, & other	4,940,000			
" " " "	rubber products	8,000,000	6,000,000		
" " " "	" " "	2,720,000	2,720,000		
Joseph Schlitz Brewing Co.	Beers & other malt beverages	7,320,000	7,320,000		
Kaiser Alum. & Chem. Corp.	Alum. prods.	443,000			443,000
Layne & Bowler Pump Co.	Turbine pumps	444,440	444,440	444,440	
Marshall Oil & Chemical Co.	Wast oil refinery resine base	84,000			
	and varnish	59,000			
Merck & Co., Inc.	Pharmaceuticals	300,000	300,000		
Olin Mathieson Chem. Corp.	"	96,863			
" " " "	"	2,711,450			
U. S. Rubber Co.	Tires, tubes & related prods.	as assigned	as assigned		
" " "	" " " "	6,000,000	6,000,000		
" " "	" " " "	5,000,000			
" " "	" " " "	1,577,463	1,379,083		
" " "	" " " "	2,000,000	2,000,000		
		$119,720,123	$ 57,191,106	$ 862,440	$ 5,859,667
	TOTALS (68) $183,633,336				
Uganda					
Federal By-Products Corp.	Bonded urethane	$ 28,000	$	$	$ 28,000
Interkiln Engineers	Mfg. sanitary & dinner ware	85,000	120,000	100,000	
		$ 113,000	$ 120,000	$ 100,000	$ 28,000
	TOTALS (5) $361,000				

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Venezuela					
*Chicle Adams, Inc.	Construct confectionery plant	$ 930,000	$ 930,000	$ 930,000	$
American Home Products	Drugs	884,000	884,000	442,000	
Black & Decker Mfg. Co.	Power tools	200,000			200,000
Caloric Corp.	Gas ranges	283,521	283,521	210,016	
Carbon Spinning Co., S.A.	Worsted spinning plant	550,000			550,000
Celanese Corp. of America	Nylon fibers	1,159,800	1,159,800	579,900	
Central Soya Co., Inc.	Stock & poultry feed	100,000	100,000	100,000	
" " " "	" " "	600,000	600,000	600,000	
Champion Spark Plug Co.	Spark plugs	350,000	300,000	300,000	
" " " "	" "	300,000	300,000	300,000	
" " " "	" "	100,000			
Compania Venezelana de Ganderia	Slaughter/pack/process meat	1,000,000	1,000,000	200,000	
Corporacion Chatarravan C.A.	Reclaiming iron/steel	1,000,000	1,000,000	500,000	
Eagle Pencil Co.	Pens, pencils	500,000	1,000,000	383,000	
Fidelity Internat'l. Corp.	Financial institution	229,000	229,000		
Ford Motor Co.	Assembly of cars & trucks	8,780,000			8,780,000
Fuchs Baking Company	Bakery	300,000			300,000
" " "	"	100,000			100,000
Gates Rubber Company	V-belts, related products	1,340,000			1,340,000
" " "	" " "	460,000-A			460,000-A
B. F. Goodrich Co.	Polyvinyl chloride compounds	1,100,000			1,100,000
W. R. Grace & Company	Decorative laminate	1,135,876			1,135,876
" " "	Cloth-back vinyl	113,628			113,628
General Electric Co.	Mf. elec., motors, compressors	226,600	226,600	136,000	
General Electric	Electrical products &	1,858,000			1,858,000
" "	construction machinery	3,003,600			3,003,600
Guri Dam Project					
Kaiser Eng. & Constr. Inc.	Construction		5,950,000	4,550,000	
Macco Internation	"		3,825,000	2,925,000	
Tecon International, Inc.	"		2,975,000	2,275,000	
Merritt-Chapman & Scott Overseas, Inc.	"		1,700,000	1,300,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Venezuela (Continued)					
Intercontinental Hotels Corp.	C.A. Hotel Guyana	$ 444,000	$	$	$ 444,000
Johns-Manvill Corp.	Brake linings, clutch	462,000	462,000	350,000	
" " "	facings (R)	50,000			
" " "	Glass fiber wool products	540,000			540,000
" " "	" " " "(R)	100,000			
Kaiser Jeep Corp.	Assembly utility vehicles	400,000	400,000	220,000	
*Maremont Corp.	Production of shock absorbers	300,000			250,000
Merck, Sharp & Dohme (Panama), S. A.	Pharmaceuticals	1,500,000	1,500,000		
Milco Distributors	Wooden toilet seats	100,000			100,000
Miles Laboratories, Inc.	Pharmaceuticals	900,000	900,000	500,000	
Owens-Illinois, Inc.	Window glass		4,500,000	4,500,000	
Pfizer Corporation	Veterinary biologicals	960,000	960,000	480,000	
Phelps Dodge Corporation	Plastic & multi-conduct. cab.	287,312	287,312	287,312	
" " Svenska	Copper products	502,146			502,146
Metallverken Int'l Corp.	" " (R)	300,000			
" " " "	" "	613,790			613,790
Pittsburgh Plate Glass Co.	Automobile safety glass	225,351	225,351	234,000	
" " " "	" " "	85,800	85,800		
" " " "	" " "	500,000	500,000	500,000	
" " " "	" " "(R)	500,000			
Progreso Interamericano, Inc.	Hatchery & feed plant	720,000	720,000	720,000	
" " "	" " "	80,000	80,000	80,000	
Ralston Purina Co.	Chicken breeding/hatchery	220,000	220,000	115,000	
Ralston Purina de Panama	" " "	300,518			300,518
Ralston Purina Co.	Animal feeds	290,000			290,000
Reynolds Internat'l. Inc.	Aluminum reduction	5,000,000	5,000,000	5,000,000	
" " "	" "	3,250,000	3,250,000	3,250,000	
Russell, Burdsall & Ward Bolt & Nut Co.	Mf. bolts and nuts				1,020,000
Sears, Roebuck Company	Home & office appliances	220,400	220,400	220,400	
Seatankers, Inc.	Cattle raising		922,000		
Wagner Electric Corp.	Hydraulic brake fluids/parts	57,426			57,426
William Underwood Co.	Deviled ham/other foods	850,000	850,000	850,000	
Wire Rope Corp. of Am.	Mf./sell wire rope	635,600			635,600
		$ 46,998,368	$ 43,545,784	$ 33,037,628	$ 23,694,584

TOTALS (145) $147,276,364

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Vietnam					
American Trading Co.	Truck, bus assembly and repair	$ 140,000	$ 140,000	$ 135,354	$
Investing Corp.	Branch commercial bank	8,000,000	30,000,000	30,000,000	
Chase Manhattan Bank	Branch commercial bank	5,855,000	30,000,000	30,000,000	
Bank of American National Trust					
International Dairy Engr'g Co.	Sweetened condensed milk	500,000	500,000	282,809	
of Asia, Inc.	" " "	357,022	85,000		357,022
" " " " "	" " "	34,355	34,355		
" " " " "	" " "	565,618	565,617	112,484	
Caltex (Asia) Ltd.	Storage tanks	105,000	105,000	105,000	
" " "	" "	28,000	28,000	28,000	
" " "	Oil distribution	85,000	85,000	85,000	
" " "	" "		76,000	76,000	
Parsons & Whittemore, Inc.	Pulp and paper	2,000,000	2,000,000	1,000,000	
		$ 17,669,995	$ 63,618,972	$ 61,824,647	$ 357,022
	TOTALS (34) $143,470,636				
Yugoslavia					
New HollandMachine Company	Farm machinery	$ 2,000,000	$ 2,000,000	$	$
	TOTALS (2) $4,000,000				
Zambia					
*Continental Ore Corp.	Mf. of cable & wire	$ 329,280	$	$	$ 329,280
Intercontinental Hotel Corp.	Hotels-Lusaka & Victoria Falls	1,164,800			1,164,800
*Phelps Dodge Svenska Metallver-	Mf. cablewire/extruded	658,560			658,560
* ken Internat'l Corp.	copper/alum. products	400,000			
Westinghouse Air Brake Co.	Heavy earthmoving equip.	1,470,000	1,110,000		
		$ 4,022,640	$ 1,110,000	$	$ 2,152,640
	TOTALS (9) $7,285,280				

II. Less Developed Countries Issued from 7/1/69 thru 3/31/70

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Africa General					
TAW International Leasing Corp.	Leasing of cap. equip. & facilities in various countries	$ 4,400,000	$	$	$ 4,400,000
Argentina					
International Standard Electric Corp.	Expand mf. of plastic insulated & sheathed telecommunication cable & wire	700,000			
Phelps Dodge Corp.	Expand mf. of electronic wire/cable	900,000			
Bolivia					
Alpaca Minerals, Inc.	Estab. & construct mill facilities, houses, roads for mining, processing/sale of silver, lead, copper, etc.	451,959 1,960			451,959 1,960
Drga, Donald A.	Expand production/sale of improved breed of cattle	60,000			60,000
Larsen, Ronald D.	" " "	100,000			100,000
Brazil					
Aluminum Co. of America	Production/sale of alumina and aluminum in Brazil	6,800,000			6,800,000
Brazilian Metals Recovery Inc.	Estab. plant for recovery of iron/steel scrap from slag & debris from steel making	910,000 250,000			910,000 250,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Brazil (Continued)					
Dow Chemical N.V.	Estab. a facility in Sao Paulo for the mf/ sale of epoxy resins	$ 2,014,720	$	$	$ 2,014,720
General Electric Co.	Factory to mf./sell electrical products	1,860,400			1,860,400
General Mills, Inc.	Produce carboxy methyl, cellulose polyamides & epoxy resins for domestic sale	220,000			220,000
Hanna Mining Company	Production/sale of alumina and aluminum in Brazil	3,200,000			3,200,000
International Standard Electric Corp.	Increase working capital	4,221,225			4,221,225
	in the telecommunication equip. & services industry	12,516,900			12,516,900
Wagner Electric Corp.	Mf. & distribution of automotive products	120,576			120,576
John Wiley & Sons, Inc.	Facility for promotion/ sale of university-level textbooks	145,800			145,800
Union Carbide Corp.	Production of polyethylene products	21,000,000	15,000,000	15,000,000	
Chile					
Bank of America NT & SA	Production/sale of vinyl chloride monomer & polyvinyl	2,900,000			2,900,000
First National City Bank	Commercial branch bank (expansion)	1,200,000			
Ford Motor Co.	Construct/operate automotive assembly plant	7,600,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Chile (Continued)					
ITT Sheraton International Inc.	Construct/operate	$ 3,177,500	$	$	$ 2,255,000
	San Cristobal Hotel in Santiago	4,596,000			4,596,000
" " "	Acquisition & modernization of Carrera Hotel, Santiago	1,300,000			1,100,000
		2,000,000			2,000,000
NIBCO, Inc.	Mf./distrib. bronze valves and fittings	655,000			700,000
Xerox Corp.	Establish graphic reproduction service	1,041,268	1,041,268		
		450,000	450,000		
China, Rep. of					
General Instrument Corp.	Add'l working capital to mf. electronic components	3,107,350			3,107,350
Motorola International Development Corp.	Mf. electronic components & sub-assemblies	5,000,000			4,000,000
Singer Company	Mf. household sewing machines	268,000			268,000
		800,000			800,000
Televac, Inc.	Construction/operation of plant to mfg. TV vacuum tubes & elec. parts & components	472,000			472,000
		499,997			499,997
" "	" " "				617,000
" "	" " "	125,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Colombia					
Berol Pen Company	Mf./sell writing instruments	$ 900,000	$ 900,000	$ 459,000	$
General Electric Co.	Mf./sale of incandescent lamps (expansion)	94,000			94,000
Kimberly-Clark Corp.	Plant for mfg./distrib/	312,000			312,000
	selling disposable, consumer tissues products	940,000			940,000
" " "	Factory for mfg. cigarette papers	3,078,000			3,078,000
Philips Investment Co.	Mf. & distrib. carbon	704,889			
" " "	black	1,678,688			
" " "	" " "	2,250,000			
Congo(Kinshasa)					
Central Overseas Corp.	Wheat flour mill, grain	629,000			629,000
	storage & receiving facility at Port of Matadi	1,300,000			1,300,000
Costa Rica					
Bamerical International Fin. Corp.	Financing of agricultural	277,000	277,000		
	equip. & machinery	408,000	408,000		
Chase International Invest. Corp.	Produc./distrib. of rice			1,090,000	
" " "				200,000	
	Weaving/spinning polyester	1,450,000			1,450,000
	and rayon yarn	499,200			499,200
Chemway Corp.	Mf. of drugs			58,500	
Coriban Investment Co.	Expand growing/selling bananas	30,423			30,423
Crescent Corset Co., Inc.	Mf. ladies undergarments			36,400	
Firestone Tire & Rubber Co.	Mf. tire/tubes			2,260,000	
				900,000	
" " "	" " "			6,800,000	

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Costa Rica (Continued)					
General Telephone & Electronics Export Corp.	Mf. fluorescent lamps	$	$	$ 630,000	$
Hudson Pulp & Paper Corp.	Expand production/sale of paper household products			432,000 500,000	
Kaiser Jeep Corp.	Financing of agricultural equip. & productive machinery	200,152			200,152
Merck Sharp & Dohme (I.A.) Corp.	Mf. pharmaceuticals and animal health products			2,080,000	
Pfizer Corp.	Mf./sale pharmaceutical and veterinary products			610,000 530,000	
St. Regis Paper Co.	Dry yeast production			10,000	
Union Carbide Corp.	Mf. dry cell batteries			500,000	
Dominican Republic					
American Can Company	Assembly plant for mf. of metal containers	1,075,204			1,075,204
Falconbridge Loma Corporation	Ferro-nickel metallurgical plant	185,000,000			185,000,000
Armco Steel Corp.	Metallurgical plant for extraction/processing ferro-nickel ore.	4,328,234			4,328,234
Brown & Root, Inc.	Construction " "	1,000,000	1,700,000	900,000	
General Milk Company	Mf./sale of evaporated/condensed milk & whole milk	2,646,000			2,646,000
General Motors Acceptance Corp.	Expand financing instalment sales of new & used G.M. products	200,000	200,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Ecuador					
Continental International Finance Corp.	Expand development financing corporation	$ 45,000	$ 45,000	$	$
1554 Corp. dba The Mellinger Company	Purchasing & developing agricultural lands to grow palm kernel bearing trees	133,000			133,000
Phelps Dodge Corp.	Mf. plastic insulated wires & cables	350,170			350,170
" " "	Add'l plant machinery & equip. for mf. wires/cables	165,016			165,016
Trans World Seafood, Inc.	Freezing/processing seafood (expansion)	30,000			30,000
Union Carbide Corp.	Plant for assembly, finishing & sale of dry cell batteries	375,000			375,000
" " "	" " " "	300,000			
El Salvador					
First National City	Incr. capital in Branch commercial bank	1,000,000	500,000		
Ethiopia					
Kalamazoo Spice Extraction Co.	Spice extraction (add'l)	19,200	19,200	19,200	
NFC Industries, Inc.	Mf./sale bottles, other glass products	920,000			920,000
Thomas G. Tucker	Development of existing tea plantation	8,000			8,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Guatemala					
Abbott Laboratories Int'l Co.	Production/sale of pharmaceuticals	$ 600,000	$ 600,000	$	$
Guinea					
Olin Mathieson Chemical Corp.	Expand of alumina plant	3,100,000			
Honduras					
Champion Paper Corp.	Estab. facility for harvesting of logs	2,642,000			2,642,000
Standard Fruit Co.	Mf. of polyethelene sheeting & labels for use w/bananas		450,000		
U. S. Plywood-Champion Papers Inc.	Estab. facility for harvesting of logs	686,596			686,596
India					
Audio Magnetics Corp.	Mf., produce & sale magnetic recording tapes	93,500	93,500		
Carter-Wallace, Inc.	Mfg. drugs & pharmaceutical products	196,000			196,000
IBM Trade Corp.	Expansion to mf./sell & service IBM products	9,520,000			9,520,000
Johns Manville India	Mf. of asbestos yarn, roving tape & textiles for brake lining & clutch facings	53,333			53,334
" " "	" " " "	235,000			
Norton Company	Mf. abrasive products	2,200,000			2,200,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Indonesia					
Aluminum Co. of Am.	Exploration for bauxite & other minerals	$	$	$	$ 1,000,000
Chemical Bank	Explore/develop/mine/ exploit nickel & other ores in West Irian		2,900,000		
Freeport Sulphur Co.	" " " "	30,654,800	36,154,800	20,000,000	
" " "	" " " "		14,300,000	8,000,000	
Goodyear Tire & Rubber Co.	Expansion of tire plant	1,486,000			1,486,000
Gulf Oil Corporation	Packaging plant for imported fertilizer/chemicals/petrochems.	1,530,000			1,530,000
IndoNess Inc.	Assembly of electronic, electro-mechanical or mechanical components and sub-assemblies	1,090,000			1,090,000
Pfizer Corporation	Mf. tablets, capsules, oral	452,250			452,250
	liquid dosage & sterile parental forms, etc.	1,800,000			1,800,000
Iran					
American International Oil Company	Produce sulphur & LPG-NGL from flared natural gas (additional)	1,776,000	1,776,000		
Intercontinental Hotels Corp.	Construct/operate 400-room hotel in Tehran	2,000,000	2,000,000		
Reynolds International, Inc.	Construct/operate alum. reduction plant	4,625,000	4,625,000		

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Israel					
Barnett, Louis H.	Plant for mf. of molded plastic containers	$ 200,000	$	$	$ 200,000
Belco Petroleum Corp.	Exploration for oil & gas			381,000	
Gen. Telephone & Electronics International, Inc.	Mf. electronics including TV picture tubes, batteries semi-conductors & crystals	4,000,000			4,000,000
Medical Services International Inc.	Construction/operation of a retirement center in Israel	588,000			588,000
Stephen P. Sandler	Construct/operate a factory to mf. & freeze fruits & veg.				948,000
Storm Drilling Co.	Exploration for oil & gas			7,860,000	639,900
" " "	" " " "			940,000	
Ivory Coast					
Morgan Guaranty Intern'l Banking Corp.	Expand general banking business	80,640	80,640		
Kenya					
Firestone Tire & Rubber Co.	Plant for mfg. tires	11,600,000			11,600,000
" " " "	& related rubber products	3,700,000			
Holden, William	Ranch for breeding game animals	138,694			138,694
Johnson, Deane F.	" " " "	12,000			12,000
Irving Trust Co.	Construct/operate the Nairobi Hilton Hotel	860,000			860,000
Wm. Wrigley Jr. Co.	Mf./sell chewing gum	850,000			850,000
" " "	" " " "	660,000			660,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Korea					
Applied Magnetic Corp.	Expand production of magnetic recording heads	$ 220,720	$	$	$ 220,720
Bank of America	Mf./assembly Kaiser vehicle parts	5,475,000			5,475,000
Byrd, William	Mf. of ceramic tile & bathroom accessories	600,000			600,000
Chase International Investment Corp.	" " "	1,590,000			1,590,000
	" " "	332,000			332,000
Chase Manhattan Bank	Pharmaceuticals plant	1,641,000			1,964,000
Continental Carbon Co.	Mf. of carbon black	250,000			250,000
Emerging Economies Corp.	Construct/operate a noodle making plant	172,000			172,000
First National City Bk.	Credit for production of acrylonitrile monomer	2,934,373			
Gulf Oil Corp.	Construct/operate 3 220,000 kilowatt turbo generators	5,475,000			5,475,000
" " "	Construct/operate cement plant	8,760,000			8,760,000
Homans, Henry P.	Fruit & veg. canning plant	40,330		80,660	
Komy Corporation	Assembly of electronic components	370,000			370,000
" "	" " "				150,000
Pfizer Corporation	Production of antibiotics; oxytetracycline & tetracycline	2,800,000			2,800,000
Popular Sports, Inc.	Mf. baseball gloves/tennis rackets, etc.	120,000			120,000
Signetics Corporation	Mf. of intergrated elec. circuits	1,041,757			1,041,757
Skelly Oil Company	Plant to produce acrylonitrile monomer	6,100,000			6,100,000
UNOCO, Limited	Thermal power plant and crude oil topping plant near Inchon (Kyung)	10,000,000			10,000,000
" "	" " " " "	7,043,000			4,760,000
Union Oil Co. of Calif.	" " " " "	10,925,000			8,780,000
" " " "	" " " " "	17,519,000			12,086,000
" " " "	" " " " "	22,000,000			16,500,000
" " " "	" " " " "				4,063,000
" " " "	" " " " "	4,000,000			

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Malagasy					
Reppas, George S.	Estab. abattoir facilities for slaughtering, quick freezing, etc.	$ 442,213	$	$	$ 442,213
Swift and Company	" " "	300,000			300,000
Morocco					
Bank of America NT & SA	Commercial Bank in Casablanca	789,350	789,350		
Nicaragua					
American Standard, Inc.	Mfg. vitreous china sanitary ware (expansion)	571,400	571,400		
Booth Fisheries Div., Consolidated Food Corp.	Fully equipped shrimp & fishing processing facility	316,000			316,000
Pakistan					
Chicago Bridge & Iron Co.	Construction of Tarbela Dam		8,000,000		
Morgan Guaranty Int'l Finance Corp.	Private industrial development bank	42,110	42,110		
Vinnell Corp.	Construction of 6 prestressed concrete girder bridges	2,500,000			5,000,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Philippines					
Gen. Telephone & Electronics International, Inc.	New telephone lines & ancillary facilities	$ 6,375,000	$	$	$ 4,750,000
" " "	Expansion of the Tele Service network	4,100,000			3,339,000
General Electric Philippines, Inc.	Mf./assemble/market household appliances & component parts	1,022,800			1,022,800
Philippines Telephone System Continental Assurance Co. State Mutual Life Insurance Co. New England Mutual Life Ins. Commonwealth Life Insurance Mass. Mutual Life Ins. Co. Mutual Benefit Life Ins.	Expand/improve telephone system	6,500,000			6,500,000
Western Union International, Inc.	Construction of tropospheric scatter communications system	287,600			287,600
Rwanda					
Morgan Guaranty International Banking Corp.	Commercial banking	80,056	80,056		
Sierra Leone					
Leon Tempelsman & Son, Inc.	Development banking for long-med.-term financing	36,000			36,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Singapore					
Calif. Pellet Mill Co.	Constr. plant for pellet mill dies and rolls for mf. of agrifeed pellets	$ 800,000	$	$	$ 800,000
Vernitron Corp.	Plant to assemble electronic components, including stators & resolvers				440,000
Thailand					
Abbott Laboratories	Mf. of hospital solutions & administration sets	232,000			232,000
Firestone Tire & Rubber Co.	Expand/mf./ sale/distrib/ tires and tubes	3,036,000			3,036,000
Kaiser Cement & Gypsum Corp.	Cement plant operation	321,675			321,675
Scott Paper Co.	Paper mill for the mf./sale of sanitary paper products	500,000			500,000
Union Carbide Corp.	Mf./ sale & distrib. of vinyl acetate latexes	700,000			700,000
" " "	" " " "	100,000			
Turkey					
Borg-Warner Corp.	Mf./ sale of deepwell water pumps in Turkey	3,600,000			3,600,000
Deere & Company	Construct/operate an agri-machinery mfg. plant	400,000	400,000	400,000	
International Harvester Co.	Production of motor trucks & farm tractors	1,000,000			1,000,000

INVESTOR AND COUNTRY	PROJECT	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED EXP & WAR
Venezuela					
Dana Corporation	Production & sale of passenger cars & truck propeller shafts	$ 1,340,000	$	$	$ 1,340,000
General Electric Co.	Mf. assembly & sale of lamps & elec. appliances	3,429,246			3,429,246
King Ranch, Inc.	Ranch for breeding & raising cattle and agri products	2,356,000 1,030,000			2,356,000 1,030,000

II. Developed Countries - Guaranties Not Available Since the Aiken Amendment Which Prohibited Applications after July, 1959

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
Austria				
Socony Mobile Oil Co.,Inc.	Oil distribution	$ 1,000,000	$ 1,000,000	$
Syntron Company	Vibratory equipment	30,000		
		1,030,000	1,000,000	
	TOTALS (3) $2,030,000			
Belgium				
Cowles Dissolver Co.,Inc.	Grinding equipment	30,000	30,000	
Morehouse-Industries,Inc.	" "	30,000	30,000	
Ro-Search, Inc.	Footwear	300,000		
Smith-Corona, Inc.	Typewriters	72,000	60,000	
		432,000	120,000	
	TOTALS (7) $552,000			
Denmark				
Ray-O-Vac Int'l. Inc.	Leakproof batteries	182,500		
	TOTAL (1) $182,500			
France				
Armstrong Paint & Varn. Co.	Paints & varnishes	12,000		
Chicago Molded Products	Plastics	35,000		
Godfrey L. Cabot, Inc.	Carbon black	4,430,000	2,215,000	
" "	" "	4,400,000	2,215,000	
Chrysler Corporation	Trucks and cars	920,108		
" "	" "	6,987,310	3,493,655	
Clark Equipment Co.	Materials hdlg. equip.	479,250		
Concrete Chemicals Co.	Concrete admixes.	90,000		
Corhart Refractories Co.	Refractories	70,000		
Dana Corporation	Automotive parts	200,000		
Dennis, John K.	Plastics	4,070	4,070	

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
France (continued)				
Dow Corning Corp.	Silicones	$ 304,950	$	$
" " "	Chemicals	591,450		
Ellicott Machine Corp.	Dredging machinery	40,214	20,107	
" " "	" "	34,132	17,066	
" " "	" "	40,765	20,383	
Ford Motor Co.	Auto products		713,875	
Foster Wheeler Corp.	Construction engineer.	213,500		
" " "	" "	172,500		
Freuhauf Trailer Co.	Truck trailers	437,500		
Guthery, Frank F.	Spotwelding	15,000	15,000	
Harshaw Chemical Co.	Ceramic colors	100,000	100,000	
" " "	" "	200,000	100,000	
Heyden Chemical Corp.	Streptomycin	300,000		
Hohenstein, Walter P.	Polystyrene	56,000		
Houndry Process Corp.	Petroleum refining	202,000		
J. H. Huber Corp.	Silicate pigments	50,000		
Huppert, Peter	Plastics	4,070	4,070	
Internat'l. Water Corp.	Water wells	51,000		
Koppers Company	Styrene monomer	455,000		
Landis Tool Co.	Cylinder grinding machine	3,000,000	3,000,000	
Lee C. Moore Corp.	Oil drilling equipment	42,000	21,000	
" " "	" " "	100,000		
Lincoln Electric Co.	Welding equipment	1,072,636		
" "	" "	3,211,000		
Marmon-Herrington Co., Inc.	Trans. vehicles	54,860	27,430	
Morrison-Knudsen Co., Inc.	Construction engineering	252,000		
National Fastener	Slide fasteners	17,500		
New Britain Machine Co.	Machine tools	1,000,000	1,000,000	
Phillips Petroleum Co.	Carbon black		1,520,000	
" "	" "		250,000	
Proctor & Gamble Co.	Soaps & detergents	1,050,000		
Rohm & Haas Co.	Agriculture fungicides	441,100		
Ronson Corporation	Lighters & related prods.	595,000	595,000	
" "	" " "	390.000	354,000	
Singer Manufacturing Co.	Sewing machines	717,000		
Standard Oil Develop.Co.	Oil refinery	550,000		

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
France (continued)				
Esso Research & Engineering Co.	Oil refinery	$ 504,000	$	$
Sundstrand Corp.	Machine tools	247,880	247,880	
Yoder Company	Metal-working machinery	204,500		
		$ 34,355,295	$ 15,933,536	
	TOTALS (68) $50,288,831			
Germany				
Bostitch, Inc.	Staplers	150,000	150,000	
Godfrey L. Cabot, Inc.	Carbon black	1,000,000		
Clevite Corporation	Electronic products	37,792	37,792	
" "	" "	274,877	274,876	
Deere & Company	Farm equipment		4,700,000	
Firestone Tire & Rubber Co.	Tires and tubes	1,841,700	1,052,400	
Ford Motor Company	Trucks and automobiles		8,314,863	
" " "	" "		9,593,062	
" " "	" "		8,889,384	
Gardner-Denver Co.	Mine carloaders	140,000		
W. R. Grace & Co.	Sealing compounds	203,000		
" "	Food preserving bags	400,000		
Harris Intertype Corp.	Paper cutters	355,105	177,552	
E. F. Houghton & Co.	Chemicals & lubricants	93,150		
Johns-Manville Co.	Asphalt tile	350,000		
Merchant Calculators, Inc.	Business machines	95,120	95,120	
Mine Safety Appliance Co.	Safety appliances	1,250,000	1,250,000	
National Aluminate Corp.	Water treating chemicals	1,298,000	50,000	
Olin Mathieson Chem. Corp.	Powder actuated tools	571,428		
" " " "	" " "	369,048	184,524	
" " " "	" " "	91,875	91,875	
Oppenheimer Casing Co.	Animal sausage casings	20,805	10,402	
" "	" " "	106,144	106,144	
Otis Elevator Co.	Elevators & elev.equip.		250,831	

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
Germany (continued)				
Perkins-Elmer Corp.	High precision instru.	$ 548,230	$ 274,115	$
Raytheon Mfg. Co.	Radar & sonar equip.	93,500		
Rockwell Mfg. Co.	Power tools		964,000	
" "	" "		2,450,000	
" "	" "		58,800	
" "	Small motors, valves, etc.		959,600	
" "	" " "		612,500	
Ronson Corp.	Lighters, related prods	262,250	262,250	
" "	" " "	214,375	198,625	
" "	" " "	90,000	90,000	
" "	" " "	390,308	354,280	
J. Sklar Mfg. Co.	Optical equipment	10,000	10,000	
Smith-Corona Marchant, Inc.	Office equipment	97,400	48,700	
The Coleman Co.	Space heaters	100,000	50,000	
Union Twist Drill Co.	Drills & other tools	1,397,204	1,397,204	
Union Twist Drill Co.	Drills & other tools	1,495,000	1,495,000	
" " "	" " "	230,230	174,790	
" " "	" " "	299,000	227,000	
		13,875,541	44,855,690	
	TOTALS (66) $58,731,231			
Italy				
American Home Products Corp.	Pharmaceuticals	288,000	288,000	
" " " "	"	1,082,350	640,572	
" " " "	"	571,000	396,000	
" " " "	"	96,000-A	96,000-A	
" " " "	"	480,000	240,000	
" " " "	"	1,152,000	576,000	507,040
" " " "	"	240,000	200,000	169,013
American Motels of Italy	Motels	195,000	172,500	
Assoc. Seed Growers, Inc.	Seed cultivation	87,500	150,000	
" " "	" "	340,000	340,000	
Don Baxter	Intravenous solutions	29,190	29,190	
Godfrey L. Cabot, Inc.	Carbon Black	1,130,000	1,130,000	
" "	" "	4,000,000		

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
Italy (continued)				
Godfrey L. Cabot, Inc.	Carbon Black	$ 659,000	$ 659,000	$
" "	" "	806,000	806,000	
Caltex Oil Products Co.	Oil refinery	4,630,000		
Chicago Molded Products	Plastics	35,000		
W. R. Grace & Co.	Food preserving bags	107,700		
" "	" " "	107,688		
Houdry Process Corp.	Petroleum refining	75,000		
E. F. Houghton & Co.	Chemicals & Lubricants	17,000		
Mine Safety Appliances Co.	Safety appliances & equip.	87,750	43,875	
Monsanto Chemical Co.	Chemicals	42,000,000	22,000,000	
" " "	"	11,400,000	5,700,000	
M.S.A. Financing Corp.	Safety appliances & equip.	2,250	1,125	
National Aluminate Corp.	Boiler compounds	1,331,000	271,000	
National Biscuit Co.	Biscuits & crackers	900,000		
Olin Mathieson Chemical Co.	Industrial chemicals	8,551,800	4,275,900	
" " "	" "	2,500,000		
Otis Elevator Co.	Elevators & elev.equip.	192,500		
Joseph Pacifico	Building stone	20,000		
Pennsalt Chemicals Corp.	Refrigerants,aerosol propellants & chem.	375,000	375,000	
Raytheon Manufacturing Co.	Electronic tubes	329,000		
Smyth Mfg. Co.	Bookbinding equip.	67,440	67,440	
" "	" "	33,851	33,852	
Socony Mobil Oil Co.,Inc.	Oil refinery	5,600,000	2,800,000	
" " " " "	Cracking unit	7,234,000	3,617,000	
Standard Oil Co. (N.J.)	Oil refinery	14,487,500		
Syntron Co.	Vibratory equip.	36,000		
Torrington Co.	Steel needles	2,300,000		
Westinghouse Air Brake Co.	Railroad equip.	60,300		
		113,636,819	44,908,454	676,053

TOTALS (68) $159,221,326

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
Japan				
Dow Chemical International Ltd.	Production of plastics	$ 560,000	$ 560,000	$
" " " " " "		812,000	812,000	
Hamilton Watch Co.	Watches	500,000	50,000	
United Engineer. & Foundry	Machinery	1,000,000	1,000,000	
		2,872,000	2,422,000	
	TOTALS (8) $5,294,000			
Netherlands				
American Home Prods.Corp.	Pharmaceuticals	210,000	105,000	
A-P Controls Corp.	Oil heater regulators	75,000	50,000	
Dow Chemical Co.	Chemicals	2,640,000	1,320,000	
Henry Drake	Writing fluids	29,750	17,000	
Fluor Corp.,Ltd.	Oil & chem. plant design	900,000		
H. J. Baker Brothers	Castor oil derivatives	16,085	19,800	
H. H. Sonnenberg	Venetian blinds	175,000		
Louis E. Stahl	Chemical finishes		50,000	
Kresno-Stamm Mfg. Co.	Oil burners	70,000		
" " "	" "	20,000		
Sparkler International Ltd.	Industrial filters	16,488		
Tokheim Oil Tank & Pump Co.	Oil tanks & pumps	350,000	200,000	
United Greenfield Corp.	Drills & other tools	52,512	26,256	
" " "	" " "	1,590,000	795,000	
" " "	" " "	700,000	700,000	
" " "	" " "	600,000	600,000	
		7,444,835	3,883,056	
	TOTALS (26) $11,327,891			

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
United Kingdom				
Automatic Switch Co.	Electrical control equip.	$ 580,000	$	$
Barber-Green Co.	Construction machinery	47,565		
Brown & Sharpe Mfg. Co.	Machine tools	1,400,000		
" " "	" "	1,400,000		
" " "	Machine tool repairs	1,120,000		
" " "	Machine tools	560,000		
Godfrey L. Cabot, Inc.	Carbon black	2,025,000		
Chicago Molded Products	Plastics	70,000		
Cincinnati Shaper Co.	Machine tools	1,008,000		
" "	" "	985,000		
Cone Automatic Machine Co.	Automatic screw machines	262,500		
" " "	Machine tools & parts	1,675,000		
Cooper Alloy Foundry Co.	Stainless steel valves	153,500		
Dictaphone Corporation	Dictaphone	350,000		
Drilling & Exploration Co. of Nevada, Inc.	Drilling services (oil)	420,000		
Euclid Road Machinery Co.	Earth moving equipment	857,500		
General Times Instrument	Clocks & watches	1,000,000		
The Haloid Co.	Photocopying	3,000,000		
Jacobs Mfg. Co.	Drill chucks	650,350		
Knott Hotels Corp.	Hotel operations	1,436,100		
" " "	" "	1,300,000		
Kraft Foods	Food processing	1,379,514		
" "	" "	1,278,457		
Landis Tool Co.	Precision grinding machines	4,600,000		
" "	" " "	313,998		
Lapointe Machine Tool Co.	Machine tools	53,365		
Leeds & Northrup Co.	Control instruments	392,000		
Metallizing Eng. Co., Inc.	Metal spray equipment	103,750		
Mine Safety Appliance Co.	Miners lamps	250,000		
McGraw-Hill Internat'l. Corp.	Publishing	40,000		
Minneapolis-Honeywell Regulator Co.	Regulating instruments	300,000		
Olin (E.R.Squibb & Sons)	Pharmaceuticals	981,750		
Parke, Davis & Co.	Pharmaceuticals	735,000		

INVESTOR AND COUNTRY	PRODUCT	CONVERTIBILITY	EXPROPRIATION	WAR RISK
United Kingdom (continued)				
Pocket Books, Inc.	Publishing	$ 218,750	$	$
Preferred Utilities Mfg.Co.	Oil burners	60,000		
Ro-Search, Inc.	Shoes	500,000		
S. F. Appliances	Home appliances	49,000		
Standard Brands, Inc.	Soluble coffee	75,000		
Universal Oil Products	Catalyst for petroleum refining	750,000		
		32,381,099		
	TOTALS (39) $32,381,099			
Total developed countries:	286 - $ 320,008,878	$206,210,089	$113,122,736	$ 676,053

AGENCY FOR INTERNATIONAL DEVELOPMENT
Office of Private Resources
Washington, D. C. 20523
Recapitulation of Insurance Issued by Country Through March 31, 1970

COUNTRY	NO.	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED	TOTAL
Latin America						
Argentina	290	$ 420,122,619	$184,437,982	$ 92,962,291	$ 24,091,875	$ 721,614,767
Bolivia	115	50,489,976	64,970,956	24,660,548	11,299,481	151,420,961
Brazil	138	231,635,350	92,221,922	52,771,100	119,387,713	496,016,085
Br. Honduras	1	-	-	-	400,000	400,000
Chile	146	748,973,425	284,557,660	12,007,792	390,176,013	1,435,714,890
Colombia	247	110,197,171	89,294,895	46,946,008	30,961,635	277,399,709
Costa Rica	110	30,987,211	32,602,998	16,636,900	3,379,775	83,606,884
Dominican Rep.	108	213,842,718	16,460,150	36,294,500	203,327,364	469,924,732
Ecudaor	184	36,085,301	24,165,539	13,117,290	11,872,139	85,240,269
El Salvador	32	8,498,455	8,153,873	-	-	16,652,328
Fr. Guiana	1	-	200,000	-	-	200,000
Guadeloupe	2	800,000	800,000	-	-	1,600,000
Guatemala	11	1,047,000	3,372,000	-	-	4,419,000
Guyana	13	3,089,600	650,000	650,000	21,212,892	25,602,492
Haiti	33	10,242,625	11,258,625	-	-	21,501,250
Honduras	77	34,991,696	34,490,200	1,739,360	23,949,196	95,170,452
Jamaica	32	4,802,788	586,788	328,000	250,026,859	255,744,435
Martinique	2	800,000	800,000	-	-	1,600,000
Nicaragua	50	9,844,473	7,482,537	5,014,286	4,021,000	26,362,296
Panama	24	2,378,374	12,148,008	1,205,408	236,800	15,968,590
Paraguay	8	4,351,602	7,153,781	109,900	-	11,615,283
Per	56	98,838,839	-	-	-	98,838,839
Suri...	3	300,000	300,000	130,000	-	730,000
Trinidad	25	86,461,719	35,308,044	33,258,690	27,614,625	182,643,078
Venezuela	153	55,153,614	43,545,784	33,037,628	31,849,830	163,586,856
Total L.A.	1,861	$2,163,934,556	$954,961,742	$370,869,701	$1,153,807,197	$4,643,573,196
Near East & South Asia						
Afghanistan	3	400,000	200,000	200,000	-	800,000
Ceylon	7	2,110,000	-	-	1,920,000	4,030,000
Cyprus	2	-	85,000	85,000	-	170,000
Egypt	2	-	700,000	620,000	-	1,320,000
Greece	48	58,672,028	9,481,905	2,525,000	45,426,000	116,104,933
India	156	245,919,301	102,437,525	57,950,150	102,228,230	508,535,206
Iran	34	108,565,440	95,850,839	-	-	204,416,279
Israel	54	26,652,660	22,207,500	24,800,057	15,394,310	89,054,527
Jordan	3	-	8,000,000	-	1,200,000	9,200,000
Nepal	11	150,000	50,000	50,000	100,000	350,000
Pakistan	63	27,469,745	88,373,877	10,544,400	16,060,000	142,448,022
Turkey	75	124,720,123	57,591,106	1,262,440	10,459,667	194,033,336
Total NESA	808	$ 594,659,297	$384,977,752	$ 98,037,047	$ 192,788,207	$1,270,462,303

Recapitulation of Insurance Issued Through March 31, 1970 (Continued) - 2 -

COUNTRY	NO.	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED	TOTAL
Far East						
China	175	$107,320,744	$ 71,510,245	$ 47,929,000	$ 35,060,192	$ 261,820,181
Hong Kong	13	13,130,181	-	-	-	13,130,181
Indonesia	49	68,849,050	86,344,800	44,990,000	20,574,250	220,758,100
Japan	8	2,872,000	2,422,000	-	-	5,294,000
Korea	159	369,857,826	142,799,047	126,637,346	246,916,501	886,210,720
Laos	2	-	1,500,000	1,500,000	-	3,000,000
Malaysia	34	14,962,852	13,774,802	8,276,561	1,842,990	38,857,205
Philippines	128	234,979,334	90,006,448	50,615,348	90,704,032	466,305,162
Singapore	23	29,194,890	27,104,000	25,333,000	2,940,000	84,571,890
Tahiti	8	5,922,850	5,922,850	-	-	11,845,700
Thailand	136	51,814,697	15,805,021	12,626,968	31,400,815	111,647,501
Vietnam	34	17,669,995	63,618,972	61,824,647	357,022	143,470,636
Total F.E.	769	$916,574,419	$520,808,185	$379,732,870	$429,795,802	$2,246,911,276
Africa						
Algeria	4	-	15,750,000	-	-	15,750,000
Angola	2	90,000	90,000	-	-	180,000
Botswana	2	-	-	-	2,185,518	2,185,518
Cameroun	4	870,000	-	-	870,000	1,740,000
Congo (K)	12	2,684,313	475,000	-	2,139,000	5,298,313
Congo (B)	4	182,500	161,230	-	-	343,730
Ethiopia	12	1,446,450	518,450	179,200	928,000	3,072,100
Gabon	10	3,383,654	366,795	1,336,106	2,920,859	8,007,414
Ghana	23	42,394,980	1,355,000	880,000	15,387,980	60,017,960
Guinea	30	169,820,826	244,712,600	93,659,981	-	508,193,407
Ivory Coast	26	9,305,475	2,961,710	2,719,424	6,126,684	21,113,293
Kenya	60	31,049,864	6,259,364	5,571,400	20,098,500	62,979,128
Liberia	20	1,400,000	36,301,613	815,540	55,680	38,572,833
Malagasy	8	1,948,213	-	-	1,948,213	3,896,426
Mauritania	4	170,000	-	-	165,000	335,000
Morocco	33	6,727,483	4,319,786	1,730,000	2,040,000	14,817,269
Nigeria	52	22,860,368	20,300,307	-	-	43,160,675
Rwanda	2	80,056	80,056	-	-	160,112
Senegal	26	12,629,082	7,890,130	100,000	5,008,086	25,627,298
Sierra Leone	32	13,765,961	20,277,961	19,516,361	1,238,000	54,798,283
Somali Repub.	8	1,304,280	444,640	222,320	3,059,640	5,030,880
So. Rhodesia	6	18,976,681	-	-	-	18,976,681
Sudan	3	-	2,250,000	1,215,000	1,750,000	5,215,000
Tanzania	2	3,000,000	-	-	4,000,000	7,000,000
Togo	10	22,102,000	20,162,000	20,074,000	172,000	62,510,000
Tunisia	36	6,175,600	8,584,266	4,812,066	1,498,264	21,070,196
Uganda	5	113,000	120,000	100,000	28,000	361,000
Zambia	9	4,022,640	1,110,000	-	2,152,640	7,285,280
Regional	2	4,400,000	-	-	4,400,000	8,800,000
Total Africa	447	$ 380,903,426	$394,490,908	$152,931,398	$ 78,172,064	$1,006,497,796

Recapitulation of Insurance Issued Through March 31, 1970 (Continued) - 3 -

COUN	NO.	CONVERTIBILITY	EXPROPRIATION	WAR RISK	COMBINED	TOTAL
Europe						
Austria	3	$ 1,030,000	$ 1,000,000	$ -	$ -	$ 2,030,000
Belgium	7	432,000	120,000	-	-	552,000
Denmark	1	182,500	-	-	-	182,500
France	68	34,355,295	15,933,536	-	-	50,288,831
Germany	66	13,875,541	44,855,690	-	-	58,731,231
Italy	68	113,636,819	44,908,454	676,053	-	159,221,326
Netherlands	26	7,444,835	3,883,056	-	-	11,327,891
Portugal	13	18,515,944	24,015,944	-	-	42,531,888
United Kingdom	39	32,381,099	-	-	-	32,381,099
Yugoslavia	2	2,000,000	2,000,000	-	-	4,000,000
Total Europe	293	$ 223,854,033	$ 136,716,680	$ 676,053	$ -	$ 361,246,766
WORLDWIDE TOTAL	4,178	$4,279,925,731	$2,391,955,267	$1,002,247,069	$1,854,563,270	$9,528,691,337

Mr. PASSMAN. One of these subbureaus of AID has certain incentives for businessmen to go out looking for places to make an investment and if they do not make the investment, the Government reimburses them for a percentage of expenses. Does that come under your operation?

Mr. SALZMAN. Yes, Mr. Chairman.

Mr. PASSMAN. I would assume these are what we could call business executives going out looking for places for investment?

Mr. SALZMAN. Yes, Mr. Chairman.

Mr. PASSMAN. Would you list in the record for fiscal years 1969 and 1970 the business executives who went abroad, the company they represented, the number of them who found places in which to invest the money, and the number which did not?

Mr. SALZMAN. Yes, Mr. Chairman.

(The information follows:)

INVESTMENT SURVEYS AUTHORIZED IN FISCAL YEAR 1969 AND FISCAL YEAR 1970

Of the 31 authorized in fiscal year 1969 and through March 31 of fiscal year 1970, three investors have indicated their intention to invest an approximate sum of $2.7 million. Eleven surveys are still in progress. Seventeen have decided that investments would not be feasible. Five of these have been reimbursed a total of $10,183. Three did not request reimbursement and one was denied reimbursement because of an inadequate report on the survey. (A professionally adequate report has been a requisite for reimbursement. Such reports are often used by other potential investors.) The remaining eight negatives are currently under review for payment.

A list of the 1969–70 investment surveys which resulted in a negative investment decision, and on which AID has made payment to the investor follows:

Company/Surveyor	Country	Nature of Project Surveyed	Max. AID $ Liability	$Amount Paid
Woodbury Chemicals Co. Mr. H. W. Woodbury President	Indonesia	Produc/dist. agri. pesticides	1,866.50	3,794.19
Clopay Corporation Contracted to Economist Intelligence Union of England	Colombia	Mf. plastic wrappings	2,925.00	675.00
Mr. Charles Bradshaw and Mr. Charles P. Lordt	Ecuador	Tourist motel	4,937.75	3,892.53
Norair Engineering Mr. Roger K. Lewis AIA Architect	Thailand	Housing units	6,875.00	692.28
Guardian Packaging Co. Mr. John A. Rodriquez	Thailand	Mf. packaging materials	3,150.00	1.129.00

Mr. PASSMAN. I would assume we think of these people as alert, U.S. business executives going abroad to look for places to invest; that is true, isn't it?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Also, I would assume that they do impart all the knowledge they possess of their particular business to their counterpart in this other country before reaching a decision as to whether they should or should not make the investment?

Mr. SALZMAN. Yes, Mr. Chairman, if they have in fact local partners; many of them don't.

Mr. PASSMAN. They have to impart all the knowledge they possess about the business that they represent in America and the business they are going to consider abroad before they could ever reach a decision as to whether they should or should not start it, is that correct?

Two businessmen sit down. One is a prospective partner, and they discuss this business that they are planning on starting, with whoever the counterpart may be in the other country. They have to impart, do they not, the knowledge they have of the business they are going to open up, with the man they are discussing it with and planning to go into partnership with?

Mr. SALZMAN. Mr. Chairman, it would depend on the circumstances.

Mr. PASSMAN. I don't say they have to go into a partnership, but if they are looking for a place in which to invest money, or a partner, or if they are talking to some official abroad about making these investments, they have to impart information to the individual they are discussing the proposition with abroad, regarding what they represent back home, do they not?

Mr. SALZMAN. Yes, Mr. Chairman.

Mr. PASSMAN. They would check with them and tell them what they know about running a particular type of business, whether they go into it or not?

Mr. SALZMAN. Mr. Chairman, at this point I am unclear, if you will forgive me.

Mr. PASSMAN. I will make it clear. Under this program you have business executives going abroad looking for some place to invest capital, is that right?

Mr. SALZMAN. Under the investment survey program we do have that; yes, sir.

Mr. PASSMAN. And that is under your Agency?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. These people are American business people, are they not, who go abroad looking for these places in which to invest?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. When they arrive in this foreign country they are going to have to discuss what they have in mind, either with local business people or local public officials?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Those are executives doing that?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Yesterday we considered a budget request of $3,200,000 for the International Executive Service Corps. They are asking for $3,200,000 to send these so-called Executive Service Corps people abroad?

Mr. SALZMAN. Yes, sir. That is another program, Mr. Chairman. It is not the investment survey program.

Mr. PASSMAN. Whatever it is, it still provides for executives to go abroad to discuss business.

Mr. SALZMAN. To advise; yes. To advise and consult local businessmen on how to solve their problems.

Mr. PASSMAN. These people you send abroad, since they are going to be reimbursed for half of their expenditures, they may impart a little knowledge while they are abroad.

Mr. SHRIVER. Is this the same program?

Mr. SALZMAN. No.

Mr. SHRIVER. I would like to have this clarified while we are at it. What was the chairman referring to?

Mr. SALZMAN. The investment survey program is a program under which an individual U.S. businessman may pursue an investment opportunity for his own benefit, for his own profit and in the event that the investment goes forward, he gets no reimbursement whatever from the U.S. Government. In the event that it does not go forward, OPIC will reimburse him to the extent of the stipulated portion of the costs incurred in the pursuit and investigation of that particular investment opportunity.

The International Executive Service Corps is a nonprofit organization. About two-thirds of its funding derives from the U.S. Government and the balance of that funding derives from other sources. IESC sends volunteer businessmen, usually senior, retired individuals, to go overseas and advise individual businessmen as to how they might run their business better.

Mr. SHRIVER. Are both of these under your particular jurisdiction?

Mr. PASSMAN. Only one.

Mr. SALZMAN. The investment survey program is under OPIC. The International Executive Service Corps is an AID program, and it may turn out that AID will designate OPIC to administer it on its behalf.

Mr. PASSMAN. Let me make it clear for the record. In this second agency where they want $3,200,000 for fiscal year 1971 they are going abroad for a well-earned vacation. So it gives them an opportunity to get into a new environment and point out how smart they were in the past. Then they will tell them how to improve their business.

Over in your end of it it is a little different. They want to take a vacation so they go out—pick their favorite place, I expect and you would be surprised to find out how many want to open up businesses in Paris and such places—to find places to invest funds. If they don't open up a business, they get reimbursed. It is another way to take a vacation at about half the expense of the taxpayer.

NUMBER OF INVESTMENTS MADE

Now, what percentage of these people do your records show, since the inception of the operation, actually went into business when they went abroad?

Mr. SALZMAN. Mr. Chairman, to my knowledge no IESC volunteer has ever invested in a business. They have provided advice and counsel only.

Mr. PASSMAN. I am talking about your program now.

Mr. SALZMAN. I beg your pardon.

Mr. PASSMAN. How many businessmen have you financed in part to go abroad to look for investments? Do you have it there?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. How many?

Mr. SALZMAN. 340.

Mr. PASSMAN. How many opened up businesses?

Mr. SALZMAN. Forty six.

Mr. SHRIVER. You didn't have to pay for those trips which didn't result in the opening of businesses?

Mr. SALZMAN. If we are talking about the investment survey program, we entered into 340 agreements, of which 46 have thus far resulted in positive decision to invest and therefore we did not pay them anything and that resulted in $98 million of investment.

On the balance of the agreements, a number of them are still pending, and we don't know whether the decision will be to invest or not to invest, but we have paid $1,105,000 for the negative decisions to date.

Mr. PASSMAN. Let's pin this thing down so we can all understand it. How long has this particular program been in effect? When did we originate it, sir?

Mr. SALZMAN. 1962.

Mr. PASSMAN. Would you say it was 8 years ago, including fiscal 1970?

Mr. SALZMAN. Nine years, sir.

Mr. PASSMAN. Now, there are 396 going abroad looking for business investments, is that right?

Mr. SALZMAN. 340, Mr. Chairman.

Mr. PASSMAN. During this 8-year period, how many, actually have gone into business?

Mr. SALZMAN. Forty six.

Mr. PASSMAN. Actually opened up businesses that are operating?

Mr. SALZMAN. There were 46 positive decisions to invest under which——

Mr. PASSMAN. How many invested? That is what I am trying to find out. A man may decide to invest today and tomorrow decide not to invest.

Mr. SALZMAN. We would have to supply that for the record.

Mr. PASSMAN. Do you have any record of a single one of them having invested? Could you name one company or one individual in the 9 years who has actually made an investment?

Mr. SALZMAN. Mr. Chairman, the information I have with me does not go——

Mr. PASSMAN. Here comes one of your volunteer assistants. How many did he find?

Mr. SALZMAN. No, Mr. Chairman. The information we have with us concerns the liability of the United States to pay and therefore when we did not have to pay under the 46 agreements that I mentioned, we had no further information as to what they did thereafter. But we will be happy to develop the information and supply it for the record.

Mr. PASSMAN. Just a minute. Let's don't get away from the facts of life. There have been 340 of them that you have approved to go abroad to seek investments. Out of the 340, you have 46 potentials?

Mr. SALZMAN. No, sir.

Mr. PASSMAN. All right. You have 46 who have indicated they would make investments abroad?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. That leaves 294, which is about 85 percent of the total that have decided against making investments abroad.

Mr. SALZMAN. No, sir.

Mr. PASSMAN. Well, how many? There are only 46 indicated.

Mr. SALZMAN. Of the 294, there is a certain number——

Mr. PASSMAN. 340, isn't it?

Mr. SALZMAN. All right. Of the 340, we have been advised that 46 have made a positive decision to invest.

Mr. PASSMAN. Over a period of 9 years?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Over a period of 9 years.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. We want this information. You can go to the telephone and get it because we may eliminate some of these bonanzas, these tired businessmen chasing abroad for a vacation partially at the expense of the American taxpayer. Can one of your several assistants call downtown and find out how many actually went into business abroad out of the 340 applications?

Will you call the committee when you get back and let us know?

Mr. SALZMAN. Surely.

Mr. PASSMAN. You know what I am leading into. There are many of these programs in different pockets around in Government and I am going to put them all together. These executives who go abroad to impart knowledge or go abroad looking for a place to invest—the time has come to determine how many of them are actually going on a trip at the expense of the taxpayer for a little vacation and how many of them actually are sincere about finding a place to invest.

Would you agree that the only way we could ever pin this down would be to put in the record the number that have actually arranged to make investments, or have actually made investments?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And all the others would fall into another category.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. This thing has been operating for 9 years and I think the time has come to find out how much of this money has been thrown out. What has been the total expenditure to date?

Mr. SALZMAN. $1,105,000.

Mr. Chairman, this program in 1964 executed 58 agreements.

Mr. PASSMAN. To go abroad to look for places to invest?

Mr. SALZMAN. To invest.

Mr. PASSMAN. You are so nice, but I am not interested in this. I am interested in knowing of the 340 applications you received, in the 9 years, how many actually made an investment abroad.

Mr. SALZMAN. Yes, sir; I understand.

Mr. PASSMAN. When you give us that, you can fill the record full of as much imagination about this program as you want to. I am interested in how many made an investment.

(The information follows:)

INVESTMENT SURVEYS—POSITIVE DECISIONS THAT RESULTED IN INVESTMENT

The company that decides an investment is feasible from the survey he has made is under no obligation to keep AID informed of the progress of the investment, since he has received no reimbursement. However, followup is made to insure that the figures used for investments made under the survey program are, in fact, true.

For instance, last fall the AID missions in countries of purported investment were polled to verify the investment figure and to gain more information on the project. Footnotes on the December 31 listing of positive decisions (see below) indicate that some items had to be removed because of information received in this manner. Conversely, in some cases the country mission indicated that more investment had actually been made than the listing had indicated theretofore.

SUMMARY OF POSITIVE DECISIONS UNDER THE INVESTMENT SURVEY PROGRAM, DEC. 31, 1969

Region or year	Number of projects	Planned or executed total investment (in thousands)
By region:		
Africa	10	$18,847
Far East	9	48,501
Latin America	18	15,439
Near East-South Asia	9	15,244
Worldwide	[1] 46	[1] 98,031
By year, fiscal date of agreement:		
1963	2	28,781
1964	6	16,788
1965	14	8,044
1966	11	19,768
1967	6	14,905
1968	6	9,680
1969	1	65
Total	46	[1] 98,031

[1] Figures are subject to change upward or downward as additional information is received. Followup in calendar year 1969 revealed that investment had been greater in some cases than previously reported and less in others.

CURTAILMENT OF AGREEMENTS

Mr. SALZMAN. I understand, Mr. Chairman. I was looking to make another point. May I make another point, sir?

Mr. PASSMAN. Oh, sure.

Mr. SALZMAN. I was trying to indicate that the volume of the agreements has been sharply curtailed in recent years from an average of about 58 or 59 and as high as 72 to 33 in 1968 and 23 in 1969.

This is by virtue of our own recognition and attempts to tighten the management and administration of this program to make sure, to the best of the capability that we have, that the program will not be abused and will not be used by businessmen who merely want to take a vacation.

Mr. PASSMAN. Would you mind saying it will not continue to be abused, because I believe you said the number had been reduced because you were having a closer look and tightening it up. Isn't that right?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. I recognize—even at the expense of irritating committee members and some witnesses, that I knew what it was all about when you started this thing. Now you have reduced the program in the last few years.

Mr. SALZMAN. 1968, 1969, and 1970.

Mr. PASSMAN. How long have you been with the agency?

Mr. SALZMAN. Three and a half years.

Mr. PASSMAN. I commend you. You see this thing just about as I do. You can't be as plain as I am about it. To know that you are screening these applications makes me feel a little better. I hope the other programs will screen their, too.

DIRECT INVESTMENT FUND

Mr. Administrator, you state that you have not begun to implement this direct investment authority under the direct investment fund. Now, it is my understanding you stated earlier that you are in the process, or the President is in the process of creating the Board?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Do you have any applications pending at this time?

Mr. SALZMAN. We have had discussions with some people. No, we do not have any written applications pending, Mr. Chairman.

SELECTION OF INVESTORS

Mr. PASSMAN. Have you designed an application blank or format which indicates what the requirements are to be eligible for a loan?

Mr. SALZMAN. The answer is no, sir, as such. We have had several different kinds of forms and several different kinds of application procedures for the various financing programs. We now have in process and hope to have completed very shortly a financing application that would be applicable to all the forms of financing so we can see very clearly and everyone else can see very clearly the form of the financing, the procedures and the tests, and the eligibility and so forth.

Mr. PASSMAN. We just want simple answers. You will have an application blank?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Now, when this individual makes an application to OPIC for a loan to invest overseas, do you require a financial statement?

Mr. SALZMAN. Yes, sir. And always have, Mr. Chairman.

Mr. PASSMAN. I don't know how you could always have required it when this thing is new. You haven't set up a board or disbursed a dime. I refer only to this one item. You would ask for a financial statement?

Mr. SALZMAN. Definitely.

Mr. PASSMAN. If this man had a bad rating in America, you would assume he wouldn't be a good credit risk to go abroad?

Mr. SALZMAN. That is right, sir.

Mr. PASSMAN. The man, would be required to have had some experience in business and operated successfully in America before you would think of him as an applicant you could approve?

Mr. SALZMAN. Yes, sir. We go beyond that if I may say, Mr. Chairman. Not only do we go into his proven business experience and the degree to which that can be demonstrated in terms of financial facts and figures, but we also run background checks on the individuals to

make the best determination we can of the very important matter of his character.

Mr. PASSMAN. I would assume that the very first thing you would check would be the individual's integrity.

Mr. SALZMAN. That is right, sir.

Mr. PASSMAN. As a former businessman, there is one thing that I have followed without exception. Give me a man who is honest, with ability, instead of a man who has a nice financial statement but looks for ways to beat you. I am always interested in the integrity of the individual. If you will follow that, seldom do you lose.

I had one standing policy based on experience: that I never asked for a credit report from the Chinese. There is something characteristic about the Chinese people that few people know. In olden days, if they couldn't pay their debts, they would commit suicide. I never asked for a financial statement from a Chinaman and I have never lost a dime. If he ever puts his name on a contract, you don't have to go any further. He will pay it. Have you experienced that?

Mr. SALZMAN. I have heard that.

Mr. PASSMAN. When the Chinese buy something on credit, you can be sure they are going to pay for it—short of an unintentional business failure. So it simply means integrity is worth more than a bank account. But, in a case like this, a man should have business experience. If he hasn't had business experience and doesn't possess integrity, he cannot make a success of any business.

Mr. SALZMAN. May I point out, Mr. Chairman, the overall purpose of our investigations is to assure the credit worthiness of the borrower and to make sure that he will employ this in projects that are not only of good purpose, but are commercially sound and will pay back to OPIC the funds they borrow.

SIZE OF BUSINESS

Mr. PASSMAN. These are small businesses, aren't they?

Mr. SALZMAN. Some are.

Mr. PASSMAN. What would you say the average size application would be? Have you gotten far enough into it? Do you have any idea of the size of businesses that will be opened up abroad?

Mr. SALZMAN. By American standards, small.

Mr. PASSMAN. What would you call small?

Mr. SALZMAN. By American standards?

Mr. PASSMAN. By your standards.

Mr. SALZMAN. They would range in two categories. There is the heavy capital intensive investment like a fertilizer plant that can run into very big numbers.

Mr. PASSMAN. And I believe a lot of fertilizer plants are financed under AID, aren't they?

Mr. SALZMN. Several have been.

Mr. PASSMAN. What else?

Mr. SALZMAN. Then there are food processing and distribution businesses and light manufacturing business and there the investment is apt to run $1 million. $2 million. $4 million. In that category.

Mr. PASSMAN. And again AID, I believe, is in almost all of these areas, are they not, in small businesses abroad; glass factories, fertilizer plants, textile factories?

Mr. SALZMAN. Not textile factories.

Mr. PASSMAN. At one time these represented a substantial area in AID. Maybe not now.

Mr. SALZMAN. No, sir.

Mr. PASSMAN. You still have many different industries financed by AID. Of course, you know you are going to wind up competing with them.

Now, let's get right down to a small business. Would you receive an application, say, for $100,000 investment abroad?

Mr. SALZMAN. We did receive an application last year, Mr. Chairman, on which we worked very hard for an investment of $160,000 by the investor.

Mr. PASSMAN. Of course, you are not in business yet. You haven't even established your board. You don't have a single application that you are considering seriously at this time, do you?

Mr. SALZMAN. We have several applications which we are discussing.

Mr. PASSMAN. You don't even have a board, do you?

Mr. SALZMAN. Under the authority delegated by the President to the AID Administrator and redelegated to me, we have been conducting discussions with investors in anticipation of the formation of OPIC and who may need financing out of the direct investment fund when we are legally empowered to do so.

Mr. PASSMAN. That is a fair statement. It is rather incomplete, since this is not yet a going business. That I understand, but I thought that you had discussed it with your associates, or whoever thought up this crazy idea. When you refer to small loans, people reading this record may not interpret a small loan as you or I would interpret it. Would you say if a man approached you for a loan, we will say, of $25,000 and it looked perfectly sound, to open up some small business abroad; would you consider it?

Mr. SALZMAN. Under those circumstances; yes, sir.

Mr. PASSMAN. What would you consider in addition to his integrity and his successful background? I am trying to find out how you would define a small business.

Mr. SALZMAN. The difficulty I have in responding particularly to your question is that a small business varies with each industry and with each market and it depends so greatly on not only the integrity and proven experience, but on the opportunity that the country situation affords him.

Mr. PASSMAN. Mr. Salzman, I hate to see you compete with all of these other agencies. Of course, Export-Import Bank doesn't get into these little loans and AID doesn't get into them, but I can see if you are talking about fertilizer factories and industrial plants of that type, you are right in the area of AID.

NUMBER OF DIRECT INVESTMENT APPLICATIONS RECEIVED

How many applications have you received?

Mr. SALZMAN. For the direct investment fund?

Mr. PASSMAN. That is what we are talking about, Mr. Director.

Mr. SALZMAN. We have discussed this with two companies.

Mr. PASSMAN. What size?

Mr. SALZMAN. In one case it is $2 million.

Mr. PASSMAN. What was that for?

Mr. SALZMAN. It was for an investment company.

Mr. PASSMAN. Do you mean a finance company?

Mr. SALZMAN. No; an investment company which operates a series of diversified businesses.

Mr. PASSMAN. Wait a minute now. An investment company. That would be the parent company, and they would have under them the diversified business. They could cover the waterfront?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. What are some of the businesses this investment company would be in?

Mr. SALZMAN. This company has been in existence and it is now in a wide variety of businesses. A great deal of it is in the agricultural businesses; food, production, processing, distribution, light manufacture.

Mr. PASSMAN. Could you tell us the name of the company?

Mr. SALZMAN. ADELA.

Mr. PASSMAN. Where are they domiciled?

Mr. SALZMAN. ADELA is incorporated in Luxembourg.

Mr. PASSMAN. This is broad enough to cover American investors abroad, as well as foreign investors in some third country?

Mr. SALZMAN. It is broad enough to encompass U.S. investors and local less developed country investors, but we do not cover rich third country nationals.

Mr. PASSMAN. I wouldn't think so. We will come up with a plan though if we keep considering it, but I don't want to suggest it.

If we are thinking of the donor as the first country and Country X as the second country recipient, would you finance Country X if they then wanted to go into a third country with a plan?

Mr. SALZMAN. If it was in a less developed country.

Mr. PASSMAN. I am asking if they would be eligible if you wanted to approve it?

Mr. SALZMAN. If it was in a less developed country where they were planning to invest.

ANTICIPATED LOSSES

Mr. PASSMAN. Did you indicate earlier that ——— was one of those who had failed and we were going to have to comfort and guarantee this investment?

Mr. SALZMAN. The company——

Mr. PASSMAN. Not the company. I am getting back to the failure in ———. You have had failures under the overseas investment guaranty and these are the two countries one of which you are expecting to have to make good on. Is that right?

Mr. SALZMAN. Yes. Mr. Chairman, I am not quite clear, I am afraid.

Mr. PASSMAN. I stated earlier rather than to build up a fabulous reserve in anticipation of a loss, that when you anticipated losses you could indicate to the Congress the amount of money you would need to pay them and you named as one country on a classified basis, I believe, ——— and——

Mr. SALZMAN. ———

Mr. PASSMAN. It was ———.

Mr. SALZMAN. Yes, sir. But Mr. Chairman, in the case of this company, if anything happened in that country we would not be liable under the loan fund because the assets of the company would be pledged to make good the loans regardless of what happened.

Mr. PASSMAN. Provided they don't liquidate the assets before you get to them. You know that deal, don't you?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. You see what I mean?

Mr. SALZMAN. And for that matter IBEC and other similar companies are companies that have been organized by the kind of businessmen who meet the criteria stated by the Chairman for the purpose of developing and investing in potentially profitable situations in these countries and I would be happy to supply the Chairman with information if he so desired.

Mr. PASSMAN. Would you just as soon not wait until you get in business, because we gave you the money, you don't have an organization, you are waiting for the President to appoint the board of 11. Wouldn't it be better to wait until you get into business before we get into how it operates. I want to be fair to you. You haven't set your shop up, the President hasn't appointed the board.

Last year he asked for $20 million. It is still on hand intact. What are you asking for the same area this year? We gave you $37.5 million for reserve and $20 million capitalization. What are you requesting for capitalization this year?

Mr. SALZMAN. $20 million.

Mr. PASSMAN. The same as last year?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. We hope that you are in the same position next year that you are in this year, waiting for the board to be set up to spend the money.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. In country A there is a possibility that under the guarantee sector of the overseas investment that we may have to make good on a guaranty, is that right?

Mr. SALZMAN. No, that was in the past. It did not happen.

Mr. PASSMAN. Why talk about something in the past? You told me earlier that you had two countries where you were expecting to have to make good on the guarantee and they were ———. Let's go to ———. What do you have pending in ———?

Mr. SALZMAN. Mr. Chairman, I have to make clear my statement and I did say we have had sufficient near misses——.

Mr. PASSMAN. What?

Mr. SALZMAN. We have had sufficient near misses that we expect some claims losses in the future.

Mr. MCFALL. You haven't had any yet?

Mr. SALZMAN. No, but we haven't had any claims filed yet, in that country.

Mr. PASSMAN. This is going to make the darndest reading of anything ever established in this committee. You discussed two losses and didn't want to name the country. I have to find out what this is all about. You wanted it left off the record, because it was so sensi-

tive. Let's go to ———. Can you foresee any losses on any guaranteed loans in ——— at this time?

Mr. SALZMAN. There may be losses.

Mr. PASSMAN. The world may come to an end. I am not talking about that. Do you think there is a possibility that you are going to have to make good in the near future on some guaranteed account in ———? We are entitled to have this information.

Mr. SALZMAN. I am not trying to hold it back, Mr. Chairman. I am trying to answer your questions as fully and accurately as I can.

Mr. PASSMAN. Let me ask you the question in a different way. Earlier you mentioned two countries, ——— where you may suffer losses. Let's discuss these losses that you may suffer starting with ———. Does it cover just one account or several?

Mr. SALZMAN. Several.

Mr. PASSMAN. Several accounts?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Several different companies or subsidiaries of one company?

Mr. SALZMAN. Several different companies.

Mr. PASSMAN. Why would you be involved in several different companies? Is it because of conditions in the country or possibly the conditions in the several different companies?

Mr. SALZMAN. We might suffer losses because of a basic change in that country.

Mr. PASSMAN. What are the aggregate of the losses that we could suffer on account of the changes that may develop?

Mr. SALZMAN. I could have given you the exact figure in those countries, but the reporter has left with the page.

Mr. PASSMAN. Just give us a simple answer, the aggregate if you have it.

Mr. SALZMAN. The amount that is exposed in that country as of February 28, 1970, was ———.

Mr. PASSMAN. Repeat that, please.

Mr. SALZMAN. The amount exposed under political insurance in that country as of February 28, 1970 amounted to ———.

Mr. PASSMAN. Does that cover all of the investments in ——— which you cover under your agency?

Mr. SALZMAN. Under our insurance program, yes, sir.

Mr. PASSMAN. What you are actually saying then is that all of the guaranteed accounts in ——— are in a doubtful category?

Mr. SALZMAN. Mr. Chairman, the total amount is at risk. And if the situation changes drastically in terms of nationalization or economic nationalism, things of that kind, then the ——— is the total exposure of the United States.

Mr. PASSMAN. And we could lose it all?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Could it be through confiscation expropriation or what?

Mr. SALZMAN. These involve only convertability.

Mr. PASSMAN. Would the company operating there, with which we carry the guarantee, still own the company or have to surrender it to the government?

Mr. SALZMAN. That issue would not arise, Mr. Chairman. The convertability insurance is designed to assure the investor that if he deposits local currency which the government will not allow him to remit in exchange for dollars, then we will take over his local currency, collect on the local currency and pay him the dollar equivalent and the amount that would be realized from the local currency we took over in paying the claim, would be determined by the conditions prevailing. This happened once before in another country and the way it worked out the U.S. Government actually made money on the claim because the local currency came to more dollars by the time we were able to convert it than the number of dollars we actually had to pay to the investor.

Mr. PASSMAN. Why did you single out two countries? You are indicating this thing could reverse itself and we could pay off and have a profit.

Mr. SALZMAN. That depends on economic circumstances in the country. The reason I went into specifics as far as the two countries is because we have had classic instances of economic nationalism in both countries and if this trend continues we have to be cognizant of the risk to the United States that is involved in terms of paying off.

EXTENT OF EXPOSURE

Mr. PASSMAN. In how many countries do we have these insurance programs?

Mr. SALZMAN. There are 89 countries in which we have agreements which allow us to operate this insurance program.

Mr. PASSMAN. How many countries are you operating in?

Mr. SALZMAN. We will have to add that up.

Mr. PASSMAN. Take your time and add it up.

(Discussion off the record.)

Mr. PASSMAN. You have hundreds of contracts outstanding.

Mr. SALZMAN. Yes.

Mr. PASSMAN. And our exposure could go into 89 nations?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And we are presently covering about 3,500 loans in aggregate?

Mr. SALZMAN. 3,500 insurance coverages.

Mr. PASSMAN. It is the same difference. In 89 countries or a large number of those?

Mr. SALZMAN. A large number of those.

Mr. PASSMAN. Here is why I am still confused. You created the impression in the beginning that you had potential losses in two countries and my mind has been on the two countries.

Mr. SALZMAN. Yes.

POSSIBLE LOSSES

Mr. PASSMAN. It seems you have backed away from your pessimistic feeling in the beginning that these losses are threatening and now you are a bit optimistic that the losses will not occur. Which way is it? Are you pessimistic or optimistic about losing the ——— in ———? It is a good question. I don't mean to embarrass you.

Mr. SALZMAN. I can't be pessimistic or optimistic about it. I was trying to bring to the attention of the Congress the fact there is exposure, we had had near misses, that so far there hasn't been the occasion to invoke the insurance we have issued but that this was a possibility, and in my judgment as a responsible official I must advise the Congress of the circumstances. It was for this reason that we have asked that the reserve be augmented because there is the possibility, and it may well be the probability, that as this tremendous amount of insurance comes onstream and matures in the countries there will be losses to be paid.

Mr. PASSMAN. That is to be expected.

Mr. SALZMAN. Sure.

Mr. PASSMAN. But you point out the particular danger of two countries and you want to leave it out of the record. Do you think our exposure in ——— is in better shape now?

Mr. SALZMAN. I don't know, Mr. Chairman.

Mr. PASSMAN. Then, we have wasted a lot of time. How about ——? How much is involved in that country?

Mr. SALZMAN. ———.

Mr. PASSMAN. How many contracts are involved?

Mr. SALZMAN. 109, Mr. Chairman.

Mr. PASSMAN. Let me see if I understand this correctly. Through fiscal 1969 our net aid to ——— had been ———. In addition to that, U.S. investors have invested in ——— what——

Mr. SALZMAN. We have sold insurance to the value of ——— dollars but that includes three kinds of insurance contracts and the amount of investment that may be involved would be a fraction of that figure, probably in the area of ———.

Mr. PASSMAN. Where would the other guaranteed part of the investment go? You had ——— of insurance in ———.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. That is our contingent liability?

Mr. SALZMAN. The theoretic maximum, yes, sir.

Mr. PASSMAN. For insured investments in ———. How much of the investment that has been made in ——— would be subject to expropriation and confiscation?

Mr. SALZMAN. The ——— covers the investment that has been made but there are three kinds of insurance to the same property because we insure against convertibility, expropriation.——

Mr. PASSMAN. The kind of insurance doesn't matter. I am trying to establish our contingent liability. ——— is that correct?

Mr. SALZMAN. Insurance.

Mr. PASSMAN. ———.

Mr. SALZMAN. ——— insurance covers ——— of loan and equity investments and almost ——— of investment in the form of royalties and technical assistance.

Mr. PASSMAN. How is the difference accounted for?

Mr. SALZMAN. The investor is buying three different kinds of insurance for the same investment.

Mr. PASSMAN. What is your contingent liability? Read it back, if you will.

Mr. SALZMAN. We would not be paying the investor under all the conditions in the event of anything happening.

Mr. PASSMAN. You are charging a certain amount for fire insurance, a certain amount for storm insurance, a certain amount for theft. I am trying to pin down the maximum contingent liability.

Mr. SALZMAN. Our insurance covers ——— worth of U.S. private investment.

Mr. PASSMAN. That means, of course, that the maximum investment in ——— is around ———.

Mr. SALZMAN. Yes, sir; that we have insured.

Mr. PASSMAN. I would assume, if you insured it, it was on ——— soil.

ECONOMIC AIDS

Mr. SALZMAN. I meant there might be other U.S. investment that hadn't been insured.

Mr. PASSMAN. I am only talking about the U.S. obligation. If outside investors go in and invest half a billion dollars in ——— that, too, would give a boost to the economy; is that right?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. So, that is really another form of aid. We hope it is profitable aid but we are guaranteeing it. It creates jobs, does it not?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And it makes profit for the investor?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. He pays taxes into the ——— Government?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. So, that is another aspect of our aid that is never taken into account when we figure up the totals, because this is capital investment, only guaranteed.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. We are really extended, aren't we?

Mr. SALZMAN. Mr. Chairman, the $7.6 billion of insurance had to be someplace. The need is real, or the investors would not have bought it.

Mr. PASSMAN. Let me say this, Mr. Director. If you take all of the answers I don't know, to these problems, and put them in book form the book would be a mile thick. I don't profess to have all of the answers but God endowed me with a little commonsense. This is only one spigot. You have literally hundreds of them built into the different facets of the AID program. You couldn't examine all of them. If you sat here and didn't badger the witnesses, it would take you a year. For instance, how many people really know this? Many years ago I was on "Meet the Press" with Mr. Fulbright and he made a strong contention that these so-called development loans and prior repayments would flow back into the U.S. Treasury. I give you people credit for being too smart for that; you are not going to let the money go back into the U.S. Treasury. You take this $20 million fund we created for you last year and for which you are waiting for the creation of a board to spend and you are asking for $20 million more this year. Do I understand it correctly when I say that the first $20 million was made available in 1970 from reflows of principal-and-

interest payments on AID and predecessor agencies in the development loan sector?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. They had to cut it off before it got back into the Treasury. I knew many years ago there would have to be some kind of an agency established to keep those funds from flowing back into the Treasury. It is in the hearings. I knew they wouldn't let any of it get back in the Treasury.

In the 1970 issue of the Government Executive magazine it was stated that OPIC would be a revenue producing and expense generating organization. I certainly agree with the last part of it, the expense generating organization. When you look at the financial statement you always compare profit and loss and what you earned against what you spent. Is that right?

Mr. SALZMAN. Yes, sir.

Mr. Chairman, before you leave the subject of (name of country classified).

Mr. PASSMAN. What subject are you talking about now?

U.S. PRIVATE INVESTMENTS ABROAD

Mr. SALZMAN. You inquired and I responded as to the amount of U.S. investment in that country and amount of insurance we sold there in the context of my earlier statement that this involved a situation that was volatile and in which we were concerned and had avoided so far any payments, but we were concerned about it and were bringing it to the attention of the Congress. I should point out the very reason why we were concerned is because the Government of that country doesn't regard the U.S. private investment as aid, they don't regard it as necessarily something that is an important part of their economy and they are regarding it as U.S. foreign exploitation of their country. And this is the reason for the concern.

These programs do help American business to participate in what has become a global economy and as we know, business goes where the opportunity is and where the market is and where the resources are. And this program has been a program to facilitate the participation of business in these economies.

Mr. PASSMAN. Yet, if they go ahead and expropriate or confiscate it everything is lost. It is just gobbled up within the country.

Mr. LONG. Yield?

Mr. PASSMAN. Yes.

Mr. LONG. That raises a really serious question for Congress. American private investment is being encouraged at the American taxpayer's expense to go abroad where it isn't wanted, where neither the Government nor the people regard it as in their interest to have it there, where it is regarded as exploitation, where it is operating contrary in many ways to our foreign policy, and where that same money could be kept here in the United States to provide jobs and employment and help in many programs in the United States. Now, if what you tell us is true, why in God's name should Congress be encouraging these guaranty programs?

Mr. SALZMAN. The job of the program is to assist that investment which will be an economic and constructive social contribution to the economy of the country. And we are not——

Mr. LONG. Are you arguing that the kind of things we have been doing in the past have not been legitimate business and they are right in saying this is exploitative?

Mr. SALZMAN. I am saying, sir, that when you deal with a very broad cross section of private investors you will find investments that are more contributory toward the local development and others that are not, and——

Mr. LONG. I wonder if we could find out what this particular investment is you are talking about; the investments that were supposed to be exploitative and not really aiding these countries.

Mr. SALZMAN. Allegedly, in extractive industries.

Mr. LONG. Do you regard this as a legitimate complaint on their part?

Mr. SALZMAN. That business in that country has been an American business for many, many years. The AID involvement in the guaranty program with some part of that American investment had to do with the new investment that went in in 1963 or 1964.

Mr. LONG. Do you feel the ——— were justified in regarding this as exploiting the country and against their interest as a nation?

Mr. SALZMAN. No, Congressman; I really don't.

Mr. LONG. Then, why isn't my concern legitimate?

Mr. SALZMAN. Because we are not first of all, encouraging investment where it isn't wanted. We have never issued, nor would we issue, a guarantee to an investment that hadn't received prior host country government approval. The government changed its views.

GUARANTEED INVESTMENTS

Mr. PASSMAN. What was the total investment of Americans in ——— in the ——— prior to the time we went in with guaranteed investments?

Mr. SALZMAN. We would have to supply that for the record.

Mr. PASSMAN. Any idea?

Mr. SALZMAN. No.

Mr. PASSMAN. American capital had been in for many, many years without a guarantee.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Substantial investments; isn't that true?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And they worked out their own agreements with the ——— Government and others who may be interested in ——— did they not?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. How long have we been in with this guaranty program?

Mr. SALZMAN. I believe the guarantees were committed in 1964–65 over that period.

Mr. PASSMAN. It is relatively new operation.

Mr. SALZMAN. Yes.

Mr. PASSMAN. You people beg for trouble. You never answered my question as to the number of nations where we had coverage on guaranteed investments.

Mr. SALZMAN. Yes, sir; 89.

Mr. PASSMAN. I thought that was the total number eligible.

Mr. SALZMAN. Eighty-nine in which we have agreements, 86 counties in which the insurance has been sold.

Mr. PASSMAN. And there are 3,500 different contracts which we provide coverage on.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And it is the aggregate of $7,600 million?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. That dates from 1962, I believe, 9 years; is that correct?

Mr. SALZMAN. No, sir; 1948.

Mr. PASSMAN. Since the inception of the foreign aid program as we know, do you have any idea of the aggregate investmentof American enterprises in these same 86 countries which is not covered?

Mr. SALZMAN. We would guess broadly there is currently going into these countries in other than petroleum about one-third of the investment that is not covered by the insurance, but that two-thirds of the nonpetroleum investments do utilize the program.

Mr. PASSMAN. Let me ask you this——

Mr. SALZMAN. That is a guess. That is approximation.

Mr. PASSMAN. This is the crux of the whole thing. To what extent has American investments increased in these 89 countries since you started covering them with insurance?

Mr. SALZMAN. I can't answer that question but I can give you some figures on the total U.S. investment.

Mr. PASSMAN. Wait now. That isn't what I want, you are elaborating. This is serious business for me. You know and I know that the American businessman is not going to be as cautious if he is fully insured. That is why I think we should go back and establish for the record if we can, the annual investments going abroad prior to the time we started this program because I can foresee, if things should go wrong, tremendous losses under this coverage. Could you get some information on that for us?

Mr. SALZMAN. Mr. Chairman, I can give you the information that the Departmentof Commerce, Bureau of International Commerce and Office of Business Economics has generated.

Mr. PASSMAN. I will have to accept whatever is available. You are not going to get away from this.

Mr. SALZMAN. I am not trying to.

Mr. PASSMAN. Wait just a minute. We are going to find out somehow. This is frightening when you consider the amount of the contingent liability we are building up in so many different sectors, here is another little pocket of $7,600 million and if things should go haywire—and we have had this happen before on more or less a world basis. It might happen again and we don't want to have a complete economic upset that seems to travel like wildfire—we could be in for some very substantial losses. I insist that the average investor may be more cautious about going abroad with these investments

if he has to face the prospect of paying losses out of his own capital. I think what we should do is have a look at whatever information is available. Pick up 1959, 1960, 1961, and 1962, investments made abroad by the American investment people during those years, then the investments made abroad during, we will say, 5 years under this program, because this program really didn't get going until about 10 years ago. The investment we guaranteed was rather small; the great increase has been in recent years, hasnt it?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And I couldn't possibly ask you to go back unless you would want to pick up 2 or 3 years prior to the time you started. Don't you think you would like to have this information to see whether or not the trend indicates that the American businessman has been a little lax because of this guarantee.

(The information follows:)

U.S. DIRECT INVESTMENT CAPITAL FLOWS TO LDCs AND REINVESTED EARNINGS, 1/ 1960 - 1967
($ Millions)

	1960	1961	1962	1963	1964	1965	1966	1967	*preliminary 1968
LATIN AMERICA									
Capital Flow	95	141	-32	64	156	171	162	191	461
Reinvested Earnings	215	221	287	173	219	298	299	172	297
TOTAL	310	362	255	237	375	469	461	363	758
OTHER W. HEMISPHERE									
Capital Flow	54	27	62	156	134	89	114	26	111
Reinvested Earnings	63	30	40	10	34	39	41	39	59
TOTAL	117	57	102	166	168	128	155	65	170
TOTAL IA									
Capital Flow	149	168	30	220	290	260	276	217	572
Reinvested Earnings	278	251	327	183	253	337	340	211	356
TOTAL	427	419	357	403	543	597	616	428	928
AFRICA									
Capital Flow	99	124	139	92	118	130	68	143	303
Reinvested Earnings	33	45	6	3	2	29	27	8	45
TOTAL	132	169	145	95	120	159	95	151	348
MIDDLE EAST									
Capital Flow	-72	108	-7	62	42	254	121	150	37
Reinvested Earnings	21	-6 2/	3	11	11	3	13	-14 2/	23
TOTAL	-51	102	-4	73	53	257	134	136	60
FAR EAST									
Capital Flow	34	-13	33	75	73	163	54	135	120
Reinvested Earnings	50	53	17	31	12	9	49	63	57
TOTAL	84	40	50	106	85	172	103	198	177
TOTAL									
Capital Flow	210	387	195	449	523	807	519	645	1032
Reinvested Earnings	382	343	353	228	278	378	429	268	481
TOTAL	592	730	548	677	801	1185	948	913	1513

1/ Reinvested earnings is computed as the difference between the U.S. share of net earnings (or losses) of foreign corporations and the U.S. share of gross dividends (dividends before deduction of withholding taxes

2/ Represents cases where dividends are greater than earnings.

NOTE: A negative number indicates a net flow to the U.S.

SOURCE: U.S. Department of Commerce, Office of Business Economics

* Preliminary 11/69

Prepared by: Agency for International Development

U.S. DIRECT CAPITAL FLOWS TO MANUFACTURING ENTERPRISES AND REINVESTED 1/ EARNINGS IN MANUFACTURING IN LDCs, 1960 - 1967
($ Millions)

	1960	1961	1962	1963	1964	1965	1966	1967	1968*
LATIN AMERICA									
Capital Flow	125	73	114	107	93	214	130	151	211
Reinvested Earnings	86	83	100	81	140	169	189	77	181
TOTAL	211	156	214	188	233	383	319	228	392
OTHER W. HEMISPHERE									
Capital Flow	54	27	62	156	134	89	114	39 2/	2
Reinvested Earnings	0	1	6	18	16	9	9	-4	13
TOTAL	54	28	68	174	150	98	123	35	15
TOTAL IA									
Capital Flow	179	100	176	263	227	303	244	190	213
Reinvested Earnings	86	84	106	99	156	178	198	73	194
TOTAL	265	184	282	362	383	481	442	263	407
AFRICA									
Capital Flow	0	0	4	2	14	19	3	2	1
Reinvested Earnings	-1 2/	-2 2/	1	1	1	3	2	1	4
TOTAL	-1	-2	5	3	15	22	5	3	5
MIDDLE EAST									
Capital Flow	2	1	1	0	3	3	4	1	2
Reinvested Earnings	1	1	0	0	1	1	2	4	1
TOTAL	3	2	1	0	4	4	6	5	3
FAR EAST									
Capital Flow	5	3	15	29	33	32	32	70	37
Reinvested Earnings	11	11	3	8	16	20	8	19	18
TOTAL	16	14	18	37	49	52	40	89	55
TOTAL									
Capital Flow	186	104	196	294	277	357	283	266	253
Reinvested Earnings	97	94	110	108	174	202	210	97	217
TOTAL	283	198	306	402	451	559	493	363	470

1/ Reinvested earnings is computed as the difference between the U.S. share of net earnings (or losses) of foreign corporations and the U.S. share of gross dividends (dividends before deduction of withholding taxes).

2/ Represents case where dividends are greater than earnings.

NOTE: A negative number indicates a net flow to the U.S.

SOURCE: U.S. Department of Commerce, Office of Business Economics.

* Preliminary 11/69

Prepared by: Agency for International Development

BOOK VALUE OF U.S. PRIVATE INVESTMENTS IN LDCs BY REGIONS
AND MAJOR INDUSTRY CATEGORIES, 1960, 1966, 1967
($ Millions)

	1960		1966		1967		1968*	
	$	%	$	%	$	%	$	%
ALL REGIONS								
Mining & Smelting	1,556	13	1,817	11.3	1,991	11.7	2,229	12.0
Petroleum	5,191	43.5	6,626	41.2	6,825	40.3	7,437	39.9
Manufacturing	1,835	15.4	3,833	23.8	4,200	24.8	4,675	25.1
Other	3,365	28.1	3,810	23.7	3,928	23.2	4,269	23.0
Total	11,947	100.0	16,086	100.0	16,944	100.0	18,610	100.0
LATIN AMERICA								
Mining & Smelting	1,331	14.4	1,481	12.9	1,649	13.8	1,875	14.5
Petroleum	3,264	35.3	3,538	30.8	3,502	29.5	3,643	28.0
Manufacturing	1,631	17.6	3,312	28.9	3,572	29.9	3,990	30.7
Other	3,024	32.7	3,142	27.4	3,198	26.8	3,480	26.8
Total	9,250	100.0	11,473	100.0	11,921	100.0	12,988	100.0
AFRICA								
Mining & Smelting	201	31.5	296	20.1	299	18.6	309	15.6
Petroleum	407	63.8	968	65.5	1,090	67.6	1,420	71.7
Manufacturing	10	1.6	60	4.1	66	4.1	68	3.4
Other	20	3.1	153	10.3	156	9.7	185	9.3
Total	638	100.0	1,477	100.0	1,611	100.0	1,982	100.0
MIDDLE EAST								
Mining & Smelting	--	--	3	0.2	3	0.2	3	0.2
Petroleum	1,119	96.3	1,560	93.3	1,607	92.0	1,654	92.2
Manufacturing	26	2.2	51	3.1	59	3.3	63	3.5
Other	17	1.5	58	3.4	79	4.5	73	4.1
Total	1,162	100.0	1,672	100.0	1,748	100.0	1,793	100.0
FAR EAST								
Mining & Smelting	24	2.7	37	2.5	40	2.4	42	2.3
Petroleum	401	44.7	560	38.3	626	37.6	720	39.0
Manufacturing	168	18.7	410	28.0	503	30.3	554	30.0
Other	304	33.9	457	31.2	495	29.7	531	28.7
Total	897	100.0	1,464	100.0	1,664	100.0	1,847	100.0

* Preliminary

Mr. McFall. May I ask a question?
Mr. Passman. Yes.

EXTENT OF INSURANCE COVERAGE

Mr. McFall. I am interested in the ——— situation and the extent of the coverage of this insurance.

What do you insure against? Nationalization mostly; isn't it? It is not the business failure in the sense of the man going bankrupt because he doesn't know how to run his business, it is the action of the foreign government——

Mr. Salzman. A taking.
Mr. McFall. Nationalization.
Mr. Salzman. Yes.
Mr. McFall. So, in a sense it is a very narrow risk.
Mr. Salzman. Yes.
Mr. McFall. Could we turn to ———
Mr. Salzman. Yes, sir.

Mr. McFall. This was in the news of a year ago when they had a political upheaval in that country. These ——— have been owned by American interests for, you say, many, many years?

Mr. Salzman. Part of them were, sir.
Mr. McFall. Approximately how long?
Mr. Salzman. 40 years.

Mr. McFall. You began under this program to insure the new investments that this American company was making in approximately 1962 or 1963?

Mr. Salzman. A little later than that; 1964 to 1965.
Mr. McFall. Against nationalization.
Mr. Salzman. Of the new investments.

Mr. McFall. At the time the insurance agreement was entered into was there any indication in this country there was any political opposition to continued American investment or anything of this nature at that time?

Mr. Salzman. I wasn't here then, Congressman, but my understanding is there was not, but that the new investment sought at that time by the country and the company was also considered by the United States to be developmental, and, therefore, as an added inducement to the new investment being made this narrow political type insurance we have been discussing was issued at that time covering only the new portion of the investment.

Mr. McFall. So, there hasn't been any change or any possibility of your having to pay off on this insurance until a recent political change in the country which required possibly the ruling of the majority there to take a different attitude toward the operations of this American company. Isn't that correct?

Mr. Salzman. That is correct.

Mr. McFall. So, you are not sure politically whether in ——— there will be a nationalization of this company or not?

Mr. Salzman. That is right.

Mr. McFall. As I recall from the news it is a matter of shall we say, continuing negotiation between our Government and ——— and

they are not certain as yet as to what the ——— Government is going to do with this company and several others.

Mr. SALZMAN. A matter of continued negotiation between the company and the government of that country.

Mr. MCFALL. Not our Government?

Mr. SALZMAN. No, sir.

Mr. MCFALL. So, in a sense this is exactly what this insurance is for. In case of the unforeseen change in the political situation of a country in which American investment goes in for developmental purposes, you insure the American businessman against political changes in the country in which he invests.

Mr. SALZMAN. Precisely.

Mr. MCFALL. So, in the sense we have a $7 billion liability this would only happen in case every country in the world, these 89 countries in which we have these investments, would nationalize as there is the possibility that ——— might?

Mr. SALZMAN. Yes.

Mr. MCFALL. So, in that sense the possibility that such a political event might occur is somewhat less than likely?

INCOME VERSUS LOSSES

Mr. SALZMAN. Exactly. It is borne out by the figures that in the period during which the program has been operating totally, going back to 1948, $31½ million had actually been paid out on insurance claims and $91 million of premiums have been collected.

Mr. MCFALL. You are making money?

Mr. SALZMAN. Yes, sir. We are going to make over $22 million this year and $24 million next year.

Mr. SHRIVER. Will you yield?

Mr. MCFALL. Yes.

INSURANCE PREMIUMS

Mr. SHRIVER. How are the premiums paid and for what?

Mr. SALZMAN. They are a percentage of the total investment insured.

Mr. SHRIVER. Is it a formula that is the same all over the world wherever you do business?

Mr. SALZMAN. Yes, sir.

Mr. SHRIVER. The same formula for any other country as for ———?

Mr. SALZMAN. Yes, sir. We have attempted, if I may amplify, to employ actuaries to try to develop an actuarial rate of insurance that might be applicable to the situation. But as Mr. McFall stated before, it is almost an unpredictable event. We have abandoned the actuarial attempt, and more recently have employed people to use operation research methods to indicate broad areas of risk and liability and fee scales to guide the operation of the program.

INSURANCE COVERAGE

Mr. PASSMAN. Now the icing has been put on the cake. Let's brush it off and look at what the icing was placed on. You are not going to minimize this thing and make it look that sweet. You and I know we provide insurance coverage in 89 nations of the world and have 3,500

contracts. You know and I know it is perfectly natural for a man to be a little bit more careless about entering into these contracts if he is completely covered.

Now, we had a tremendous overseas investment program by American industry, they were moving into the European countries and began to move out into some of the Asiatic countries, automobile manufacturers and assembly plants without any trouble whatsoever. But AID had to get into the act. Let's not fool ourselves as to how far afield we may be going on this. You provide investment insurance to cover projects against the political risk of currency inconvertibility. You could carry that so far that runaway inflation could take hold, could you not?

Mr. SALZMAN. No, sir.

Mr. PASSMAN. If you run your country in such a manner that the value of the currency is deflated 90 percent you mean you are not covered?

Mr. SALZMAN. That is right.

Mr. PASSMAN. What do you mean by political risk of currency inconvertibility? Certainly if you have runaway inflation and your currency is deflated by 90 percent you couldn't convert it for dollars at par with what you started with.

Mr. SALZMAN. We don't insure against that.

Mr. PASSMAN. Then you mention expropriation and war, revolution or insurrection. What are you covering the people for? Just how could you lose the money? Let's pin it down.

Mr. SALZMAN. Let me give you some specific examples. I referred earlier to a situation in which an American investor had local currency which he was not able by Government act to convert to dollars at the time he wished to do so. He deposited the local currency with AID who gave him the dollars equivalent at the rate prevailing at the time he deposited the local currency.

Mr. PASSMAN. What if the currency should depreciate by another 75 percent in the next few months? Who would take the loss?

Mr. SALZMAN. The owner of the currency, AID.

Mr. PASSMAN. That is what I thought. No one is suggesting this whole thing is going to collapse but we have had upsets, have we not, that shook the entire world? Haven't we had economic upsets in your lifetime that shook the entire world and every nation on the face of the earth went into a recession?

Mr. SALZMAN. There was a recession during my lifetime.

Mr. PASSMAN. Certainly, everybody knows that. This thing could be very damaging. I am not predicting that and I hope it never happens, but we are not going to let this slip by. We are exposed in this one little area. This is one of the little agencies we are involved in which used to be a part of the overall AID agency. Under this operation we have a contingent liability of $7,600 million.

PROFIT OR LOSS

Let's look at the profit angle. I have read many, many financial statements, I have made up many financial statements. I don't know whether you are going to have a profit or loss until some day you have

to reconcile the so-called book profit of today against losses tomorrow. Is that correct?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. That is a good statement, it couldn't be otherwise. Even the Export-Import Bank with all of the profits they claim, may eventually liquidate with a big loss.

You are talking to a man that knows something about financial statements. I may not be too smart, but I know something about a financial statement, I know what contingent liabilities are, and what book profits can lead into.

As you know, we held this thing down for years and last year we lost control of it. You people one year wanted $180 million, and we cut you by $150 million, didn't we?

Mr. SALZMAN. In 1963.

Mr. PASSMAN. We did cut you.

Mr. SALZMAN. Yes, but not last year.

Mr. PASSMAN. Year after year we made these reductions. Now this thing looks like it is going to head for the moon or beyond.

RESERVES AVAILABLE

Last year on page 1806, I believe, that during the last 20 years you had accumulated what you refer to as a surplus of $68 million, claims less fees collected, in the various programs which I believe were to be transferred to OPIC, is that correct?

Mr. SALZMAN. One program was not transferred to OPIC and that is the housing program.

Mr. PASSMAN. I only referred to what was in the hearings last year. If you verify that then you can elaborate. Have I quoted it correctly?

Mr. SALZMAN. I don't have the figures. I accept it.

Mr. PASSMAN. Let me read it. "Mr. Salzman. Yes; about $68 million has been applied to the reserve account." Is that correct?

Mr. SALZMAN. That is correct.

Mr. PASSMAN. Thank you. Has this surplus figure changed substantially over the past 9 months?

Mr. SALZMAN. It has increased.

Mr. PASSMAN. What is the present amount?

Mr. SALZMAN. As of June 30, 1970, the estimated amount of the reserve available to pay claims of all the OPIC programs will be approximately $130 million.

Mr. PASSMAN. I believe previously we operated on these reserves; we did not fund these reserves to provide annually the amount of money you had asked for previously, and that last year the legislation was amended eventually putting a percentage reserve on the total outstanding. Is that correct?

Mr. DICKERSON. Yes, sir.

Mr. SALZMAN. No, sir.

Mr. PASSMAN. He says yes and you say no. Please get together.

Mr. SALZMAN. A fractional reserve was put on the guarantees but not on the insurance.

Mr. PASSMAN. I am talking about on the guarantees. What is the story on it?

Mr. DICKERSON. On the guarantees, 25 percent fractional reserve.

Mr. PASSMAN. That was new, put in last year?

Mr. DICKERSON. Yes.

Mr. PASSMAN. So that, to some extent, is a license for this committee through diplomatic coercion to provide the money to create these reserves; is that right?

Mr. DICKERSON. It is a control over the size of the program.

Mr. PASSMAN. Certainly. What claims other than the two dangerous ones you just mentioned earlier, do you anticipate for fiscal 1971, Mr. Salzman?

Mr. SALZMAN. As I tried to explain to the chairman, I can't give you a figure as to how much we are going to have to pay.

Mr. PASSMAN. Then, how can you anticipate what you need as a reserve?

Mr. SALZMAN. I tried to indicate illustratively by the numbers presented to the committee the magnitude that are involved in given countries or in certain situations.

NATIONS WITH SIMILAR PROGRAMS

Mr. PASSMAN. Let me ask you this. You have other nations making capital investments in these nations; do you not?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Do they have a similar program?

Mr. SALZMAN. Yes, sir; five of them.

Mr. PASSMAN. What countries?

Mr. SALZMAN. Germany——

Mr. PASSMAN. Put them all in the record and the amount and the formulas, if you have them.

Mr. SALZMAN. Yes, sir.

(The information follows:)

INVESTMENT GUARANTEE PROGRAMS OF OTHER NATIONS

To date, 10 Development Assistance Committee (DAC) countries (Australia, Canada, Denmark, Germany, Japan, Netherlands, Norway, Portugal, Sweden, and the United States) have established political insurance systems of general application. Other DAC countries have limited schemes (France) or have schemes under consideration (Belgium and Switzerland). The oldest and largest program is the U.S. program which was founded in 1948. The Japanese and German programs (started in 1956 and 1960, respectively), while growing, are now used as widely as the U.S. program. In the case of Japan, the annual amount of insurance issued is only a small proportion of the total volume of direct investment abroad. The other existing schemes have been initiated recently: Australia (1966), Denmark (1966), Norway (1968), Sweden (1968), Canada (1969), Netherlands (1969), and their experience is too short to show any definite indication of investors' reactions. All coverages offered by governments are available only for new investments. A summary tabular presentation of the characteristics of the main existing schemes is set out below.

TYPE OF RISKS INSURED

Political risks covered by the schemes can be grouped into three categories:

(*a*) Expropriation risks (nationalization, expropriations). While all schemes cover straight expropriation, the situation varies as regards cases of "creeping expropriation" where the local enterprise is not taken over but whose operation is impeded by government action to a point where it can no longer operate effectively.

(*b*) War risks (revolution, rebellion, civil war). In order to retain an element of risk equivalent to that in developed countries, destruction re-

sulting from a general war is not in principle covered, although cases of civil war or revolution are covered.

(c) Transfer risks; i.e., prevention of, or delay in repatriation of profits and capital.

TYPE OF INVESTMENTS COVERED AND ELIGIBILITY CRITERIA

The table sets out the extent to which each scheme can provide coverage for different categories of capital participation in projects as between equity, loans, advances, etc.

It is more difficult, however, to analyze the qualitative criteria which the various schemes demand of applicants for insurance or guarantees. In particular, most programs specifically provide as conditions of assistance that the investment projects should be of importance for the development of the host country, and that the project is approved by the host country. In the case of the Danish program, such conditions may be satisfied if the project under consideration forms part of the development program of the host country or is specifically approved by the authorities of the host country. The Swedish authorities emphasize that the criterion of "developmental effect" is a prerequisite for investments to be guaranteed under the Swedish program. In the case of the German program, the directives state that only projects which are "worthy of promotion" are to be considered. In Norway, the potential investor in a less developed country must obtain prior approval from the Norwegian foreign aid agency. Approval may be given if the project is deemed to contribute to the economic development of the recipient country. While the assessment of the developmental impact of investments seeking coverage may differ from one DAC country to the other, most schemes require at least that the projects being financed be approved by the host government.

FEES

During the fifties, insurance fees of around 1 percent of principal tended to be charged but rates have decreased in recent years largely as a result of the fact that claims have been small. So far fees received have greatly exceeded indemnities paid. Some countries (e.g., Australia) offer premium rates for investors in joint ventures with local partners.

EXTENT OF COVERAGE

Provision is generally made for writing down over time the value of the investment covered. Some countries look to the net book value of investments as in periodic audited accounts (United States); others adopt a fixed schedule for writing down their value (Germany).

The maximum duration of coverage is usually between 15 to 20 years. The coverage of earnings is defined either under a global ceiling (e.g. 100 percent of the original investment in the case of the United States) or under an annual limit (8 percent annum for Germany, The Netherlands and Sweden).

PREREQUISITE INVESTMENT PROTECTION AGREEMENTS

Several DAC countries have negotiated investment protection agreements with developing countries, and investment protection coverages in these cases are provided only for investments in countries having signed such agreements. One of the main purposes of these agreements is usually to secure protection against discriminatory legal and administrative action, both as compared to the local business community and also as compared to investors from other countries. The agreements do not as a rule provide full and automatic protection against nationalization, but the host country undertakes as a rule to provide fair compensation without undue delay. Agreements can be either detailed agreements of substance dealing with a number of issues such as guarantees, financial transfers, entry permission for foreign personnel etc. (such is the case of Germany which has 36 agreements of this kind); or agreements limited to more procedural matters in the event that investments should be endangered (such as in the case of the United States which has 88 agreements).

Information based on data collected by the Development Assistance Committee of the Organiaztion for Economic Co-operation and Development (OECD).

SUMMARY OF GUARANTEE SCHEMES FOR OVERSEAS DIRECT INVESTMENT

DAC countries	Types of risks insured a. Expropriation risks b. War risks c. Transfer risks	Geographic coverage a. Worldwide b. Developing countries only c. Countries having signed bilateral agreement only	Type of investment covered a. Equity b. Loans c. Advances	Specific eligibility criteria a. Developmental effect b. Link with national export c. Global ceiling	Maximum coverage of principal and earnings a. Initial investment b. Reinvested earnings c. Remitted earnings
	I	II	III	IV	V
Australia	a. b. c. (3 distinct contracts)	a	a. b. c	b	a. 100 percent, b. 100 percent of principal, c. not available.
Canada	a. b. c	a	a. b. c	a. or b. c=Can $50,000,000.	Not available.
Denmark	a. b. c	b	Equity and loan to the extent they reflect a controlling interest in the company.	a. b. c. $29,000,000	a. 100 percent, b. 8 percent per year for up to 3 years, c. not available.
Germany	a. b. c	c. and some other countries	a. b. c	a. b	a. 100 percent, b. none, c. 8 percent per annum for up to 3 years.
Japan	2 distinct schemes: a and b for capital, c. for profits.	a	a. only	b	a. 100 percent (capital scheme), b. not available (profit scheme), c. (profit scheme).
Netherlands	a. b. c	a	a. b. c	Not available	a. 100 percent, b. Not available, c. 8 percent per year.
Norway	a. b. c	a	a. or a. and b. together	a. c.=$84,000,000 covering both export credits and investments.	a. 100 percent, b. Not available, c. Not available.
Portugal	Not available	Overseas provinces only	b. only		Equity investments are not covered, as regards loan, there is full coverage of principal and interest.
Sweden	a. b. c	c. some 12 countries to-date	a. and b. to extent they reflect controlling interest in company. Minority equity possible.	a. b. c. $80,000,000	a. 100 percent, b. Not available, c. 8 percent per annum up to 3 years.
United States	Specific risk a. b. c	88 countries with bilateral agreements.	a. b. c	a	a. 100 percent, b. 100 percent of principal, c. Not available.

SUMMARY OF GUARANTEE SCHEMES FOR OVERSEAS DIRECT INVESTMENT—Continued

DAC countries	Coverage in case of loss: Indemnities paid as percent of maximum coverage (VI)	Coverage in case of loss: Reductions in coverage (VII)	Premium rates on outstanding amounts except if otherwise shown (VIII)	Duration of coverage (IX)	Date of effective establishment (X)	U.S. dollar accumulated guarantees outstanding (XI)	Current volume of new guarantees extended (XII)
Australia	Up to 90 percent	Per net worth in financial statements.	0.75 percent on current amount plus 0.38 percent on standby amount.	Minimum 5 years, maximum 15 years.	May 1966 investments made in 1965 also eligible.	June 30, 1969, $20,000,000.	9 months to June 30th, 1969 $16,000,000.
Canada	Not available	Not available	Not available	Up to 15 years	Mid-1969	Nil	Nil.
Denmark	85 to 90 percent.	do	0.5 percent per annum	do	May 1966	Not available	1968 $3,080,000
Germany	Up to 90 percent	Fixed schedule beginning the 11th year down to 50 percent for the 15th year.	Inscription fee 0.1 percent of original amount. Guarantee fee 0.8 percent of current amount.	Normally=up to 15 years. Exceptionally=up to 20 years.	1960	Mid-1969 $280,000,000	8 months to August 31st, 1969 $22,000,000.
Japan	Both schemes=up to 75 percent.	Not available	0.5 percent	Normally up to 15 years.	Capital 1956, profits 1957.	December 1968 $50,000,000.	1968 (capital scheme only) $6,300,000.
Netherlands	Up to 90 percent	Limited amortization during last 5 years of coverage.	0.8 percent per annum	Up to 15 years following completion of the investment.	1969	Nil	Nil.
Norway	Up to 90 percent	Not available	Administrative fee=0.2 percent of maximum amount. Nil-guarantee fee=0.5 percent of maximum amount nil-total 0.7 percent.	Up to 20 years	1968	Mid-1969 ($22,000,000)	Not available.
Portugal	100 percent	Loan amortization		Duration of loan	Not available	Dec. 31, 1968, $84,000,000	Do.
Sweden	Up to 90 percent	Not available	0.7 percent	Up to 15 years exceptionally up to 20 years.	1968	Nil	Nil.
United States	100 percent	Per net worth in financial statements.	0.25 percent (convertibility) 0.50 percent (expropriation) 0.50 percent (war).	Equity=maximum, 20 years loan=duration of the loan.	1948	Dec. 31, 1968, $6,500,000,000	Dec. 31, 1968, $1,900,000,000.

RESERVE REQUIREMENTS

Mr. PASSMAN. How many claims have you paid since the inception of the program?

Mr. SALZMAN. Thirteen insurance and guaranty claims.

Mr. PASSMAN. Thirteen claims and the aggregate?

Mr. SALZMAN. The gross figure was $11,300,000 less $315,000 or roughly $11 million.

Mr. PASSMAN. You have paid out the $11 million during a 22-year period?

Mr. SALZMAN. Yes, sir, against all programs.

Mr. PASSMAN. And what is your ultimate requirements with respect to a reserve? If you have $7.6 billion outstanding what reserve do you estimate you should have to protect this?

Mr. SALZMAN. I think not less than $100 million as an insurance reserve.

TERMS OF INSURANCE CONTRACTS

Mr. PASSMAN. If the amount is renewed annually with the capital account that you are insuring, does it build annually or is it a one-time insurance? If you buy fire insurance you usually buy for 1 year at a time. Does the investor buy for 1 year at a time?

Mr. SALZMAN. No, sir, for an extended period of years.

Mr. PASSMAN. What is the average?

Mr. SALZMAN. I would say probably 15 years.

Mr. PASSMAN. My apologies. I am only trying to find something out about this program when I ask these questions. In other words, when you cover this man he pays one time for a lifetime coverage.

Mr. SALZMAN. No, sir, he pays each year.

Mr. PASSMAN. I asked that question previously and you said, no. Then, let me find out this, if you will. A man is investing a million dollars abroad.

Mr. SALZMAN. Yes.

Mr. PASSMAN. He buys coverage for 1 year at a time. Is that correct?

Mr. SALZMAN. Yes. He can cancel at any time.

Mr. PASSMAN. But he buys 1 year at a time.

Mr. SALZMAN. Yes.

Mr. PASSMAN. And if he buys it for the period January 1 to December 31 inclusive, he either renews or he is no longer covered, is that correct?

Mr. SALZMAN. Yes.

Mr. PASSMAN. That is in the policy?

Mr. SALZMAN. Yes.

Mr. PASSMAN. Do you have any of the business people canceling out or are all of them renewing their policies?

Mr. SALZMAN. No, they cancel.

Mr. PASSMAN. Some of them cancel?

Mr. SALZMAN. Yes, and contracts expire, too.

Mr. PASSMAN. What I am trying to find out is if you have some business people that feel their investments are secure to the extent that they do not have to continue the coverage. That is what I am trying to ascertain.

Mr. SALZMAN. Yes, we do.

Mr. PASSMAN. If you have some in the field that no longer want coverage.

Mr. SALZMAN. That is right.

Mr. PASSMAN. Would it be too much trouble to ask you to insert in the record the names of the nations, the 89 that are eligible where you presently have contracts in effect?

Mr. SALZMAN. Yes, sir.

(The information follows:)

LIST OF DEVELOPING COUNTRIES AND SEMI-INDEPENDENT STATES WITH INVESTMENT GUARANTY AGREEMENTS AS OF APRIL 15, 1970

The signature of these investment guaranty agreements does not assure that the AID investment insurance coverages provided by the agreements are available. These programs may be inoperative for legal, economic, administrative or local political reasons.

AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF PRIVATE RESOURCES
Specific Risk Insurance Division
(As of April 15, 1970)

Developing Countries and Semi-Independent States with Investment Guaranty Agreements

Convertibility	Expropriation	War, Revolution & Insurrection	Extended Risk
Afghanistan	Afghanistan	Afghanistan(war only)	--
Antigua	Antigua	Antigua	Antigua
Argentina	1/Argentina	1/Argentina	1/Argentina
Barbados	Barbados	Barbados	Barbados
3/Bolivia	3/Bolivia	3/Bolivia	3/Bolivia
Botswana	Botswana	Botswana	Botswana
Brazil	Brazil	Brazil	Brazil
British Honduras	British Honduras	British Honduras	British Honduras
Burundi	Burundi	Burundi	Burundi
Cameroon	Cameroon	Cameroon	Cameroon
Central African Rep.	Central African Rep.	Central African Rep.	Central African Rep.
Ceylon	Ceylon	Ceylon	Ceylon
Chad	Chad	Chad	Chad
Chile	1/Chile	1/Chile	1/Chile
China, Rep. of	China, Rep. of	China, Rep. of	China, Rep. of
Colombia	Colombia	Colombia	Colombia
2/Congo (Brazzaville)	2/Congo (Brazzaville)	2/Congo (Brazzaville)	2/Congo (Brazzaville)
Congo (Kinshasa)	Congo (Kinshasa)	Congo (Kinshasa)	Congo (Kinshasa)
Costa Rica	Costa Rica	Costa Rica	Costa Rica
3/Cyprus	3/Cyprus	3/Cyprus	3/Cyprus
Dahomey	Dahomey	Dahomey	Dahomey
Dominica	Dominica	Dominica	Dominica
Dominican Republic	Dominican Republic	Dominican Republic	Dominican Republic
Ecuador	Ecuador	Ecuador	Ecuador
El Salvador	El Salvador	1/El Salvador	1/El Salvador
Ethiopia	Ethiopia	Ethiopia	Ethiopia
Gabon	Gabon	Gabon	Gabon
Gambia	Gambia	Gambia	Gambia
Ghana	Ghana	Ghana	Ghana
Greece	Greece	Greece	Greece
Grenada	Grenada	Grenada	Grenada
2/Guatemala	2/Guatemala	--	--
Guinea	Guinea	Guinea	Guinea
Guyana	Guyana	Guyana	Guyana
Haiti	Haiti	--	--
Honduras	Honduras	Honduras	Honduras
India	India	India	India
Indonesia	Indonesia	Indonesia	Indonesia
Iran	Iran	Iran	Iran
Israel	Israel	Israel	Israel
Ivory Coast	Ivory Coast	Ivory Coast	Ivory Coast

1/Although application will be accepted, guaranties will not be processed until agreement is ratified by country's legislative body and in force.

2/ Restricted Availability.

3/Program inoperative.

Convertibility	Expropriation	War, Revolution & Insurrection	Extended Risk
Jamaica	Jamaica	Jamaica	Jamaica
Jordan	Jordan	Jordan	Jordan
Kenya	Kenya	Kenya	Kenya
Korea	Korea	Korea	Korea
Laos	Laos	Laos	Laos
Lesotho	Lesotho	Lesotho	Lesotho
Liberia	Liberia	Liberia	Liberia
Malagasy	Malagasy	Malagasy	Malagasy
Malawi	Malawi	Malawi	Malawi
Malaysia	Malaysia	Malaysia	Malaysia
Mali	Mali	Mali	Mali
3/Malta	3/Malta	3/Malta	3/Malta
3/Mauritania	3/Mauritania	3/Mauritania	3/Mauritania
Morocco	Morocco	Morocco	Morocco
Nepal	Nepal	Nepal	Nepal
Nicaragua	Nicaragua	Nicaragua	Nicaragua
Niger	Niger	Niger	Niger
Nigeria	Nigeria	--	--
Pakistan	Pakistan	Pakistan	Pakistan
Panama	Panama	Panama (war only)	--
Paraguay	Paraguay	Paraguay	Paraguay
3/Peru	--	--	--
Philippines	Philippines	Philippines	Philippines
Rwanda	Rwanda	Rwanda	Rwanda
St. Christ.-Nevis-Ang.	St. Christ.-Nevis-Ang.	St. Christ.-Nevis-Ang.	St. Christ.-Nevis-Ang.
St. Lucia	St. Lucia	St. Lucia	St. Lucia
Senegal	Senegal	Senegal	Senegal
Sierra Leone	Sierra Leone	Sierra Leone	Sierra Leone
Singapore	Singapore	Singapore	Singapore
Somali Rep.	Somali Rep.	Somali Rep.	Somali Rep.
3/Sudan	3/Sudan	3/Sudan	3/Sudan
Swaziland	Swaziland	Swaziland	Swaziland
Tanzania(excl.Zanzibar)	Tanzania(excl.Zanzibar)	Tanzania(excl.Zanzibar)	Tanzania(excl. Zanzibar)
Thailand	Thailand	Thailand	Thailand
Togo	Togo	Togo	Togo
Trinidad-Tobago	Trinidad-Tobago	Trinidad-Tobago	Trinidad-Tobago
Tunisia	Tunisia	Tunisia	Tunisia
Turkey	Turkey	Turkey	Turkey
Uganda	Uganda	Uganda	Uganda
3/U.A.R. (Egypt)	3/U.A.R.(Egypt)	3/U.A.R.(Egypt)	3/U.A.R.(Egypt)
Upper Volta	Upper Volta	Upper Volta	Upper Volta
1/Uruguay 3/	3/1/Uruguay	--	--
Venezuela	Venezuela	Venezuela	Venezuela
Vietnam	Vietnam	Vietnam	Vietnam
Western Somoa	Western Somoa	Western Somoa	Western Somoa
3/Yugoslavia	3/Yugoslavia	--	--
Zambia	Zambia	Zambia	Zambia

Economically developed countries are excluded from the Investment Insurance Program; insurance may be available for some of the underdeveloped dependencies of France, Netherlands, Portugal, and the United Kingdom.

PRR/PIC/ID:EABurton:mvr

Portugal was recently determined to be developed.

Countries Where A.I.D. Has Issued Political Risk Insurance
As of March 31, 1970

Latin America	Near East; South Asia	Far East	Africa	Western European Developed Countries & Yugoslavia[1]
Argentina	Afghanistan	China	Algeria	Austria
Bolivia	Ceylon	Hong Kong	Angola	Belgium
Brazil	Cyprus	Indonesia	Botswana	Denmark
Br. Honduras	Egypt	Japan	Cameroun	France
Chile	Greece	Korea	Congo (K)	Germany
Colombia	India	Laos	Congo (B)	Italy
Costa Rica	Iran	Malaysia	Ethiopia	Netherlands
Dominican Rep.	Israel	Philippines	Gabon	Portugal
Ecuador	Jordan	Singapore	Ghana	United Kingdom
El Salvador	Nepal	Tahiti	Guinea	Yugoslavia
Fr. Guiana	Pakistan	Thailand	Ivory Coast	
Guadeloupe	Turkey	Vietnam	Kenya	
Guatemala			Liberia	
Guyana			Malagasy	
Haiti			Mauritania	
Honduras			Morocco	
Jamaica			Nigeria	
Martinique			Rwanda	
Nicaragua			Senegal	
Panama			Sierra Leone	
Paraguay			Somali Repub.	
Peru			So. Rhodesia	
Surinam			Sudan	
Trinidad			Tanzania	
Venezuela			Togo	
			Tunisia	
			Uganda	
			Zambia	
			Regional	
No. countries: 25	12	12	29	10
No. Contracts: 1,861	808	769	447	293
Value insurance (U.S. $ Millions) $4,643.6	$1,270.5	$2,246.9	$1,006.5	$361.3

[1] No investment insurance issued since 1960; Western European countries considered developed and Yugoslavia inoperative.

Mr. PASSMAN. Do you ever decline to cover an investor in any country?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Would you mind stating for the record, what countries you have declined to issue coverage on?

Mr. SALZMAN. We have suspended the operation of the program in

———

(Discussion off the record.)

Mr. PASSMAN. Let me ask the question again. You have certain countries, in which you now provide insurance coverage, which you are considering not extending additional coverage to concerning capital investments in those countries; is that correct?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Have you had applications for insurance in countries in which coverage has not previously been provided that you have declined to go into?

Mr. SALZMAN. There are countries into which we have declined to go.

Mr. PASSMAN. Would you mind naming the countries? We are cleared for all types of information. If it is classified we will take it out of the record. This is only a cautionary type of an examination to see how cautious you people are going to be. We don't want to superimpose our thinking on every decision you make but we are the first branch of government and we want to know what you are doing.

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Do you know of any you could think of off hand?

Mr. SALZMAN. We have not gone into ———. We have not gone into the rich countries.

Mr. PASSMAN. Naturally, it was never intended for them. ——— that is the richest country per capita on the face of the earth.

Mr. SALZMAN. That is the reason we don't go in.

Mr. PASSMAN. I am talking about a country that looks shaky so you don't go in. It looks like you are a little bit lax when you go into 89 less developed countries. It looks like we are venturing into a lot of them. That is the reason I asked the question where. Indonesia?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Burma?

Mr. SALZMAN. No.

Mr. PASSMAN. Ceylon?

Mr. SALZMAN. We can give you a list of the countries.

Mr. PASSMAN. Put them in the record.

(The information follows:)

DEVELOPING COUNTRIES AND SEMI-INDEPENDENT STATES WHICH HAD NOT CONCLUDED INVESTMENT GUARANTEE AGREEMENTS WITH THE UNITED STATES AS OF APRIL 15, 1970

Bhutan.
Burma.
Cambodia.
Equatorial Guinea.
Lebanon.
Libya.
Maldive Islands.
Mauritius.
Mexico.
Muscat-Oman.
Nauru.
Qatar & Trucial Sheikdoms.
Saint Vincent.
Territory of Papua and New Guinea.

Mr. SALZMAN. Burma is a country in which we have not instituted a program.

Mr. PASSMAN. Have you had applications?

Mr. SALZMAN. This is before my time. I just don't know.

Mr. PASSMAN. Are they in the list of 89?

Mr. SALZMAN. No, sir.

Mr. PASSMAN. All right.

U.S. OBLIGATION IN COUNTRY ARRANGEMENTS

Mr. SALZMAN. May I point out that the arrangements to institute the program don't necessarily carry the obligation to sell the insurance.

Mr. PASSMAN. I know that, Mr. Director. The businessman can either go in with it or go in without it.

Mr. SALZMAN. I am saying that AID and now OPIC does not necessarily regard the institution of an agreement as being an obligation to sell insurance for a specific investment in that country. The insurance determinations are made on the basis of the individual investments themselves, and under criteria established for those investments, including the questions that your colleagues raised before about their economic and social contributions, and the degree to which they are wanted by the host country government.

Mr. PASSMAN. I would assume we all understand that very well.

Mr. SALZMAN. Forgive me, for taking the time.

Mr. PASSMAN. The integrity of the company, the financial stability. You are certainly not going to take a defunct company and approve it for investment when it spells failure before it even starts. I am talking about the country itself. You know some countries have a habit of expropriating when you have something they like. I guess in the last 30 years there have been 20 or 30 countries that have expropriated something they like. Two or three of the countries, I think, expropriated the entire telephone operation.

I don't want to get into that part. I think you would be careful of those countries that have a reputation of manipulating their currency or have a reputation for expropriating. You do look closely at those countries, I am sure.

Mr. SALZMAN. Yes, sir.

INSURANCE IN LATIN AMERICAN COUNTRIES

Mr. PASSMAN. How many Latin American countries are you in? Are all Latin American countries with the exception of Cuba, eligible for coverage under this operation?

Mr. SALZMAN. No, sir; all of them aren't.

Mr. PASSMAN. Which ones aren't?

Mr. SALZMAN. Uruguay is one. Mexico is another.

Mr. PASSMAN. If you had an application for a guarantee in Mexico you would not approve it?

Mr. SALZMAN. No, sir.

Mr. PASSMAN. Put the remainder in the record.

(The information follows:)

LATIN AMERICAN COUNTRIES WHERE INVESTMENT GUARANTEE AGREEMENTS HAVE BEEN CONCLUDED

Investment guarantee agreements for some form of AID investment insurance have been concluded with all of the countries and semi-independent states of the Western Hemisphere with the exception of Canada, Cuba, Mexico, and St. Vincent which is pending.

The 28 countries and areas which have some form of agreements executed as of April 15, 1970, are:

Argentina	Guatemala	British Honduras
Bolivia	Haiti	Guyana
Brazil	Honduras	Jamaica
Chile	Nicaragua	Trinidad-Tobago
Colombia	Panama	Antigua
Costa Rica	Paraguay	Barbados
Dominican Republic	Peru	Dominica
Ecuador	Uruguay	Grenada
El Salvador	Venezuela	St. Christopher-Nevis Anguilla
		St. Lucia

The signature of these investment guarantee agreements does not assure that the AID investment insurance coverages provided by the agreements are available. These program may be inoperative for legal, economic, administrative, or local political reasons.

We are quite conscious of recent trends of "economic nationalism" in the developing countries, predominantly in Latin America. We constantly review and adjust the administration of our insurance and guarantee incentives accordingly, making value judgments to determine the extent to which we may insure or guarantee a particular kind of investment in any given country under what specific circumstances, terms, and conditions. Our criteria are in line with those set forth in section 231 of the OPIC enabling legislation. These criteria include, but are not limited to, the following:

Conduct of our operations with regard to principles of risk management;

Encouragement and support of only those private investments which are sensitive and responsive to the special needs and requirements of developing country economies, which contribute to the social and economic development of their people and thus are welcome in those countries; and

Consideration of the extent to which less-developed country governments are receptive to private enterprise, domestic and foreign, and their willingness and ability to maintain conditions which enable private enterprise to make its full contribution to the development process.

Mr. PASSMAN. Let me say this respectfully, sir. I feel I have a job to do. We have this public debt of a trillion six hundred billion dollars when you add all the statutory obligations. I am not at all satisfied with the fact that I haven't been able to put together convincing proof that this AID bill should be cut even further. I won't do anything to embarrass you and I am going to go off the record.

(Discussion off the record.)

TYPES OF INSURABLE RISKS

Mr. PASSMAN. Concerning the type of risks covered, the actual legislation states that—

(A) inability to convert into U.S. dollars other currencies, or credits in such currencies, received as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(B) loss of investment in whole or in part, in the approved project due to expropriation or consfication by action of a foreign government; and

(C) loss due to war, revolution, or insurrection.

We do know they can always manipulate currency to the point that it loses its complete value and I don't know at what point this would occur. You could have an investment in a country and an event could take place which would make the currency valueless almost overnight. If a man had turned it into cash and had it in the bank and that happened, I would assume under your arrangement he wouldn't be covered.

Mr. SALZMAN. He would not be.

Mr. PASSMAN. You remember the inflation in Germany. They got started on one of these wild spending programs after World War I and they had to pay their employees twice a day to get them to work. It cost $7 million to get a taxicab to the depot. Inflation can certainly destroy the value of currency. I am glad to have your assurance that if there is any manipulation of the currency it would not be covered. It is only when they refuse to convert at the going rate; is that, right, sir?

Mr. SALZMAN. Yes, sir.

PRO FORMA FINANCIAL STATEMENTS

Mr. PASSMAN. According to your pro forma balance sheet you expect to have $2 million in cash and $25 million in U.S. obligations on hand June 30, 1970, is that correct?

Mr. SALZMAN. Yes.

Mr. PASSMAN. Are these amounts above and beyond what you require to provide the adequate reserve required for your projected program level?

Mr. SALZMAN. No.

Mr. PASSMAN. Regarding any surpluses that you may have, do you invest them in bonds or are you to return them to the Treasury?

Mr. SALZMAN. The retained earnings under the OPIC legislation are lodged in the Treasury and invested in U.S. securities yielding revenue to the corporation. The revenue thus yielded may be allocated by the board of directors to the various reserves after payment of the operating expenses.

Mr. PASSMAN. In short, you go buy Government bonds, is that what you are saying?

Mr. SALZMAN. Yes, sir. The retained earnings would go into buying securities.

Mr. PASSMAN. What kind of U.S. securities do you usually buy with these surpluses?

Mr. SALZMAN. The Treasury makes that decision, Mr. Chairman.

Mr. PASSMAN. 90-day notes, 6-month bonds or what? You have Treasury bills, you know.

Mr. SALZMAN. It will vary with the anticipated need for the funds or the next action to take place. For the time being they are in short-term paper.

ACCUMULATED INCOME

Mr. PASSMAN. You estimate that you will do quite well in accumulating income according to your pro forma income statement. You project a net income of $22,282,000 for fiscal 1970, $24,624,000 for fiscal 1971. This income, less claim payments, added to the accumulated surplus mentioned before, will provide OPIC with quite a large amount of cash on hand, will it not?

Mr. SALZMAN. Yes.

Mr. PASSMAN. Far in excess of need to meet current claims?

Mr. SALZMAN. Yes.

Mr. PASSMAN. Thank you.

Mr. SALZMAN. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. SALZMAN. The surplus would go against the contingent liability, which we have discussed exhaustively this afternoon.

Mr. PASSMAN. Against this so-called 25 percent?

Mr. SALZMAN. They could be allocated against the 25 percent. They would have to be allocated against the 25 percent to cover the existing obligations that are involved and the balance presumably would go into the insurance reserve.

Mr. PASSMAN. You have two reserves?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. And, of course, we operate this thing normally for 20-odd years and you people try every way in the world to get this slush fund built up. I fought it and I might say the committee concurred and we kept this thing down, giving you sometimes less than 20 percent of what you asked for.

PROFESSIONAL FEES

Why is there such a large increase in the amount requested for professional fees and outside services as shown in the income statement, Mr. Director?

Mr. SALZMAN. The expected increased claims will require increased administration in professional staff time to adjust those claims and to achieve a liquidation of those claims that will be satisfactory to the United States under the conditions prevailing. That accounts for the bulk of the figure.

Mr. PASSMAN. You do anticipate then substantial losses in fiscal 1971?

Mr. SALZMAN. Yes, sir. Overall, in an operating program of this magnitude and the various kinds of businesses we are involved with, there are inevitably going to be such losses.

Mr. PASSMAN. Let's discuss professional fees briefly. How would you determine what a professional fee is? What is a professional fee according to your interpretation?

Mr. SALZMAN. It would be fees for lawyers, for auditors, for engineers to determine the values of properties or assets that might be acquired, for the employment of expert consultants in the instance I

referred to earlier, in trying to establish what the likely risks are and what the fees might be in some kind of fee structure that would make the program financially self-sustaining. It would be used for that kind of services.

Mr. PASSMAN. Do you have a professional staff of attorneys on a salary basis in the agency?

Mr. SALZMAN. Yes; a small one.

Mr. PASSMAN. When you think in terms of professional fees for attorneys, do you go outside of the AID organization and your own organization?

Mr. SALZMAN. On occasion.

Mr. PASSMAN. What did you pay for outside professional help, last year?

Mr. SALZMAN. About $65,000.

Mr. PASSMAN. In connection with what claims did you pay the $65,000?

Mr. SALZMAN. In connection with litigation concerning an investment project which we had guaranteed and which was no longer able to meet its obligations.

FAILURE OF THE CALABRIAN PROJECT

Mr. PASSMAN. I understand that. We all know that. I am talking about where, what project?

Mr. SALZMAN. The project was located in Thailand.

Mr. PASSMAN. Dealing with a Thai or an American?

Mr. SALZMAN. American investor.

Mr. PASSMAN. How much did he invest in Thailand?

Mr. SALZMAN. A half a million dollars.

Mr. PASSMAN. What happened to the half million dollar investment that brought on the necessity for this professional service?

Mr. SALZMAN. He lost a half million dollars. The project was no longer able to meet its obligation and we have been attempting to liquidate the project.

Mr. PASSMAN. Do you guarantee a man against failure in business?

Mr. SALZMAN. No, sir; I didn't say that. But our guaranties cover U.S. private lenders and equity investors against commercial losses.

Mr. PASSMAN. But you have a half a million dollars capital invested in Thailand.

Mr. SALZMAN. The investor invested that.

Mr. PASSMAN. The investor. How does he qualify on your insurance policy? Thailand is a sovereign country. We have contracts going in, AID programs going in. What happened to the $500,000 investment?

Mr. SALZMAN. He lost his half million dollars, but we had guaranteed private loans to the project under the guarantee program. The project became insolvent and in attempting to maximize the recovery against the loans that we had guaranteed we had to retain counsel to achieve an orderly liquidation.

Mr. PASSMAN. Thai or American counsel?

Mr. SALZMAN. Both.

Mr. PASSMAN. Could you state for the record, what you paid out for legal counsel both American and Thai on this $500,000 project?

Mr. SALZMAN. Yes, sir.

(The information follows:)

CALABRIAN LEGAL FEES

Fees paid through March 31, 1970, by the U.S. Government for legal services in the United States and Thailand in connection with the Calabrian matter total $73,000. Legal expense has been incurred in connection with the successful defense by AID of arbitration proceedings initiated by Calabrian Co., Inc., obtaining advice on Thai law affecting AID's interests as a creditor and shareholder of Calthai, and litigation in Thailand arising out of the Calthai difficulties.

Mr. PASSMAN. What kind of business was he in, the business that failed?

Mr. SALZMAN. The corn business.

Mr. PASSMAN. Processing or raising?

Mr. SALZMAN. No sir. It was corn trading, storage and distribution.

Mr. PASSMAN. Export-import-type operation?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. What was the amount of the original loan?

Mr. SALZMAN. The funds obtained from U.S. private bank loans guaranteed by AID came to $6.1 million.

Mr. PASSMAN. What was his investment?

Mr. SALZMAN. The American investor's investment was a half million dollars.

Mr. PASSMAN. How could you get in on a deal like that where a man invested a half million and you become responsible for 6 million?

Mr. SALZMAN. We guaranteed U.S. private bank loans to the project. Also, there was to have been a local partner who was to have invested a million dollars equivalent.

Mr. PASSMAN. The American invested half a million dollars?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. What is your anticipated net loss?

Mr. SALZMAN. In that project?

Mr. PASSMAN. Yes.

Mr. SALZMAN. I can't answer precisely.

Mr. PASSMAN. It has not been determined?

Mr. SALZMAN. No, sir, but most of it will be lost.

Mr. PASSMAN. It must have had a pretty slim chance of ever succeeding with that kind of a loss. I pursue this because I am afraid that is what we are getting into in these small loans.

What is your total outstanding in loans out of this investment account?

Mr. SALZMAN. Out of the investment guarantee account, the total amount outstanding as of February 28, 1970, under the guarantee program came to $172,264,000.

Mr. PASSMAN. That is loans you have made out of this account?

Mr. SALZMAN. Private loans that we have guaranteed out of this authority.

Mr. PASSMAN. How many loans have you made out of that account?

Mr. SALZMAN. None.

Mr. PASSMAN. How long was this man in business in Thailand before this failure became evident to you? When did this man go into business in Thailand?

Mr. SALZMAN. He went into this project in February 1967. He had had other business in Thailand previously.

Mr. PASSMAN. He sure did fail in a hurry, didn't he?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Here is an American businessman going to Thailand, a thriving country, waxing fat according to their standards, and he fails almost before he could get his sign hung out.

Either he didn't know what he was doing or you people didn't know. I don't know which. I hope that you don't get involved in too much of this because, Mr. Director, regardless of how you may feel, I am worried about the welfare of our younger generation. We are getting into so many entanglements around the world I don't know where we are going to stop. When I look at this public debt of ours and these statutory obligations, it is enough to frighten anyone.

REPRESENTATION ALLOWANCE

Mr. Salzman, I notice that you are requesting language be included in the bill for representation expense. Is that correct?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. What amount are you asking for representation allowance?

Mr. SALZMAN. $10,000.

Mr. PASSMAN. How many personnel do you have in your agency?

Mr. SALZMAN. 130 will be the staff——

Mr. PASSMAN. How much representation allowance last year?

Mr. SALZMAN. Last year we didn't have a separate representation allowance. We used funds that were allocated to us by the agency, by AID.

Mr. PASSMAN. Specifically for the representation allowance?

Mr. SALZMAN. Yes, sir, if we mean the same thing by representation. We are requesting the $10,000 to cover a range of costs connected with meetings, conferences, and consultations with OPIC's statutory advisory council, its board, outside business and nongovernmental and foreign nationals to discuss our programs and their participation in them.

Mr. PASSMAN. Entertainment, that is what I am talking about. I don't want to define it. That makes good reading for a lot of Baptists in my district.

THAILAND BUSINESS FAILURE

On this Thailand loan, I believe that one of the reasons for the failure after they had set up housekeeping was that Thailand would not give them sufficient sales quotas to make the business a success. Is that correct?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Shouldn't that have been gone into prior to the capital venture?

Mr. SALZMAN. Nobody knew that that was going to be the case. On the contrary, the expectation had been——

Mr. PASSMAN. Wouldn't that be one of the investigations, to find out whether the Government would permit this type of business to operate successfully?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. Thank you. Don't get yourself involved in too many of these things. When I think about the 89 nations we now have agreements with, it kind of frightens me.

REPRESENTATION ALLOWANCE

About this representation allowance, I am not against representation allowance in a diplomatic corps. Your job is to find somebody to borrow money, you don't have to entertain a man to get him to buy insurance to go abroad. He is the recipient of the Government's generosity and attractive program; isn't he?

This individual comes to the Government to insure him against certain losses; it is that right?

Mr. SALZMAN. Yes, sir.

Mr. PASSMAN. You shouldn't have to entertain him. If one of these business people comes to you for a loan, it would appear to me that he should do the entertaining and not you.

Mr. LONG. The idea, Mr. Chairman, is that if you can get him drunk enough you can get him to borrow twice as much money.

Mr. PASSMAN. Is that the point? Do you agree? I mean this quite sincerely. I think it applies to most Americans. Regardless of how poor we are, how low our bank balance, you have a few drinks and you begin to feel rich and pleasant; don't you? Is that the way it works?

Mr. SALZMAN. If you say so.

Mr. PASSMAN. How about it; do you agree with that?

Did you ever go to one of these cocktail lounges and see how some people want to pay the check? I wonder if we shouldn't put a prohibition against representation allowance.

What did you have the year before last for representation allowance?

Mr. SALZMAN. As I told you, sir——

Mr. PASSMAN. Last year—how about fiscal 1968?

Mr. SALZMAN. We have had no——

Mr. PASSMAN. This is new then?

Mr. SALZMAN. No, sir. We have been part of AID until now, and the figures as to what part of the AID representation allowance is used for the activities of this office——

Mr. PASSMAN. How much did you use last year?

Mr. SALZMAN. I would be glad to supply that for the record.

May I say, Mr. Chairman, such funds as were used for official functions for providing lunches in the department building itself, for meeting the expenses of conferences and consultations with various advisory committees of public citizens and private citizens acting in an advisory committee in AID and who come to Washington and spend the day working with the professional staff. The amounts of money, if any, that have been spent outside of the building for entertainment of private businessmen, to my knowledge, have been nominal.

(The information follows:)

OFFICE OF PRIVATE RESOURCES—OFFICIAL REPRESENTATION EXPENSES IN FISCAL YEAR 1969

In 1969 the Office of Private Resources (PRR) in AID spent $776.70 in representation-entertainment expenses for official functions connected with its investment incentive programs. Of this amount, which came from AID's official representation budget, $68.36 was spent for beverages, both alcoholic and non-alcoholic.

Comparison of this amount with the 1971 OPIC representation-entertainment expense estimate is not possible inasmuch as OPIC, as a newly created organization, will need to undertake more official functions than did PRR as a unit of AID.

Mr. PASSMAN. Let me say this to you and then I will drop the curtain. I don't blame you people for what you get. I look out here in the afternoon and I see these third- fourth-, and fifth-echelon bureaucrats driving up in big automobiles, long as a new hearse with a chauffeur and some of the drivers are so shaky they won't turn the engine off, afraid this fellow will come out and want to go quickly, so they sit there and burn up a gallon of gasoline waiting for some low-ranking Army officer or fourth- or fifth-echelon bureaucrat to come and get in the car. They get in the back seat, grab a telephone, and start talking to somebody downtown. Even though we are the first branch of Government, we don't get one nickel for representation allowance. You know that—not a penny.

Mr. LONG. It is our fault, Mr. Chairman. Why do we vote the money?

Mr. PASSMAN. I am telling you that you should be a little careful because this could get out of hand. We don't get any kind of a representation allowance. I don't believe that you people would be too unhappy without it.

Mr. SALZMAN. Mr. Chairman, the representation allowance, as I understand representation allowance, was inserted in the budget to cover the possible necessities of operating as an independent agency having to entertain foreign dignitaries or such individuals on official functions. It is not intended nor do I intend nor does my staff intend to use it for private entertainment of clients, past or prospective.

Mr. PASSMAN. I am not fussing about it but I am just telling you what is growing up in Government. Do you know there are millions of dollars in the budget for representation allowance? I don't think that you would have to buy a man a Coca-Cola to get rid of this money. I think if you let him he would pay for yours. I am not going to belabor the point. It is a part of the system that has grown up, and we see the little subagencies get their representation allowance.

Mr. Shriver?

REQUEST FOR MOTOR VEHICLES

Mr. SHRIVER. You mentioned, Mr. Salzman, representation allowance. Something was said about automobiles, and you are requesting funds for purchase or lease of two motor vehicles in fiscal year 1971?

Mr. SALZMAN. Yes, sir.

Mr. SHRIVER. Why are these needed?

Mr. SALZMAN. These operations have been conducted until now as part of AID. They have been in the same building. It appears to be necessary for OPIC to vacate the Department of State Building in which it is now located.

Mr. SHRIVER. Why?

Mr. SALZMAN. Because there is simply not enough space in the building for the various activities. Since OPIC is a separate entity it has been contemplated——

Mr. SHRIVER. You mean there is growth in the AID agency?

Mr. SALZMAN. No, sir.

Mr. SHRIVER. The appropriations have been going down.

Mr. SALZMAN. Certain facilities that have been occupied, particularly annexes, are being torn down. Therefore, there is a contraction of the space. In the contraction of space there has been a reshuffling of the locations of various constituent parts of the agency.

Mr. SHRIVER. Specifically what are we referring to, what buildings?

Mr. SALZMAN. There are some buildings—the emergency hospital on New York Avenue is a case in point.

Mr. SHRIVER. What was there?

Mr. FURMAN. Much of the technical assistance staff was there and other supporting parts of the agency.

Mr. SHRIVER. They would be transferred to the State Department?

Mr. FURMAN. Yes, sir. That is right.

Mr. SHRIVER. You moved them?

Mr. SALZMAN. We will have to move to another place. We have yet to find a place. We have asked the GSA to locate facilities for us and we are awaiting their decision.

Mr. SHRIVER. Has this program growth chart been put in the record?

Mr. SALZMAN. Yes, sir. It is part of my statement.

ACHIEVEMENTS AND FAILURES

Mr. SHRIVER. Because of the fee income earned and rather impressive income that your agency has, I think it would be well to include that in the record to show the contribution being made by your agency toward improving our relations with other countries and toward assisting investors of this country abroad.

Mr. SALZMAN. Thank you, Congressman.

If I may comment for a moment?

Mr. SHRIVER. Yes.

Mr. SALZMAN. What I have been trying to do this afternoon in addition to responding to the questions of the committee, has been to try to convey the achievements and the failures to date.

Mr. SHRIVER. I think that is what we are interested in; the committee should be interested in both aspects of that.

Mr. SALZMAN. In my view, to share with the committee, for whatever the committee deems it worth, the knowledge and experience that I have gained in working as a full-time employee in this area.

The figures that show this growth in income, growth in exposure and so on, are, in my opinion, healthy growth. In order to sustain this healthy growth, one must be realistic about the situation. There are three elements that, in my view, are essential to the maintenance of that healthy growth.

Mr. SHRIVER. What are those three?

Mr. SALZMAN. The liquid reserves necessary to maintain the confidence of the investor in the insurance and guaranties which he is buying and to comply with the legal requirements of the law of maintaining a 25-percent fractional reserve on guaranties.

The second thing is to provide the operating funds to hire and pay the people that are required to run the business and to enable them to do their jobs.

The third thing is to provide the capital to lend in situations where the loan guaranties are not applicable and to enable OPIC to take the initiative in a business situation, as a business organization should, and to earn the income on that capital to sustain itself.

Mr. SHRIVER. Actually, your operations will not begin as a corporation until a little later when the board of directors has been appointed and starts functioning as such.

Mr. SALZMAN. Not quite.

Mr. SHRIVER. I am not talking about your insurance. All of that has been going since 1948.

Mr. SALZMAN. The only new activity as such that this office would engage in under the OPIC operations is basically the direct investment fund use. The other activities are essentially a continuation and extension of our previous activities.

APPROPRIATION REQUEST

Mr. SHRIVER. How much are you asking for in new appropriations?

Mr. SALZMAN. $20 million, which is not new obligational authority but the use of $20 million which under existing legislation would flow or reflow to the Agency for International Development and which we propose with the agency's assent be allowed to flow to OPIC to provide start-up capital and to fund the basic corporate structure.

Mr. SHRIVER. You had allocated for this purpose in the previous appropriation?

Mr. SALZMAN. Yes, sir, we had $20 million in the present fiscal year.

Mr. SHRIVER. Since you have not been able to use that, why would you need another $20 million?

Mr. SALZMAN. The original capital of the corporation was estimated to require $100 million. The authorizing language in the passage of the Foreign Assistance Act last year reduced that request to $40 million to consist of two fundings—one last year and one this year. With the passage of the Foreign Assistance Act finally completed at the end of January, with the inevitable delays in fully constituting the corporation, the implementation of this particular activity has been delayed as a matter of necessity.

The need for the $40 million is the same now as it was a year ago.

ADDITIONAL SOURCES OF REVENUE

Mr. SHRIVER. On page 3 of your statement you mentioned three additional sources of revenue for the OPIC Investment Fund. Can you estimate how much might be generated from these sources by the end of fiscal year 1971?

Mr. SALZMAN. The total net income available for allocation to the various accounts of the corporation, available to pay claims and to pay OPIC operating costs, will be the $24 million.

It will be the board's decision, as to what portion of that $24 million should be allocated to the various corporate needs they believe most significant.

Mr. SHRIVER. You cannot answer that question now?

Mr. SALZMAN. No, sir.

Mr. SHRIVER. On page 7 you said an operation research firm is now studying the question of reserves for the insurance program, and the initial reaction is that reserves are on the low side.

On the preceding page you said:

> We know from the historical level of reserves that approximately $100 million has been sufficient to maintain investors confidence in the insurance program given the size of our present portfolio.

You are already know what the level of reserves should be. Why do you need the study of a research firm?

Mr. SALZMAN. There are several factors involved. One is that we are dealing with a dynamic situation which is changing from year to year both in terms of quantity of liability that is at risk as well as the qualitative nature of risks as has been brought out this afternoon. We only know that until now, judged by the utilization rate of investors of the insurance program, the $100 million that has hitherto been the basic reserve backing up the programs has been adequate. With the rising insurance volume and the change in quality, we don't know whether this is really adequate or not. We are coming pretty close, to a situation, that might be vulnerable, based on illustrative examples of specific investments or countries or industries.

As I said earlier, actuarial determinations have been to no avail. The assignment of this consultant firm has been to try to establish, by using sophisticated operations research techniques, what gross adjustments we might make in the program. For example, we dwelt at some length on the exposure in certain countries previously. The mere fact that the Congress has authorized the Agency for International Development in the past, and OPIC in the present, to issue guarantees for a 20-year term does not necessarily mean that we should issue guarantees for a 20-year term, without regard to the country or of the industry or the company involved.

We need to know more about the risks to adjust the type of coverage that we provide. We have been moving fairly far in this area, particularly in those industries which have already been identified as being vulnerable.

Mr. SHRIVER. You just mentioned change in quality. Does this mean that you are going to engage in more risky investment possibilities?

Mr. SALZMAN. No, sir.

Mr. SHRIVER. What do you mean by change in quality?

Mr. SALZMAN. The quality is a function of not only the venture itself but how it is regarded by the community in which it is located. What we are trying to do is assess precisely the question of not only how the host country regards the investment before the commitment is made by the private investor, but how they might be apt to regard it after the point of no return has been passed by the investor.

For example, our efforts to date, both using our own staff and supplementing it with these consultants, resulted in determining that a debt situation is less vulnerable than an equity situation. Industry which is depletive and extractive is probably going to be more vulnerable to expropriation than an industry which is productive in terms of providing more jobs. A capital-intensive industry is more apt to be

regarded unfavorably in the future by successor governments in the light of political situations that may then exist than a labor-intensive industry.

An industry, a business, or an investment that earns foreign exchange is more apt to be viewed as a beneficial contributor to the economy of which it is a part than an industry which perhaps depends for its profitability on some prohibitive tariff which is in effect a subsidy to a non-economic business which couldn't make it on its own.

With the small staff that we have, these areas are simply beyond our capability to explore. Our people are necessarily most concerned with operations, not with research and this kind of in-depth analysis, plus the fact we just don't have the required expertise in some of these areas.

Mr. SHRIVER. What are the anticipated costs of such a survey?

Mr. SALZMAN. The budgeted figure included in the professional fees and services that we have is $75,000. In my view, I must add, Congressman, that any amount of money in these ranges, that would add to our knowledge of exactly what are the risks and benefits of such programs, would be exceedingly well spent especially when you think of it alongside the size of the liability and alongside the net earnings. I imagine that the committee as well as the operators of the program have great difficulty in assessing what the circumstances really are.

COMPARISON OF OPERATING COST

Mr. SHRIVER. On page 10 you say that your costs of doing business compare favorably with costs borne by other international investment venture banking operations. Would you explain this comparison further for the record?

Mr. SALZMAN. Yes, sir.

(The information follows:)

COMPARISON OF OPIC OPERATING COSTS WITH OTHER INTERNATIONAL VENTURE BANKING INSTITUTIONS

OPIC's costs of operation in fiscal year 1971 are estimated to be approximately $3,247,000 for a staff of about 130 people. These estimated administrative costs represent about 11 percent of anticipated gross income for fiscal year 1971 (projected at $29,171,000).

The International Finance Corp. (IFC), in its 1969 annual report, states that its costs of operation (staff of 132 professionals and general service employees) were $4,144,000; its gross income in 1969 was $11,980,000.

The ADELA Investment Co. S.A. reported in its annual report for 1969 that operating costs of ADELA and subsidiaries were $2,184,000; gross income for the same period was $9,076,000. ADELA's combined staff of officers and professionals was 63 in 1969.

Mr. SALZMAN. The IFC, which is the counterpart that I can think of, and they are not a direct counterpart insofar as they don't conduct an insurance operation at this point——

Mr. SHRIVER. That means what?

Mr. SALZMAN. International Finance Corp. an affiliate of the World Bank, International Bank for Reconstruction and Development employs, to the best of my knowledge, 130-some-odd people and relies on the Bank itself for support services. Their administrative expenses for 1969 came to $4,100,000. They do not conduct a political insurance pro-

gram. We have had consultations with the Germans about how they run their programs, and the German insurance program is about a tenth the size of ours. They have about 45 people who are direct-hire employees of the German Government administering the insurance program and in addition they hire a certified public accounting firm to do a great deal of the calculations, application preparation, et cetera.

For comparison, we operated our insurance program with about 30 people total only. The rising volume is now causing us to move to approximately 40 people if we can find the qualified people who can learn and operate this unique business.

TYPES OF INVESTMENT INSURANCE APPLICATIONS

Mr. SHRIVER. Would you describe some of the types of investment insurance applications that you have on hand at this time? Pick out some and put them in the record.

Mr. SALZMAN. Glad to.

(The information follows:)

SAMPLING OF CURRENT APPLICATIONS FOR POLITICAL RISK INSURANCE

ARGENTINA

A project covering the manufacture, sale and servicing and renting of tools for drilling, testing and production of oil and gas wells. The estimated amount of investment is $100,000.

A project involving organization of subsidiary in Argentina to assemble and manufacture electrical and electronic telecommunications equipment. Estimated amount of investment $1,700,000.

BRAZIL

An investment to expand and modernize present facility to provide additional product lines resulting in greater local employment and exports of meat products. Estimated investment $2,100,000.

Coverage for investment of $2,325,000 to purchase 50 percent interest in a commercial banking institution and for subsequent subscriptions for capital stock as required by the Central Bank of Brazil. The institution would continue to provide complete commercial banking services (including foreign exchange).

INDONESIA

Coverage of a loan for the construction and operation of a steel mill. The amount of investment is estimated at $44 million. The mill will be a first step in creating an Indonesian steel industry which is basic to the economy of the country.

A project which involves the commercial development of timber land concessions. The total amount of investment would be approximately $4 million.

KENYA

Application for housing construction—low, middle, and upper income in Nairobi. Nairobi has a significant housing shortage for all types of housing. Estimated investment approximately $55,040.

Application for coverage of hotel (lodge); estimated investment $200,000.

KOREA

A pending application for insurance covering a proposed additional investment of $50 million will be used for the expansion of existing facilities for the manufacture, storage, transportation and marketing of petroleum and petrochemical products.

Manufacture and distribution of disposable household products (sanitary products, toilet tissue, facial tissues, et cetera). The estimated amount of investment is $200,000.

NIGERIA

Application for coverage of intercity bus passenger and package express service throughout Nigeria. This project will also contain a management contract to provide for management services and training of Nigerian nationals. Estimated amount of investment $1,320,000.

Mr. SALZMAN. May I note that we have about $13 billion of applications on hand.

Mr. SHRIVER. That is sizable.

Mr. SALZMAN. That is a gross figure because in our experience, as an investor moves closer to the commitment, to the point of no return, there is a good deal of fallout. That figure could be misleading on its face. The figure is more apt to be, in the final analysis, over the term of years it would take for these investments to mature, perhaps $6.5 billion or so.

PREINVESTMENT ASSISTANCE

Mr. SHRIVER. You are requesting $1.3 million for preinvestment assistance?

Mr. SALZMAN. Yes, sir.

Mr. SHRIVER. How does this compare with the level of demand for this type of assistance? In other words, is that enough?

Mr. SALZMAN. I don't know, Mr. Congressman, whether it is enough. It is as much as I think we can constructively use without waste and with reasonable assurance that the expense will be justified by the results. Most of these funds will be repaid to OPIC if the assistance results in successful investment projects. Thus, this item is a commitment of funds, really, rather than an expense in the normal usage of the term.

This whole area of investment encouragement in less developed countries is a very difficult area, one in which very few people are proficient. There is probably as much expertise and knowledge of what does not work located in the Agency for International Development as anywhere in the world.

What we are trying to find out is, what does work? We have been able to identify some aspects and some programs which are workable.

NUMBER OF EMPLOYEES

Mr. SHRIVER. How many employees did you say that you have in this agency?

Mr. SALZMAN. We are budgeted for 130 employees in OPIC. That will include all staff support.

Mr. SHRIVER. The 40 you mentioned was something else?

Mr. SALZMAN. That was one component of the 130, the component that deals with insurance.

THE PETERSON REPORT

Mr. SHRIVER. Do you anticipate any basic changes in your operations as a result of the Peterson Report?

Mr. SALZMAN. The Peterson report has made a recommendation that the housing guaranty program be administered by OPIC.

Mr. SHRIVER. The housing guarantee?

Mr. SALZMAN. Yes, sir. There is a housing guaranty program operative primarily in Latin America, which was authorized by the Congress to be operated in other parts of the world. This program is now being administered within AID. The Peterson recommendation was that this program be transferred to OPIC and be made part of its operational responsibilities.

EXPORTERS OF TECHNICAL AND PROFESSIONAL SERVICES

Mr. SHRIVER. To what extent are U.S. exporters of technical and professional services eligible for assistance under your programs?

Mr. SALZMAN. When their contributions take the form of long-term investment, investors of this type are eligible. The pragmatic result, however, of that eligibility is not what it might appear on the surface because of the difficulty in establishing the value of those services. In many cases this becomes difficult to deal with and we won't insure it when we can not be certain that the investment is in fact of the value represented by the investor.

Mr. SHRIVER. Thank you, Mr. Salzman.

Mr. SALZMAN. Thank you, Congressman.

Mr. LONG. Mrs. Reid, any questions?

LOANS TO DEVELOPING COUNTRIES

Mrs. REID. Thank you, Mr. Chairman.

Will OPIC make dollar loans to U.S. private enterprise only in the developing countries? In Europe?

Mr. SALZMAN. In the developing countries, yes. OPIC is limited by law to deal only in "less developed friendly countries and areas."

Mrs. REID. Will these loans be tied to new ventures? Existing businesses?

Mr. SALZMAN. New ventures. OPIC's policy, like that of AID's Office of Private Resources, is designed to assist only those projects which put new capital and technology to work. New expansions of existing businesses are eligible, but not purchases of stock in, or loans to, existing ventures.

Mrs. REID. Must there be at least 50 percent U.S. ownership before a loan can be considered?

Mr. SALZMAN. Yes. Section 238 of the law defines "eligible investors" to include only enterprises "substantially beneficially owned by U.S. citizens"—a standard Treasury term which means U.S. firms owned at least 50 percent by U.S. citizens, and wholly U.S.-owned foreign subsidiaries.

EFFECT OF MONETARY CONTROLS ON OPIC LOANS

Mrs. REID. In view of mandatory controls on U.S. private investment abroad, will the mandatory monetary controls be waived for OPIC dollar loans?

Mr. SALZMAN. The controls on U.S. foreign direct investment, administered by the Commerce Department will apply, as in the past, to U.S. private investments guaranteed and insured by OPIC. How-

ever, OPIC direct dollar loans to private projects will not be subject to the foreign direct investment controls or the Federal Reserve guidelines on private U.S. bank loans abroad.

INVESTMENT GUARANTEE

Mrs. REID. Is it possible to obtain an investment guarantee on a U.S. business in a developing country where a substantial part of the business's capital was derived from a Cooley loan? If not, why not? The U.S. business still undertakes certain risks whether it be in dollars or local currency.

Mr. SALZMAN. We require that investors receiving the benefits of an investment guarantee have a substantial portion of their own funds at risk in the project, either in the form of dollars or local currencies. In the hypothetical situation you describe where a substantial part of the business's capital is derived from a Cooley loan, it would be the U.S. Government (the lender of the Cooley funds) which would be at risk, not the private investor. Thus, to answer your question, we would not likely approve a guarantee of private loans to the project under those circumstances. We might, however, consider insuring the U.S. investment against political risks.

SIZE OF BUSINESSES TO BE ASSISTED BY OPIC

Mrs. REID. From your testimony before several committees last year, Mr. Salzman, it is indicated that the new Corporation is not particularly interested in small and medium-sized businesses, but in big U.S. business concerns. Big business does not need loans, incentives, business surveys, etc., because it has the capability of doing all these things with very little help from our Government. Since we are dealing with developing countries, it appears that these same countries would need and welcome small and medium-size businesses and not necessarily the U.S. giants of industry. U.S. technical know-how through joint ventures can only be achieved by the smaller but experienced U.S. companies. Would you comment on this?

Mr. SALZMAN. OPIC will be interested in small and medium sized businesses. The question really is how interested, or I should say able, smaller companies are in investing overseas. Section 231(e) directs OPIC "to utilize to the maximum practicable extent consistent with the accomplishment of its purposes, the resources and skills of small business and to provide facilities to encourage its full participation in the programs of the Corporation." As your question points up. OPIC's pre-investment assistance and its emphasis on project-generating financial and investment institutions is a reflection of our concern that OPIC foster the kind of smaller projects, including joint ventures you speak of.

Mrs. REID. That's all I have, thank you.

Mr. LONG. Thank you Mrs. Reid. Just a couple of questions, Mr. Salzman.

Undoubtedly you have spoken on these things sometime or other in the course of the afternoon, but perhaps you will bear with me and refresh my own curiosity.

COUNTRIES IN WHICH INSURANCE AND GUARANTEES WILL BE ISSUED

Will we guarantee investments made in nations which have in the past confiscated or nationalized U.S. property?

Mr. SALZMAN. If the Congressman would bear with me, it is a very straight-forward question which requires a careful answer to be accurate. If I may ask our General Counsel who is sitting behind me to respond to the question, it might be a more constructive answer than what I might give.

Mr. HUNT. Congressman, the operations of OPIC in insurance and guarantees are subject to the provisions of the Foreign Assistance Act that prohibit assistance to certain governments, to certain countries under circumstances specified. One of those, section 620(e) of the Foreign Assistance Act, the Hickenlooper amendment, applies to instances of expropriation of U.S. investment. The amendment is complex. It provides for certain circumstances in which the measures taken by the expropriating government can serve to prevent application of the sanctions. The best answer that we can give is that to the extent U.S. assistance to such a country would be terminated, so, too, would new coverage of investments in such countries.

Mr. LONG. We are getting rather used to seeing laws passed but never enforced. I understand that the Hickenlooper amendment has been set aside and not been applied in Peru and maybe some other places for all I know. You have given me a theoretical answer and I want a de facto answer.

Mr. SALZMAN. May I give that? We did not and do not and have not been issuing guarantees in one country since the precipitating event there, nor have we done it in another country where we have another situation of a similar kind. We have not announced it as such.

Mr. LONG. What happens if ——— says, "We will be good"? Do we go and say, "All right, you have said that you will be good. No matter what you have done in the past, we will go ahead and give you the money"? Are you going to go ahead and do that? I am concerned with the fact we don't follow through. Congress passes these penalties and the executive department finds some way of getting around them.

Mr. SALZMAN. The change in the insurance program is that we are operating it as a prudent insurance company, increasingly so. We are not quite sure, as to what does constitute a sensible course of action in various circumstances.

An example of this is not only the employment of consultants, and so forth, but the injunction in the legislation last year that the managers of the insurance program exercise prudent risk management of the program, so that we not be misled by the pressures and convenience of the moment based upon protestations that may or may not be backed up. I couldn't answer the question categorically.

NATIONALIZATION OF U.S. PROPERTY

Mr. LONG. Can you tell me whether in the past we have guaranteed loans to countries which have confiscated U.S. property, nationalized it?

Mr. SALZMAN. If you are talking about nationalization, and if it is agreed to by the investor, then it is not expropriation.

Mr. LONG. What did you mean by "agreed to by the investor"?

Mr. SALZMAN. Let us assume that Mr.——

Mr. LONG. Suppose the poor guy has not agreed to it or something even worse happens to him?

Mr. SALZMAN. Under the definition——

Mr. LONG. "Your money or your life," so I give up my money. Am I agreeing to a holdup?

Mr. SALZMAN. If there is a taking and there is just and effective compensation, then that would not be a cause for action.

Mr. LONG. Supposing it is confiscation or by payment in bonds or currency which is depreciating? Is that what you are talking about?

Mr. SALZMAN. I think that you would have to make the determination on a case-by-case basis as to what is happening in the case.

Mr. LONG. What countries besides ——— have in the last few years nationalized or threatening to nationalize U.S. property?

Mr. SALZMAN. ———.

Mr. LONG. What are you going to do in these countries with OPIC? What is your present situation? What is your policy?

Mr. SALZMAN. In one country we are not issuing any guarantees in a certain industry. In others we have suspended the entire program.

Mr. LONG. Are you doing it for anything else?

Mr. SALZMAN. For fruit orchards, light manufacturing, the kind of industry in which they think there will be a low exposure and which will counterbalance the heavy exposure we already have in the more vulnerable industries.

Mr. LONG. Why should we guarantee anything in the country which is either nationalizing or threatening to nationalize? Here you say that we are simply boycotting the industry, not the country. Does that make sense? Isn't it a little like a fellow who has defaulted on his mortgage and you won't lend him any more money on the mortgage but you will lend him money for his liquor bill or to buy a car? Isn't that a little like that?

Mr. SALZMAN. In some respects it may seem that way.

Mr. LONG. Why should we do it? Why shouldn't we pursue a tough policy?

Mr. SALZMAN. When we talk about private enterprise we cannot talk about one undifferentiated condition. Circumstances may have brought action against one company or one industry and it may or may not be indicative of the Government attitude toward other industries. I would find it very difficult——

Mr. LONG. That is putting——

Mr. SALZMAN. Was it provoked for example? Did the investor act in such a way as to provoke this act? Did he act in a way that he would not be considered a good corporate citizen in the community where he was located? It is very much like trying to adjudicate in a labor dispute. There are many of those kinds of judgmental situations that can be dealt with only when the actual situation arises. Very seldom, in my experience, has it been that clear cut. In those cases, we suspended.

Mr. LONG. You really then are prepared to say that in lots of cases when U.S. property has been nationalized and it is the company's fault you are going to keep on with modified programs of one kind or another in the country? Assuming that it is the American's fault and not the nation's fault, is that right?

Mr. SALZMAN. Well, I am saying it is very difficult for us to say in the abstract that it was categorically one or the other.

Mr. LONG. Why not follow through on policy; if a country starts nationalizing U.S. property, we stop guaranteeing loans of any kind in that country?

Why don't we simply say to any country which is nationalizing U.S. property that we are from that time on not going to guarantee any loans or investments made in that country by American concerns as a matter of policy?

Mr. SALZMAN. As I have said judgments still have to be made in the individual case such as, was the nationalization provoked or unprovoked or whether compensation was fair.

Mr. LONG. What do you mean provoked or not? Sure, the country has a right to nationalize property. They have got it simply as a matter of power and sovereignty, but we have a right to control our own money. Why can't we simply say, "If you want to nationalize, go ahead and do it. But from now on you are on your own. We are not going to put U.S. money in there." Why wouldn't this be very salutory from the standpoint of other countries in the hemisphere who tamper with U.S. property? How can I justify American taxpayers' money going in to make good losses in countries when we are just giving them a slap on the wrist when they take our money from us?

Mr. SALZMAN. This whole question goes further than just expropriation and nationalization. It goes to the fundamental question of what U.S. protection will be provided U.S. business abroad. The whole area of protection of U.S. business abroad——

Mr. LONG. U.S. business does not have to go abroad, Mr. Salzman. There are plenty of opportunities here in the United States. As a matter of fact, there is a great shortage of capital in this country and that is why interest rates have gone sky high. There is not enough money for American business to borrow, to build houses, to build all the public projects that we need. Given this capital shortage in the United States, why don't we say: If our money does go abroad it does so only under terms which are very favorable to getting it back? and without U.S. taxpayers having to make good.

Mr. SALZMAN. That is precisely what I think we have tried to do. I am simply trying not to give an arbitrary across-the-board answer to a question which might have very different applicability, in different situations, at different times.

Mr. LONG. The answers that you have given me have not been very reassuring.

Mr. SALZMAN. Nevertheless, the difficulties of giving you a flat answer might be more apparent if I pose some other questions. Would your answer be influenced if for example, the commodity that came out of a particular venture in a particular country was not available in the U.S. and was strategically necessary to the United States? Is it a fact that U.S. investment overseas is today a more important element in the U.S. balance of payments than U.S. exports and a greater long-term contributor to the U.S. economy? Is it in fact true——

Mr. LONG. You are raising a lot of questionable things. You would have a very hard time proving that our balance of payments is improved by our investments overseas. When money goes out from the United States in the first instance and whether it comes back again is based on a lot of questionable assumptions, among them political. Already, Latin America is telling us that the annual payments they are making, in return for all kinds of loans from the United States,

are becoming a great burden and they want a stretchout in one way or another. This is not very reassuring about the balance of payments. If that is true, it is pretty hard to justify these investments going abroad as helping our balance of payments. Whether they do or do not, I don't know. I don't think it makes a terribly strong case that this is what we ought to be doing. We ought to look at it the way we do any other investment: Is it a good investment and are we going to get our money back? Are we trying to create a climate in the world in which American capital is going to be fairly treated?

What you tell me does not reassure me. You are not really making ——— all these countries understand that when they take American property they are going to suffer some consequences and they are not going to get off with some kind of a face-saving deal shortly afterward because the State Department is settling with them in some way.

Mr. SALZMAN. On that point I can be very reassuring. That is what I was trying to do before. Businesslike management of the insurance program has been and is increasing. It has been increasingly removed from the short-term pressures or the desires of our foreign policy people to have good relationships with a given country at that moment. We are trying to make the judgments on the basis of whether or not the project will succeed and whether or not the deal will stand up and be kept during the period of the loan or the insurance contract. I am trying to avoid, as I would in any business situation, saying that I would never lend to anybody over 6 feet tall or such and such or that I would always lend to such and such. In my judgment it does not work that way. Under OPIC, section 231 of the law lays down some strong criteria for OPIC operations.

ADEQUACY OF RESERVES

Mr. LONG. You have a couple of hundred million dollars of reserves here. What happens after these reserves are exhausted?

Suppose we had a wave of nationalizations? I gather that we have about $1 billion worth of contingent liabilities at the present time?

Mr. SALZMAN. No, sir; $7.6 billion.

Mr. LONG. Liabilities?

Mr. SALZMAN. Maximum, yes, sir.

Mr. LONG. $7.5 billion of contingent liabilities and $200 million reserves. That is what percent?

Mr. SALZMAN. The $70 million estimated to be available for OPIC board allocation to the insurance reserve is less than 1 percent of our contingent liability.

Mr. LONG. What happens if there is a wave of nationalizations of our U.S. property?

Mr. SALZMAN. Both the insurance and guaranties are obligations of the United States, backed by the Treasury with the full faith and credit of the United States. Under those circumstances, if this wave of nationalization took place in all these countries at one time, there would be a liability that would have to be met to the U.S. investors. The fact is, that over 20 years it has not happened, but it always could.

Mr. LONG. We all have to recognize that the next 20 years may be a lot more tough and difficult than the last. I believe you said that you have said you have about $13 billion of additional applications?

Mr. SALZMAN. Yes, sir.

Mr. LONG. Of which you regard maybe half as some you might go into?

Mr. SALZMAN. Half that will become serious applications that we would then consider.

Mr. LONG. What percentage of that would you contemplate we might have to take on? In other words, if we are now at $7.5 billion of contingency liabilities, what in the next 5 or 6 years or so could be our total?

Mr. SALZMAN. $12.6 billion. That would assume a continuation, a projection of the present policies and the present trends. That would assume that we would not modify policies based on the additional knowledge and experience that we gained. That would assume we could not carry out some of the suggestions of the members of the committee, that we simply terminate or suspend or not issue certain kinds of insurance in certain situations.

Mr. LONG. Is this line on guaranties signed additional?

Mr. SALZMAN. Yes, sir. The reason why we separate the two, is that guaranties are really a form of loan financing, of investment finance, whereas the insurance is, as Congressman McFall described earlier, insurance against a narrow segment or spectrum of risk. One is a commercial financing situation and the other is a type of insurance.

Mr. LONG. Do you feel that this contingency liability is not a realistic liability at all and we are going to be able to stay within your present reserves, so the taxpayer is not going to have to make up the difference?

Mr. SALZMAN. I can not estimate whether there might or might not be another Cuba. I can say that from what I have seen of the program, once we get beyond a certain point in my judgment, the annual income from projects that don't suffer losses will increase relative to the risks.

Mr. LONG. What is the annual income, $24 million?

Mr. SALZMAN. Yes, sir; which has increased, and which is projected at $44 million in 1974.

Mr. LONG. That is pretty small in relation to liability?

Mr. SALZMAN. Yes, sir; but not perhaps in relation to five times $44 million.

Mr. LONG. It all bears down on what the real risks are. As I look at the South American political situation, and reading about it, in country after country, the future does not look good. You have new urban terrorism, in reaction to the past that rightwing military groups are on to their power with a new kind of populism which includes seizure of American property. That has become a popular way for right-wing dictatorships to establish a rapport with the ordinary person. You have got that problem of outright seizure, but an even greater problem is the fact that these countries are managing their economies so badly that, when some day the accumulated debt burden on all of these countries becomes very great, they just are not going to have the resources to pay back. They are going to default. That, to me, is an even greater risk than that of outright expropriation.

Have we made adequate estimates or provisions for that type of risk?

Mr. SALZMAN. I am not sure that I am following you.

Mr. LONG. They told us that at Vina del Mar. This debt burden is becoming greater than our aid. They look on it as a real burden. The idea of paying back dividends and interest is apparently repugnant to them. They think that it is exploitation. That is the way they are talk-

ing in country after country. That is not a wholesome situation. We might be stuck with what we have got there, but should we be wading in with new money and new guarantees?

Mr. SALZMAN. I think the answer lies not in considering debt service burden as not just the remittances required to service private investment, but also the requirements to service public investment, the debt service burden on past alliance for progress loans, for example. The degree to which these two are separable is something I am not able to answer.

Mr. LONG. It all boils down to the fact that they will have to have the exchange in which to remit or there is a balance-of-payment problem. That is all going to be part of this guarantee that we are up against, isn't it? The American investor is going to want his money back in dollars; if the countries don't have the exchange with which to do it, we are in trouble. Nationalization, or what have you. I don't see that the guarantees and the past experience offer comfort for the future.

Mr. SALZMAN. One of the reason for——

Mr. LONG. This $200 million seems to me like chickenfeed. You or I wouldn't put up our own money to back up those kinds of liabilities, would we?

Mr. SALZMAN. I find myself in a novel position. I came here asking last year and this year for increases for the reserves in the light of this risk liability and——

Mr. LONG. I am telling you the liability is rising so fast that I don't think the whole thing is a good proposition.

Mr. SALZMAN. Well, in order to answer the question, I think we have to go into the total question of what does overseas U.S. private investment do for the American economy?

Mr. LONG. That is right. I think it would be pretty hard to figure that out. One of my colleagues on the Appropriations Committee once in a joking mood referred to it as the WPA for big business. The average American taxpayer sees very little in justification. It may be draining capital out of the country and helping to create the tremendous high interest rate problem which is paralyzing much of American business right now.

Mr. SALZMAN. Congressman, this question as far as I was concerned, was answered about 2 or 3 years ago when, the National Export Expansion Council of the Department of Commerce, which was concerned with the U.S. balance of payments deficit at that time, came out with a positive recommendation that U.S. overseas investment be encouraged and increased as a prime means of contributing to the redress of the balance of payments, and also, toward the increased expansion and growth of U.S. exports.

Mr. LONG. I am wondering whether this is in the interests of a small sector of the American business community and not in the interests of the American people, to say nothing of the military entanglements it creates. People get pretty angry in the U.S. when our property is grabbed overseas. This is not reassuring for peace in the world.

Do you have any more questions?

Mr. SHRIVER. No.

Mr. LONG. Thank you very much, Mr. Salzman. The committee will recess.

Mr. SALZMAN. Thank you, Mr. Chairman.

NEAR EAST AND SOUTH ASIA

WITNESSES

MAURICE J. WILLIAMS, ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

RODGER P. DAVIES, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

STANLEY D. SCHIFF, DIRECTOR, REGIONAL AFFAIRS, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

ALFRED D. WHITE, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

RICHARD G. BIRNBERG, PROGRAMING DIVISION CHIEF, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT

CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

PETER KNAUR, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.

Before getting into the areas there is a bit of information I would like to request from the Controller. I believe that you are familiar with these recapitulation sheets we compile annually?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. I think it is very good information for Members of Congress, and for that matter those in the executive branch, as well as the taxpayer who is putting up the money we are giving away. I believe that we brought this sheet up to date last year. It covers fiscal years 1946 through 1969. I think we made it all inclusive, did we not, including those years?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. The only thing we will have to do then is to review the nations listed on this sheet, and insert the new figures alongside the old figures.

Mr. FLINNER. You would like it brought up through 1970 now, sir?

Mr. PASSMAN. Yes.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Is this request a little premature?

Mr. FLINNER. No, sir. The figures we would use for 1970 would be our program figures, and we could go ahead and prepare that.

Mr. PASSMAN. I believe that these figures on this sheet, the ones we used last year, may have been prepared a little later, because we were late getting the bill out. We dated it July 1st, but I rather think it was about August. I am interested in disbursements. I don't make people love me by putting out this information. I want it to be accurate. I

would rather wait if accurate figures are not available now. Maybe you would like to have a look at it.

Mr. FLINNER. Yes. I have a copy of it. If I am not mistaken, sir, the amounts that were added, the actual 1969 figures, were not disbursements. They were program figures that were added to it last year. We can do the same this year. We can up-date it.

Mr. PASSMAN. If you will up-date it, I would appreciate it.

The same thing would be true for the pipeline title?

Mr. FLINNER. Yes. We discussed that earlier, you know, as to how late we would do this. I have asked them to start pulling it together and will have it ready by the 1st of May. If you would like it sooner, we can.

Mr. PASSMAN. May 1 is all right.

Mr. FLINNER. It will be more accurate information.

SUGAR AND COFFEE SUBSIDY

Mr. PASSMAN. Have you been able, Mr. Controller, to come up with the estimate on the sugar and coffee subsidy?

Mr. FLINNER. I believe the figures are being cleared now.

Mr. FURMAN. The final insert for the record is in preparation but the general view is that this is not assistance, since these are commercial transactions.

Mr. PASSMAN. Don't you think that I should have a right to make my own judgment on that?

Mr. FURMAN. Surely, sir.

Mr. PASSMAN. If you are subsidizing a nation on their coffee and on their sugar, then I should think that the person who is paying the subsidy has a right to make his own interpretation. You don't quarrel with that, do you?

Mr. FURMAN. The general view at least——

Mr. PASSMAN. I am not interested in the general view. I am interested in my view after I get it.

Mr. FURMAN. Fine, sir.

Mr. PASSMAN. If we are paying a sugar subsidy, and if we are paying a coffee subsidy out of the American taxpayers' dollar, I may not be quarreling with the policy of it, but I certainly have a right to establish what that subsidy is, and let Mr. and Mrs. America make up their own minds as to whether or not they like it. I am not quarreling with the idea. Maybe it is necessary. I wonder now if the bureaucrats are advancing the same argument about local currency. We ask if you would, to give us an estimate of local currency. Are you getting that up?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Mr. Furman, I am not the one who suggested that the coffee and sugar subsidy was aid. GAO, if I am not mistaken put their finger on it. I am not quarreling with you. You can pass judgment any way you want to and I reserve that same right.

Mr. FURMAN. Right, sir.

Mr. PASSMAN. I think over the years the AID people have heard me use the word "fragment" or "fragementation". Have you heard that expression?

Mr. WILLIAMS. Yes, sir.

TOTAL FOREIGN AID REQUEST

Mr. PASSMAN. I thought it would be good to put the definition of fragmentation in the record, as defined by Webster.

Fragment: a part broken off, detached or incomplete.

Fragmentized: to break up or a part into fragments.

I would never have thought that we would have continued this so-called fragmentation program. It looks like it is a part of the system by which we are operating. After that, I think it would be quite proper to state that last year the total budget request for all brands of foreign aid and foreign assistance, good, bad and indifferent, including, of course, the Export-Import Bank, was $10,528,303,000. This year we find there are 27 spigots, not 22, and the grand total covering the request is $12,133,525,000. I am rather amused and possibly other people are too, when we see you breaking up these pieces and placing them elsewhere in the budget. I think you broke off another piece this year. It was included last year, in the total amount for Title I, Foreign Assistance Act Activities, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I believe that has now been broken off and has become another spigot under another corporation, hasn't it?

Mr. WILLIAMS. That is the plan.

Mr. PASSMAN. That is the way it is presented, isn't it?

Mr. FLINNER. Yes.

Mr. PASSMAN. We thought we would just cite one little example of how they just keep breaking off little pieces under title I, setting them up under different captions in the budget.

CALLABLE CAPITAL INCLUDED IN TOTAL FOREIGN AID REQUEST

Mr. LONG. Mr. Chairman, it seems to me the chairman has made a major contribution in understanding the aid program and developing that list. I am more and more impressed with it. I wonder if we could get some testimony as to how much of that $12 billion represents appropriated funds, and then whether this is the total liability that we have. I gather from discussion we had the other day that we have now about $7.5 billion worth of contingent liabilities in connection with our guarantees overseas. It would be interesting to know how much of that $7.5 billion is included in this annual amount. It may be that the chairman's list is an under rather than an overestimate.

Mr. PASSMAN. I would like to say that as far as I know, there is only one item in this new list that would fall in the category of direct appropriation where it would be callable capital, and that would be the Asian Development Bank. Are there any others that you know of in this list?

Mr. FLINNER. There may be others.

Mr. PASSMAN. Well, the Export-Import Bank.

Mr. FLINNER. Other banks may have callable capital, yes, sir.

Mr. PASSMAN. I wonder if you would place in the record the amount of callable capital included in this list which reflects the total of Foreign Aid and assistance. Would you do that?

Mr. FLINNER. Yes, sir.

(The information follows:)

CALLABLE CAPITAL

The following portion of the "spigot" list is callable capital:

Inter-American Development Bank (supplemental for fiscal year 1970)	$205,880,000

Source: Pages 74–75 and 104, appendix to the budget of the U.S. Government, fiscal year 1971.

TOTAL CONTINGENT LIABILITIES

Mr. PASSMAN. I think we would like to have a little research as to our total contingent liabilities, because our insurance on overseas investment guarantees, is up to about $7,600 million. Of course, we are not going to have to meet all of it at one time, but it is a contingent liability, like our callable capital. I would think we are in more danger of having the callable capital used than of paying off large sums on these overseas guaranteed investments. Will you try, Mr. Flinner, to get us a list of both categories?

(The information follows:)

CONTINGENT LIABILITIES, AS OF DEC. 31, 1969

A. AGENCY FOR INTERNATONAL DEVELOPMENT—INVESTMENT GUARANTY PROGRAM [1]

[In millions]

Guaranty program	Legislative authority	Net contracts outstanding	Standby amount for future use	Current amount of contracts
Specific risk	$8,500	$7,265	$3,647	$3,618
Extended risk (nonhousing)	390	74	24	50
Extended risk housing:				
Latin America	550	210	100	110
All other	160	25	9	16
Total	9,600	7,574	3,780	3,794
Less investment guaranty reserves				137
U.S. Government maximum contingent liability				3,657

B. EXPORT-IMPORT BANK

Program	Statutory limitation	Charged against limitation	Unused statutory limitation	Total contingent liabilities [2]
Medium-term guaranty		$603		$603
Medium-term insurance		275		275
Short-term insurance		725		703
Consignment insurance		10		
Loans sold with recourse		22		322
Totals	[3] 3,500	1,635	1,865	1,903

[1] Secs. 221, 222, and 224 of the Foreign Assistance Act of 1961 as amended.
[2] Represents 100 percent of outstanding policies issued.
[3] The authority to lend, guarantee, and insure is limited to $13,500,000,000. Up to $3,500,000,000 of outstanding guarantees and insurance may be charged against this lending authority at 25 percent of the contractual liability assumed.

ANALYSIS OF FOREIGN AID

Mr. LONG. Would the Chairman yield again on this point?

Mr. PASSMAN. Yes.

Mr. LONG. Some time ago I asked whether AID—I believe I asked Dr. Hannah—whether he could analyze item by item the items on the

chairman's list, and I think he agreed to do that. I don't know whether that has been supplied for the record.

Mr. PASSMAN. What was that, Doctor?

Mr. LONG. I asked that Dr. Hannah give us his response to your point that this was a big item, and it was fragmentized, and to give us his analysis of it, to cite what he disagreed with or challenged. He ought to give his reasons for saying why it ought to be on that list, or whether it ought to be on at that full value.

My understanding is that the analysis has been provided. I would like a copy of it sent over to my office so that I don't have to wait until this testimony is printed before we get it. Can that be done at an early date?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. I certainly hope that you will furnish the distinguished gentleman from Maryland whatever information he wants, but I think I should say for the record I am not interested personally in what Dr. Hannah says. I am more interested in what the budget says. I have had the AID people trying to explain away my statistics ever since I have been on the committee, which is 18 years, and they haven't succeeded yet. They will keep on trying, I guess, as long as I put out the statistics. But let me say for the record when the President makes a request, and it is included in the budget, we make it all inclusive, and we have the AID agency verify the correctness of it. I don't care what they say about it, I know it is going to take money to carry out the authority they are asking for.

I still say that we are putting the big britches on President Nixon. You are not going to end up this year with a surplus. You are going to end up with an $8 billion to $12 billion deficit. Every bill that has been brought out so far has been substantially over the budget. I think the one today is possibly within one-half of 1 percent, but it is a little over in certain areas. Take the education bill, that is $700 million over the budget. I am going to keep putting in the record that we are putting the big britches on the President. I am going to back him, because I think it is necessary to operate on a balanced budget. I hope to see the President this week, and I am going to find out if he is familiar with the grand total of all these items. If so, then at least my conscience will be clear.

(Discussion off the record.)

Mr. LONG. The enormous discrepancy between the list of AID items that the chairman has compiled on the one hand, and what the AID calls aid on the other, leads me to ask why we can't get publicity corrected on this. Every year when we appropriate the money we read in the New York Times that a stingy Congress has further cut aid. Actually, the aid as narrowly construed by the AID Administration is very different from aid as the chairman has construed it—as many people apparently admit—and apparently, aid outlays are going up.

I would wonder why AID people can't be called to admit that this is one very narrow definition of aid and that there are other definitions of aid by which aid outlays have been going up rather than down.

Mr. PASSMAN. They have defined it. The press fails to pick it up.

Mr. LONG. Are they in tacit collusion with the press on this?

Mr. PASSMAN. Certainly they are not. I have some friends down in the AID agency, I hope the man is not fired that published this very

accurate report down at AID. I read it to one of the area directors at one time and we had to recess for him to sniff some ammonia, he was so shocked. That is a slight exaggeration. Here is the definition as set forth in an AID, publication called the AID Story.

This is the third paragraph:

> * * * broadly speaking, foreign assistance is any aid military or economic—which is extended by one country to another as loans or grants. This definition includes assistance rendered through the various international agencies—such as the United Nations—as well as that which is on a strictly bilateral basis. Used in this context, "foreign aid" includes not only those programs carried out with the Agency for International Development, but also a number of other programs authorized by Congress.

This was my take-off to start these recapitulation sheets. I am not criticizing all of this, for example the Export-Import Bank, not that they need any defense, but I am one of their great defenders. It is a very fine agency, but we have continued weakening it to the point that we now have three windows. Let me continue here:

> What they would call non-AID programs include: The Peace Corps; Export-Import Bank, which promotes U.S. exports through loans, guaranties, and risk insurance; U.S. contributions to international organization conducting multilateral assistance, such as United Nations development program, and military assistance, which helps secure free nations against open or subversive Communist aggression.

I am reading from this.

Mr. LONG. Somebody's publicity is very misleading. I think everybody in this room has had the same experience I have. You pick up your paper and you see an editorial lambasting a stingy Congress for further starving AID, for tightening the belt one more notch, and pointing out that you are down to $1.6 billion or some miserable figure like this, and you don't have very much longer to go before it is zero. That is the kind of publicity that is going out year after year, and I am getting very tired of it.

Mr. PASSMAN. Dr. Long, I have said time and time again that you could eventually get foreign aid, as it is described in the press, down to $100, and you would have them all holding celebrations because we were finished with the AID program. I have been pointing this out to the committee, to the Congress, and to the country, for many long years that we are not decreasing foreign aid. We are increasing it, but we are fragmentizing it. We are taking it out of other sections of the budget. This thing was started on the premise of feeding the starving people of Europe. This was years ago. Today we no longer consider agricultural commodities, Public Law 480, that is in another bill. We don't think of it as aid. Any way, this discussion could go on for hours. We won't change anything. I have been trying for many years to get the press to pick the grand total up, but for some reason they won't. We will have to live with it, and I am perfectly willing to spend some of my savings, as I do, getting this information spread over the Nation. I don't know how much effect it is having, but it enables me to sleep much better than I would if I didn't get the information out.

U.S.-OWNED CURRENCY USED FOR ECONOMIC ASSISTANCE

Could you provide, Mr. Controller, for the record a table showing the total amount of U.S.-owned curreny which is estimated to be

used by the economic assistance program in fiscal 1970, fiscal 1971 and the actual for 1969.

Mr. FLINNER. Yes, sir.

Mr. FLINNER. I believe, Mr. Chairman, we have given you in the been leaving this out of my totals in the past, haven't I, I mean my recapitulations?

Mr. PASSMAN. I believe, and I will apologize to you, sir, I have past, for instance, the local currencies that are programed that were not purchased by appropriated dollars from U.S.-owned local currencies. In a few cases we made Indian rupees available to Nepal. The other U.S.-owned local currencies, sir, when we use them, are purchased with dollar appropriations which are included in your figures at the present time.

Mr. PASSMAN. I am only interested in that part, and I thought I had made it abundantly clear earlier, local currencies owned by the United States, on hand that would be plowed back into the program. I am not talking about local currencies that will be purchased with appropriated funds for fiscal 1971. Do you get the point?

Mr. FLINNER. Yes.

Mr. PASSMAN. I want to know the local currencies that are presently owned by the United States that will be spent or obligated.

Mr. FLINNER. Without using U.S. dollars, yes, sir.

Mr. PASSMAN. Spent or obligated in fiscal 1971. Certainly it wouldn't be fair to include local currencies that you are going to take appropriated dollars and buy, that is take money out of the 1971 appropriation and buy. We do that every year. I am only interested in these excess currencies or U.S. Government owned currencies. I think we are at this time considering maybe $45 million in Egypt for the Cairo University, are we not, out of U.S. owned currencies?

Mr. FLINNER. Yes.

Mr. PASSMAN. If you could give us the total list we would be very grateful.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT U.S. OWNED FOREIGN CURRENCY OBLIGATIONS NOT PURCHASED WITH APPROPRIATED DOLLARS

Actual fiscal year 1969	$640,910,000
Estimate fiscal year 1970	368,829,000
Estimate fiscal year 1971	283,751,000

NOTE.—Excludes special foreign currency appropriations for ASHA.

DISCUSSION OF NESA AREA

Mr. PASSMAN. Mr. Williams, I want to say to you that I don't think I would be worthy of any part of your confidence if I didn't say that I have found you extremely business-like all the way. You don't ask any favors, and you don't grant any favors, any special favors, but you will look at complaints objectively and then rule according to what is absolutely right, whether it pleases any Member of Congress, and that is a commendable position on your part. But you did take some time out of your very busy life to have a close look at the Holiday Boat Co. down in Lake Providence, La. I think you resolved that the way it should have been resolved, and the fair manner in which you

handled this was really a favor to the Government of Pakistan, and it prevented one of my constitutents from going broke. I am sure I speak for Mr. Botkin and the Holiday Boat Co. when I say thank you very much for getting to the bottom of it and rendering the proper decision. I am very much in your debt, because without your cooperation, this man could have very easily been forced into bankruptcy.

(Discussion off the record.)

Mr. PASSMAN. We shall continue considering the request for funds of spigot one of 27 spigots of foreign aid and assistance for fiscal 1971. We have reached the point now in our hearings of examining the areas. We have four separate areas that we will examine on. This afternoon we have the Honorable Maurice J. Williams, the Assistant Administrator, Bureau of Near East and South Asia Agency for International Development, and also the Honorable Rodger P. Davies, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, and other supporting witnesses. Mr. Davies, I believe that this is your first appearance before this committee, is it not?

Mr. DAVIES. This is so, sir.

Mr. PASSMAN. We are very pleased to have you before the committee. You have a very impressive background, and with your permission we shall insert in the record at this point your biographical data.

Mr. DAVIES. Certainly, sir.

(The biography follows:)

BIOGRAPHIC DATA—RODGER PAUL DAVIES

Mr. Davies was born May 7, 1921 in Berkeley, Calif. He graduated from the University of California in 1942, receiving a B.A. in economics. He took Arabic area and language training at Princeton University in 1943 and Arabic studies at the Foreign Service Institute in 1948. In 1959 he was in the graduating class of the Army War College. Mr. Davies served in the U.S. Army from 1942 to 1946.

Mr. Davies entered the Foreign Service in 1946 and served successively in Jidda, Saudi Arabia and Damascus, Syria as political officer with short tours in Amman, Jordan and Beirut, Lebanon. He served from 1951 to 1954 as chief of the Voice of America radio services in Arabic; principal officer of the American Embassy at Benghazi, Libya from 1954 to 1956; Counselor of Embassy and Deputy Chief of Mission at Tripoli, Libya, from 1956 to 1958. From 1959 to July 1962 he was Counselor of Embassy and Deputy Chief of Mission at Bagdad, Iraq. In 1962 Mr. Davies received his first assignment in the Department as Deputy Director of the Office of Near Eastern Affairs, becoming Director of that office in 1963. He was appointed Deputy Assistant Secretary for Near Eastern and South Asian Affairs in August 1965.

Mr. PASSMAN. I would assume, Mr. Secretary and Mr. Director, that you both have statements you would like to make before the committee?

Mr. DAVIES. Yes, sir.

STATEMENT OF THE ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA

Mr. WILLIAMS. Mr. Chairman and members of the committee, I am pleased to appear before this committee to speak on behalf of the AID request for the Near East and South Asia.

Turkey, India and Pakistan are engaged in a serious development effort. Each is struggling for balance between immediately productive economic outlays and those essential to sustain social and political stability. Both economic growth and social welfare are essential. In

democratic societies neither can be achieved without the other. India's Prime Minister, Mrs. Gandhi, in her recent budget message, stated that "any severance of the vital link between the needs of economic growth and of distributive justice" could only lead to stagnation and instability. As these countries seek to increase the output of goods, we find increased attention to the needs of small farmers and businessmen, employment opportunities, educational reform, better housing and tax reform. Ceylon, Afghanistan and Nepal are dealing with similar problems in their national and development efforts. Development is an urgent matter in NESA.

The people of the region have accomplished a great deal in their drive for growth and modernization. Progress although uneven has been substantial. Turkey is reaching the time when large amounts of concessional assistance will no longer be needed. For India and Pakistan, the need is longer-range—and both countries have adopted definite goals for achieving self-reliance. The countries we assist are getting on with the job of rasing more fod, lowering birth rates, creating industry, and expanding educational opportunity. Despite low incomes they are making the necessary sacrifices to confront their gravest problem, which is poverty. These dramatic and determined efforts merit our support. They require our help if they are to succeed for their resource margin is thin. Economic assistance, in a real sense, provides the critical margin that makes it possible for them to deal more effectively with their social and economic problems.

Other free world industrial countries join with the United States to provide assistance on concessional terms. Canada, Japan, the United Kingdom, Germany, France, Italy, Belgium, Sweden, Netherlands and others meet regularly with the international organizations and the United States to coordinate aid for India, Pakistan, Ceylon and Turkey. Working as a group, the donors review recipient country performance, assess assistance needs, and consider terms and relative sharing of the assistance burden. The World Bank is playing an increasingly important role in these assessments. The United States share of assistance for these countries has been averaging less than 40 percent.

AID focuses its assistance on agriculture, population, private enterprise and education. In these priority areas AID loans provide financing for imports and investment projects, and our technical assistance helps overcome lack of specialized knowledge and institutional constraints.

AGRICULTURE

In agriculture, signs of change continue to be dramatic. The introduction of improved seeds, pesticides, and fertilizers has led to a major increase in production of foodgrains. West Pakistan now grows enough wheat to feed itself and provide a significant surplus to grain-deficient East Pakistan. In fiscal year 1970 India may harvest its largest foodgrain crop in history. India has cut its foodgrain imports in half since fiscal year 1968. By next year, imports should be one-third of the fiscal year 1968 level.

New varieties responsive to water and fertilizer have registered great success for wheat, but improved rice varieties suited to the climate and flood patterns of East Pakistan and India remain to be developed.

Major tests of seed varieties which appear to be better adapted to these areas will be carried out this year. A new rice variety (IRRI–20) developed in the Philippines shows strength in the growing conditions in East Pakistan and will be grown on 200,000 acres this summer. India will also be testing new rice varieties it has developed. Turkey's Central Anatolian plateau is too dry for the new Mexican wheats, but other wheat varieties that have worked well elsewhere will be tested in a major experiment utilizing moisture conservation techniques.

These advances provide a basis for confidence in further innovation and self-sustaining development. NESA countries are giving increasing attention to a new set of "second generation" problems which have emerged from the green revolution—improving market mechanisms to distribute increased production, extending research on the plant protection problems of new varieties, diversifying crops to provide better nutrition, and increasing water availabilities.

AID finances the import of vital agricultural inputs—especially fertilizers and pesticides—which NESA countries do not yet have the capacity to produce in adequate quantity. About $170 million, or 38 percent of the NESA development loan request is earmarked for agriculture imports, and 45 percent of our technical assistance request is planned for supporting technical services for the agriculture sector. Water continues to be a major factor in expanding the green revolution, and AID proposes technical assistance to help each of the NESA countries promote better on-farm utilization of irrigation water.

Through technical assistance AID assists Turkey, Afghanistan, India, and Pakistan to improve research capabilities. We are helping to build land-grant type universities which will train needed agricultural scientists and administrators. The agricultural universities located in 9 States of India are a notable example of the kind of effort needed to enlarge the human skills which can be brought to bear on agricultural modernization. One of these institutions, the University of Punjab, is well established. It offers a range of subjects in the agricultural sciences and boasts high-quality research and teaching.

Change in the agriculture sector has wide ramifications. Small manufacturing mushrooms where the green revolution takes hold. A town of 25,000 in the Pakistan Punjab has a booming industry producing small diesel engines, principally for use by farmers in tubewell irrigation. There are 105 firms, ranging from 3 to 80 employees, engaged in this manufacture. Half of the firms did not exist 6 years ago. In one district of the Indian Punjab, 10,000 threshers were sold in 1969, nearly all manufactured locally in small machine shops. Near Izmir in Turkey, private farmers are buying locally-made scrapers for use in preparing land for better irrigation. Greater farmer income means increased demand for industrial products. India's output of capital goods has risen in recent months, due largely to demand for trucks, pumpsets, tractors, and other agricultural machinery. And farm laborers share some of the increase in rural prosperity. During the heavy wheat harvest in 1969 in the Indian Punjab, wages of hired hands increase fourfold.

Efforts are being made to help smaller farmers participate in the green revolution along with the larger farmers, who have been better able to capitalize on the new technology. Small scale farming is no

bar to the use of fertilizers and the new seeds, with better access to water, credit and extension services. Double and triple cropping made possible by improved water supplies, could significantly increase the demand for labor in rural areas.

POPULATION

Nothing on the development agenda is more urgent than family planning. Nowhere is concern more intense than among government leaders and officials in the NESA countries. But to translate concern into effective programs is difficult. The problem is unprecedented.

More needs to be known. Only a small amount of research has been done on key questions of motivation and education in these countries. What induces people to practice contraception or to ignore it? What types of contraceptives would find greatest acceptance in rural areas in Pakistan, India, and elsewhere? What is the best organization and plan of action for family planning programs? How can private resources and organizations be mobilized to promote family planning?

What is becoming clear is that the mere availability, even familiarity with, contraceptives is not sufficient to induce couples to have fewer children. For the individual living in conditions of poverty, many incentives work in the opposite direction—toward having more children, and particularly sons, for security in old age and as a hedge against the likelihood that some of his children will die in their early years. In this sense, the personal well-being and security brought about by economic growth and modernization may be a most significant factor in creating receptivity to family planning. The population problem enhances the importance of other development objectives—better health, growing more food, improving nutrition, expanding industry and jobs.

Last November, the United States and other aid donors met with key Indian officials to discuss the future of population programs in India. The aid consortium had before it a U.N. appraisal of the Indian program which gave India credit for a major and rapidly expanding effort. Family planning budgets have increased rapidly to $56 million in 1969. They are projected to increase tenfold during the current 5-year plan compared to the last plan. India now has the world's largest government-operated family planning program. Over half the world's sterilizations are done in India. The use of the IUD appears to be on the increase in some areas. Condoms are beginning to sell in greater volume as a result of the commercial marketing system we helped to establish. Yet the effort remains inadequate to the size of the country and the size of the problem.

The Indian Government in undertaking to increase the efficiency and capacity of the administrative structure for an even larger and more effective effort. The program has become countrywide and has expanded so rapidly that management problems have developed. An equally serious constraint on an expanded family planning program is an overall shortage of resources. Demands for investment, social services, nutrition programs for children, worker housing, schools, and other development expenditures exceed rupee and anticipated foreign exchange resources availabilities. The foreign exchange constraint is

particularly severe as adequate foreign exchange is not assured for the existing development plan. Elected officials find it difficult to increase family planning expenditures even further when so many immediate and urgent needs cannot be met. The consortium member countries agreed that if India developed the basis for an expanded program, the importance of family planning was so great that financial constraints should not be permitted to limit program effectiveness. We and several other donors agreed to consider additional foreign exchange financing to help relieve any budgetary limitation and to provide additional incentive for a more effective program if India can overcome the administrative problems which now limit achievement of program objectives.

In fiscal year 1971, $4.7 million is requested to support population programs in the NESA region. Assistance will be concentrated in India and Pakistan, primarily for advisory services, training, and commodities to improve government population programs, do research on motivation, and encourage family planning activities of private organizations and universities. We also are examining the prospects for increased AID support for expanding family planning activities in both India and Pakistan.

PRIVATE ENTERPRISE

Private enterprise predominates in the developing economies of the NESA countries. Private business accounts for 90 percent of India's industrial output, and each year the bulk of new industrial jobs are created in the private sector. Although India places emphasis on public sector investment in key sectors, it also recognizes the significant role the private sector must play in development. The recent budget states "encouragement to small enterprises and to new entrepreneurs is vital to build up managerial and entrepreneurial talent which is all too scarce today." The government decided to forego changes in the corporate tax structure "in the interest of maintaining a stable climate for investment decisions."

Private initiative is also the key to recent advances in agriculture and agro-industry. In West Pakistan, almost all fertilizer is sold through private businessmen which has proven far more efficient than distribution through government channels. The changes associated with the green revolution are a convincing demonstration of the relevance of the private sector to development. The major initiatives to increase exports also originates in the private sector. Turkey's increased foreign exchange earning in 1969 came in part from private marketing ventures in fresh fruits and vegetables. More exports are needed to earn the foreign exchange now supplied by aid donors, and in this vital area private initiative must lead the way.

These are mixed economies where the private and public sectors are viewed as complementary. However, direct controls over the economy still inhibit the full release of private sector energies. Government acceptance of the need to encourage private business to adopt new technologies and produce more economically has led to some modification of controls but more could be done.

AID seeks to strengthen private enterprise in these countries. Currently, industrial production in India and Pakistan is lower than it

needs to be, because of foreign exchange shortages. Enterprises need foreign-built machinery, spare parts, and raw materials. When foreign exchange is not available for imports, production shows, there is more idle capacity, and jobs are cut or are not created. Over 60 percent of AID's development loan request for fiscal year 1971, or the major portion of the increase compared to fiscal year 1970, will go to expand private sector industrial production.

EDUCATION

Development holds the promise of broadened educational opportunity and social achievement. The demand for education is high and it is important that it be accommodated, but governments are faced with balancing the expansion of education with the equally pressing need to sustain growth in other sectors.

Present educational systems are costly and not always in time with the needs of the developing countries. New techniques are being explored and new approaches taken toward curricula and teaching to spread benefits of education at less cost. AID is assisting efforts at educational innovation, experimentation, and planning. We are advising the planning unit of the Education Ministry in Turkey and propose to support in fiscal year 1971 short-term experimental projects in literacy and low-cost book publishing in Pakistan. We are conducting regional studies of the potential use of new learning and teaching techniques based on the development of texts for self-study and testing.

Technically trained manpower are needed for development and some notable successes have been registered. The India Institute of Technology at Kanpur established with our assistance provides scientific and engineering education at the most modern standards of quality. The school now enrolls over 1,200. Programs to upgrade university and high school science teaching in India and Pakistan have reached 27,000 participating teachers through summer workshops. Emphasis in the summer science programs is shifting to the important area of textbook and curriculum revision, which will become a permanent, on-going feature in the education system. The Afghan Institute of Technology, the only institution in that country offering middle-level technical education, now graduates 115 annually.

SELF-HELP

The major burden of development is borne by the NESA countries. Turkey finances over 90 percent of its investment program, India better than 80 percent, and Pakistan about 70 percent. Tax revenues are up significantly throughout the region, with Turkey's 22 percent increase since 1968 setting the pace. The governments of the NESA region realize that income disparities exist that must be narrowed, and that greater participation of citizens in the development process is desirable. There is movement to redress inequities and spread the benefits of development more widely. The Government of Pakistan has issued a new education policy which promises to attack the literacy problem

and provide a system of education more pertinent to the needs of its people. Antimonopoly legislation is on the books an enforcement effort is being organized. A new labor policy has been formulated to give scope to trade unionism and encourage collective bargaining.

The need for restraint in defense spending is generally recognized by the countries receiving aid. Defense expenditures in both India and Pakistan, after a period of decline, appear to have stabilized at about 3.5 percent of GNP. Governments must meet what they consider to be minimum defense requirements. No government could exist for long if it ignored this legitimate national function.

FISCAL YEAR 1971 REQUEST

(A table follows:)

[In millions of dollars]

	Fiscal year—		
	1969	1970	1971
Development loans	335.7	327.0	440.0
Technical assistance	32.4	30.8	33.6
Family planning [1]	4.3	4.1	4.7
Total NESA	372.5	361.9	478.3
Indus Basin fund:			
Grants	24.1	7.5	5.8
Loans	12.0	.....	8.0
Total	36.1	7.5	13.8

[1] Financed by supporting assistance in fiscal year 1969, and development loans in fiscal years 1970 and 1971 under title X.

We are requesting an increase of $113.6 million for development loan programs (which includes an increase of $600,000 for family planning programs), and $2.8 million for technical assistance. The World Bank "call" in fiscal year 1971, under the Indus Basin arrangement, is expected to be $13.8 million, $5.8 million in grant and $8.0 million in loan.

The increase in the technical assistance request is primarily for accelerating activity in agriculture in Turkey and India.

Most of the increase in development loans is proposed for India and Pakistan; smaller increases are proposed for Turkey and Ceylon. Continued support on our part, along with other donors, can help Ceylon's Government extend its economic reform program which has brought measurable improvement to the economy. Our aid to Turkey is vital to its drive for economic independence, which could be achieved by the middle seventies.

The increase requested for India and Pakistan will help capitalize on the improved agricultural performance and past investments which have opened real opportunity for development. The fiscal year 1970 development loan levels for these countries are well below the amounts we requested a year ago. Last year I expressed concern with the possible consequences of low aid levels. My fears are being realized. Both

India and Pakistan continue to manage financial affairs as I predicted last year. They are intent on avoiding a foreign exchange crisis, faced as they are with reduced aid levels and growing internal demand for development inputs. Financial affairs have been managed conservatively, but at the expense of development and growth now possible—and that means lower rates of public and private investment, fewer new jobs, idle industry, and farmers producing less than they might otherwise. Both India and Pakistan industry suffered from shortages of raw materials and other supplies. With more adequate imports, industrial output would have grown as much as 50 percent more in both countries.

It is not desirable, indeed it is very damaging, if these countries continue to develop more slowly than they can. Political pressure by the poor is mounting. Slower growth means continued low incomes and increased unemployment. Governments will not be able to raise resources for increased expenditures in family planning, education, and health. Yet these are the very areas where progress must be made if countries are to retain a basis for orderly development and social stability.

Mr. PASSMAN. Thank you, Mr. Williams. Mr. Davies, we would be glad to have your statement at this time.

STATEMENT OF THE DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. DAVIES. Mr. Chairman and members of the subcommittee:

I am very happy to have the opportunity to appear before you today in support of the fiscal year 1971 request by the President for funds for foreign economic and military assistance.

For the coming fiscal year, we are asking for $478,307,000 in economic aid and $124 million for military assistance for various countries in the Near East and south Asia. We believe these funds are necessary to help carry out our policies in this part of the world. I would like to concentrate therefore on these policies and on the political siatuation in the Near East and south Asia as we see it today.

This is a vast area which cannot be accurately characterized with one adjective or another. It has an enormous diversity of peoples, cultures, religions, languages, and political, economic, and social structures. It is partly European, but for the most part it is Asian. It contains the roots of our earliest civilizations—in a sense our history began here—and much of our science and technology found its origins in various cultures of the region.

However, the deep-seated diversities among the peoples of the region have also contributed directly to the major political problems: the conflict between Israel and the Arab States, the tensions between India and Pakistan, and the uneasy situation on the island of Cyprus. While technically these are local political problems, unfortunately, they involve a much wider range of national interests—including our own.

Most of the Near Eastern and South Asian countries also have grave internal problems. Foremost among these is that of developing their

resources to achieve higher living standards for their peoples and self-sustaining growth for their economies.

A large measure of instability has resulted from interregional disputes, from economic causes, and from a whole range of uncertainties revolving around the frustrations of the present and questions of what the future may hold. People are tired of the status quo, but in many cases they see no particular change on the horizon. By change, I mean physical, tangible improvement in the way they live from day to day. If frustration builds up, a situation can come about where any change seems desirable—change just for the sake of change. The upshot is often violence, slogans, a new regime and no real progress. People remain hungry, there is no social advancement, and the seeds of a new and similar cycle are soon planted.

In the Middle East, this situation is compounded by a variety of deep-seated quarrels and conflicts of which the Arab-Israel dispute has received the most attention over the past year.

In his report to the Congress of February 18 and in talking about the Middle East, the President said: "* * * this area presents one of the sternest tests of our quest for peace through partnership and accommodation of interests. It combines intense local conflict with great power involvement. This combination is all the more dangerous because the outside powers' interests are greater than their control."

The recognition that the Arab-Israeli conflict is one which involves the major powers has created an urgency for doing everything possible to find a way of helping the parties to achieve a settlement acceptable to both sides. During the past year, the U.S.-Soviet talks have continued, and in the Four Power forum we are in the process of making a careful assessment of the areas of major power agreement and disagreement. We remain of the firm conviction that a settlement cannot be imposed; it can only be reached through negotiation and agreement by those involved. Furthermore, there must be a mutual willingness to compromise if progress is to be made toward a lasting peace in the area.

The effort to achieve such a peace has been a long, painstaking task. I wish I could report that we see enough solid to predict success. I can say that we will persist in our diplomatic efforts as long as we consider them to be useful in the search for peace and in helping avoid a great power confrontation in that area.

While the balance in the Middle East remains as precarious as it is, there exists an ever-present danger of serious escalation. The situation has not been eased by the continuing introduction of new armaments into the region, the most recent being the SA–3's provided the United Arab Republic by the U.S.S.R. and reportedly being installed and manned by Soviet personnel. We are concerned about this provision of sophisticated weaponry and have again urged an agreement to limit the shipment of arms to the Middle East. At the same time we have made clear that we believe an overwhelming preponderance of power on one side or the other would greatly increase the danger of war.

In the meantime, the basic political questions remain: the willingness of the Arab States to recognize Israel's right to exist in peace and

Israel's willingness to withdraw from occupied territory in the framework of an overall peace settlement. Constructive progress in answering these questions would mean constructive progress in other fields throughout the Middle East, notably toward economic development. The diversion of resources, including human resources, from the task of building strong economies into nonproductive military channels is a tangible hindrance to social and economic advancement. In the Middle East, the problem is compounded by the large numbers of Palestinian refugees, for whom the United States continues to provide assistance through the United Nations Relief and Works Agency.

The emergence of peace in the region accompanied by the relaxation of tensions and a stabilization of relations between the presently antagonistic nations would obviously offer in a political framework vast opportunity for the achievement of economic and social progress. Such progress in itself would provide additional motion toward political stability.

In the meantime, the only country in the Middle East for which we are requesting funds in this legislation is Jordan. Here we wish to continue a small technical assistance program primarily to help Jordan's agriculture.

Moving into the Persian Gulf area, one of the wealthiest oil-producing regions in the world, we will shortly witness the withdrawal of the British military presence. U.K. troops are scheduled to depart from the Gulf by the end of 1971.

We believe that what problems exist here in terms of development of resources, political organization, and intra-Gulf relationships are best dealt with by the countries of the area. We have been encouraged by the fact that the littoral states fully recognize the complexities of these problems and by the beginnings of cooperative efforts among them to meet the future. We wish them all success in their endeavors and will continue for our part to do all we can to remain on the friendliest terms with these States.

In South Asia, we come to that part of the region where by far the largest share of American aid goes. For fiscal year 1971 we are asking $266,700,000 in development loans for India and $119,300,000 in development loans for Pakistan. For technical assistance, a request is being made for $9,850,000 for India and $5,847,000 for Pakistan.

The aid provided by the United States over the years has been indicative of our recognition of the importance of the subcontinent—its vast population, its potential for economic growth, its political weight. We have watched with some anxiety its efforts to grow enough food to feed its people, its political uncertainties and the tensions which in 1965 led to war between India and Pakistan. We have also noted the interest which both the Soviet Union and Communist China have in South Asia and the nature of their activities in the area. India and Pakistan are determined to remain strongly independent. They will not always agree with us on all international issues, but we will seek to work out with them differences in the best way we can. Central to the policies of both India and Pakistan is a dedication to internal development for the benefit of the hundreds of millions of people who

live in these two countries. This dedication remains at the core of our willingness to continue our aid programs at relatively high levels in India and Pakistan.

Since independence in 1947, India has faced formidable problems. Low living standards, agricultural uncertainties due in large part to weather conditions, internal political and ethnic issues, and external hostilities. For all these problems, within the framework and operation of a democratic government, India has made great forward progress. Its democratic institutions have matured, it has coped successfully with divisive internal forces, and with outside help it has managed to provide steadily improving living standards for its people.

India embarked, immediately after independence, on an ambitious effort to modernize as rapidly as possible the economy of this huge, populous, underdeveloped country. The most noteworthy aspect of this undertaking, in human terms, has been the Indian policy to achieve such development under conditions of political freedom. This effort has met with considerable success. After 20 years, the Indian economic structure has altered significantly, with new indigenous manufacturers supplying the large domestic market and, more recently, entering foreign trade channels. But the effort has by no means been smooth. Two major problems have been encountered: insufficient agricultural production and an unexpectedly rapid population increase. The first of these problems is now on the way to solution, as Indian reform efforts in the field of agriculture have met with unusual success during the past 3 years so that, with our help, the day is clearly in sight when agricultural self-sufficiency can be attained. The second problem—population increase—is receiving increasing high-level attention, and the international aid-giving community is seeking ways to assist India in this sphere. In sum, India has made progress toward economic maturity and self-sufficiency, but it still faces formidable problems and its resource base remains small. Without our continued help, the day when India can achieve self-sustaining economic growth would be indefinitely postponed.

Pakistan has been through a year of relative tranquility following a period of political upheaval which led to a change in government. In October of this year the Martial Law Administration under General Yahya Khan will hold the first nationwide direct elections in the country's history. A national assembly is then to formulate a new constitution, following which representative civilian rule is to be established. In the meantime, the Government is moving ahead with a series of basic reforms in labor, education, agriculture and government administration.

While Pakistan's relations with India remain strained, there have been no recent crises. No progress has been made on the Kashmir issue, but the two sides are talking over the division of the Ganges waters between India and Pakistan.

As with India, Pakistan within the past 2 years has made great progress in increasing agricultural production. This growth must be sustained to keep pace with increases in population and growing consumer demand, to provide a base for its agricultural and other industry

and to create new resources to be mobilized for further development. Our support and that of others in this field is essential.

The major problem in Pakistan is a familiar one—disparity in economic growth between classes of people. The problem is gravest in East Pakistan, one of the most densely populated areas in the world. The Government recognizes this and the forthcoming fourth 5-year plan will be focused on sharply reducing the disparity. In addition, the World Bank is proposing new initiatives for international financing in land and water resources development in East Pakistan.

Elsewhere in South Asia, the United States continues small technical aid programs in Afghanistan, and Nepal for which we are requesting $6.7 million and $2.6 million respectively. In Ceylon, we are requesting $7 million for development loans. All three of these countries are progressing in their own ways and along lines of their own choosing. The United States has warm relations with them and our modest help is appreciated. I hope that the funds for all these countries requested for fiscal year 1971 will be approved.

Turning back toward the West, I would like to say a word or two about our relations with Iran, an AID graduate country, with which we maintain a close and warm relationship. There has been no slackening of the pace at which Iran continues to make significant economic progress. Blessed with natural resources which provides a sizeable income, Iran, under the guidance of His Imperial Majesty the Shah, has an impressive record of social and economic growth. It is a force for stability in the area and can be counted upon as an important and constructive element. In this regard, we are pleased to be able to continue cooperating with Iran in its program for further developing its defensive capabilities.

Iran is a member of the Central Treaty Organization, together with Pakistan, Turkey, and the United Kingdom—as association of powers with which the United States has observer status. This year, in May, we will be the host for the annual meeting of CENTO's Council of Ministers, at which time the progress of the organization will be reviewed. As you are aware, in recent years, CENTO's emphasis has been increasingly on regional economic cooperation and a number of useful projects which we have supported, have resulted from this emphasis.

The last country receiving U.S. economic aid which I will discuss is Turkey. The same trends which were noted last year continue in Turkey and in our relationships with that country. A more nationalistic and independent spirit is evident, and it is obvious that the kind of relationships which existed between our two countries some years ago have undergone noticeable change. This is not surprising. The Turks are a proud people. The development of national pride understandably brings with it a display of independence. This has not, however, affected the basic friendship which exists between us.

The help which we have extended and which we are proposing to provide during the next fiscal year, is further evidence of our wish to maintain that relationship, and to help to strengthen Turkey's economy.

In the meantime, Turkey's ties to NATO are strong; she firmly believes in the organization; and it continues to play a highly important role in Turkish foreign policy. Our common interests in security alone provide a sound basis for a continuation of the cooperation which has existed in the past.

The military role is pertinent to discuss here because the bulk of the funds for military aid requested for the Near East and South Asia in fiscal year 1971 are designated for Turkey and Greece. Both of these countries stand in a strategic location at the eastern end of the Mediterranean Sea. With Soviet naval activity continuing at a high level in the Mediterranean and with the necessity to protect the southern flank of Europe, military help to these two NATO allies is of importance to them, to us, and to the rest of the alliance.

To assist in keeping Turkish forces combat ready and to aid in modernizing their equipment, our military assistance program is critical. As I have noted, Turkey's membership in NATO is a key part of its foreign policy structure. Our arms assistance helps greatly to bolster that relationship.

In Greece, the situation with regard to American military assistance presents some problems. The regime which took over the government in April 1967 remains in power. We continue to be disappointed with its performance in returning Greece to constitutional representative government and in restoring civil liberties to the Greek people. We are, however, doing what we can to encourage the regime to move as quickly as possible in that direction. Our Ambassador, Henry Tasca, who arrived in Athens a few months ago, is in close touch with the leadership of the Greek Government and we are following his reports closely.

Our policy of suspending the delivery of major items of equipment in the military assistance program for Greece has continued in effect over the past year. We continue to keep this policy under constant review.

Greece remains a loyal and active member of NATO and the alliance remains the keystone of Greek foreign policy. Greece continues to play an important role in NATO strategy. Within the NATO alliance, however, there is increasing disenchantment with the regime's failure to restore constitutional government and with the continuing suspension of civil liberties in Greece.

In closing, let me make a few general observations about the Near East and South Asia.

From the point of view of peace and security, it has been a spotty year, primarily becaue of the Arab-Israeli conflict. Big power involvement carries with it particular sources of danger. At the same time, this involvement can be extremely useful when it encompasses a genuine desire to work out a solution in cooperation with the nations most directly concerned. Indeed, it may well be the only way in which an eventual settlement can be reached. Despite lack of progress, we do not intend to abandon our efforts, but we need to be assured of good faith on every side if these efforts are to succeed.

In other parts of the region, it has been a year of relative tranquility in which many of the countries have made real progress. Our economic aid has played an important part in this. The process of transforming the hunger and poverty felt by countless millions of people into a decent living standard is a highly complicated task. It takes untold skills, patience, and desire. It requires a framework of institutions with which many of these countries had no previous experience. It necessitates delicate political judgments and bold, but accurate economic planning. It also takes resources in terms of economic and technical assets which most of these nations just do not have.

The cost to the United States over the years in terms of dollars spent has been high. But I believe it has been worth it and will continue to be worth it as we consider the returns measured in terms of independence from foreign domination, the strengthening of political institutions, the devolpment of social reforms, and the ability, often for the first time, to enjoy freedom from hunger and to escape from abject poverty.

Mr. PASSMAN. Thank you, Mr. Secretary, for your excellent statement. Thank you very much, Mr. Director, for your statement. Now, we have some questions we would like to ask.

We will direct the questions to you first, Mr. Williams.

Mr. WILLIAMS. All right, sir.

FISCAL YEAR 1971 APPROPRIATION REQUEST

Mr. PASSMAN. As we consider Near East and South Asian aid, you are testifying for funds that are carried in, I believe, title I.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. And your area?

Mr. WILLIAMS. That is correct, Mr. Chairman.

Mr. PASSMAN. It is my understanding that our very able friend, Dr. Hannah, and what a great man he is, he is down to earth and usually answers these questions just as they should be answered, said: "There is an asking price and a taking price", and I appreciate that very much. He recognizes the facts of life, inasmuch as this program has been cut by a large amount per year for the past 12 years, there would have to be an asking price and a taking price. So, borrowing Dr. Hannah's words, I believe, your asking price for Near East and South Asia for 1971 is $478,307,000, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. The asking price exceeds by $116,354,000 the 1970 program, is that correct, Mr. Williams?

Mr. WILLIAMS. Yes, sir, that is right.

COUNTRY PROGRAMS FOR FISCAL YEARS 1969, 1970, AND 1971

Mr. PASSMAN. Mr. Director, I wonder if you would furnish for the record a table showing the actual fiscal 1969 program, the revised 1970 program estimate and the proposed program for fiscal 1971 for each country in your area? Could you do that for the record?

Mr. WILLIAMS. I will be glad to.

(The information follows:)

NESA Region Program and Request FY 1969 - FY 1971
($ Thousands)

Country	FY 1969 Total	FY 1969 Development Loans	FY 1969 Technical Assistance	FY 1969 Supporting Assistance (Population)	FY 1970 Total	FY 1970 Development Loans (Excluding Population)	FY 1970 Development Loans[a] (For Population)	FY 1970 Technical Assistance	FY 1971 Total	FY 1971 Development Loans (Excluding Population	FY 1971 Development Loans[a] (For Population)	FY 1971 Technical Assistance
AFGHANISTAN	8,773	1,250	7,436	87	6,568	-	130	6,438	6,728	-	265	6,463
CEYLON	5,000	5,000	-	-	5,000	5,000	-	-	7,000	7,000	-	-
INDIA	203,357	194,000	8,627	730	203,455	195,000	450	8,005	276,550	266,000	700	9,850
JORDAN	1,491	-	1,491	-	1,621	-	-	1,621	1,886	-	-	1,886
NEPAL	2,947	-	2,725	222	2,250	-	341	1,909	2,591	-	492	2,099
PAKISTAN	103,657	95,500	5,860	2,297	95,454	87,000	2,500	5,954	125,147	117,000	2,300	5,847
TURKEY	43,512	40,000	3,512	-	43,700	40,000	-	3,700	54,220	50,000	-	4,220
CENTO	350	-	350	-	606	-	100	506	606	-	100	506
REGIONAL	3,450	-	2,474	976	3,299	-	595	2,704	3,579	-	825	2,754
TOTAL	372,537	335,750	32,475	4,312	361,953	327,000	4,116	30,837	478,307	440,000	4,682	33,625

ESTIMATED UNEXPENDED BALANCES

Mr. PASSMAN. What is the anticipated unexpended balance for the fiscal year 1971 program for countries in your area? That would, of course, include CENTO and the regional programs as of June 30, 1970.

Mr. WILLIAMS. $850,073,000.

(Discussion off the record.)

Mr. PASSMAN. This is the amount that is under your jurisdiction. Could you make it all inclusive? I am talking about all types of aid spigots.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Do you have any information as to what it may be?

Mr. WILLIAMS. It is $1,339,719,000.

Mr. PASSMAN. What have been the average disbursements per year, in your area, for 1967, 1968, 1969 and 1970, the average annual expenditure covering all spigots?

Mr. WILLIAMS. I don't have all spigots, Mr. Chairman. For AID it has been about $500 million.

Mr. PASSMAN. The $1,339,719,000 you referred to was AID only?

Mr. WILLIAMS. That figure covers unexpended balances of all spigots, Mr. Chairman.

Mr. PASSMAN. I would have to get all spigots to have something to compare it with, wouldn't I?

Mr. WILLIAMS. Yes, sir. Expenditures of all spigots have been running annually about $1.2 billion, Mr. Chairman.

AVERAGE LEADTIME

Mr. PASSMAN. On that basis then, you have about a 14-month pipeline.

Mr. WILLIAMS. Yes, sir, on all spigots.

Mr. PASSMAN. Then what is the average leadtime? You have leadtime in almost all categories, military 12 months, airplanes may be 24. I am trying to get the average leadtime, that is the time required to receive the application, consider it and make the commitment. I guess that would be considered leadtime, wouldn't it? Would you say 6 months, 8 months? I don't want to suggest a figure if you have a general idea.

Mr. WILLIAMS. The leadtime in terms of the program aid pipeline would be about 12 or 14 months.

Mr. PASSMAN. I know it is hard to be exact. That means really if your leadtime averages 12 months, then you have funds for about a year and 2 months on hand to be disbursed.

Mr. WILLIAMS. In terms of the drawdown.

Mr. PASSMAN. I am talking about the drawdown.

Mr. WILLIAMS. On program aid, but in the case of project aid, would be drawn down over 3 to 5 years, Mr. Chairman. On program aid without new aid of course, you couldn't be licensing your requirements ahead, so you would get an immediate effect on resource flows.

Mr. PASSMAN. We wanted the average, because when you speak in terms of $1,339,719,000 built up to be disbursed subsequently, that is a pretty big backlog.

DEOBLIGATIONS

Would you, Mr. Williams, furnish for the record a table by country showing the name of the project and the amount of funds deobligated from each country through your latest available accounting date?

Mr. WILLIAMS. Yes, Mr. Chairman.

Mr. PASSMAN. And also your best estimate as to what it will be on June 30, 1970.

Mr. WILLIAMS. Yes, Mr. Chairman.

(The information follows:)

Near East and South Asia
Summary of Deobligations
7/1/69 Through 3/31/70
(In Thousands of Dollars)

	Actual Cumulative Through 3/31/70	Projected Last Quarter	Projected Cumulative FY 1970
Technical Assistance	1,177	230	1,407
Supporting Assistance	539	200	739
Development Loans	60,680	5-9,000	65,680-69,680

Near East and South Asia
Project Deobligations - Technical Assistance
7-1-69 Through 3-31-70
(In Thousands of Dollars)

PROJECT NO.	PROJECT TITLE	AMOUNT DEOBLIGATED
Afghanistan		
306-11-999-000	Technical Support	60
306-11-190-002	National Agriculture Development	1
306-51-750-029	Financial Administration Improvement	2
306-56-370-036	Air Transportation Development	(3)
306-52-310-084	Herat-Islam Qala Road	(1)
306-12-995-090	Helmand Valley Regional Development	152
306-11-690-092	Agriculture Education	1
	TOTAL	212
India		
386-15-999-000	Technical Support	19
386-11-650-063	Multipurpose Secondary Education	63
386-11-980-076	Nuclear Engineering	(1)
386-12-220-116	Delhi Thermal Plant	117
386-51-511-135	Malaria Eradication	(3)
386-11-450-161	Labor Ministry Training	4
386-11-720-170	Government Operations	17
386-11-420-179	Bombay Central Training Institute	26
386-11-660-184	National Institute of Education	(59)
386-22-210-209	Orissa Iron Ore	5
386-11-660-226	Science Education Improvement	106
386-11-720-242	Management Control Systems	20
386-11-110-281	Agricultural Universities	6
386-11-140-282	Agriculture Production Incentives	5
386-51-580-332	Family Planning	50
386-11-220-342	Development of Rural Electric Cooperatives	(1)
386-11-110-366	Agriculture Production Promotion	1
386-11-190-367	Agriculture Inputs Development	22
386-11-120-368	Soil and Water Management	38
386-11-560-380	Nutritional Foods Development	7
386-15-260-384	Export Promotion	35
	TOTAL	477

( ) Numbers in parenthesis indicate upward adjustments.

Jordan

278-11-990-000	Technical Support	9
278-11-511-080	Malaria Eradication	1
278-11-790-083	Public Administration	20
278-12-120-086	East Ghor Irrigation Project	1
278-11-240-102	Tourism Development Program	(11)
278-12-250-104	Engineering Services	10
278-16-810-113	East Ghor Rural Development	13
278-11-710-120	Public Safety	14
278-12-995-127	Feasibility Studies	1
	TOTAL	58

Nepal

367-11-999-000	Technical Support	58
367-11-511-014	Malaria Eradication	7
367-11-110-054	Foodgrain Production	14
367-11-140-056	Agriculture Credits and Cooperatives	4
367-11-610-060	Teacher and Technical Education	3
367-12-170-069	Forest Products Development	(6)
367-11-720-074	Management Improvement and Training	6
367-11-170-081	Forest Inventory	4
367-55-910-083	Nepal Industrial Development Cooperation	2
367-11-220-089	Hydrologic Investigation	1
367-11-810-090	Panchayat Development	7
	TOTAL	100

Pakistan

391-11-999-000	Technical Support	43
391-11-530-012	Rural Health Development	(1)
391-11-780-037	Statistical Services	6
391-12-710-113	Public Safety	10
391-52-511-139	Malaria Eradication	3
391-11-720-140	Government Administration	14
391-11-110-143	Agricultural Organization, East Pakistan	11
391-11-110-145	Agriculture Area Development, West Pakistan	19
391-11-170-151	Forest and Range Management	4
391-11-610-216	Skilled Labor Training	5
391-11-660-220	Assistance to Peshawar University	8
391-11-210-243	Mining Technology and Development	14
391-11-440-245	Improvement of Labor Relations	3
391-11-210-253	Mineral Resources Appraisal	3
391-11-580-256	Family Planning	6
391-11-998-266	Special Development Activity	7
391-11-790-279	Training and Research in Local Government	50
391-15-910-283	Investment Corporation of Pakistan	(1)
	TOTAL	204

Turkey

277-11-120-149	Land and Water Use	7
277-15-690-169	Participant Language Training Program	3
277-11-730-298	Public Management Services	29
277-11-770-331	Administrative Training Institute	1
277-13-410-356	Industrial Relations Training	19
277-11-740-364	Development Statistics	2
277-15-995-396	Development Administration Training	23
277-15-490-397	Labor Relations Services	6
277-11-190-425	Integrated Agriculture Service	19
277-11-120-426	On-Farm Water Development	(2)
277-11-750-433	Tax Administration	1
277-11-130-444	Cereals Production	3
	TOTAL	111

CENTO

290-11-999-113	Technical Support	9
290-11-995-114	Multilateral Technical Cooperation Fund	(1)
290-11-690-198	Science Book Fund	7
290-11-710-227	Narcotics Control	1
290-11-691-233	Book Development Program	(1)
	TOTAL	15

Near East and South Asia
Project Deobligations - Supporting Assistance
7-1-69 Through 3-31-70
(In Thousands of Dollars)

PROJECT NO.	PROJECT TITLE		AMOUNT DEOBLIGATED
India			
386-51-580-332	Family Planning		393
		TOTAL	393
Jordan			
278-11-710-120	Public Safety		14
		TOTAL	14
Nepal			
367-11-580-096	Family Planning		16
		TOTAL	16
Pakistan			
391-11-580-256	Family Planning		116
		TOTAL	116

AMOUNT OF LOAN DEOBLIGATIONS
(7-1-69) through 3-31-70)

[In thousands of dollars]

Country and loan	Amount of deobligations
AFGHANISTAN	
Ariana Afghan Airlines (H-004)	86
Herat Islam Qala Road (H-006)	20
Program Loan (H-016)	16
	122
CEYLON	
Program Loan (N-010)	89
Program Loan (H-012)	1
	90
GREECE	
Kremasta Hydroelectric (A-011)	3
Kremasta Hydroelectric (H-030)	1
	4
IRAN	
Mgt. & Asst. for Dev. Elec. Pwr. (H-025)	56
ISRAEL	
Program Loan (H-095)	1
Program Loan (H-110)	46
Program Loan (H-111)	10
Program Loan (H-112)	1
	58
NEPAL	
NIDC (H-003)	450
INDIA	
Sharavathi Hydro Plant (A-018)	4
Barauni Thermal Power (A-020)	27
Barapani Hydro (A-030)	2
Railway III (A-031)	420
Indust. Finance Corp. (A-034)	92
Trombay Fert. Plant (A-035)	282
Talcher Power (A-044)	1,099

Country and loan	Amount of deobligations
Sharavathi Hydro II (A-046)	167
Cambay (Dhuvaran) Thermal (H-052)	453
Bandel Thermal Power (H-056)	440
Delhi Cloth (H-060)	1
Pamba-Kakki Hydro (H-061)	390
Indust. Finance Corp. (H-062)	1,200
Hindustan Motors (H-066)	18
Tata Engineering (H-067)	9
Delhi C Indrapra Thermal (H-069)	1,123
Satpura Thermal Power (H-077)	1,022
Central Ropeway F Proj. (H-081)	271
Chandrapura Thermal Stage II (H-084)	284
Railway V (H-086)	17
Dudga Coal Washery (H-087)	103
Tarapur Nuclear Power (H-091)	2,000
National Engineering (H-101)	1
Program Loan (H-103)	1
Sharavathi Hydro III (H-109)	69
Program Loan (H-111)	46
Consulting Services (H-115)	327
Hindustan Motors (H-118)	34
Beas Dam (A-126)	4,000
Program Loan (H-138)	76
Cambay (Dhuvaran) Thermal (H-143)	5,000
Program Loan (H-155)	13
Program Loan (H-160)	50
Program Loan (H-168)	49
Program Loan (H-176)	4
Trombay Fert. Plant Expan. (H-187)	37,000
	56,094
PAKISTAN	
Water Sewage Disposal (A-006)	71
Program Loan (H-039)	56
Program Loan (H-046)	9
Rechna Doab Project (H-060)	29
General Consultants (H-062)	14
Mechanical Equipment (H-073)	3
Sui Gas-Increase Output (H-078)	32
Cons. Svcs. & Urban Water Supply (H-079)	500
Power Distribution (H-043)	87
Program Loan (H-056)	1
Program Loan (H-080)	14
Lyallpur Thermal Gen. Facil. (H-083)	319
Railway VII (H-089)	1
Program Loan (H-096)	12
Lahore-Multan Highway (H-103)	3
Sui Gas - Pipeline (H-104)	63
Program Loan (H-115)	6

Country and loan	Amount of deobligations
Program Loan (H-117)	4
Program Loan (H-121)	8
Malaria Eradication (H-128)	297
Program Loan (H-131)	13
Program Loan (H-127)	5
	1,547
TURKEY	
Diesel Locomotives (H-033)	2
Program Loan (H-043)	12
Hwy. Equip. & Cons. (H-044)	1
Program Loan (H-048)	63
Turkish State Rwy. (H-054)	900
Turkish State Hydraulic (H-056)	158
Program Loan (H-058)	396
Demirkoy-Ayancik Sawmills (H-061)	4
Program Loan (H-066)	317
Program Loan (H-074)	378
Program Loan (H-085)	28
	2,259
NESA TOTALS	60,680

PROJECTS TO BE TERMINATED IN FISCAL YEARS 1970 AND 1971

Mr. PASSMAN. Would you also furnish for the record a table showing by country the projects that will be terminated in fiscal 1970.

Mr. WILLIAMS. Yes, Mr. Chairman.

(The information follows:)

Terminating technical assistance projects—NESA

Fiscal year 1970	*Total cost to completion*
Afghanistan—Private sector development	$754,000
India	
Trade union development	275,000
Malaria eradication	62,610,000
Jordan—Malaria eradication	1,929,000
Nepal	
Agricultural credit and coops	509,000
Nepal industrial development corp	1,584,000
Forest inventory	969,000
Pakistan	
Agriculture area development, West Pakistan	1,973,000
Mineral resources appraisal	338,000
East Pakistan Agricultural University	2,468,000
Government financial management	192,000
Turkey—Integrated agriculture services	1,597,000

Mr. PASSMAN. Also, projects to be terminated in fiscal 1971.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Last year you had several projects scheduled to be terminated in fiscal 1970. How many of them are you requesting funds for in 1971.

Mr. WILLIAMS. We are requesting funds for four, Mr. Chairman, that we had scheduled for termination in 1970.

Mr. PASSMAN. What change necessitated the extension of these four projects?

Mr. WILLIAMS. Each one has a different justification, Mr. Chairman.

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

Mr. WILLIAMS. All right, sir.

(The information follows:)

FISCAL YEAR 1971 FUNDS REQUESTED FOR PROJECTS THAT WERE SCHEDULED TO TERMINATE IN FISCAL YEAR 1970

Afghanistan. The project, financial legislation improvement, has been extended through fiscal year 1974 primarily to fund advisory services to the Government of Afghanistan's Ministry of Finance and Bureau of Customs. The government has indicated its desire to undertake major customs reform in warehouse and inventory management, transit and entry procedures, and in the customs rate schedule. Increased revenues are essential, if the government is to finance more of its development program.

India. The project, Indian Institute of Technology, Kanpur, has been extended 1 year to provide for a more orderly phaseout of U.S. assistance. Advisory services on a reduced scale are required to improve the university's administrative practices and to encourage strong ties between the university and private business and government through a program of seminars and conferences.

Pakistan. The project, East Pakistan small industries development, has been extended 2 years in order to improve EPSIC's ability to assist small private investors formulate project proposals which will merit bank financing. A well-functioning advisory service to the small investor is essential to the growth and diversification of the private sector in East Pakistan, which has lagged behind that of the West.

Pakistan. The malaria eradication project has been extended 5 years. Despite substantial progress toward the eradication of malaria, several serious problems

remain—unexpected urban outbreaks, re-infestation of certain areas due to inadequate surveillance, and administrative problems. In its draft of the fourth 5-year plan (1971–75), the government has stated that it will increase budget allocations in order to bring malaria eradication to a successful conclusion. The United States will provide technical advisory services to help in this effort.

Mr. PASSMAN. It is embarrassing to have to interrogate a nice fellow like you. You are so darn sincere and work so hard at your job, I hate to get into some of these questions that I am going to have to ask you.

Mr. WILLIAMS. We will be happy to put it in the record, Mr. Chairman.

Mr. PASSMAN. Don't get nervous. I know you are dedicated, sincere, and you are an old pro just doing this job because you were assigned to it.

(Discussion off the record.)

PARTICIPANT TRAINING COST

Mr. PASSMAN. Mr. Director, will you update the table on page 898 of last year's hearings relating to average cost per participant in your area?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

AVERAGE COST AND NUMBER OF NESA PARTICIPANTS PROGRAMED FISCAL YEARS 1967–70

	Number	Average cost
1967 (actual)	1,941	$4,200
1968 (actual)	1,814	4,355
1969 (actual)	1,923	4,220
1970 (estimate)	1,793	4,350
1971 (proposed)	1,903	4,590

Mr. PASSMAN. What further benefits do your returned participants receive, after they have finished with their assignment?

Mr. WILLIAMS. When they return to the job for which they were trained, Mr. Chairman?

Mr. PASSMAN. What follow-up is there after they have returned to the job? Do you have any follow-up to ascertain how long they stay on the job?

Mr. WILLIAMS. There is an understanding with each of the countries that the participants will return to the job for which they are trained. We keep in touch with the government that they are using participants as they had agreed, sir. There is a check on that and regular discussions with the appropriate government agency or educational institution for some time after their return.

Mr. PASSMAN. That would normally be known as policing the work or policing the assignment, would it not?

Mr. WILLIAMS. Yes, auditing it.

HISTORY OF THE AID PROGRAM

Mr. PASSMAN. Mr. Secretary, have you ever heard the history of this program, when it started in 1947?

Mr. DAVIES. The AID program, sir? I am not certain.

Mr. PASSMAN. I wouldn't want to bore the other witnesses and members who are an extremely tolerant group. It required older members, well fortified with seniority, to walk down to the well of the House and address the chairman or the speaker about embarking upon a program that might take us into as many as 17 European nations, and the cost could reach a staggering sum of $15 billion, and conceivably it would require 5 years to complete the program. I voted against it.

We contrast the 17 nations with the fact that before we checked this thing we had gotten into 121 nations and seven territories of the world. We had covered the entire population of the earth with the exception of 36 million. We didn't stop it at 5 years. It is now in its 24th year and growing bigger and wider all the time. We didn't stop at $15 billion. The net disbursements in all probability, when the Comptroller shows the actual net disbursements, all brands of aid, including the interest we have paid to borrow the money to give away, is going to be very close to $200 billion. That is one of the reasons I fight it because I was here when this thing started. That is one reason we examine as we do. We have gone so far afield that it looks like we can never bring it under control. All of these people are dedicated, but they are dedicated to committing our funds. That is why we try, Mr. Secretary, to stay on top of the thing, and inform the witnesses and the American people as to what the grand total amounts to, because we now have a public debt that exceeds by $70 billion the combined public debt of all of the other nations of the world put together.

(Discussion off the record.)

PARTICIPANT COSTS

Mr. PASSMAN. Mr. Director, what is the average length of time that a participant stays in America?

Mr. WILLIAMS. It varies widely from 3 to 6 months for short termers; 1 to 2 years for others.

Mr. PASSMAN. What is the average time?

Mr. WILLIAMS. About 6 months in any given year.

Mr. PASSMAN. It would work out to an average of about 6 months.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What is the average monthly stipend they draw while in America?

Mr. FLINNER. It depends on how long they stay in one place. About $10 per day.

Mr. PASSMAN. They would receive about $300 per month as long as they are in the States?

Mr. WILLIAMS. $300 to $350 a month.

Mr. PASSMAN. On the regular roll and they get that monthly.

Mr. WILLIAMS. For as long as they are in training in the States.

Mr. PASSMAN. I hope you don't give it to them after you return them to their hometowns. You are not suggesting that you are thinking about that, are you?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. It is while they are here. What other benefits do they get while they are here? Are they given some extra money for a little travel?

Mr. WILLIAMS. Again the arrangement varies. Sometimes the country pays for their travel.

Mr. PASSMAN. I am talking about what Uncle Sam pays.

(Discussion off the record.)

Mr. WILLIAMS. If it is within the United States we would pay it.

Mr. PASSMAN. While these foreign participants are here in the United States, in addition to their regular monthly schedule they get a little pay for visiting America.

Mr. WILLIAMS. If that is part of the training schedule, yes, sir.

Mr. PASSMAN. Is it a part of some of the training programs?

Mr. WILLIAMS. It is.

Mr. PASSMAN. What is the average cost of that per student?

Mr. FLINNER. I don't have that. It depends where they go.

Mr. PASSMAN. That is obvious that it depends where they go.

Mr. FLINNER. Mr. Chairman, they are not given travel just to see the United States. They may go out to a university for training.

Mr. PASSMAN. It is bound to be a boring thing for foreigners to have to leave Washington and go to New York or maybe Baltimore or San Francisco. Though it may be boring, I wonder what the cost is? That is what I am trying to determine.

Mr. WILLIAMS. Since you asked for an average we will have to average it and submit it for the record.

Mr. PASSMAN. Is that known as domestic R. & R.

Mr. FLINNER. No, sir.

Mr. WILLIAMS. This is for training for people who go back and take leadership positions in their country, Mr. Chairman.

Mr. PASSMAN. But paying a man's expenses to New Orleans, Kansas City or Baltimore, is that part of his training?

Mr. WILLIAMS. If he is being trained in those areas.

Mr. PASSMAN. What if he is being trained here and he becomes tired and needs a little domestic R. & R.? Does he select the place he is going, or do you decide where you are going to send him?

Mr. WILLIAMS. That isn't part of the training schedule.

Mr. PASSMAN. Get it in the record. You know what I am leading up to. There are costs other than this straight $300 to $350. You know that I know that, don't you?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I am trying to find out what it amounts to.

Mr. WILLIAMS. We will be glad to submit it.

Mr. PASSMAN. I run into them and when you ask, "What are you doing down in Kansas City?" they state "We were sent here to look at this and that". I want to know what it costs to keep this young man over here while he is in regular training as well as the domestic R and R period.

Mr. WILLIAMS. For the travel that is a part of the training we will give you an average figure as you have requested it.

(The information follows:)

TRAVEL COSTS FOR PARTICIPANTS IN THE UNITED STATES

The average cost for travel in the United States for 1,600 participants supported by AID between January 1 and June 30, 1969, a typical 6-month period, was $105.

Mr. PASSMAN. We will wind up with this question: What is the average total cost for one of these participants? Do you have that?

Mr. WILLIAMS. The average cost on the 1970 estimate for participant is $4,350, Mr. Chairman.

Mr. PASSMAN. How about 1969?

Mr. WILLIAMS. $4,220.

Mr. PASSMAN. You are talking about dollars?

Mr. WILLIAMS. Yes, sir; dollars.

Mr. PASSMAN. Taxpayers' dollars?

Mr. WILLIAMS. In dollars, yes; sir.

Mr. PASSMAN. Taxpayers' dollars.

Mr. WILLIAMS. Yes, sir.

DEVELOPMENT LOANS AUTHORIZED

Mr. PASSMAN. Page 3 of the justification indicates that through December 31, 1969, you had authorized $31,728,000 in development loans to the countries in your area, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I assume the small amount authorized thus far is attributable to the fact that the foreign operations appropriation bill was not signed into law until after the first of the year, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I believe that your agency did operate under a continuing resolution, did it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That you had the same amount available under the continuing resolution for fiscal 1970 that you had in fiscal 1969?

Mr. WILLIAMS. Yes, sir; at the same rate as in fiscal year 1969.

Mr. PASSMAN. Would you furnish for the record a list of loans authorized by country during fiscal 1970 so far, to date?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

NESA LOANS AUTHORIZED IN FISCAL YEAR 1970 (THROUGH APR. 17, 1970)

Country and purpose	Amount	Date authorized
India:		
Program loan: Private sector capital equipment	$20,000,000	July 3, 1969
Project loan: Indian Farmers Fertilizer Cooperative, Ltd	15,000,000	Do.
Total, India	35,000,000	
Pakistan: Program loan	83,000,000	Apr. 6, 1970
Total, NESA loans authorized through Apr. 17, 1970	118,000,000	

SECTOR LOANS AUTHORIZED FOR FISCAL YEAR 1970

Mr. PASSMAN. What countries are programed to receive program and sector loans in fiscal 1971? Will you also put that in the record?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

Fiscal Year 1971–Proposed Program and Project Loans in NESA Countries

	Millions
Ceylon: Program loans	$7
India: Program loans	266
Pakistan:	
Program loans	110
Project loans	7
Turkey:	
Program loans	40
Project loans	10
Summary:	
Program loans	423
Project loans	17
Total loans	440

DEVELOPMENT LOANS

Mr. PASSMAN. I believe we were told earlier that all of the so-called development loans, are 46 percent concessionary because of the low-interest rate, is that what he said?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I think you want that in the record.

Mr. Secretary, I am asking some of these questions because you are new here. We refer to these development loans, as loans, but you have a concessionary interest rate, which really makes them a 46 percent subsidy to start with. It is always good to get this in the record.

Mr. WILLIAMS. Yes, sir, I believe that it is right.

Mr. PASSMAN. Let's put the current percentage in the record. It is about 46 percent. I think at an earlier date it may have varied from 40 to 60 percent. It was around 40 last year and it has now moved back up to 46 percent.

INDIA LOANS RESCHEDULED

Mr. PASSMAN. Have you rolled over any loans in your area during the current year?

Mr. WILLIAMS. There has been one loan, an early wheat loan for about $8.7 million, on which payment has been deferred, Mr. Chairman.

Mr. PASSMAN. What country is that?

Mr. WILLIAMS. India. This is as part of a $100 million deferment of debt under the aid to India consortium, of which our share was 8 percent.

Mr. PASSMAN. How many payments had been made on this particular loan before we started rolling it over?

Mr. WILLIAMS. I would have to check that, Mr. Chairman. I don't have it with me.

Mr. PASSMAN. What has been our total aid to India, from all spigots?

Mr. WILLIAMS. Total aid to India, all spigots through fiscal year 1970, is $7,835 million.

Mr. PASSMAN. You folks are up to date. We are not up to date. We have been trying to get copies of those green books. What is that figure again?

Mr. WILLIAMS. $7,835 million, Mr. Chairman.

Mr. PASSMAN. Now, when they have some of these smaller loans maturing, $8 million, we are having to advance the payment date,

or as I believe the Export-Import Bank would say, we are rolling it over, is that right?

Mr. WILLIAMS. Yes, sir, we rescheduled the payment on this loan.

Mr. PASSMAN. Rolling over simply means bring a past due account up to date under some mutual arrangement or agreement? Is that what you call rolling over? The terminology came out of the Export-Import Bank. They used the phrase "rolling over loans", which means bringing a past due loan up to date through mutual agreement.

Mr. WILLIAMS Deferring payment is the term.

Mr. PASSMAN. Isn't it bringing it up to date, giving them a new due date?

Mr. WILLIAMS. They were not going to default on this loan, Mr. Chairman, which is I think an important distinction to make. The question was one of correcting high terms for other donors of the better than $100 million proposed for deferment by the World Bank, other countries did more than 92-percent of the total. We joined in this exercise, because it was a multinational aid consortium exercise, in which an 8-percent participation by us yielded a 92-percent participation by the European countries.

Mr. PASSMAN. So again in order to accommodate other nations we roll over, or up-date an $8 million loan. What size is the loan?

Mr. WILLIAMS. It was a $189 million loan to finance wheat to India made before the Public Law 480 program was initiated.

Mr. PASSMAN. How many years ago?

Mr. WILLIAMS. 1951.

Mr. PASSMAN. That would be 20 years ago this year. Let's go back and review the original loan. What was the amount of it?

Mr. WILLIAMS. $189 million.

Mr. PASSMAN. How much do they owe us now on that loan?

Mr. WILLIAMS. The balance outstanding is $183 million, Mr. Chairman.

Mr. PASSMAN. $183 million. In 20 years then they have paid $6 million on the loan, is that correct?

Mr. WILLIAMS. The interest collected——

Mr. PASSMAN. I am talking now of the amount they have reduced the principal by.

Mr. WILLIAMS. A little more than $6 million.

Mr. PASSMAN. Exactly how much have they paid on principal?

Mr. WILLIAMS. $6,377,000, and the interest payments have been $32,873,000.

CAPITALIZATION OF A LOAN TO TURKEY

Mr. PASSMAN. How many loans in your area are you having to capitalize the small amount of interest that we are charging?

Mr. WILLIAMS. There is only one other dollar loan where we have capitalized interest, the steel mill loan for Turkey.

Mr. PASSMAN. What was the amount of that loan?

Mr. WILLIAMS. As I recall, about $120 million, Mr. Chairman.

Mr. PASSMAN. At what rate of interest?

Mr. WILLIAMS. It was a loan made by DLF.

Mr. PASSMAN. That is Development Loan Fund, the same thing we are dealing with now?

Mr. WILLIAMS. Yes, sir.

OTHER LOANS CAPITALIZED

Mr. PASSMAN. Do you have any others?

Mr. WILLIAMS. We find one loan to Eregli for $31.5 million.

Mr. PASSMAN. When was the loan made?

Mr. WILLIAMS. 1961.

Mr. PASSMAN. At what rate of interest?

Mr. WILLIAMS. 5¾ percent.

Mr. PASSMAN. What was the grace period?

Mr. WILLIAMS. A 20-year loan, 10-year grace period, 5¾ percent interest.

Mr. PASSMAN. Let me straighten this out for the record. This was a 20-year loan for $31 million, and you charged them an interest rate of 5¾ percent, is that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. And a 10-year grace period, but when the interest came due at the rate of 5¾ percent they couldn't pay it and you had to add it to the capital account, is that right? Is that the way it works out?

Mr. WILLIAMS. The company——

Mr. PASSMAN. Give me an answer or the continuity will be lost. You are capitalizing the accured interest.

Mr. WILLIAMS. This is a private loan. The company owed the interest, sir.

Mr. PASSMAN. I am not talking about who owes it. I am talking about a 20-year loan at the rate of 5¾ percent per annum. You had to capitalize the accured interest, is that right? If that is correct give me the answer and we will move on, is that the one?

Mr. WILLIAMS. We have found the other Eregli loan I was referring to, Mr. Chairman.

Mr. PASSMAN. The loan is what?

Mr. WILLIAMS. $117.3 million.

Mr. PASSMAN. $117.3 million, and what are the terms?

Mr. WILLIAMS. The 5-year grace, 20-year loan.

Mr. PASSMAN. Five year grace, no payment, 20-year loan. What is the rate of interest?

Mr. WILLIAMS. 5¾ percent.

Mr. PASSMAN. What is the accured interest? I will ask one final question: You had to capitalize the interest, is that correct?

Mr. WILLIAMS. We capitalized $19 million under both loans.

Mr. PASSMAN. $19 million.

Mr. WILLIAMS. Yes, sir, they paid $49 million in interest to date, while $19 million in interest was capitalized.

Mr. PASSMAN. But they couldn't pay the interest at 5¾ percent, so you had to add it to the capital account. Isn't it just that plain?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Thank you. That gives you an idea what happens. Since the beginning of July you AID people are going to put 20 percent of your salaries into these types of loans. Have you heard about that plan?

Mr. WILLIAMS. I think it is called the new Oxford movement. It is a plan that originated in England.

Mr. PASSMAN. It could very well be.

Mr. WILLIAMS. Where contributions are being made for aid by private individuals.

Mr. PASSMAN. Put in $1 and get back $6. We have some nations contributing $1 and getting $8. You are familiar with that. I think that is in your area too. That is out of one of these other spigots known as IDA, the International Development Association. I think it may be Pakistan and India. They are members. Some of them put in $1 and get back $8.

FISCAL YEAR 1971 DEVELOPMENT LOANS

Mr. PASSMAN. What a mess we are getting this country into. Would you furnish for the record the list of proposed development loans by country that form the basis for your fiscal year 1971 estimate?

Mr. WILLIAMS. Yes, Mr. Chairman.

(The information follows:)

Fiscal year 1971—Proposed loans for NESA:

[In millions]

Ceylon: Program loan	$7
India: Program loan	266
Pakistan:	
Program loan	110
Project loan	7
(a) SCARP organization and management	3.0
(b) East Pakistan WAPDA—Chittagong power distribution	8.0
(c) East Pakistan—Public health engineering	1.0
(d) Industrial trades development	4.5
Total	[1] 16.5
Turkey:	
Program loan	40
Project loan—Eregli steel	10
Summary:	
Program loans	423
Project loans	17
Total proposed loans for fiscal year 1971	440

[1] Projects now under review exceed the $7,000,000 currently planned for project financing in fiscal year 1971.

Mr. PASSMAN. Have you reduced the economic assistance program to any country in your area, due to the so-called Passman-Long-Conte amendment?

Mr. WILLIAMS. We have not as yet done that, Mr. Chairman. No payment has yet been made for sophisticated weapons.

Mr. PASSMAN. If you haven't that is a good enough answer, unless you want to elaborate.

Mr. WILLIAMS. We are enforcing the amendment but no payment has yet been made. I don't want to be misunderstood on that.

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How many of the seven countries in your area have family planning programs?

Mr. WILLIAMS. All of the countries that we are assisting have official family planning programs except Jordan, where the family planning program is privately sponsored.

Mr. PASSMAN. I thought the planning part of all of these programs were private. There is no government financing involved.

Mr. WILLIAMS. Yes, sir; there is none in the case of Jordan. Most countries have public programs as well as private programs. In Jordan it is a private program.

Mr. PASSMAN. Do we make any contribution to them?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What do you mean by private then?

Mr. WILLIAMS. Sponsored by private agencies.

Mr. PASSMAN. For instance? What agencies? Put something in the record on it.

Mr. WILLIAMS. Private citizens in Jordan who operate clinics—that sort of thing, Mr. Chairman.

Mr. PASSMAN. The other six—you have seven countries and six of these have a country family planning program.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. But the one in Jordan has only the private plan, and we are contributing to it. How much are we contributing to it?

Mr. WILLIAMS. We are not contributing to the program in Jordan, Mr. Chairman, except for training a few participants.

Mr. PASSMAN. I guess my question should have been asked differently then. How many of the seven countries in your area that have family planning programs are we contributing to?

Mr. WILLIAMS. Six, sir; directly. All seven receive help if we consider assistance from private voluntary groups to which AID contributes funds.

Mr. PASSMAN. Are you proposing to make any adidtional grants to any American voluntary agency, for family planning programs in your area during fiscal 1971?

Mr. WILLIAMS. Yes, sir; we are proposing a grant to the Population Council.

Mr. PASSMAN. Would you place the names of the countries in the record?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

AID-ASSISTED PROGRAMS OF THE POPULATION COUNCIL IN NESA COUNTRIES

AID helps to finance post partum family planning programs carried out by the Population Council in India. Programs are planned to begin in Turkey and Ceylon.

PROGRAMS FOR JORDAN

Mr. PASSMAN. What programs do you presently have in your area for Jordan?

Mr. WILLIAMS. There is a technical assistance program of about $1.9 million, Mr. Chairman.

Mr. PASSMAN. Military?

Mr. WILLIAMS. The technical assistance program is focused on agriculture.

Mr. PASSMAN. As long as you have the program that is all. I won't go into details about the brands of goods they are buying.

Mr. WILLIAMS. Technical advice in agriculture, primarily.

Mr. PASSMAN. No development loans?

Mr. WILLIAMS. No, sir. They are eligible for loans, but we do not contemplate a loan at this time.

LOANS TO ISRAEL

Mr. PASSMAN. Last year you indicated that you had disbursed $184,166,000 in development loans to Israel, and she had repaid $27,288,000 of these loans through 1968, is that correct?

Mr. WILLIAMS. It sounds right, Mr. Chairman.

Mr. PASSMAN. This year you show $138,934,000 being disbursed to Israel through fiscal 1969, and only $7,561,000 being repaid by her for the same period. You would think that these sums would get larger as each year is added to the total, would you not? Refer to page 3 of this year's justifications. We review all of these things when we markup of the bill.

Mr. WILLIAMS. One of the two figures has to be wrong, Mr. Chairman. I will be glad to check it.

Mr. PASSMAN. Reconcile the differences and give a little explanation.

Mr. WILLIAMS. Yes, sir.

(The information follows:)

ISRAEL—SUMMARY OF STATUS OF DEVELOPMENT LOANS

[In thousands of dollars and equivalent]

	Authorized	Obligated	Disbursed	Repaid
	Cumulative through fiscal year 1968			
Fiscal year 1970 project data book	195,238	195,238	184,166	27,288
	Cumulative through fiscal year 1969			
Fiscal year 1971 project data book	[1] 194,840	[1] 194,840	138,934	7,561
Adjusting entries [2]			55,751	29,477
Corrected balances	194,840	194,840	194,685	37,038

[1] Decrease of $398,000 from fiscal year 1968 results from deauthorizations/deobligations.
[2] Consists of local currency disbursements and repayments under the development loan fund-liquidation account which were inadvertently excluded from the table in the fiscal year 1971 project data book.

DEVELOPMENT LOAN FOR GREECE AND CEYLON

Mr. PASSMAN. On page 3 you indicate that $63,973,000 has been authorized in development loans for Greece through fiscal 1969. You also state that $63,692,000 has been disbursed through fiscal 1969, which would leave only $281,000 of the authorization to be disbursed at a later date. If this is true, and lacking any additional authorization, how can you obligate $4,996,000 for Greece in fiscal 1970?

Mr. WILLIAMS. The printing machine must have jumped a line there because that is a Ceylon figure which should be in the line above. $4,996,000 was obligated for Ceylon, which is listed just above Greece.

Mr. PASSMAN. It is a typographical error in the book?

Mr. WILLIAMS. A typographical error.

Mr. PASSMAN. Would you make that correction and give an explanation. It ought to be passed along to the others so that the books will be corrected.

CONSULTANTS

Mr. PASSMAN. Mr. Director, would you provide for the record a list of consultants by number and category beginning with the top pay down to the lowest pay?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

NESA SHORT-TERM CONSULTANTS AND ADVISERS, JULY 1, 1969–MAR. 31, 1970

[Persons engaged as direct-hire consultants to AID for fiscal year 1970 as provided by sec. 626 of the Foreign Assistance Act]

Country and name	Field of activity	Daily rate	Period of time (days)
India: Mr. Ralph Cummings	Agriculture	$80	12
NESA/Washington:			
Mrs. Ann Hamilton	Program budget planning	85	14
Do	Population	85	4
Turkey: Mrs. Anne Krueger	Trade policy	90	48
NESA/Washington:			
Mr. John Lewis	Agriculture	100	2
Mr. Charles Lindblom	do	100	3
Mr. Malcolm Slaght	Industry	100	12
India:			
Mr. George Stolnitz	Population	100	9
Mrs. Irene Taueber	do	80	54
NESA/Washington: Mr. Leon Wolcott	do	100	11

Personal service contracts financed by AID providing short-term assistance for cooperating countries pursuant to pt. I, ch. 2, and secs. 635(b) and 636(a)(3) of the Foreign Assistance Act

Afghanistan: Dr. Thomas C. Thorstensen	Industry	$150	6
India:			
Mr. Louis H. Bean	Agriculture	150	42
Mr. Gabriel M. Della-Piana	Education	100	21
Mr. Ernest E. Donath	Industry	120	63
Mr. Howard N. Sloane, Jr	Education	100	21
Dr. Myron Weiner	Population	150	30
Jordan:			
Mr. Ivan J. Alten	Public administration	85	32
Mr. Leonard L. Haldorson	Agriculture	69	44
Nepal: Mr. Arthur P. Colardarci	Education	100	35
Pakistan:			
Mr. David Ching Heng Hsi	Agriculture	70	42
Mr. David Dattelbaum	Industry	150	96
Mr. C. Thomas Dean	Education	98	42
Mr. Claude H. Ewing	do	90	42
Mr. Robert A. Hammond, III	Public administration	240	60
Mr. John W. Mellor	Agriculture	125	45
Mr. Richard D. Morgenstern	Education	74	120
Mr. Charles L. Thomas	Labor	71	63
Turkey: Mr. Lewis V. Olsen	Industry	100	10
Cento:			
Mr. Ralph U. Battle	Agriculture	100	42
Mr. Charles G. Grey	do	92	40
Mr. Glenn H. Pogeler	do	125	62
Mr. Allen R. Roth	Public administration	129	34
Mr. George Spaur	Agriculture	85	30
Mr. Ernest Stebbins	Health	75	38
Mr. Bruce G. Thompson	Public administration	100	12
Mr. Robert Wright	Health	75	28
NESA Regional Programs: Mr. Alvin Bishop	Agriculture	100	125

AFGHANISTAN

Mr. PASSMAN. The estimate for Afghanistan for fiscal 1971 is $6,728,000; is that correct, sir?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. You state on page 3 that the newly elected government is trying to mobilize economic resources and write legislative reforms which will increase the revenue base and provide domestic resources which will enable this country to make a major contribution to her development; is that right, sir?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Since most of our foreign aid to this country is used for development, how soon in the future do you expect Afghanistan to be able to provide the major contribution for her own development?

(Discussion off the record.)

Mr. PASSMAN. I say this for the record. We have involved this great country of yours and mine in so many entanglements around the world that it is really frightening, such as, going into these little countries with all of these programs. It is a nightmare, to be frank with you. It is hard for me to realize that we have gotten ourselves into this mess around the world.

I note on page 6 that Afghanistan remains eligible for development lending, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. How long have they been in this eligible category?

Mr. WILLIAMS. Since we have had a program in Afghanistan.

Mr. PASSMAN. I thought we went in one time with a very small grant aid program, but did not anticipate making any development loans. What is the total amount of loans made to Afghanistan under this 46-percent subsidy arrangement?

Mr. WILLIAMS. $45 million in loans, Mr. Chairman.

Mr. PASSMAN. I don't think you have anything in the program planned for Afghanistan this year, do you?

Mr. WILLIAMS. No, sir; no loans.

Mr. PASSMAN. Congratulations. Hold it that way and you will become more popular with the American taxpayer.

NONCONTRACT PARTICIPANTS

Would you explain, Mr. Director, the large increase in the number of noncontract participants estimated for fiscal 1970, this fiscal year, and the number proposed last year for the same period? Last year's proposal was 132. This year's estimate is 185.

Mr. WILLIAMS. The major increase has been for training under the Helmand Valley project. The national agricultural and family planning training programs are also increased.

Mr. PASSMAN. What would happen if you just lived within last year's estimates? Why don't we, gentlemen, come down to earth on these things? What we are doing is unpardonable. Inasmuch as you gave us the estimate of 132, why didn't you just live by it?

Mr. WILLIAMS. Training is one of the most important aspects of our program.

Mr. PASSMAN. You always have a reason. I don't care what you do, you have always got some reason, but why couldn't you just live within last year's estimate? You don't think your world would come to an end if you kept it at 132, do you? That is why this overall program, Mr. Secretary, jumped from $10,528 million to $12,133,525,000. They take it out of title I and scatter it throughout the budget, but you have to look at the grand total. The total just gets bigger, not smaller as most people think, when you put the pieces back together. The best time to pin this down is when we get into the personnel field, because it isn't just the salary of one of these people, it is everything that goes with the salary.

PERSONNEL OVERHEAD

For each dollar paid to an AID consultant or participant, what would be the overhead attached to that dollar?

Mr. WILLIAMS. On a contract it could vary from 50 percent to possibly 100 percent.

Mr. PASSMAN. Now, step 3. Let's make it all inclusive and include Government overhead and everything that goes with it. It is my understanding that for each $1 you pay out for personnel, there is $1.86 attached to it, so that it amounts to $2.86 in reality, as far as the expenditure is concerned, and not $1. Does that sound reasonable?

Mr. WILLIAMS. Yes, sir. It might argue for speeding up the number of participants, to bring the per unit cost down, Mr. Chairman.

Mr. PASSMAN. It might argue the day that we finally go broke in this country through inflation too, have you ever thought about that? We are borrowing this money. The insurance that I bought to protect my family has lost 54 percent of its value since I have been in Congress. Just during my friend President Johnson's 5 years in office the purchasing power of the dollar dropped 21 percent. I know that you people have reasons for all of this, but I wish you would just give it a little thought since we are borrowing this money.

Do you realize that during the 10 years from 1960 to 1970, when this thing really began to grow, the greatest tax collecting period in the history of America, we went out and borrowed and additional $57 billion and spent it? Then we passed 109 statutory obligations that you will begin to feel a few years from now.

INCREASE IN NONCONTRACT PARTICIPANTS

Last year it appeared that a number of these so-called noncontract participants were being decreased, but this year it seems the trend has reversed and increases are estimated over the 3-year period, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Give us some reason why it had to be that way.

Mr. WILLIAMS. The importance of training, Mr. Chairman.

Mr. PASSMAN. It is rather disillusioning to examine on a program and feel some little hope that we may be on the way to straightening a few things out and then when we just run hurriedly through your records we find out the following year that what you said the previous year is not holding up.

Mr. WILLIAMS. You asked earlier, Mr. Chairman, the time when Afghanistan could contribute to its own development. That will be much sooner if she can move training forward.

Mr. PASSMAN. Then why didn't you cut down from 132 to 50. Do you realize they may get along better without us? Just because you have a lot of bureaucrats over there, doesn't mean you are making any progress.

Mr. WILLIAMS. I think you misunderstood me, Mr. Chairman.

Mr. PASSMAN. No I didn't misunderstand you. You indicated they were making great progress.

Mr. WILLIAMS. No, sir; I say that time comes sooner if they can step up the training.

Mr. PASSMAN. In other words, if you would increase it by three times, you mean you would cut the time by two-thirds?

Mr. WILLIAMS. The most valuable thing we can do in Afghanistan is to help train people. That is the great shortage, lack of professional people in almost all categories, Mr. Chairman.

Mr. PASSMAN. Let's look at the record.

Mr. WILLIAMS. In planning ahead, one of the constraints on more training has been, for example, the English language ability. If you find a few more people who have qualified in English language you can step up the number you can take.

Mr. PASSMAN. It would be a lot better if you could put them out in the free enterprise system, let them start earning money to support this ever-growing government and try to get this public debt under control before we wreck the welfare of your children and grandchildren.

Mr. WILLIAMS. The free enterprise system is beginning to develop in Afghanistan.

EXPANSION OF AID PROGRAM

Mr. PASSMAN. Couldn't you say the same thing about the other 121 nations you have had this aid program operating in? I challenge any man to disprove the accuracy of my statement, because it came from you people. You finally moved this aid program into 121 nations and seven territories, and you put an umbrella over the entire population of the world, with the exception of 36 million, before this committee with the help of others began to bring this thing under control. This is something new, this concept of trying to run everybody's business all over the world. How long has Afghanistan been out there? How long have you had a civilization out there?

Mr. WILLIAMS. A long time, Mr. Chairman.

Mr. PASSMAN. How long, gentlemen? I am not trying to be ugly. I want to make a point. Let your assistant answer that.

Mr. WILLIAMS. A couple of thousand years.

Mr. PASSMAN. At least 2,000 years?

Mr. WILLIAMS. At least that, perhaps more, sir.

Mr. PASSMAN. But a minimum of 2,000 years.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. And they have been getting along all right. They have been living and rearing families and going to church and doing things, haven't they, for 2,000 years?

Mr. WILLIAMS. There have been people living in that area for a long time.

AID TO THE U.S.

Mr. PASSMAN. Do you realize 181 years ago we only had a population of 3 million Americans, primitive and underdeveloped, but we worked out our own problems. Don't you think those people are capable of working out their own programs by their own standards?

Mr. WILLIAMS. We got a good deal of assistance in capital flows from Europe.

Mr. PASSMAN. We didn't get a penny. Get the testimony and let's put it in the record now. I knew you were going to say that. I am going to show you that you are wrong. I am going to quote your own Secretary of State. Let's have it. We made some very high interest rate loans.

Mr. WILLIAMS. These were private capital flows.

Mr. PASSMAN. This is not private capital. We are talking about government, government to government. Let's read the record. I knew we would get to that. We might as well pin it down now. Wait just a minute. We are going to put it in the record. Every time we begin to establish the facts you people run for the showers and you just don't have any cover waiting for you. European nations didn't give us a dime, and I am going to quote your Secretary of State. I put it in every year because if I don't keep it up to date, my successor, you understand, may let some of you people get by with that statement. Let's just take a little respite from our labors and put it right in the record.

This is on page 1733 of the 1968 hearings:

> Mr. Passman, you mentioned a moment ago that when the United States was 7 years old we were seeking soft loans and were trying to get arms from other countries. But your own very factual and good statement last year on page 1089 of the hearings captioned "Grant aid received by the United States from March 4, 1789; by State," is as follows: "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."

This is Secretary of State Rusk. Certainly we didn't get the aid. I thought I had better read it in. That was Secretary Rusk.

Mr. WILLIAMS. Afghanistan seeks our help, sir, and they value our assistance.

Mr. PASSMAN. Certainly. Who wouldn't value charity. My goodness alive, that doesn't justify giving away the wealth of this country, Mr. Williams. This is a new concept in foreign policy, and we are trying, before you people finally get us so involved we can never get out of it without a collapse in this country economically, to get it over to the American people that this country became great, free, strong, wealthy, quickly built around trade and firmness, not aid and appeasement.

INDUSTRIAL DEVELOPMENT PROGRAM

Mr. PASSMAN. I see you are proposing a new industrial development program which is estimated to cost $1,396,000, in what country?

Mr. WILLIAMS. In Afghanistan.

Mr. PASSMAN. Is this going to be tied in with commodities or is this a personnel program altogether?

Mr. WILLIAMS. The project is designed to assist the new Investment Advisory Center that the Afghanistan Government has set up to help private industry. It is to provide advisory services.

Mr. PASSMAN. So this is a personnel program. The words "industrial development" doesn't mean commodities.

Mr. WILLIAMS. The industrial side of it would be investments by Afghanistan entrepreneurs.

Mr. PASSMAN. I am talking about this $1,396,000. We are talking about paper and personnel, aren't we?

Mr. WILLIAMS. Yes, sir; advisors and participants.

Mr. PASSMAN. No plants are going to be built out of it.

Mr. WILLIAMS. Advisory help; yes, sir.

Mr. PASSMAN. I understand. Do you know how much $1,396,000 is? It is a lot of money, isn't it?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. This is just one little bit out of the $12,133,525,000. How many personnel would be involved?

Mr. WILLIAMS. Three advisors full time plus short term consultants.

KABUL UNIVERSITY PROJECT

Mr. PASSMAN. I note your estimate of the total cost of Kabul University administration project has increased over last year's estimate by $253,000, is that correct?

Mr. WILLIAMS. Yes, sir, that is correct. It is a revised cost estimate. No change in plans is envisioned.

Mr. PASSMAN. The same thing. You are just getting closer to what it is going to cost us and it is up, is that correct?

Mr. WILLIAMS. Yes, sir.

FINANCIAL ADMINISTRATION PROJECT

Mr. PASSMAN. I note you have extended the life of the financial administration project by 4 additional years and increased the total cost by $471,000. Since this project began in 1956, don't you think it is about time we completed this project?

Mr. WILLIAMS. The question of revenues, which was discussed earlier, Mr. Chairman, is exceedingly important in Afghanistan. A new minister has requested that we extend assistance for several years, particularly to help in terms of improving customs collections.

Mr. PASSMAN. Does that mean you have to do it because he asked for it? Why don't you tell him to go fishing, that we have to borrow this money. We are in a serious mess in this country, while we were closing down Hill-Burton hospitals, closing down flood control projects, bankrupting contractors, postponing building badly needed buildings such as post office buildings, not one single aid project on the face of the earth was curtailed or abandoned on account of the shortage of money. Every one of them went full steam ahead. I wonder why you people don't get the courage some time to turn them down and say, "Mister, we have gone as far as we can. We are not going to make any

additional commitments until we find out where this program is leading us." Just because some minister or some new person gets in office and wants to start a pet project, doesn't mean that you have to yield to him. You know that.

Mr. WILLIAMS. The extension of this project made good sense to us, Mr. Chairman.

Mr. PASSMAN. How old is the project? It has been going since 1956. That is 14 years. All at once you decide you have to extend it and increase the amount of money. Why didn't you know that originally? Had it been properly planned you wouldn't have had to come in here and increase it, would you?

Mr. WILLIAMS. There is no cookbook for development. You can't tell exactly how fast progress will be made.

Mr. PASSMAN. The project has a name, don't you have objectives?

Mr. WILLIAMS. Yes, sir, we have objectives. It did seem that the extension of two advisors——

Mr. PASSMAN. That is not personal, Mr. Williams.

Mr. WILLIAMS. I understand that, Mr. Chairman.

ECONOMIC PLANNING PROJECT

Mr. PASSMAN. You people are getting us so involved, you are nickel and diming us to death all over the face of the earth. I see the economic planning project is scheduled to terminate this year. If that is true, would you please explain why you need an increase of $310,000?

Mr. WILLIAMS. That is a revised cost estimate. No change in the scope of the project is planned.

Mr. PASSMAN. Revised upward though I notice.

Mr. WILLIAMS. Yes, sir, because costs have been running higher than we estimated a year ago.

Mr. PASSMAN. I will bet you with the exception of one or two in this room that this one little figure here is greater than the life savings of almost any person here. You just think nothing about increasing it, $310,000, $1.4 million, or $1.5 million. When did this project start?

Mr. WILLIAMS. 1961, Mr. Chairman.

Mr. PASSMAN. What is the total cost?

Mr. WILLIAMS. $2,791,000 is the revised estimated total cost of completing the project.

Mr. PASSMAN. What is the total?

Mr. WILLIAMS. $2,791,000.

Mr. PASSMAN. What was the original estimate when the project was started?

Mr. WILLIAMS. We will have to check that.

Mr. PASSMAN. Let's just take your time. You are bound to have some books here.

Mr. WILLIAMS. This goes back to 1961.

Mr. PASSMAN. Put it in the record.

(The information follows:)

ECONOMIC PLANNING PROJECT

The original estimated total cost to complete the Economic Planning Project was $1,549,000.

NUMBER OF NATIONS AND TERRITORIES RECEIVING AID

Mr. PASSMAN. May I direct a question to the Controller. Maybe I forgot to ask this question earlier.

I want to make it all inclusive now. You have many different forms and types and brands of aid under 27 spigots that you will disburse funds from in fiscal 1971, either present appropriations, new appropriations, prior appropriations, and to add one more statement, "in the pipeline yet to be disbursed". How many nations in fiscal 1971 will you make disbursements in?

Mr. FLINNER. I believe the figure is 97, sir, 97 countries and six territories.

Mr. PASSMAN. Ninety-seven nations and six territories. What territories and what nations, Mr. Comptroller?

Mr. FLINNER. The territories are in Latin America, British Honduras.

Mr. PASSMAN. That is a possession of Great Britain?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Number two?

Mr. FLINNER. Surinam, a possession of the Dutch.

Mr. PASSMAN. The Netherlands?

Mr. FLINNER. Yes.

Mr. PASSMAN. I am addressing a question to this very able Comptroller. From what State are you originally?

Mr. FLINNER. Kansas.

Mr. PASSMAN. Kansas is part of the United States, is it not?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Why don't we just face up to it? Here are two nations, and if we give aid to their possessions and people would it not be just as well to include them as two more nations?

Proceed with territory three. Who are they?

Mr. FLINNER. The West Indies, which is also British West Indies category.

Mr. PASSMAN. Another part of Great Britain. Is that correct, sir?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. And the next one?

Mr. FLINNER. Hong Kong.

Mr. PASSMAN. Number 5.

Mr. FLINNER. Ryukyus Islands.

Mr. PASSMAN. Possession of?

Mr. FLINNER. It is under the mandate right now of the United States.

Mr. PASSMAN. Number 6?

Mr. FLINNER. The British Islands in the Pacific under Great Britain.

Mr. PASSMAN. Would we not be just as accurate in saying we are disbursing funds in 99 nations and four territories of the world.

Mr. FLINNER. If you call two of these——

Mr. PASSMAN. Not "if" anything. If Kansas is part of the United States—and it is—then these possessions are part of Great Britain and you are disbursing funds to their subjects. Is that correct?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. From here on out it will be 99 nations and four territories.

Mr. FLINNER. You are adding the two nations as being the Netherlands and the United Kingdom.

Mr. PASSMAN. Right you are. You branch off and call them territories. Just because you do that it does not alter the fact that they are British subjects.

Mr. FLINNER. Then there would be no territories.

Mr. PASSMAN. There are four territories.

I am willing to take out the territories. Do you have any others? Other than the United Kingdom and the Netherlands?

Mr. FLINNER. Except the Ryukyu Islands under the United States.

Mr. PASSMAN. Ninety-nine nations, then.

Mr. FLINNER. The type of assistance we are giving those countries is Public Law 480 basically through voluntary agencies.

Mr. PASSMAN. What difference does it make? You had to buy it, did you not, before you could give it away? Is that right?

Mr. FLINNER. Public Law 480 commodities had to be purchased.

Mr. PASSMAN. With the taxpayers' money. Is that right?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. So we have 99 nations. How about Kuwait? Are they included?

Mr. FLINNER. We are not giving assistance to Kuwait.

Mr. PASSMAN. Let us take our time. We are indirectly, are we not? Didn't we establish that for the record a few days ago? Sure Kuwait is in there.

Mr. FLINNER. It is not one of the 121 countries to which we gave assistance.

Mr. PASSMAN. No, you will have some for Kuwait in fiscal 1970 and 1971.

NATIONS RECEIVING U.N. ASSISTANCE

Let us go into the U.N. briefly. I think our average contributions is in the neighborhood of 40 percent of the grand total, is it not?

Mr. FLINNER. In the UNDP program it is about 40 percent.

Mr. PASSMAN. So if a nation is participating under one of the United Nation's programs indirectly they are getting support from the United States, are they not? Is that correct?

Mr. FLINNER. I think you could say indirectly, yes, sir.

Mr. PASSMAN. You can say it any way you want. If we are putting up 40 percent of the total when we disburse those funds, on the average, that means 40 percent of whatever this grant may be would be a U.S. grant indirectly, would it not?

Mr. FLINNER. They are receiving assistance, I understand.

Mr. PASSMAN. I am not trying to put words in your mouth. They are.

If we are contributing 40 percent of the grand total then when these funds are disbursed on an average, the mean average is whatever the nation gets, 40 percent of it is U.S. aid. Is that right?

Mr. FLINNER. I would say they are receiving aid from the U.N. We are contributing to the U.N. contributions.

Mr. PASSMAN. What is wrong with my question? Do you want to be evasive? To me it is pretty direct. If they disburse all of these funds under an accepted formula, when the funds are finally disbursed 40

percent of them would have been United States and 60 percent from other sources. Is that right?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Now find out how many nations are getting aid from the U.N. that are not listed among the 99 we just established. Will you do that?

Mr. FLINNER. Yes, sir. I would assume most of the U.N. nations are getting some contribution.

(The information follows:)

There are 18 independent national states which will be receiving assistance in fiscal year 1971 from United Nations organizations which receive voluntary contributions from the United States. These 18 countries are not included in the 99 national states that will receive U.S. economic assistance, U.S. military assistance or Public Law 480 disbursements in fiscal year 1971.

Mr. PASSMAN. If you think I am enjoying doing this, think again. We are even aiding Cuba. They get substantial aid. They put in $1 million and got out $8 million, Mr. Secretary.

(Discussion held off the record.)

INDIA

Mr. PASSMAN. India is next. For fiscal year 1971 you are requesting $276,550,000. Is that correct, Mr. Director?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. As Dr. Hannah would say, this is the asking price. You know the taking price is far below that figure. However, this is $73,095,000 over what you were allotted this past fiscal year. Is that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What has been the total figure for aid given to India from all spigots?

Mr. WILLIAMS. $7,835,000,000.

Mr. PASSMAN. What do you have in the pipeline to the credit of India that will be disbursed subsequently if your present plans materalize?

Mr. WILLIAMS. $559 million approximately from all spigots.

RUSSIAN MILITARY ASSISTANCE

Mr. PASSMAN. I believe we established earlier that the Russians have three airplane plants in India, either one or two Mig plants. You are familiar with that, are you not?

Mr. WILLIAMS. I understand the Russians have provided equipment for airplane plants which have been built in India, is that correct?

Mr. PASSMAN. I will restate the question. You can refute it or confirm it. Russia has three airplane plants in India, one of them being a Mig plant, manufacturing Mig fighters, and it is assumed that one of the others will manufacture Mig fighters as well. Can we have some information volunteered from Defense on that?

Mr. KNAUR. There are those plants in India, yes.

Mr. PASSMAN. How about the submarine plant? I believe the Russians are building that in India, are they not?

Mr. KNAUR. Yes, sir. The Indians are building a naval base with major Soviet assistance.

Mr. PASSMAN. Let us take a brief recess to answer a roll call.

(Short recess taken.)

Mr. KNAUR. I wonder if I might research that submarine base in India a little more, Mr. Chairman, and submit a complete report for the record?

Mr. PASSMAN. Certainly we want it complete.

(The information follows:)

MIG PLANTS AND NAVAL BASE IN INDIA

The Soviet Union has provided India with extensive assistance for the construction of three aircraft-associated plants for the specific purpose of assembling and later producing the MIG–21 fighter for the exclusive use of the Indian Air Force. Of these three Indian-owned plants, one is for manufacture of the airframes, another for the manufacture of the jet engines, and the third for the manufacture of instruments and electronic components.

Mr. PASSMAN. I believe that under the date of March 19, 1970 the Washington Post said:

India soon will start manufacturing a modified version of the Soviet MIG–21 fighter known as the MIG–21–M, Parliament was told today.

Lalit Mishra, minister for defense production, told questioners that the country was on the point of reaching self-reliance in the manufacture of the combat aircraft.

The government-run aircraft concern, Hindusan Aeronautics, was conducting research for a better combat plane for ground attack roles, he said.

I want the record merely to establish the facts.

Mr. KNAUR. If I may do that for the record, then, to complete this?

Mr. PASSMAN. Yes.

(The information follows:)

MANUFACTURE OF MODIFIED MIG–21 AND DEVELOPMENT OF AN INDIAN FIGHTER AIRCRAFT

It appears that when the present MIG–21 program has been completed India will begin production of an improved version of the MIG–21, the MIG–21–M——

Hindustan Aeronautics Ltd. is presently conducting developmental work on the HF–24 "Marut" fighter. Current efforts center on the development of an Indian designed afterburner which will give the HF–24 improved performance capability.

EFFECTS OF ECONOMIC AID ON MILITARY EXPENDITURES

It was my understanding, if the director does not mind my getting some factual points in the record, most countries spend a percentage of their GNP for their defense and on military equipment. Is that your understanding?

Mr. KNAUR. That is correct, sir.

Mr. PASSMAN. Certainly if we provide the dollars or the commodities that a country needs, then that releases to them a larger portion of their own resources to spend on the programs they want, such as military. Would you agree that is correct?

Mr. KNAUR. That is correct.

Mr. PASSMAN. So where we take the position that we are not helping, let us say, Pakistan, it is simply because we are not helping India with the military. However, we do permit India to utilize its own resources in building up a strong military, and they indicate that they

are, because we are picking up the tab on the commodities they need for their own economy.

Then we move over to Pakistan and we find we have a large program going. Here we have driven Pakistan into the arms of Red China. To me it is rather confusing in regard to the direction we are traveling out there. We are permitting Russia to build MIG plants while we pick up the check on these domestic commodities. Then we do the same thing in Pakistan and let her get her military equipment from Red China. It seems to me that is a peculiar situation.

Mr. WILLIAMS. Mr. Chairman, our economic aid induces these countries to spend more of their resources on economic development.

Mr. PASSMAN. I just read into the record what India said about how she built her military. You know very well that if you did not have the economic aid program these nations would not be able to spend as much money as they are spending on their military.

We see Russia arming India and China arming Pakistan. Yet we are going in with billions of dollars in aid to those countries.

Mr. WILLIAMS. I think they would spend what they felt they needed for their security, Mr. Chairman. An example of this is when Russia cut off economic assistance to China that military defense budget to my knowledge did not decline, sir. China met its minimum security requirements.

Mr. PASSMAN. Giving India $7.5 billion did not enable India to use her resources to have a stronger defense?

Mr. WILLIAMS. I think they spend what they need for security.

Mr. PASSMAN. What if they could not have spent it, if they had not had this $7.5 billion? Are you telling me they would have been able to spend $7.5 billion, the same amount on defense, if they had not had this $7.5 billion?

Mr. WILLIAMS. With 3½ percent of their——

Mr. PASSMAN. Why don't you——

Mr. WILLIAMS. I think they could have. Our aid certainly makes it easier, but I wanted to point out there is no direct one-for-one relationship on this.

Mr. PASSMAN. Don't tell me there is no direct relationship. Here is Russia arming India to the teeth. They have three Mig plants. You get the information on the submarine plant navy base. While they have been building these plants and arming themselves we have given them, through this aid program, $7.5 billion. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. If we had not given them that $7.5 billion do you think they could have made progress and at the same time have had a stronger military establishment?

Mr. WILLIAMS. They would not have made as much economic progress, Mr. Chairman, and that is my point. You could as well say that economic assistance from the Russians could be said to be helping them have a stronger military establishment.

Mr. PASSMAN. There is no place for common sense and common logic here, is there? You people are such dreamers and so convinced that two wrongs make a right. There is no way in the world to get you to agree with the statistics of life. We know what Russia is doing in India and we know what Red China is doing in Pakistan.

I don't have the facts of life about this but I do know this—that the overburdened American taxpayer is putting up the money for all this free stuff we are giving them. If you refer to page D–3 and look at the official gold reserves of India, they have increased their gold to $914 million from 1965 to 1969. Is that correct?

Mr. WILLIAMS. Yes, but the government is accelerating the development program and we expect a decline in the future.

Mr. PASSMAN. If we had more money than we knew what to do with it would be different.

In our hearings last year, on page 1000, it was stated that India would seek to reduce net aid to zero in 10 years. Further, net aid was defined as being the amount of aid received after repayments on past debts were made. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. If they are going to zero it out why did you have to increase it so substantially this year?

Mr. WILLIAMS. India has to grow faster in order to reach that point, Mr. Chairman. They do need our help and the help of other countries for the 10 years projected to accomplish the objective.

Mr. PASSMAN. I can almost put up as much as the other countries are putting up. You know and I know that the amount other countries are contributing to India is minimal. Most of it comes from Great Britain.

Mr. WILLIAMS. No, sir; the other countries include Germany and——

Mr. PASSMAN. I know, but——

Mr. WILLIAMS. Japan.

LOAN TERMS WITH INDIA

Mr. PASSMAN. They are getting the cream. What are the average terms of our contracts with India, so-called loans?

Mr. WILLIAMS. Forty-year loans, sir. There is a 10-year grace period.

Mr. PASSMAN. Mr. Director, if these people are making that much progress and they say they are not going to need outside aid in another 10 years, that statement was made a year ago, then why are you continuing to make these loans on a 40-year basis?

Mr. WILLIAMS. They have not made the progress yet, Mr. Chairman.

Mr. PASSMAN. They say that. Who are you to be superimposing your judgment on the leaders in India?

Mr. WILLIAMS. They need further years of help, is what these leaders say.

Mr. PASSMAN. Why do you want to enter into an agreement which matures in some 40 years with a 10-year grace period, if they are making this kind of progress? Why not cut these loans down to 20 years at a standard rate of interest?

Mr. LONG. If they have so much money that they can buy all these arms from the Iron Curtain countries, this should be added in there.

Have you by any chance read the series of articles in the New Yorker on Calcutta?

Mr. WILLIAMS. I have not read them, sir.

Mr. LONG. I think they should be obligatory reading for anybody in the foreign aid business. If there is ever a horror place, it is Cal-

cutta. When you read this you will wonder how any country could ever get itself up out of the situation that exists in Calcutta and in a lesser way elsewhere in India.

To think that we are cooperating with the Indians and giving them money which they are then allowed to divert indirectly into arms. I think this is outrageous. I think the chairman should be congratulated on raising cain on this. I wish you people would be more forthright in responding to it because you people are parading under a piece of consummate intellectual dishonesty when you claim there is no connection between the money we are pouring into India and the amount they are pouring into arms, both their national defense—threatening Pakistan—and buying arms from Russia.

How can you people in good conscience defend that type of thing? There are horrible conditions existing in that country. Some of the States are going Communist. We have that internal threat. How can you people defend that? Or are you just being good soldiers going along with the State Department line?

Mr. WILLIAMS. Forty percent of our proposed aid is in agriculture, Mr. Congressman, to help these people feed their own population, for fertilizer, for research, for technical advice. Our aid brings about programs which would not otherwise take place.

Mr. LONG. That country is not going anywhere in a hundred years at the present rate.

Mr. WILLIAMS. No, sir; I don't agree with that.

Mr. LONG. You should be honest and forthright with us.

Mr. WILLIAMS. I hope I am, Mr. Congressman.

Mr. LONG. I don't think you are. I think you should examine your conscience. You know what horrible conditions there are in India. To allow a country like that to go on spending money on arms, threatening Pakistan, and Pakistan doing the same year after year, and then claiming that in another decade India will be on its own because the country is doing so well. I don't see how anybody who is intellectually honest can maintain that position.

Mr. WILLIAMS. It is their own target, Mr. Congressman.

Mr. PASSMAN. But we are financing it.

Mr. LONG. You are pretending it is a realistic thing, and it is not.

Mr. WILLIAMS. No net borrowing of money after 1980, is the government target.

Mr. LONG. You are acting as if you believe that.

Mr. WILLIAMS. I believe it is possible in 10 years for India to achieve that target if it gets the help it needs now. That is what I believe, Mr. Congressman.

Mr. LONG. And they continue to drain our aid indirectly off into these tremendous arms purchases.

Mr. WILLIAMS. And to say a country will not make progress in 100 years is a very extreme statement. One hundred years is a long time. The world changes a great deal in 100 years.

CONCESSIONARY INTEREST RATES

Mr. PASSMAN. In response to your direct statement, Mr. Williams, that you believe it is a possibility that they could be self-supporting

in 10 years, then why are we borrowing money at 7 and 8 percent here in America and making it available to India at 3 percent or 2 percent for the first 10 years? Which is it?

Mr. WILLIAMS. Two percent for the first 10 years.

Mr. PASSMAN. Then 3 percent with a 10-year grace period?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. In reality this does not make sense—that they are so close to being self-supporting. Let me finish my statement.

Mr. WILLIAMS. All right.

Mr. PASSMAN. And at the same time you are extending these terms at concessionary interest rates. Even if they repaid this in 40 years, why don't you at least submit proposals to these people requiring them to pay the same amount of interest on these loans that we have to pay in order to borrow the money? That is one of my gripes.

These people, not only in India but also other places, if they are getting along as well as some of you people seem to think they are, there is certainly no need to be making 40 and 50 year loans at a concessionary interest rate. Undoubtedly you do not discount this sound logic?

Mr. WILLIAMS. Mr. Chairman, it is getting concessionary aid on these soft terms which makes it possible for India to be more self-reliant in 10 years. If you were to step lending up to commercial terms India could not make it.

Other countries are giving India concessionary terms.

Mr. PASSMAN. You people say it is necessary to promote other country contribution, that it is Uncle Sam's business to prevail on these other people to do this. The time has come for you to stop justifying what they may or may not be doing. Limit it to the United States at this particular point so as to make a record.

You are continuing to make these concessionary loans, are you not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. If they were as good as you indicate they are, and some of the witnesses have indicated, they are concessionary.

If you forsee the type of progress you have indicated, then why do you want to make loans for 40 years? Why not cut them back to 20 years? That is 10 years beyond the time that these people should be attaining self-reliance.

Mr. WILLIAMS. Because India needs this help in order to make the target of self-reliance net of repayments in 10 years. Indian has a long development prospect ahead. If we burden it with debt it will continue to need more help.

Mr. PASSMAN. Some of these loans are two step loans, aren't they?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. You are making the statement these things will happen. Let me say calmly, and I don't want to quarrel with the philosophy of other people—they have the right to go barefooted if they want to—I happen to know that we became great, free, strong, and wealthy quickly, had the respect of the nations throughout the world when we built our trade on firmness. We exchanged that philosophy for appeasement and aid.

Giving away our wealth is relatively new. It is about 24 years old, is it not?

Mr. WILLIAMS. Yes.

U.S. PUBLIC DEBT

Mr. PASSMAN. It is a new vehicle. You people have gotten so involved but we should look at the public debt, Mr. Director. Do you know what it really is today? I will cite this little story from the record as I recall it.

During our first 180 years of existence we grew from 3 million to 204 million people, we collected in taxes from the American people $2,235 billion. For every dollar we collected and spent, averaged out for the entire 181 years, we put this country in debt an additional 71 cents. Along with each one of those dollars in two categories—one, borrowed money which is now $375 billion; No. 2, statutory obligations. The statutory obligation says to the people in America that "We will give you this in subsequent years for some service you previously rendered and for which we created no reserves whatsoever."

To carry out the cost of those statutes which are firm and on the books, it will cost $1,300 billion.

So if you people realize that when you pass a statute it is just as much an obligation to be retired as it is to retire the bond you bought. We don't think of it as an obligation. However, our per capita obligation is $8,210.

The Civil War was officially concluded 105 years ago. Do you realize that every month we are still mailing out over 1,000 checks to relatives of Civil War veterans? It gives you an idea of how long it takes to retire these obligations.

We have actually, therefore, committed ourselves to a point that I don't konw whether or not we could operate without inflation. I don't know what kind of a mess we have gotten ourselves into. It is over my head. However, I know this—we are adding to it greatly by taking unto ourselves the responsibility of continuing some type of foreign aid, present, new or past, into 99 nations in fiscal 1971.

Mr. LONG. You maintain that India will be self-supporting in 10 years. Is that the statement you made, Mr. Secretary?

Mr. WILLIAMS. The policy of the Indian Government is to reduce net aid to zero by 1980, Mr. Congressman.

INDIA'S PER CAPITA GNP

Mr. LONG. What is the per capita gross national product of India right now?

Mr. WILLIAMS. $87.

Mr. LONG. What do you estimate it will be 10 years from now? This is in real terms.

Mr. WILLIAMS. It will still be quite low.

Mr. LONG. Name it.

Mr. WILLIAMS. I estimate $120.

Mr. LONG. What is the per capita gross national product in South America right now?

Mr. WILLIAMS. About $450.

Mr. LONG. And we are providing aid to Latin America at the present time?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. What makes you think that if India even succeeds in getting up to this $120 in 10 years, where she will be half of the gross national product of Latin America, and we give aid to Latin America, what makes you think we will be off the hook in 10 years in India?

Mr. WILLIAMS. I don't think you calculate aid requirements and I don't think of development aid as being related solely to the gross national product as such, Mr. Congressman.

Mr. LONG. What is it related to, then?

Mr. WILLIAMS. That is one index, certainly, but it is related to a balance of payments gap associated with a development program. It is also related to whether a country is able to carry forward with its own investment program, whether it has enough technical and organizational skills, whether it has policies which stimulate development and savings. In India you are dealing with potentially one of the great industrial countries of Asia.

Mr. LONG. But not at $120 per capita a year 10 years from now?

Mr. WILLIAMS. But the ability to produce capital equipment for its own investment, the ability to grow enough food, can be independent of the per capita GNP.

Mr. LONG. How? If it is so good and does not yield any more than that as a gross national product per capita, that is miserably low. How can you say it is a success story?

Mr. WILLIAMS. I didn't say it is—living standards will still be low.

Mr. LONG. Or will be in 10 years?

Mr. WILLIAMS. I said it is the policy of the Indian government to be independent of foreign aid as rapidly as possible, that they have set for themselves a target——

Mr. PASSMAN. Please answer the question.

Mr. WILLIAMS. Zero of net aid by 1980. This is what they are trying to achieve. They don't like getting our aid. They need it but would like to do without it as rapidly as possible consistent with making headway with development.

Mr. LONG. What I would suggest is this: What you folks are doing is cooperating with Indian in telling us on the one hand that the situation is so bad we have to give aid, and on the other hand telling us that it will be sufficiently good in a few years so that we are encouraged to keep on throwing money down that particular hole. I think you are giving us two stories. I think you have been doing it all along.

I do not think this sounds to me like any kind of prospect at all, not that your statements hang together.

Mr. WILLIAMS. We have terminated economic aid to Taiwan and the GNP is $263 per capita.

Mr. PASSMAN. What assurance did you have that they would not have had just as good a GNP? Are you taking full credit?

Mr. WILLIAMS. At $263 per capita that is very low, but Taiwan does not need economic assistance from the outside world today. There are factors here——

Mr. LONG. I know the story in Taiwan. That does not offer any assurance about India at all. India is the most discouraging picture in the world today. You must know it. Anybody who goes over to study India comes back almost overwhelmed with the problems and lack of progress.

Mr. WILLIAMS. There are tremendous problems in India.

Mr. LONG. I hate to see you come in and tell us that we have to keep on giving them aid and then telling us in 10 years we will be off the hook—because in 10 years we will not be off the hook. Write that down and read it back. In 10 years they will be wanting more than they are getting right now.

INFLATION IN INDIA

Mr. PASSMAN. I think you can pin down what the doctor said in this way—and it is either right or wrong. I think it is wrong. I think we are depending too much on our wealth in shoring up other people. I think we are getting ourselves in a general mess and pricing ourseleves out of the world market.

Let us look at the record. How much inflation do you have in India at this time per annum?

Mr. WILLIAMS. About 7 percent, Mr. Chairman.

Mr. PASSMAN. Per year?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Let us see if we can make a case. What has been the rate of inflation since 1965?

Mr. WILLIAMS. What has been the rate of inflation in India since 1965?

Mr. PASSMAN. That is the question.

Mr. WILLIAMS. Seven percent except this past year.

Mr. PASSMAN. Per year?

Mr. WILLIAMS. Per year.

Mr. PASSMAN. Let us relate——

Mr. WILLIAMS. Except this past year when prices were relatively stable. Most of the increase occurred in food prices between 1965 and 1967 because of the drought.

Mr. PASSMAN. Looking at the gross national product, if this shirt moves into our economy in America at the wholesale level of $8.95, it moves into the gross national product computation at $8.95, does it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. If you have this same shirt in some country which moves it into the economy at $5.95, then you compute their GNP on the basis of $5.95 and ours $8.95?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Your per capita income and gross national product has moved up on a per capita basis from $81 to $87 in a 5-year period. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. And inflation has been greater than that, has it not?

Mr. WILLIAMS. The movement from $81 to $87 is in real terms.

Mr. PASSMAN. I wonder whether it is or not. I follow your statistics and wonder whether it is in real terms.

Mr. WILLIAMS. It is calculated to be.

Mr. PASSMAN. I would not under any circumstances attempt to question your great patriotism, devotion, and loyalty to your superiors. But, gentlemen, somewhere along the way men who are willing to be

calm and who will analyze must have a new look at the direction in which we are traveling.

I have said over and over again, and I have no apologies to make and do not expect to have any, that we have a great President. He is making a strong President. I want to support him.

However, I will tell you what commonsense will tell you—that the President could not possibly know anything about the detail of this program, it is a specialty with me and I understand very little about it. I have been told that at the very minimum it would actually require 1,293 men to do the work issued in the name of the President. These things are left up to his subordinates. I think a man would have to be Secretary of State 40 years to get some inkling about what goes on within this bureaucracy.

I do not mean you people are not dedicated. You have convinced yourselves that this thing is right, and you have a right to feel that way.

However, I think I am more convinced that it is wrong than you are convinced that it is right.

What I am trying to find out is when are we going to place this issue before the American people so that they can decide whether they want this Nation led into an economic disaster or whether they want to stop this thing before that happens.

(Discussion held off the record.)

I don't believe that it is possible to get on top of this thing unless the President finds the time to take at least 1 hour and examines these pieces of foreign aid, foreign help, and foreign assistance.

U.S. BALANCE OF PAYMENTS

Mr. Johnson, in his last year as President, was determined to show a balance-of-payment credit. He had black-satchel men running all over the world and they had the experts to determine the Nation's bank balances and their foreign exchange and gold reserves and every time we found a country with a sizable foreign-exchange balance we tried to borrow it from them. We put the black-satchel men on the road and they went from nation to nation and said, "We have been good to you and we want you to help us." They arrived in Thailand and the record shows that from the inception of foreign aid we had given Thailand about $1 billion or more. They had built up a reserve in their foreign-exchange account and gold reserves of about $1 billion, just about what we had given them. That means they would have gotten along just as well without the aid because their economy was self-supporting so their surpluses amounted to about what we gave them.

What happened? We tried to borrow a quarter of a billion from Thailand. They said, "No, we are not going to do it."

What happened? After long diplomatic discussions and arm-twisting, Thailand reluctantly made us a $100 million cash loan to be paid back in 4½ years at 6-percent interest. This is one example. What did we do? We wound up with a puny balance-of-payments credit of $93 million, which is just as phony as a $9 bill. We wound up with a $93 million balance-of-payment credit.

These are the facts of life. Just when are we going to reverse this thing? I am sympathetic and I love people. I came from a very poor

family and you never met a man with more compassion and understanding and sympathy for poor people. The rest of them I wouldn't give a bale of hay, providing they are not sick.

A lot of these people in foreign lands are now beginning to find out they don't have to work for a living. A lot of our Americans found that out and now a lot of foreigners. Some of the people ought to look at the other side of the coin. If you don't, we are going to be in trouble.

We have no right to give away the other man's money but we have these tens of thousands on the AID rolls and everyone is an ambassador for more foreign aid.

Please, Mr. Williams, have a closer look at this in the future. And in an area where you say you are going to need 132 people, try not to come back the next year and increase that to 185. Cut it down.

If I were you I wouldn't let them increase the size of any of these contracts because we are having to borrow this money. This is not the way for the President to have a balanced budget. Many of the bills that come out are going to be above the budget request. We are going to have an answer for this next year and you could make a contribution, but we just can't keep asking for increases year after year and continue fragmentizing or we will never bring it under control.

Call it haranguing if you like, but I do it hoping that if I make just one point, that the press will pick up, that would register with the American people, I would feel that my efforts would have been justified.

REDUCTION OF AID TO INDIA

Here is an honest statement that you made, completely honest. I never question your personal integrity. I guess you would call this a creeper, a bogeyman:

> In our hearings last year, on page 1000 it was stated that India's leaders seek to reduce net aid to zero in 10 years. Further, net aid was defined as being the amount of aid received after repayment on past debts were made.

Does this mean that we will still have to give them aid equivalent to their interest and capital repayments?

Mr. WILLIAMS. It means that they will need some help.

Mr. PASSMAN. How much? Let us make a record.

Mr. WILLIAMS. In addition to their own export earnings, that is correct.

Mr. PASSMAN. What is correct?

Mr. WILLIAMS. The net aid.

Mr. PASSMAN. That means we will have to give them sufficient aid to meet the interest and capital payments?

Mr. WILLIAMS. That they will have to have help in addition to foreign exchange earnings to meet the net interest and capital payments from some place. That is right.

Mr. PASSMAN. I thought that would be the case. Yet, earlier we were under the impression that we would not give them any aid after 10 years.

NET AID AND ZERO AID

Mr. WILLIAMS. The objective is they would not be receiving aid net.

Mr. PASSMAN. What is the difference between net aid and no aid? I don't know any better way to put it.

Mr. WILLIAMS. Net aid, as defined quite clearly in the statement, is net of the obligations to repay debt.

Mr. PASSMAN. It simply means this thing could go on——

Mr. WILLIAMS. It is a milestone of progress.

Mr. PASSMAN. For 1,000 years if every year you have to figure out how much they are going to owe on repayments and interest and give them that much aid. This thing would never phase out?

Mr. WILLIAMS. I wouldn't say that, Mr. Chairman. It won't go on a thousand years. It is a milestone.

Mr. PASSMAN. With this kind of formula it would, would it not?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. I want to know per year the difference between no aid and net aid, as it is defined here.

Let me make it hypothetical. If there are commitments to us of $300 million a year in interest and $500 million a year in principal for a total of $800 million, that means that we would have to give them $800 million per year. Is that right?

Mr. WILLIAMS. No.

Mr. PASSMAN. Moving away from zero aid and net aid?

Mr. WILLIAMS. If it was just exactly even——

Mr. PASSMAN. I said using round figures.

Mr. WILLIAMS. You see, we would expect net aid to decline and then reach a point where net aid is zero, so if payments were 800, aid would be 800——

Mr. PASSMAN. I think I now understand your formula.

Let us say, 10 years from now, 1980, they no longer require any aid for the payment of commodities and the only aid that we feel they would need would be sufficient aid to pay the interest and capital retirement. Say the two together amounts to $400 million per year and they start off at the full amount they owe us on a 40-year basis, meaning one-fourth of that per year until they liquidate. Is that correct?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. I would like some explanation of what you mean by zero aid and net aid, then.

Mr. WILLIAMS. Net zero aid means that the inflow and outflow would be just the same at that point in time.

Mr. PASSMAN. That is zero. Let us get into the net aid. What is that formula?

Mr. WILLIAMS. I am talking about net aid. Mr. Chairman——

Mr. PASSMAN. Wait a minute. Wait just a minute. I want to get this first. Zero aid would be a program whereby, if this plan works out, in 10 years, there would be no outgo; it would all be inflow to the United States, repayments of interest, wouldn't it? That would be zero aid; wouldn't it?

Mr. WILLIAMS. If we were not providing any aid, that would be zero.

Mr. PASSMAN. If this thing is going to go as well as you see it, in 1980 we would have a zero aid position, instead of outgo it would be inflow? They would start paying back the capital and interest?

Mr. WILLIAMS. Right.

Mr. PASSMAN. Under this net aid formula that we, or someone, so innocently put in here, it means that we would have to continue an

aid program sufficient to take care of these expenditures; would it not?

Mr. WILLIAMS. Not necessarily, Mr. Chairman.

Mr. PASSMAN. Where are they going to get the money to pay back the interest and the capital they owe us? If we stop aid and it is all over in 10 years, then zero aid would be the arrangement just mentioned whereby they would start liquidating their capital account and paying the interest?

Mr. WILLIAMS. That is right.

Mr. PASSMAN. Then what kind of aid are you going to give them after 10 years?

Mr. WILLIAMS. They would start liquidating their debts. In other words, they would be repaying more than they were receiving after that time.

Mr. PASSMAN. How much? What is your estimate? You say more. If it is zero aid, we would have no aid program after 10 years. We would receive interest on what we had loaned them, plus some capital, wouldn't we?

Mr. WILLIAMS. Mr. Chairman, let us say that if it is $1,500 in aid and the repayments are $500, your net aid is $1,000. If in 10 years it is $500 in aid and your repayments are still $500, then that is zero net aid.

Mr. PASSMAN. I follow you. Is that the situation we are working toward?

Mr. WILLIAMS. That is the situation that the Government of India set as the target for itself.

Mr. PASSMAN. You have a minus and a plus. When is this going to become plus?

Mr. WILLIAMS. 1980 net aid at zero is the target that the Government of India set for itself.

Mr. PASSMAN. In other words, we are still going to have an aid program?

Mr. WILLIAMS. There is still going to be the problem of repayment and as their exports increase they will be handling more of that themselves.

Mr. PASSMAN. If you are going to give them as much aid in interest we are going to——

Mr. WILLIAMS. We would still have an aid program.

Mr. PASSMAN. That is a good enough answer. This is one of those things that I don't want to explain 10 years from now. I think we made a reasonably good record on it. There is no termination date in sight? Is that the way you see it?

Mr. WILLIAMS. My own personal opinion, Mr. Chairman, is that you would get a termination date beyond that in another 10 years. That is a personal opinion.

Mr. PASSMAN. You are saying 20?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. You won't have an aid program going 20 years from now. Get one of these applications for a transfer. You just don't believe the American people are going to tolerate this. I am going to expose this if I have to liquidate my life savings.

I am going to travel from State to State.

AID set up a policy now and they have a nice fellow who is traveling all over the country telling people how smart this AID thing is, educating people on it. I have asked for equal time. I have asked to be able to go with him. It is a heck of a note when you have to take the taxpayers' money and go out and tell people all over the Nation how good this AID program is. You don't give us an opportunity to do the same thing.

DEFENSE EXPENDITURES

What is this expenditure for defense compared with last year's in India?

Mr. WILLIAMS. It is an increase of $67 million equivalent or about 4 percent over last year.

Mr. PASSMAN. Your disbursements are $67 million more than the previous year; is that right?

Mr. WILLIAMS. Their expenditures; yes, sir.

POPULATION AND ECONOMIC GROWTH

Mr. PASSMAN. How about the population growth of India; is it increasing? What is it running?

Mr. WILLIAMS. Two and a half percent a year.

Mr. PASSMAN. How about the economic growth?

Mr. WILLIAMS. I think it is about four and a half, Mr. Chairman.

Mr. PASSMAN. Do the statistics back up that statement, Mr. Williams? We are told they are not even holding their own in improved health methods and the population is now outpacing the economic growth. Is that right?

Mr. WILLIAMS. No, sir. There was quite a setback in the droughts of 1966 but it is not true now.

Mr. PASSMAN. You have to strike an average. How about 5 years?

Mr. WILLIAMS. They have been averaging just under 5-percent growth in the 5-year period, Mr. Chairman.

Mr. PASSMAN. Five percent population growth or economic growth?

Mr. WILLIAMS. Five percent GNP growth.

Mr. PASSMAN. What is the total annual GNP of India converted into dollars?

Mr. WILLIAMS. About $47 billion equivalent.

Mr. PASSMAN. Let us show what we are doing. We are destroying the economy of America. We are going to finally lose face with the American people because we are using a form of repudiation of public debt now through inflation. The amount of aid that we are giving to India, according to those statistics, would only account for one-half of 1 percent of that. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. It is hardly noticeable when you look at the grand total; is that correct?

Mr. WILLIAMS. In the grand total of GNP but it is quite critical.

Mr. PASSMAN. You have to look at it that way. Look at the grand total. This contribution is about one-half of 1 percent of their grand total increase. Is that correct?

Mr. WILLIAMS. You have to look at it in——

Mr. PASSMAN. No. Look at it in terms of statistics and figures. Don't get into a lot of these mixed-up formulas. Look at the facts of life, that of the GNP. Our aid only accounted for one-half of 1 percent. Is that correct?

Mr. WILLIAMS. Right, sir; for GNP, but closer to 10 percent of the increase in GNP.

Mr. PASSMAN. Thank you.

Mr. WILLIAMS. In terms of trade it is very significant. Much more significant.

Mr. PASSMAN. It is no such thing. When you are dealing with close to $50 billion and this four or five hundred million dollar request, don't tell me, it is hardly noticeable on the surface. It is like having a thousand gallons of water and taking out a pint. If you put a pint in, it wouldn't greatly increase the amount in the tank.

Mr. WILLIAMS. It is true that our aid is a small part.

Mr. PASSMAN. What they are doing is nickeling and diming us to death all over the world. Ninety-nine nations we agreed upon for this year.

FISCAL YEAR 1971 ECONOMIC AID FOR INDIA

Would you provide for the record the economic aid figure India will receive in fiscal 1971 by separate categories?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

Fiscal year 1971—United States AID to India

Development loans	$266,000,000
Technical assistance	9,850,000
Population programs	[1] 700,000
Total AID assistance to India	276,550,000

[1] Grants of Development Loan funds for population programs under title X of the Foreign Assistance Act.

Mr. PASSMAN. Talking about U.S. aid. I find a lot of aid that they receive from other countries is actually contributed by us anyway. We ran into a lot of that in some of the other agencies. In the International Development Agency, Mr. Secretary, we found out some of the members put up, perhaps $1 and got back $30. They called themselves participating members. That is IDA. I believe India got back 30 times as much as she contributed. We do know that some of these countries have very profitable trade ties.

AGRICULTURAL UNIVERSITIES

I note that you plan to extend the Agriculture University project to one additional university in fiscal year 1971. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Does it cost any money to do that?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. How much?

Mr. WILLIAMS. That was part of the last year's plan, Mr. Chairman.

Mr. PASSMAN. It is a new plan as far as funding for fiscal 1970, isn't it?

Mr. WILLIAMS. Yes, sir, that is correct.

Mr. PASSMAN. That one unit, how much is it going to cost?

Mr. WILLIAMS. $150,000 this year for that university.

Mr. PASSMAN. What is the estimate of the aggregate cost to start and finish the job?

Mr. WILLIAMS. I don't have that estimate yet, Mr. Chairman.

Mr. PASSMAN. Could you or some of your assistants come up with some kind of a figure? You mean that you are asking us to fund a program that you don't know what the ultimate cost is going to be?

Mr. WILLIAMS. That is correct on that——

Mr. PASSMAN. What if we can't fund it?

Mr. WILLIAMS. There will be an initial survey report by this June, which will lay out the full plan.

Mr. PASSMAN. Survey?

Mr. WILLIAMS. I wouldn't want to give you an estimate that was not accurate.

Mr. PASSMAN. This is just setting the stage for the real cost then? Is that right?

Mr. WILLIAMS. The plan is being prepared.

Mr. PASSMAN. This is setting the stage, this $150,000, for the real cost for later; is that right?

Mr. WILLIAMS. That is correct. Yes, sir.

Mr. PASSMAN. My goodness, gentlemen. Now we look at the whole ball of wax in this area. I think the estimated total cost is $31,974,000. Is that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What is the name of the university that you are planning this addition for?

Mr. WILLIAMS. That is the University of Assam.

Mr. PASSMAN. I think it would be much more commendable if you had been moving toward curtailing the operation rather than enlarging it.

RURAL ELECTRIC COOPERATIVE DEVELOPMENT

Mr. Williams, I note on page 18 you have increased the cost to complete the Rural Electric Cooperative Development project by $137,000. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Mr. Williams, last year you extended the life of the project for 2 additional years and increased the cost up to $162,000. Is that correct?

Mr. WILLIAMS. There has been——

Mr. PASSMAN. I am just showing the inconsistencies in the way that you have operated, according to the way the justifications are presented.

Mr. WILLIAMS. A rise in the cost of completion last year was an underestimate, Mr. Chairman. But last year we presented a schedule of final obligations for 1972 and that remains the same.

Mr. PASSMAN. The cost will be greater?

Mr. WILLIAMS. Yes, sir; by the amount that you stated.

Mr. PASSMAN. Will other funds be provided for this project by AID such as excess foreign currency, or Public Law 480 funds?

Mr. WILLIAMS. Yes, sir. There is a——

Mr. PASSMAN. You said the answer is "Yes." Place the figures in the record.

(The information follows:)

Local currency funding planned for rural electric cooperatives development project—India

	Rps
Fiscal year 1971 ($135,000 equivalent)	1,012,500
Fiscal year 1972 ($126,000 equivalent)	945,000
Total ($261,000 equivalent)	1,957,500

INCREASED AGRICULTURAL INPUTS

Mr. PASSMAN. On page 21 of the Increased Agricultural inputs project," it is stated that demonstration of food grain storage and rodent control has been carried out using Public Law 480 local currencies. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. How much local currency did you use?

(The information follows:)

AGRICULTURAL INPUTS PROJECT—AMOUNT OF PUBLIC LAW 480 CURRENCIES USED FOR RODENT CONTROL

A total of Rps 1,187,182 ($158,000 equivalent) is planned for support of the pilot demonstration rodent control activity which is now underway.

INDIA TECHNICAL ASSISTANCE PROJECTS WHICH HAVE BEEN EXTENDED

Mr. PASSMAN. Mr. Williams, please prepare for the record a table similar to that which appeared on page 938 of last year's hearings, listing each project in the Indian program and indicating the project type, year in which it was started, original year it was to be terminated, and the original estimate to complete and current cost to complete the project.

Mr. WILLIAMS. Yes, sir.

(The information follows:)

INDIA: TECHNICAL ASSISTANCE PROJECTS WHICH HAVE BEEN EXTENDED

[Dollar amounts in thousands]

Project title and number	Initial obligation date, fiscal year	Termination dates: As originally planned, fiscal year	Termination dates: As in fiscal year 1971 congressional presentation	Total cost: As originally planned	Total cost: As in fiscal year 1971 congressional presentation
Indian Institute of Technology, Kanpur (386-11-660-150)	1959	1964	1971	$4,949	$13,921

INDIAN INSTITUTE OF TECHNOLOGY, KANPUR

Mr. PASSMAN. I note that you extended the Indian Institute of Technology, Kanpur project, for another year.

Mr. WILLIAMS. Yes, sir; that is correct.

Mr. PASSMAN. As I understand it, this project was due to terminate last year. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why didn't you terminate it?

Mr. WILLIAMS. We will terminate it this year. It is the final year.

Mr. PASSMAN. Last year it was supposed to terminate; isn't that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why didn't you terminate it?

Mr. WILLIAMS. It has taken an additional year to complete the work scheduled, Mr. Chairman.

Mr. PASSMAN. How old is the project?

Mr. WILLIAMS. The initial obligation was made in 1959.

Mr. PASSMAN. Now we are going along for 12 years and you have gotten to within 1 year of completion and you had to double the time required. You said you would complete it in 1 year and now you need two. Is that right?

Mr. WILLIAMS. There is a 1-year extension.

Mr. PASSMAN. Last year you said 1 year would complete it, now you need 2 years to complete it; isn't that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That is a 50-percent error in judgment. Are you sure at this time that this extension will complete this project?

Mr. WILLIAMS. Yes, sir. This is a firm plan.

NUMBER OF PROJECTS

Mr. PASSMAN. How many projects in your district have you changed the name of? That is quite an operation in this area.

Mr. WILLIAMS. This project?

Mr. PASSMAN. This is no indictment of you.

Mr. WILLIAMS. There has been no change in the name.

Mr. PASSMAN. Sometimes they break out one of these projects into subprojects and the subprojects become the major project and they start other subprojects. The record is full of that kind of operation.

Mr. WILLIAMS. Mr. Chairman, in 1968 there were 104 projects under my administration, in 1970——

Mr. PASSMAN. Is that prime contracts?

Mr. WILLIAMS (continuing). Eighty-one projects and in 1971, 75 projects.

Mr. PASSMAN. You are talking about prime projects?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I want the record to show that this time, unless there is evidence to refute this, that there are still 4,408 AID projects and related agencies or subprojects going.

We are dealing with prime projects there?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Thank you.

DEVELOPMENT TRAINING PROJECT

I note that you are starting a new project called development training.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. What will be the purpose of this project and total cost?

Mr. WILLIAMS. This is focused, as the title suggests, on participant training?

Mr. PASSMAN. There is a lot of training. Training to do what?

Mr. WILLIAMS. This is participant training particularly in management and specialist areas.

Mr. PASSMAN. I thought that you already had every category filled. Could you be a little more specific? This is a new project?

Mr. WILLIAMS. Tax administration is a particular focus.

Mr. PASSMAN. You have not had a tax administration program in the past?

Mr. WILLIAMS. Yes, sir; we have.

Mr. PASSMAN. This is a new one then?

Mr. WILLIAMS. This is further training in tax administration.

Mr. PASSMAN. I believe that this is a new project, isn't it? Called "Development training"?

Mr. WILLIAMS. Previously we had American advisers in tax administration.

Mr. PASSMAN. What is the new title going to be?

Mr. WILLIAMS. There are no advisors under this project, Mr. Chairman.

Mr. PASSMAN. My apologies. I don't want to harangue you to death. This is a new project and it is going to be labeled development training.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Are you going to train these people to do what you had previously trained them to do, under a different title?

Mr. WILLIAMS. No. Previously we had American advisors working with the ministry on tax procedures. In this project we are extending training for Indians.

Mr. PASSMAN. A new project known as Development Training?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. What will be the number in this new project?

Mr. WILLIAMS. Thirty-five participants sent to the United States for varying periods of training.

Mr. SHRIVER. Mr. Chairman, will you yield?

Mr. PASSMAN. Certainly.

TAX ON FERTILIZER PROVIDED BY AID

Mr. SHRIVER. Does the Government of India still charge a 10-percent excise tax on the fertilizer we furnish that country under the foreign aid program?

Mr. WILLIAMS. Yes, sir; they do.

Mr. SHRIVER. So they get us coming and going. We give it to them and then they charge the tax on it.

Mr. WILLIAMS. They don't charge us. They charge the Indian farmer that buys it.

Mr. SHRIVER. They collect 10 percent from the Indian farmer. They don't give any of that to us.

Mr. WILLIAMS. They regard it as a tax.

Mr. SHRIVER. Maybe that would be a good thing for this group that you just talked about to study, to see if they couldn't eliminate that tax on the farmer.

Mr. PASSMAN. We give it to them and then they get it to the farmer but charge for that?

Mr. WILLIAMS. That is right.

Mr. PASSMAN. Sell it and charge him 10 percent excise tax?

Mr. WILLIAMS. Almost all the commodities that we finance under our loans are sold through the commercial market in India.

Mr. SHRIVER. What effect does this have on the smaller farmers' ability to purchase the fertilizer they need?

Mr. WILLIAMS. The farmer that is using the fertilizer has realized quite large returns, even doubling yields, from the new high-yielding varieties.

Mr. SHRIVER. You would have to cut back at least 10 percent, because he is going to have to pay the Indian Government 10 percent.

Mr. WILLIAMS. The returns are very high on the use of fertilizer with high yielding varieties of wheat or corn.

Mr. SHRIVER. I think people in this country are interested in helping the people, not the government. People-to-people programs are popular but the rest of the foreign aid program is not.

Mr. WILLIAMS. I agree.

SALE OF COMMODITIES

Mr. PASSMAN. As I understand this program, when we give India the commodities, they sell them through retail establishments and the retail establishments make a profit off the commodities plus an excise tax to the government. Is that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What is the prevailing profit on these commodities? Do they have any profit control? Is there a limitation on what they can earn?

Mr. WILLIAMS. We regarded this as support to the free enterprise system, Mr. Congressman.

Mr. PASSMAN. I understand. We give these commodities to India and they in turn sell them to, we will say, XYZ Distributing Co. They sell them to the Indians at a price. Does the government fix the price for which they can sell these commodities, or are they just getting all the traffic will bear?

Mr. WILLIAMS. The goods move through normal commercial channels, which in this case are mostly the co-ops.

Mr. PASSMAN. I know that sir.

Mr. WILLIAMS. The Indians import from American commercial firms the goods that are financed through loans that we make under AID, concessionary loans. They are sold at rates which allow for some profit. We have tried to discourage price fixing generally because we would like the market to operate more effectively.

Mr. PASSMAN. If a man pays $40 for a ton of fertilizer and the market will bring $200, he charges $200?

Mr. WILLIAMS. The supply——

Mr. PASSMAN. You said he would get what the market would bring?

Mr. WILLIAMS. That is right for fertilizer produced in the country.

Mr. PASSMAN. Is it true that a lot of these commodities are very scarce in India?

Mr. WILLIAMS. Not at this time. It was a few years ago.

Mr. PASSMAN. You mean this is not a scarce commodity, fertilizer and the like?

Mr. WILLIAMS. Fertilizer is in much better supply.

Mr. PASSMAN. What other agricultural commodites aren't in short supply?

Mr. WILLIAMS. I don't know the kind of markup for the fertilizer we are financing.

Mr. PASSMAN. If they are getting along alright we should terminate this aid right now, if the supply and demand has reached the point that the buyer fixes the price rather than the seller. Do you have a seller's or buyer's market in India with these commodities?

Mr. WILLIAMS. It is not easy to tell with the size of India. In some places I think the stocks of fertilizer have been a little high and it appears to be a buyer's market. In other places it is a seller's market. But in any case India needs aid to continue to buy fertilizer abroad.

PROFIT ON COMMODITIES SOLD

Mr. PASSMAN. We give them the commodities free and they move through the free enterprise system. I don't object to that. But you don't believe in price fixing. You see what is happening in America because you don't have price fixing, don't you, what inflation is doing? I can imagine without proper restraints what would happen. Do you have any idea what margin the government permits them to make on these commodities?

Mr. WILLIAMS. No, sir; I don't.

Mr. PASSMAN. Anyway, on top of that profit there is a 10-percent excise tax?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. The consumer, the little man, the farmer down at the grassroots level pays for the commodities, plus a profit, plus excise tax; is that correct?

Mr. WILLIAMS. He realizes a double return on the use of fertilizer and pays 10 percent in excise tax.

Mr. PASSMAN. Plus 10 percent?

Mr. WILLIAMS. At least.

Mr. SHRIVER. What do you mean "realize"?

Mr. WILLIAMS. I mean the use of fertilizer and water and high-yielding varieties doubles his yield.

Mr. SHRIVER. We know that.

Mr. PASSMAN. If something costs him $40, what does he price it to the consumer before he adds the 10 percent excise tax? Do you have any idea?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. Would you try to find out?

Mr. WILLIAMS. All right. Supply it for the record?

Mr. PASSMAN. Yes.

(The information follows:)

FERTILIZER PRICING IN INDIA

The Indian Government imports all fertilizer, which is marketed primarily by Indian cooperatives. The Government prices fertilizer to cover its costs, including freight and domestic handling and also sets the retail price to cover co-op handling costs. The markup is small and is judged by some to be too low for the co-ops to stimulate marketing of the product. On the other hand, Indian manufacturers of fertilizer are free to set prices which has been an important inducement to private investment in fertilizer production. There is competition between manufacturers and from imported fertilizer to keep prices in check.

Mr. PASSMAN. Give a little fish a meal before you eat him.

Mr. WILLIAMS. Incomes have been going up in the farm areas where fertilizers and water and high-yielding varieties are used, and they should be taxing this income. They don't have a tradition of income tax in the rural areas. I wouldn't say this is a good tax but an attempt to get some of the higher income that farmers are realizing in certain areas where those incomes are quite high.

Mr. PASSMAN. We could buy that, but I am thinking in terms of this profit. I know something about letting people move in on the market without restraints, the type of profit that can be made. I think we should have some information as to the average profit made on the commodities that we give to the Indian Government, or sell them, according to our records, and what they sell these commodities to the retailer for and what the retailer sells them to the consumer for.

Mr. WILLIAMS. I will get you the information on the markup. I would like to say that we have been trying to get the Indian economy away from price fixing to using the free market as a labor-saving device.

Mr. PASSMAN. Perhaps for something they produce within, that is all right. You know and I know that a lot of this aid that we are giving to them is a disguised grant and concession proposition from start to finish. It may be necessary for the Indian Government to sell to the wholesaler, but if you are going to refer them to the wholesaler or retailer, maybe the Indian Government should make a profit. When this man sells to the consumer he should make a profit. I am interested in how much profit they are making because you and I know that if we are ever going to win the minds of men, these people are going to have to find out that these commodities were supplied by the United States to their country free. I am afraid under this arrangement that none of them would ever give the United States any credit for making a contribution.

Mr. WILLIAMS. It is a dollar repayable loan. It is hard to get them to think it is free. It is a concessional loan.

Mr. SHRIVER. When is it repayable?

Mr. WILLIAMS. Forty years.

Mr. PASSMAN. Ten-year grace period.

Mr. SHRIVER. Do you thing it is going to be repaid in 40 years?

Mr. WILLIAMS. Yes, sir.

Mr. SHRIVER. Really?

Mr. WILLIAMS. Yes, sir.

Mr. SHRIVER. I don't.

Mr. WILLIAMS. It is hard to tell the Indian farmers this is a grant if it is a dollar repayable loan.

Mr. PASSMAN. Have you been able to get it over to the Indian people that it is a 46-percent grant to start with? I would be willing to compromise on that.

Mr. WILLIAMS. Right, sir.

Mr. PASSMAN. You wouldn't want to turn your retirement account into these Indian loans, would you?

Mr. WILLIAMS. I beg your pardon?

Mr. PASSMAN. You wouldn't want to put your savings in the Indian loans, would you?

Mr. WILLIAMS. I would consider it.

Mr. PASSMAN. Would you like to take your savings and switch it over into some of these Indian loans if it could be worked out so that you could have some of them?

Mr. WILLIAMS. If I were seeking returns on my retirement fund I would want to——

Mr. PASSMAN. You wouldn't want to put it in anything that has 46 percent subsidy to start with, would you? Let us get out of the clouds. We know what this stuff is, and what the chances are of getting paid back.

Mr. WILLIAMS. I consider the AID program a good investment for the future security of the next generation.

Mr. PASSMAN. That is a regular bureaucratic theme song. You are supposed to preface every speech you make with that same line. We have been reading it for 20 years since I have been here. There has not been one word changed. I am sure you believe in it or you wouldn't be properly indoctrinated and you wouldn't be holding the position you hold. They would have gotten one of these other bureaucrats in Government to do your job.

DATA MANAGEMENT PROJECT

Last year you proposed a new project called Data Management at an estimated cost of $170,000 for fiscal 1970. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Can you refer us to your justifications for this project, where we can find it in the justifications?

Mr. WILLIAMS. We did not go ahead with this project, Mr. Chairman.

Mr. PASSMAN. Congratulations. I am afraid to go further. You have not substituted some other project for it?

Mr. WILLIAMS. No, sir.

FISCAL 1970 DEVELOPMENT LOANS DEOBLIGATIONS

Mr. PASSMAN. Mr. Williams, how much money have you deobligated thus far in fiscal year 1970 from the development loan fund?

Mr. WILLIAMS. Deobligated? I am sorry, I didn't get that.

Mr. PASSMAN. Put it another way. Of all of the so-called development loans made to India, what do you estimate the amount of cancellations or deobligations against that fund for fiscal year 1970 will amount to?

Mr. WILLIAMS. About $60 million, Mr. Chairman. That is my estimate.

TWO-STEP LOANS

Mr. PASSMAN. In several of your development loans I see U.S. loans to India for 40 years at 2 percent, or maybe lower, and she reloans this money to a company that has to pay it back to the Indian Government in 10 years at 5½ percent. That is similar to what we discussed a moment ago, only we are dealing with money and the other is in commodities. Is that correct?

Mr. WILLIAMS. That is what we call a two-step loan.

Mr. PASSMAN. I cannot quarrel with that. It wouldn't do any good, I wouldn't think, if I did. I don't quarrel with the business arrangements. I guess there is some incentive involved for these individuals to be able to borrow it at 5½ percent.

Mr. WILLIAMS. Yes, sir, there is. It is still a good rate of interest and the market——

Mr. PASSMAN. Much lower than the prevailing rate of interest in India, isn't it?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What is the prevailing rate of interest in India?

Mr. WILLIAMS. About 8 percent for loans of this type would be my guess.

Mr. PASSMAN. Do you have anything to do with the applications made to the Government for loans out of loans that we make to India?

Mr. WILLIAMS. I don't think I understand.

Mr. PASSMAN. This comes under their internal affairs bookkeeping. In other words, we make them a loan at 2 percent and they make loans out of the funds at 5½ percent. It is their judgment as to whether the loan is good or bad?

Mr. WILLIAMS. It is an understanding with us.

Mr. PASSMAN. That is what I said. We don't look over their shoulders at these loan applications. They make the judgment as to whether or not the loans are good?

Mr. WILLIAMS. No, sir, we make that judgment.

Mr. PASSMAN. You make the loans to India and they in turn make them to their business people?

Mr. WILLIAMS. We make it to the private company. I believe that you are looking at Hindustan Motors, Ltd. Is that the one?

Mr. PASSMAN. No, I am looking at the general statement. We make a loan at 2 percent to India and they in turn make the loans to companies for 5½ percent.

Mr. WILLIAMS. We make the judgment on the company, whether it is a good company, that it has appropriate needs, and we make the loan to the company.

Mr. PASSMAN. Even if it is strictly an Indian company?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Then you are getting pretty far into the internal affairs of a sovereign government, aren't you?

Mr. WILLIAMS. Only to assure the effective use of AID funds, Mr. Chairman.

Mr. PASSMAN. I know, Mr. Williams. I am not quarreling with you any further about policy. You are getting quite involved in the internal affairs of a sovereign nation when you decide who they can

make loans to, because it is a sovereign nation with government officials making loans to a business house of Indian composition. Aren't we?

Mr. WILLIAMS. We only assure the effective use of the funds.

Mr. PASSMAN. I know. I am not quarreling with what you do. We are getting well into the internal affairs of a nation when we do that, aren't we?

Mr. WILLIAMS. Only to that extent.

Mr. PASSMAN. Only to that extent. That is just about all the way. Some day they are going to give us about 48 hours to get the diplomats and their furniture out. They are going to get pretty tired of this snooping, I am afraid. That is what we are doing. It does not modify the fact that we are getting pretty far into the internal affairs of government when we start looking at their books. They may get tired of it.

PAKISTAN

In Pakistan what has been the total amount of aid since the inception of the program?

Mr. WILLIAMS. $4,317 million from all spigots, Mr. Chairman.

Mr. PASSMAN. What is the present amount of unobligated funds to Pakistan, undisbursed funds?

Mr. WILLIAMS. $208,694,000.

Mr. PASSMAN. Is that all in the economic area?

Mr. WILLIAMS. Yes, sir. It is all economic. There is no military aid here.

Mr. PASSMAN. Personally, I am somewhat attached to some of the officials of Pakistan. They had an extremely arrogant President at one time that came here and looked down his nose at the Congress. I stood up and it was perfectly obvious to the press I didn't applaud him. When I think of Pakistan, it seems to me they are humble and appear to be a bit appreciative of what we have done for them. I hope they are. I hope the way they act reflects their true feelings. I believe that Pakistan at this time now has certain trade agreements with Red China, don't they?

TRADE WITH RED CHINA

Mr. WILLIAMS. There is trade with Red China, I believe.

Mr. PASSMAN. If I may direct this question to the military. Mr. Knaur, I believe they now have a military agreement with Red China, do they not? Tanks are now being shipped from Red China to Pakistan; is that correct?

Mr. KNAUR. There is a military equipment agreement with Red China; yes, sir.

Mr. PASSMAN. Do you know what the amount of it is?

Mr. KNAUR. Estimated at ——— million.

Mr. PASSMAN. Again, if they were on a close margin and needed their own resources for the domestic programs, without our aid program, chances are they wouldn't be able to buy this equipment from Red China, would they?

ECONOMIC AID FROM RED CHINA

Mr. WILLIAMS. They also receive economic aid from Red China.

Mr. PASSMAN. They do?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That is another strange situation. At one time those people were about the most pro-Western nation we had on the face of the earth. They were very cooperative with us in almost every way. Here we are now, continuing not only an aid program in Pakistan but an increased aid program. Now they are buying military equipment from Red China. You speak of an aid program of Red China. What is the amount of that program?

Mr. WILLIAMS. About ——— million, as I recall, in fiscal year 1964 and about ——— million since.

Mr. PASSMAN. It is a loan?

Mr. WILLIAMS. I believe it is a loan.

Mr. PASSMAN. Is it a short-term, high-interest loan?

Mr. WILLIAMS. No, I don't believe it is.

Mr. KNAUR. The exact details of the assistance agreement are not known.

Mr. PASSMAN. Isn't there also a loan? From China to Pakistan?

Mr. KNAUR. I believe there is.

Mr. PASSMAN. I think that you are right. Would you try to find out the amount of it?

Mr. KNAUR. I will, sir.

(The classified information was furnished to the committee.)

FISCAL YEAR 1971 REQUEST FOR PAKISTAN

Mr. PASSMAN. While this is going on, it would appear that your asking price for Pakistan for 1971 is $125,147,000. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That is $29,693,000 above your 1970 program?

Mr. WILLIAMS. That is correct.

PAKISTAN GNP

Mr. PASSMAN. According to the sheet, the per capita GNP increased $8 over last year's projections to $124. Is that correct?

Mr. WILLIAMS. $124 is this years' estimate, sir.

Mr. PASSMAN. It looks like they are making substantial progress.

Mr. WILLIAMS. They are making some progress, but $5 of the increase was prices, and $3 was real.

Mr. PASSMAN. What is the total GNP of Pakistan for the last complete year?

Mr. WILLIAMS. About $16 billion equivalent.

Mr. PASSMAN. What year is that?

Mr. WILLIAMS. 1969. It is an estimate.

Mr. PASSMAN. What aid did we give them in 1969?

Mr. WILLIAMS. $103 million, Mr. Chairman.

Mr. PASSMAN. What percentage would $103 milion of $16 billion be?

Mr. WILLIAMS. It is a very small proportion, Mr. Chairman. A half of 1 percent.

Mr. PASSMAN. One-half of 1 percent?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Again, that is like having a 10-gallon can in which you put in an extra drop and it wouldn't make any material difference, would it?

Mr. WILLIAMS. The aid does make a difference——

Mr. PASSMAN. You know what I am leading up to. I know in the final analysis this is just a drop in the bucket. We are going to give our wealth away and it won't materially help people anyway.

Mr. WILLIAMS. It is quite a material help because 30 percent of their investment program is financed from foreign aid.

Mr. PASSMAN. I knew that you had some reason. I am looking back at the——

Mr. WILLIAMS. Seventy percent from their own efforts.

Mr. PASSMAN. It is my understanding that all currencies are convertible, aren't they?

Mr. WILLIAMS. Not all.

Mr. PASSMAN. There is not a currency on the face of the earth; you take a——

Mr. WILLIAMS. You mean in what?

Mr. PASSMAN. All currencies have a conversion rate?

Mr. WILLIAMS. Accounting?

Mr. PASSMAN. Have a conversion rate?

Mr. WILLIAMS. All right.

Mr. PASSMAN. You still have to look at the $16 billion GNP and against your figures of one-half of 1 percent, and that is how much we aided them. They could have gotten along nicely without it.

GREATER PARTICIPATION IN DECISIONS

You state one of AID's intentions is to give the people of Pakistan greater participation in decisions affecting their welfare.

Mr. WILLIAMS. That is the policy of the Pakistan Government, sir.

Mr. PASSMAN. I thought that a sovereign government, to a very large extent, already had that right. Are we as involved in the internal affairs of that government as this would indicate?

Mr. WILLIAMS. We are supporting the government's efforts to attempt to do more for small farmers, for people who have not done as well in East Pakistan, less developed areas, small businessmen. They have introduced monopoly legislation to try and——

Mr. PASSMAN. They have?

Mr. WILLIAMS. Yes, sir; and antitrust legislation this past year. It is this kind of effort that we are attempting to support the government on. It is their policy, Mr. Chairman. We believe it is a worthwhile policy.

Mr. PASSMAN. I am sure that you believe that or you wouldn't have the position you are in. You and I know that. You are one of the boys. Rightfully so, you wouldn't be there if you didn't come up with some good reasons. I would like to attend one of your courses sometime just to see how easy it is. You are well trained. I appreciate your position on this.

Mr. WILLIAMS. Thank you, Mr. Chairman.

PROGRAM AND SECTOR LOANS

Mr. PASSMAN. How much of the $119,300,000 program for development loans, 46 percent subsidy loans we are talking about, will be in the form of program or sector loans?

Mr. WILLIAMS. About $110 million, sir.

Mr. PASSMAN. Would you describe for the record at this point briefly your interpretation of a program loan and your interpretation of a sector loan.

Mr. WILLIAMS. A program loan finances commodities and equipment which will——

Mr. PASSMAN. You don't have to explain what it does. That is clear. The sector loan?

Mr. WILLIAMS (continuing). Permit the production of the country to increase. A sector loan is the same type of loan narrowed to one sector of the economy.

Mr. PASSMAN. In other words, a steel mill?

Mr. WILLIAMS. No, that would be a project as we normally think of it.

Mr. PASSMAN. Then a sector loan specifically?

Mr. WILLIAMS. If it was entirely fertilizer, or the raw material for fertilizer production that would be a sector loan. Financing the same kind of things as under a program loan, but narrowing it would be a specific sector purpose.

Mr. PASSMAN. It is one and the same thing?

Mr. WILLIAMS. Yes, sir; but more narrowly focused.

Mr. PASSMAN. This is put in to make it sound big or confuse people?

DEFENSE EXPENDITURES FOR 1970

You state on page 56 that the defense expenditures for 1970 in Pakistan will be 3½ percent of GNP, showing no increase over fiscal 1969 and fiscal 1968.

Would you list for the record what these defense expenditures were for each of these years in dollars?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

PAKISTAN DEFENSE EXPENDITURES

	Amount ($ million eqivalent)	Percent of GNP
Fiscal year:		
1968	476,000,000	3.4
1969	532,000,000	3.5
1970	565,000,000	3.5

TOTAL AID TO PAKISTAN

Mr. PASSMAN. I note on page 7 the average U.S. development loan share in the past was 45 percent but the proposed program in 1971 will put this percentage at about 30 percent. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Would you also provide a table for the record showing the total amount of U.S. economic aid scheduled to be provided to Pakistan in fiscal year 1971, the grand total, listing each of the 27 spigots?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

Proposed aid to Pakistan in fiscal year 1971

Economic assistance (AID)	$125,147,000
Public Law 480	99,800,000
Military assistance	(1)
Military credit sales	———
Peace Corps	———
Total	———

[1] CONUS training only.

Mr. PASSMAN. I believe they are very large recipients of aid from IDA?

Mr. WILLIAMS. They have been, yes, sir.

TERMS OF VARIOUS LOAN PROGRAMS

Mr. PASSMAN. You are a very fine, forthright witness. If you were looking for an investment and you had two propositions submitted to you, one that you could invest your money for 50 years, at no interest, a 10-year grace period with the second 10 years being paid back to you at the rate of 1 percent a year and the final 30 years at 3 percent a year, no interest anywhere along the way; or would you invest your money in a program that would be paid back in 40 years with an interest rate, 2 percent for the first 10 years and 3 percent thereafter? Which one would you invest your money in?

Mr. WILLIAMS. Mr. Chairman, I don't think that I personally would invest my money in either, if I were seeking the highest financial return.

Mr. PASSMAN. I am asking you an honest, factual question. If you had a million dollars that you wanted to invest and you had a proposition with an alternative; the first one, to give you an opportunity to invest $1 million for 50 years with no interest, with a 10-year grace period, then the next 10 years after the grace period you would get your capital repaid at 1 percent a year, and then you would have used up 20 years and the last 30 years you would get 3 percent a year. Or they would give you the alternative to invest your $1 million for 40 years and you would get 2 percent interest per year beginning 1 year after the investment for 10 years and 3 percent thereafter. Which one would you take?

Mr. WILLIAMS. Mr. Chairman, these terms of Pakistan require——

Mr. PASSMAN. I am not talking about Pakistan. I am just talking about an investment. I am trying to make a case for you but you won't let me. An investment for 40 years at 3 percent is a better investment than 50 years at no percent, isn't it?

Mr. WILLIAMS. It would depend on the project, Mr. Chairman.

Mr. PASSMAN. I am not talking about a project at all.

Mr. WILLIAMS. The argument for these terms——

Mr. PASSMAN. No, you are getting away from it and I am getting completely away from——

Mr. WILLIAMS. Concessionary aid——

Mr. PASSMAN. I am not talking about concessionary aid. I am getting completely out of aid. I am trying to make a legitimate point. Let us get away from this and go to the Secretary over here. I will direct this question to the Secretary. This is certainly no trap.

If you had a million dollars that you wanted to invest and you had two alternatives, that you could invest it for 40 years at 2 percent or you could invest it for 50 years, no percent, would you figure that the 40 years at 2 percent would be the better investment?

Mr. DAVIES. I would, sir, but I would certainly take a close look at what——

MULTILATERAL VERSUS BILATERAL AID

Mr. PASSMAN. I knew that you would answer yes. I am trying to indicate some of the skulduggery that is being pulled by the bureaucrats downtown, old ones and maybe some of the new ones, and especially another branch of the Congress. They are determined to get all U.S. aid out of bilateral and put it into multilateral, and get into international organizations where we have lost the right of examination. IDA, International Development Association—here is the way they operate: All of their loans are 50 years, no interest, three-fourth of 1 percent service charge, 10-year grace period in which you pay nothing on principal, and then the second 10 years you pay 1 percent a year, on the remaining 30 years you pay 3 percent a year with no provisions for any of it to ever come back to the U.S. Treasury.

This thing is going to grow and grow and grow. I know Members of Congress who paraded out there and voted for it, believing that they were getting away from foreign aid. It is the worst type of foreign aid conceivable, because not only do you have no provisions to get any of it back and there is no interest, but we lose the right of control. It goes into an international organization. That is why I wanted to make the case, because if we are going to have to continue aid, then I think it should be bilateral. Few of you make your contributions to the church anonymously. You usually want your name on that little slip you turn in, don't you? How about you, Mr. Willams? Don't you put your name on your little slip or check when you send it in?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I doubt if you would want to make it anonymously and that is exactly what you do when you go through international organizations. The recipient does not know who the donor is and I don't think it is right. I am going to fight it. I don't know how successful I will be.

FAMILY PLANNING

How much does Pakistan plan to spend on family planning for fiscal 1971, Mr. Secretary?

Mr. WILLIAMS. $23 million equivalent which will increase to $38 million equivalent by 1975.

Mr. PASSMAN. Are the people of the country accepting family planning fairly well?

Mr. WILLIAMS. It has been going fairly well, although it has hit a plateau recently. The early acceptors, as they say, come on first. Then greater education and motivation is necessary to progress further. There is a plateau that you reach. The program was very much pushed by President Ayub and suffered a bit when he fell from power, but President Yahya, although speaking more quietly, does support family planning very strongly.

Mr. PASSMAN. How will we ever actually get through to the people unless we can show them that it is necessary?

Mr. WILLIAMS. Because the family planning was so associated with Ayub, when Ayub fell from power, it took something of a setback. President Yahya feels it shouldn't be associated with any one man. But as a government program, they are approaching it——

Mr. PASSMAN. They have done it quietly in a lot of these places. They just don't like it. It involves religion and so forth. Unless we can get through to the average citizen that we may some day be facing starvation, maybe not his children but his grandchildren and their children——

Mr. WILLIAMS. I agree with you, Mr. Chairman.

UNCONTROLLABILITY OF FOREIGN AID

Mr. PASSMAN. Unless you can come right out and face it—I never believe in pussy-footing or subterfuge. I have tried to chair this committee in that way and it hasn't pleased a lot of people but I have never actually put it on a personal basis. I tell you that I am frightened, when I am shaving and bathing in the morning, I am thinking about foreign aid. I go to bed and think about foreign aid. I wake up during the night and think about foreign aid. It is inconceivable that we started a program that led us into 121 nations of the world, at a cost of about $200 billion, when we add the last fiscal year.

It seems to be getting more a part of our foreign policy. It really frightens me. I don't know what it is going to lead us into. If you go into a store downtown, Mr. Secretary, you will find shirts that are manufactured in Sweden, in Japan, and they are now coming in from Hong Kong. You buy them 40 percent cheaper than you can buy a shirt manufactured in America. Go into a shoe department. Over half of them are actually imports. Just look at our balance of payments. Last year we hit almost a $7 billion deficit. I don't know what we are going to do if we don't get this thing under control. I am not capable of doing it. I wish some of you could be more convinced that it is right. There is no positive proof anywhere. It is just an imaginary thing. It is a claim that if we hadn't done this this would have happened. I am thoroughly convinced that family planning may well be about the best investment we can make.

(Discussion off the record.)

DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. Mr. Secretary, I note that last year you projected the development loan program for fiscal 1969 for Pakistan would be $71 million. This year you indicate this progam was actually $95,500,000 for the very same year; is that correct?

Mr. WILLIAMS. Yes, sir; that is correct.

Mr. PASSMAN. Why was it necessary to increase this particular loan fund?

Mr. WILLIAM. The increase financed mainly fertilizer that was very much required for Pakistan.

Mr. PASSMAN. You came in for $71 million. You felt then even in your full program that that was sufficient, didn't you?

Mr. WILLIAMS. We had originally come in for, I believe, $140 million, Mr. Chairman. We did not think, with the cuts we were taking, we could go beyond $71 million.

Mr. PASSMAN. In this one item, it is just as apropos here as it would be anywhere. In fiscal 1969 you projected a development loan program of $71 million.

Mr. WILLIAMS. Against a requirement of $140 million.

Mr. PASSMAN. I am not talking about requirements. I am talking about what you asked for. You actually obligated $24,500,000 more than you projected; is that correct?

Mr. WILLIAMS. Than we had projected at the time; yes.

Mr. PASSMAN. I will accept it that way, more than you projected. What would have been the effect of this loan if you had stuck by the $71 million?

Mr. WILLIAMS. Much lower production of agriculture in Pakistan.

Mr. PASSMAN. How do you know?

Mr. WILLIAMS. Because it is being used to grow wheat. It is required. For every dollar of fertilizer, you have had about 2 or 3 dollars of production in terms of agriculture commodities.

Mr. PASSMAN. Do you actually try to satisfy every appetite of these people who are begging for money?

Mr. WILLIAMS. Mr. Congressman, against a requirement of 140, we weren't satisfying——

Mr. PASSMAN. I expect you could get some kind of a justification if the requirement had been three times that. The point is it looks like you wonderful people are always, almost without exception, trying to satisfy every appetite that you run into. One of these days you people are going to have to be firm and administer these programs at least according to your projections. Anyway, you didn't. So much for that.

AGRICULTURAL ORGANIZATION—EAST PAKISTAN

You project a $69,000 increase in the estimated total cost of the agricultural organization project for East Pakistan this year; is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why?

Mr. WILLLIAMS. It is a slight revision in the estimates that were made in a project which cost $2,681,000.

Mr. PASSMAN. $69,000, is an awful lot. It isn't slight to me. I changed restaurants, they raised the price of steak 30 cents.

Mr. WILLIAMS. It is bringing the costing up to date, Mr. Chairman.

HYDROLOGICAL MONITORING AND RESEARCH

Mr. PASSMAN. This year, Mr. Director, you project a total estimated cost for the hydrological monitoring and research project of $411,000 which is an increase of $51,000 over what you estimated last year, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why was this necessary?

Mr. WILLIAMS. The cost last year went up over what we had estimated, Mr. Chairman.

Mr. PASSMAN. That is just about par for the course.

Mr. WILLIAMS. We put our best estimates in this book as of the time it was prepared.

Mr. PASSMAN. Nevertheless you usually wind up deobligating about 9 percent of all projects, do you not, at the conclusion of them? Isn't that the average? You have an overrun of about 9 percent? Maybe I should address that to the Controller.

Mr. WILLIAMS. Not on these TC projects, Mr. Chairman.

Mr. PASSMAN. I am talking about across the board. What is the average overrun on projects, Mr. Controller?

Mr. FLINNER. I believe you are right, in the loan programs we have been deobligating around 8, 9, or 10 percent of it. In the technical assistance projects we are not having any overruns.

Mr. PASSMAN. In other words, it is better to put in too much than too little; is that the philosophy?

Mr. WILLIAMS. These are TC projects, where the costing is much closer as far as deobligations are concerned, is much closer, Mr. Chairman.

AGRICULTURAL RESEARCH PROJECT

Mr. PASSMAN.. This year you have increased the estimated total to complete the argicultural research project by $490,000, to $1,055,000, and as of yet you have not made any contract; is that correct?

Mr. WILLIAMS. That is correct, sir. Our planning is more complete. This is a revised and better estimate than the one that we had last year.

Mr. PASSMAN. We have waited from time immemorial to get involved in these projects. We are entering a new era, if we think of 24 years in foreign aid as being new, isn't that correct? I say if we think in terms of the ages of nations, even our own country, this whole foreign aid concept is relatively new, isn't it?

Mr. WILLIAMS. Yes, sir, it is.

Mr. PASSMAN. Then why in the world, Mr. Williams, couldn't you postpone by 1 year, 2 years, 3 years, 5 years, these projects, and come up with a firm figure? You people just throw anything out to make your totals add up. Then when we look into the record and start examining, you are just so far off base that it is pitiful.

On this one you have $1,055,000. You have upped it $490,000 and you haven't yet awarded the contract, have you?

Mr. WILLIAMS. That is correct, Mr. Chairman.

Mr. PASSMAN. When do you think you may get around to awarding the contract?

Mr. WILLIAMS. We expect to do it this current fiscal year, Mr. Chairman. We definitely will be doing the contract this fiscal year. The reason we haven't postponed this project is that agricultural research is exceedingly important.

Mr. PASSMAN. I know, everything is important.

Mr. WILLIAMS. These people have to feed themselves.

Mr. PASSMAN. Why, Mr. Williams, didn't you proceed with the $500,000-plus project? You must have had some justifications. You came to the committee and said, "This is it, here is what we need, $566,000." You must have had some figures and statistics.

Mr. WILLIAMS. Since then we have been discussing the job to be done, in greater detail.

Mr. PASSMAN. Why didn't you proceed on that figure? Why didn't you hold firm on this?

Mr. WILLIAMS. It wouldn't have been adequate to do the job with the costs that had come forward.

Mr. PASSMAN. In other words, it was premature. Your estimate was premature, is that right?

Mr. WILLIAMS. It was an early estimate. As we began to plan the project we felt that we should tell you we were planning the project, and so we put it into the book. Now that the estimate is refined and we have discussed it with the contractors——

Mr. PASSMAN. I will take that. It was in the rough before, is that right? Now it has gotten to the refined stage?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why don't you refine more of them before you come up here?

Mr. WILLIAMS. We give you the best estimates we can get, Mr. Chairman.

Mr. PASSMAN. It is a shame what you people are getting by with. We ought to lock the whole Congress up in a room and let them hear this. Other agencies don't operate like this.

Mr. WILLIAMS. It is not the only area that you have overrunning costs, Mr. Chairman, cost revisions.

Mr. PASSMAN. Eight to 10 percent overruns across the board. You ought to look at the amount of money deobligated. You ought to look at the number of projects that you obligate in June and about 2 years later you deobligate the full project.

EAST PAKISTAN SMALL INDUSTRY DEVELOPMENT PROJECT

In connection with East Pakistan Small Industry Development project on page 68, I note you have extended the life of this project for 2 years and increased the total estimate of $363,000 to $666,000, is that correct?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. You missed this one by more than 100 percent, didn't you?

Mr. WILLIAMS. No, sir; this is an extension of the project.

Mr. PASSMAN. I am talking about the cost of the extension.

Mr. WILLIAMS. Right, sir.

Mr. PASSMAN. The cost of the extension, you missed it by about 100 percent, didn't you?

Mr. WILLIAMS. This is not a cost revision. This is an expansion of the work that had been originally envisioned, Mr. Chairman.

Mr. PASSMAN. Your vision was about 50 percent off based on last year's estimate, is that correct?

Mr. WILLIAMS. That is correct.

COST OF FOUR NEW PROJECTS

Mr. PASSMAN. That is all I want you to tell me. I note you plan to start four new projects this year. Have their estimated total cost

and completion dates been as carefully estimated as the ones we just discussed, since they are new? Are they in the rough or are they more refined?

Mr. WILLIAMS. They are as refined as we can make them at this stage of the project planning, Mr. Chairman.

Mr. PASSMAN. You know and I know just what to expect next year, because here you are with four new projects, and the two we previously discussed, were in the rough, then you got into the refinement stage and the cost doubled. So these are in the so-called rough stage at this time, is that right, sir?

Mr. WILLIAMS. Sometimes the costs begin to go down as you refine them.

Mr. PASSMAN. What is the actual cost of these four new projects as you see it at this time?

Mr. WILLIAMS. Would you like me to read them, Mr. Chairman?

Mr. PASSMAN. Oh, sure, project one; how much?

Mr. WILLIAMS. The Functional Literacy project will cost $135,000 for fiscal year 1971.

Mr. PASSMAN. Now to complete?

Mr. WILLIAMS. $327,000.

Mr. PASSMAN. No. 2.

Mr. WILLIAMS. We propose $120,000 in fiscal year 1971 for the Low-Cost Textbook Publishing report.

Mr. PASSMAN. To complete?

Mr. WILLIAMS. $240,000.

Mr. PASSMAN. Next, No. 3.

Mr. WILLIAMS. "Financial legislation development" is $170,000 for fiscal year 1971. $510,000 to completion.

Mr. PASSMAN. No. 4.

Mr. WILLIAMS. The plan is for $115,000 for "Agricultural Policy and Technology" for fiscal year 1971, and $515,000 to completion.

Mr. PASSMAN. Go back and put in the names. I used numbers I want you to put in names.

Mr. PASSMAN. I find one occassionally, but sometimes they come under some other spigot. You know how that trick is pulled; don't you? You just change the name and it starts off again, and we find out later, then you make a subproject out of the original subproject that became a prime project. That happens all the time, and we usually find it. You don't do it. Some of your research associates you understand work up these new names for these projects.

MALARIA ERADICATION PROGRAM

On page 72, I notice that the "Malaria eradication project" is extended for 5 years and you have increased the estimated total cost by $727,000. What was the original estimate?

Mr. WILLIAMS. It was $1,107,000.

Mr. PASSMAN. When was that estimate advanced?

Mr. WILLIAMS. That is last year's book, sir, and the revised estimate is $1,859,000 for an extension of 5 years, which would carry the project through the end of the fourth plan, which is the proposed program of the Government of Pakistan.

SUMMER SCIENCE INSTITUTE

Mr. PASSMAN. Are you extending the summer science institute project by 1 year?

Mr. WILLIAMS. Yes, sir; we are extending it by 1 year.

Mr. PASSMAN. What is it going to cost?

Mr. WILLIAMS. It is at a reduction in cost in this case, Mr. Chairman. The estimate last year was $1,706,000, and our refined estimate is $1,651,000.

Mr. PASSMAN. A reduction of how much.

Mr. WILLIAMS. $55,000.

LOCAL CURRENCY FOR PAKISTAN FOR FISCAL YEAR 1971

Mr. PASSMAN. Mr. Director, what is the total amount of the subsidy that we plan to make available to Pakistan out of local currencies for fiscal 1971?

Mr. WILLIAMS. About $60 million, Mr. Chairman.

Mr. PASSMAN. $60 million? Then to get the grand total for Pakistan, we would have to add the $60 million in local currencies; would we not?

Mr. WILLIAMS. It was already counted once.

Mr. PASSMAN. I am not talking about what was already counted.

Mr. WILLIAMS. In the spigots estimate——

Mr. PASSMAN. I want to be fair about this thing. If you are going to deal with fiscal 1971 to get the grand total, we would have to include the amount of local currencies that we would make available to Pakistan; wouldn't we?

Mr. WILLIAMS. That would be double counting, sir.

Mr. PASSMAN. Will somebody answer this question of mine? I am going to be fair about this thing. If we are going to get the total that will be spent in Pakistan in fiscal 1971, and if there is $60 million worth of local currency that will be spent in 1971, then what would be the grand total of local currencies as well as dollar appropriations? I will get it that way. Will you give me the total? I am going to get the correct answer to these questions. I don't want to be unpleasant. I want somebody to put the two figures together for me.

Mr. WILLIAMS. $125 million in dollars and $60 million in local currency.

Mr. PASSMAN. Which would make $185 million the present planned obligation for Pakistan in fiscal 1971.

Mr. WILLIAMS. Dollars and local currency.

Mr. PASSMAN. Dollars and local currency. Now, the $60 million in local currencies was acquired by the United States from sales of agricultural commodities in previous years, was it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why do you want to cover up things? You want to make it appear to be something that it isn't. I don't want to be unfair. Not all of these local currencies came from Public Law 480, is that correct?

Mr. WILLIAMS. Most of them.

Mr. PASSMAN. They came from several sources, did they not?

Mr. WILLIAMS. Yes, but Public Law 480 is the main source for fiscal year 1971.

PROJECT FUNDING

Mr. PASSMAN. Why is it necessary to fund the two full-time advisors and short-time consultants for 18 months in the new Functional Literary project, Mr. Director?

Mr. WILLIAMS. Normal contracting is 18 months on a new contract.

Mr. PASSMAN. Why is it necessary to increase the contract consultant allocation by $155,000 in fiscal 1971 under the Techincal Support project, when you have so many direct hire people on hand.

Mr. WILLIAMS. Outside advice on specialized problems is needed. We don' try to maintain a staff to cover all the skills required, Mr. Chairman.

COSTAL EMBANKMENT DEVELOPMENT LOAN

Mr. PASSMAN. Under the Costal Embankment Development loan on page 90 you state the authorized loan is $4,330,000, but further you indicate $77,800,000 was loaned from Public Law 480 local currency funds, and $12.5 million was granted from counterpart funds. The United States has supplied a great deal of money to this project, has it not?

Mr. WILLIAMS. Yes, sir, it has.

Mr. PASSMAN. What is the grand total?

Mr. WILLIAMS. $90 million in local currency and $4.3 million in dollars.

Mr. PASSMAN. Under the local currency is this local currency paid back to us on previous loans to Pakistan?

Mr. WILLIAMS. Public Law 480 generated local currency, sir.

Mr. PASSMAN. You know we refer to local currency United States owned, counterpart funds. It is really a confusing matter. I am afraid we have never cleared up the minds of a lot of people as to the difference. Counterpart funds is a fund generated from the sale of commodities where the currency remains in the country, and is spent in the country on mutual agreement by the donor, is that right?

Mr. WILLIAMS. Yes, sir; counterpart funds belong to the host country but we have control over the use.

Mr. PASSMAN. That is counterpart.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Then you have a third category of U.S. owned funds that we may spend freely, is that right?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Because we have certain local currencies where the country is no longer in excess.

Mr. WILLIAMS. Right, sir.

(Discussion off the record.)

CHITTAGONG PORT FACILITIES LOAN

Mr. PASSMAN. Last year, the year before and again this year, the projected disbursements under the $3,400,000 loan for the Chittagong Port facilities loan would be $74,000. What is being done on this project, Mr. Director?

Mr. WILLIAMS. A letter of commitment for $281,000 was issued to finance the dollar costs of the consultant contract. Additional letters

for commitment for procurement of commitment and services will be open. There was a delay on this project because redesign was required, Mr. Chairman because the foreign exchange cost of bids exceeded the amount available under the loan. I believe it will move now.

Mr. PASSMAN. I believe this contract was signed back in 1964, 7 years ago, isn't that right, sir?

Mr. WILLIAMS. Yes, sir.

PAKISTAN WESTERN RAILWAY LOAN

Mr. PASSMAN. Talking about being premature. There are hundreds of them. Let's look at another one, the Pakistan Western Railroad loan for $15,100,000 authorized in June 1967, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. 1967, 1968, 1969, 1970, now we are going into fiscal 1971. Have you made any disbursements on this commitment as of this date?

Mr. WILLIAMS. A letter of commitment for the entire amount was opened.

Mr. PASSMAN. That isn't what I asked you.

Mr. WILLIAMS. There was a dispute on the award.

Mr. PASSMAN. I don't talk loud enough. Have you made any disbursements from this loan up to date?

Mr. WILLIAMS. No, sir. It was because of the dispute on the award.

Mr. PASSMAN. I don't care what brought it about. I believe you made this obligation in June, didn't you, of 1967?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What date in June?

Mr. WILLIAMS. June 29, sir.

Mr. PASSMAN. I believe that is one day before the end of the fiscal year, is it not?

Mr. WILLIAM:. Yes, sir.

Mr. PASSMAN. You are a fine man. You will give me credit for seeing through this thing, will you not? This is the kind of mess that actually would cause a man to start cutting out butterflies.

We will resume tomorrow at 1 o'clock.

TURKEY

Mr. PASSMAN. The committee will come to order.

We shall continue our examination this afternoon of the budget request for the Near East and South Asia portion of the AID program which is spigot 1 of the 27 spigots of foreign aid.

As we move through your area, Mr. Director, I believe that the next country we shall discuss will be that of Turkey. As I look at the record, it would appear that you are requesting $54,220,000 for fiscal 1971.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That is an increase of $10,520,000 above the current fiscal year program; is it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I guess we must again apply the Dr. Hannah formula, that there is an asking price and a taking price and we will try to take that into account during the markup.

GNP INCREASE

From your divider sheet I notice the per capita GNP jumped from $334 last year to $360 for this year. Do you think that is a normal increase, or is it brought about by inflation?

Mr. WILLIAMS. The economy has been growing at the rate of about 6 percent a year, and most of the growth you refer to represents real growth. In real terms, per capita GNP grew from $346 in 1968 to $360 in 1969.

Mr. PASSMAN. Thank you.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

I note on page 117 that U.S. assistance to Turkey is extended through the Organization of Economic Cooperation and Development, OECD; is that correct?

Mr. WILLIAMS. Yes, sir; it is.

Mr. PASSMAN. Would you explain how that operates?

Mr. WILLIAMS. The Organization for Economic Cooperation and Development which is an organization of the industrial countries of Europe, Canada, and the United States. Japan is also associated with some of its work. The Organization has taken the responsibility for leading, for chairing the consortium of AID donor countries for Turkey.

Mr. PASSMAN. If I understand it correctly, the OECD is headquartered in Paris.

Mr. WILLIAMS. That is correct; yes.

Mr. PASSMAN. We were told earlier, I believe, that the United States, along with other nations, meet there, and generally discuss the entire aid program worldwide. It is kind of the headquarters for the discussion of foreign aid; is that correct?

Mr. WILLIAMS. Yes, sir. There is a subcommittee of the OECD, the Development Assistance Committee, which does meet annually to discuss the worldwide aid programs of the major donor countries.

Mr. PASSMAN. But I mean you have a building, you have permanent space there, do you not?

Mr. WILLIAMS. There is a staff of the OECD that is there the year around, yes.

Mr. PASSMAN. They have to have space to house them; do you not?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Then they have to maintain a full-time space building.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. How many feet of floor space?

Mr. WILLIAMS. I don't know, Mr. Chairman. May I get that for you?

Mr. PASSMAN. Yes. Provide it for the record.

(The information follows:)

FLOOR SPACE OCCUPIED BY OECD IN PARIS

The four officers and two secretaries of the U.S. mission to the Organization for Economic Cooperation and Development involved with development assistance occupy total office space of 2,064 square feet in the new headquarters building.

The International Secretariat of the Organization for Economic Cooperation and Development incorporates the entire committee structure of the Organization and is not limited to development assistance. The total space allocated to the entire U.S. mission is 15,996 square feet of space in the new building. This building houses other member delegations as well.

Mr. PASSMAN. What percentage of the investment was made by the United States, to create this building? What was our portion?

Put it in the record, gentlemen, if you don't have it.

(The information follows:)

WHAT WAS U.S. PERCENT OF INVESTMENT IN BUILDING CONSTRUCTION? (BUILDING OCCUPIED BY OECD)

The U.S. share of the total cost of the building was 25 percent or $3,306,000. These costs are financed from the Department of State appropriation "contribution to international organizations."

U.S. AID TO TURKEY SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. What is the total amount of U.S. aid to Turkey since the inception of the program, all inclusive.

Mr. WILLIAMS. Through fiscal year 1970 all inclusive, Mr. Chairman, it was $5,520 million.

Mr. PASSMAN. $5,520 million.

Now, what is the amount that you have in the pipeline to the credit of Turkey to be disbursed subsequently?

Mr. WILLIAMS. $349 million.

Mr. PASSMAN. That will be added to the figure that you just gave us, if and when it is disbursed?

Mr. WILLIAMS. No, it is part of the figure, Mr. Chairman.

Mr. PASSMAN. In other words when you obligate these funds, or allocate them, you then add that to the total?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Let's not get our bookkeeping mixed up. When we go to your green book, this represents net disbursements, does it not?

Mr. WHITE. Net obligations.

Mr. FLINNER. That is net obligations and loan authorizations, Mr. Chairman.

Mr. PASSMAN. In the green book?

Mr. FLINNER. In the green book; yes, sir.

PROGRAM AND PROJECT LOANS

Mr. PASSMAN. Mr. Director, how much of the $50 million development loan estimate for fiscal 1971 for Turkey is to be for program loans, and how much is to be for project loans?

Mr. WILLIAMS. It is anticipated that $40 million would be for program loans, Mr. Chairman, and $10 million would be for project assistance.

CONTRACT PARTICIPANTS

Mr. PASSMAN. Last year you proposed to program 79 contract participants in fiscal 1970, and this year I notice that you plan to program 92 contract participants for the same year, even though the program was reduced?

Mr. WILLIAMS. That is correct, but we funded fewer noncontract participants than planned.

Mr. PASSMAN. These are some of the things that are hard for the committee to understand, where even with a reduced program, you are able to increase certain areas.

INDUSTRIAL RELATIONS TRAINING PROJECT

I think we should have a look at two of the projects now in being in Turkey, one, the industrial relations training project which appears to support a union leadership training program where you mentioned how the membership of the Turkey trade union has grown.

LABOR RELATIONS SERVICES PROJECT

We then turn the page and see that the labor relations services project is being conducted to develop effective labor dispute settlement procedures. It appears one project provides new problems which require the introduction of the other project to work these problems out. Have I said that correctly?

Mr. WILLIAMS. They are certainly related, Mr. Chairman, in that an effective democratic trade union movement does need institutional and procedural development for settling disputes.

Mr. PASSMAN. That kind of reminds me of the old WPA days, and I don't quarrel with the system. It may be better than what we have done. You had one group digging the ditches and another group would turn around and fill them up. At least it furnished employment and exercise. That is kind of a way this operates.

COST OF CONTRACT ADVISERS AND CONSULTANTS—ACADEMICS OF ECONOMICS PROJECT

In connection with the academics of economics and commercial projects on page 129, it appears that $153,000 for two full-time contract advisers and 6 man-months of consultant services is rather high. Would you give us a little explanation on that?

Mr. WILLIAMS. The overseas staff is projected at $80,000. The home staff backing up the project is $29,000, and there is an overhead charge of $44,000.

Mr. PASSMAN. It is all built around two individuals, isn't it?

Mr. WILLIAMS. Two advisers.

Mr. PASSMAN. I understand, but the whole cost is built around two individuals.

Mr. WILLIAMS. Two advisers and short-term consultants, Mr. Chairman, that is right.

Mr. PASSMAN. You do know this is the taxpayers' money you are giving away, don't you?

Mr. WILLIAMS. Yes, sir.

NATIONAL EDUCATION RESEARCH AND PLANNING PROJECT

Mr. PASSMAN. I note that you have extended the national education research and planning project by 1 year, and have increased the total estimated cost by $150,000, is that correct?

Mr. WILLIAMS. That is correct; yes, sir. That was in order that participants could complete their training under the project.

Mr. PASSMAN. You were guessing when you were before the committee last year. This is putting it more or less in the refinement stage, as you have explained yesterday, is that right?

Mr. WILLIAMS. This is updating the estimate of the time required to train the faculty for the institution. It will take an additional year.

Mr. PASSMAN. What would have happened if we had given you people in the beginning a line item bill. We would have accepted your justifications and said we are going to fund these programs and given you a line item bill, item for item and amount for amount. Would you live with it?

Mr. WILLIAMS. If that has been the decision of the Congress——

Mr. PASSMAN. Then you would have lived with it.

Mr. WILLIAMS. Yes, sir. It would have been a very inflexible approach.

Mr. PASSMAN. And I think that is the way most Federal agencies in this country operate, do they not? Is that right, sir?

Mr. WILLIAMS. I am not familiar with other Federal agencies.

Mr. PASSMAN. May I respectfully suggest that you familiarize yourself with them, because this is a loose operation.

DEVELOPMENT STATISTICS PROJECT

You indicate that an increase of $74,000 in the total estimated cost to complete is projected for this year for the development statistics project over last year's estimate, is that correct?

Mr. WILLIAMS. That is correct, sir.

TAX ADMINISTRATION PROJECT

Mr. PASSMAN. Concerning the tax administration project on page 137, I note last year you increased the total project cost by $158,000, and this year you increased this cost by an additional $12,000, is that correct?

Mr. WILLIAMS. Yes, sir.

BUDGET ADMINISTRATION IMPROVEMENT PROJECT

Mr. PASSMAN. The budget administration improvement project was just started last year, and already you are increasing the estimate of the total cost to complete by $69,000 to $509,000, is that correct?

Mr. WILLIAMS. Yes, sir; from $440,000.

MIDDLE EAST TECHNICAL UNIVERSITY DEVELOPMENT LOAN

Mr. PASSMAN. I note on page 155 the Middle East Technical University development loan, and this is that 46 percent subsidy type loan, is it not?

Mr. WILLIAMS. This is a concessionary loan; yes.

Mr. PASSMAN. I believe that the concessionary part is 46 percent; is that correct? I am also interested in stating the correct figures. You do verify that as the correct figure?

Mr. WILLIAMS. I do; yes, sir.

Mr. PASSMAN. Thank you very much, sir. I note that the loan of $4,500,000 has been authorized since June 1967, but no disbursements have been made. Would you tell the committee on what day in June 1967 you obligated this money?

Mr. WILLIAMS. The 29th of June, sir.

Mr. PASSMAN. I believe that is 1 day before the close of the fiscal year.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Is it all right with you if I don't congratulate you on that type of performance?

Mr. WILLIAMS. The Middle East Technical University is currently experiencing difficulties.

Mr. PASSMAN. Let's don't get away from this too quickly.

You obligated this loan 1 day before the close of the fiscal year, and that is back in 1967, isn't that correct?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. And up until this date you have made no disbursements, is that correct?

Mr. WILLIAMS. We have actually held up disbursements, Mr. Chairman.

Mr. PASSMAN. What is the difference in holding up disbursements and not having made disbursements? Is the answer the same? I am not trying to put words in your mouth. You have made no disbursements on this project, is that correct?

Mr. WILLIAMS. We have consciously been holding up disbursements on this project because of the difficulties that this university has been having——

Mr. PASSMAN. Holding up disbursements is one answer, Mr. Director. I am not trying to be ugly, but holding up disbursements is one answer, but having made no disbursements is a different question. Have you made any disbursements whatsoever on this project?

Mr. WILLIAMS. We have made no disbursements on this project.

Mr. PASSMAN. Thank you very much. That answers my question.

(Short recess.)

Mr. PASSMAN. I have a lot of misgivings about this giveaway program. The last day of the fiscal year is June 30, and at least we know enough about this program to always look and see how much you obligate on the last 1 or 2 days of the year. We see literally millions of dollars that have been completely dormant for many years, you understand, in an obligational status, and it simply means that many of these projects had not been completely firm and handled on a business-like basis as we think of the way projects are handled in America.

UNDISBURSED LOANS

May I ask you at this point, Mr. Director, what is the total undisbursed funds in the development loan subsidized sector? Do you have that available for your area?

Mr. WILLIAMS. At the end of June 1970, $827,639,000.

Mr. PASSMAN. How much?

Mr. WILLIAMS. $827 million.

Mr. PASSMAN. In your area?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Going through these books, I am just going to place a few projects into the record quickly. I notice on page 150, you have a contract, date authorized June 24, 1966, for $28 million. You have only disbursed $8 million. There is another on page 154 that was authorized June 29.

Another one was authorized on June 22 for $2 million, and you only disbursed $1 million to date. You have another one authorized on June 29, 1967, $4,500,000. You have disbursed nothing to date. These are some that we are reading into the record. You might, if you will, on some of these projects, give us the original work plan as to how you thought you would spend the money, and how it has developed up to this date.

Mr. WILLIAMS. We will be pleased to do that, Mr. Chairman.

(The information follows:)

STATUS OF TURKEY LOANS

TURKISH COAL INDUSTRY 277–H–070

Date authorized: June 23, 1966; date signed: April 4, 1967; amount: $28,100,000; disbursed as of March 31, 1970: 30 percent.

The loan is for the purpose of assisting modernization and expansion of lignite and bituminous coal production facilities. A 6 years drawdown period was anticipated for this loan when it was authorized. The lignite subproject, for expanding two mines, is nearly complete (93 percent) and essentially on schedule. The larger portion of the loan, the subproject expanding bituminous coal production in the Zonguldak area, experienced procurement delays in the initial stage. However, procurement is now proceeding expeditiously, and the subproject is nearly a third completed, and the project completion date remains 1973.

BLACK SEA COPPER 277–H–076

Date authorized: May 17, 1969; date signed: May 21, 1968; amount: $30,500,000; disbursed as of April 24, 1970: 16 percent.

Because of the size of this project and the fact that equity financing was to be made by the private sector—an objective the Government of Turkey and we believed desirable—it was necessary to authorize the loan in advance of formation of the operating company and arrangement of equity financing. This delay of a year was part of the recognized cost of seeking and obtaining the necessary private sector development. The project is now proceeding normally with completion expected near the end of 1971. Fund commitments lead disbursements considerably—82 percent versus 16 percent to date—as there are many large equipment items having long-lead delivery times now on order.

ATATURK UNIVERSITY MEDICAL SCHOOL 277–H–077

Date authorized: June 22, 1967; date signed: October 23, 1967; amount: $2,000,000; disbursed as of March 31, 1970: 74 percent.

This project is on schedule. Commitment of funds is 100 percent complete. All disbursements for equipment and supplies will be completed by June 30, 1970. All disbursements for the training segment of the project ($100,000) will be completed before the end of the year, i.e., December 31, 1970, the scheduled terminal disbursement date of the loan.

EREGLI STEEL EXPANSION 277–H–078

Date authorized: June 29, 1967: date signed: May 15, 1968; amount: $14,200,000; disbursed as of April 22, 1970: 28 percent.

This loan was originally authorized June 29, 1967 in the amount of $22,350,000 for expansion of flat product capacity, installation of billet-casting facilities, and 160 man-years of expatriate management and supervisory personnel. In the months following authorization, an increase in local demand for flat products

caused the borrower to decide that steel capacity should be devoted exclusively to flat products and that installation of billet casting facilities should be delayed. In response to this request the loan was reauthorized on February 13, 1968 in the reduced amount of $14,200,000.

Since working out the above modification in the scope of the project, implementation of this project is currently on schedule. Engineering is 98 percent completed; orders for 95 percent of the equipment have already been placed; and the construction of necessary civil works is 50 percent completed. Disbursements for equipment and services under this loan are expected to be completed within the original terminal disbursement date of December 31, 1971.

MIDDLE EAST TECHNICAL UNIVERSITY (METU) 277-H-080

Date authorized: June 29, 1967; date signed: October 23, 1967; amount: $4,500,000; disbursed as of April 22, 1970: 0 percent.

Implementation of this loan proved difficult as the university organized itself to cope with problems of procurement and administration posed by the loan. As this issue was about resolved, new causes of delay arose as a result of student strikes and violence, University shutdown, and resignation of the rector. With the recent appointment of a new rector and creation of a staff section specifically charged with foreign procurement activities, we expect progress on implementation.

We believe that the time and effort in this project is worthwhile considering the importance of improvement in higher technical education to the economic development of the country.

Mr. PASSMAN. Tell us at this time, let one of your assistants look up what projects you are going to use. Pick one that is favorable to you if you will, so I will know which one you are going to use so I can do a little research on it too.

Mr. WILLIAMS. May I inform the committee of that, Mr. Chairman?

Mr. PASSMAN. Put them all in if you want some extra work.

Mr. WILLIAMS. All right, sir.

Mr. PASSMAN. Turning to the "Agriculture development and control loan," on page 161, I notice $3 million was authorized in June 1968, and no disbursements have yet been made on this project; is that correct?

Mr. WILLIAMS. That is correct, Mr. Chairman.

CEYLON

Mr. PASSMAN. Now we move into Ceylon. I believe your estimate for fiscal year 1971 is $7 million; is that correct?

Mr. WILLIAMS. That is correct, sir.

M.r PASSMAN. This is an increase of $2 million over the 1970 program; is that correct?

Mr. WILLIAMS. That is correct; yes, sir.

DEVELOPMENT LOANS

Mr. PASSMAN. What is the status of the $5 million programed for fiscal 1970 in development loans for Ceylon? Has there been any contract signed? Have you signed any contracts yet?

Mr. WILLIAMS. It has not been authorized. We expect to authorize it.

Mr. PASSMAN. In other words, this $5 million is dormant at this time?

Mr. WILLIAMS. We expect to authorize it in the next month.

Mr. PASSMAN. But it is dormant at this time. You have not signed any contract or any part of it with Ceylon yet?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. We are talking about last year's program, fiscal 1970; is that correct?

Mr. WILLIAMS. Yes, sir. This year's program, sir.

Mr. PASSMAN. The fiscal year that we will close in another 60 days; is it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. It is last year's as we think of it in terms of fiscal procedure; is it not? We are discussing fiscal 1971 funds for the fiscal year that begins July 1, aren't we?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. And this question had to do with your 1970 program that started on July 1 last year; did it not?

Mr. WILLIAMS. That is correct, sir.

Mr. PASSMAN. Thank you very much, sir.

Mr. WILLIAMS. I think of fiscal year 1970 as the operational year, the year we are working on.

Mr. PASSMAN. We think differently. I like to keep the record straight, because it is somewhat confusing to people when we talk about 1971 while we still have 6 months to go in calendar year 1970. Perhaps we should change the system to where we operate on a calendar year basis rather than a fiscal year. I usually say the ensuing fiscal year.

JORDAN

In Jordan, which we discussed at some length yesterday, you are requesting $1,886,000 for fiscal 1971; is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. This is an increase of $255,000 above the current fiscal year; is that correct?

Mr. WILLIAMS. Yes, sir.

WHEAT RESEARCH AND PRODUCTION PROJECT

Mr. PASSMAN. I notice the total estimated cost of the wheat research and production project has increased this year by $149,000; is that correct?

Mr. WILLIAMS. Yes, sir.

U.S. TECHNICIANS

Mr. PASSMAN. How distressing. Last year you had a proposed program of one participating agency U.S. technician for 1970. This year I notice you have increased that number to 15 for the same fiscal year; is that correct?

Mr. WILLIAMS. These 15 short-term consultants are largely being sent to Jordan under the new agricultural economics and planning project.

Mr. PASSMAN. But are my mathematics correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That you asked for one but you are funding 15.

Mr. WILLIAMS. Last year's funding request covered short-term consultants for this project but we did not know that they would be in Jordan in June.

LINE ITEM BILL

Mr. PASSMAN. That is the kind of mess you people get your business into, when we just go along and give you this money on an illustrative basis. You are certainly within the law. We have been told time and time again that you could come in and justify funds for hospitals in Brazil, take the money and build a summer resort in Morocco, and still be within the law.

Mr. WILLIAMS. That would not be within the policy, sir.

Mr. PASSMAN. I didn't say anything about policy. I never have known what your policy is. I have been trying for 16 years to find out what it is. If you ever find out, write me a letter on it. I would like to know.

Mr. LONG. Mr. Chairman, I thought, first, that we had the power to limit their shifting the money around; in other words, to make it more than an illustrative program.

Second, I thought we had done this in at least one part of the AID appropriation.

Mr. PASSMAN. After a fashion, but we have never had a line item bill. It is still in effect, an illustrative program.

Mr. LONG. Why don't we put it on a line-item basis? I serve on the Military Construction Subcommittee of Appropriations, and everything we do is line item. Why can't we do the same thing with this bill?

Mr. PASSMAN. Perhaps some day we will have to consider a line item approach. However it would be extremely difficult to act on each separate project.

Mr. LONG. Mr. Chairman, when we mark up the bill why doesn't the Chairman offer an amendment stipulating that it is line item?

Mr. PASSMAN. Your authorization bill is an illustrative program, you understand. When it is presented to us, it is presented to us on an illustrative basis. I am of the opinion that the day is coming when each and every one of these projects shall be required to have a benefit-cost ratio similar to that in the public works area. If we ever get to that point, I think we will get more for our money, if we are getting anything now.

Mr. LONG. Mr. Chairman, pending that time, and I am inclined to think that there is much to what you say, could we get some indication from the witness what departures they have made in the last year or so from the illustrative budget presented to us?

Mr. PASSMAN. Speaking for this side of the table, we have made a lot of progress, I believe, by this kind of an examination. We have put in certain limitations, you understand, with respect to deobligating and reobligating and coming to the committee for a nod on certain projects. I think we have made some progress toward a line item bill, but we are a long ways from it. That is why we do examine on so many of these projects that go in as an obligation during the last 2 or 3 days of the fiscal year. We find sometimes 3 or 4 years later——

Mr. LONG. Couldn't we get them to give us a report for this last year telling us just what deviations they have made?

WHEAT RESEARCH AND PRODUCTION PROJECT

Mr. PASSMAN. We have established that over the days before this committee, I mean the question just before this which answered one question. There is over 200 of them in the record already. For instance, I notice the total estimated cost of the wheat research and production project has increased this year by $149,000; is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What is the present estimated cost to complete this project?

Mr. WILLIAMS. $769,000, Mr. Chairman.

Mr. PASSMAN. What was the estimate at the time you started the project?

Mr. WILLIAMS. $620,000.

Mr. PASSMAN. Let's take it, if Mr. Long will follow us, when you submitted this project to the committee you estimated it would cost $649,000 to complete the project.

Mr. WILLIAMS. $620,000.

Mr. PASSMAN. $620,000. When was your next estimate given to the committee?

Mr. WILLIAMS. This year, Mr. Chairman?

Mr. PASSMAN. And how much was that?

Mr. WILLIAMS. $769,000.

Mr. PASSMAN. That gives you an idea of what happens when you operate an illustrative program.

SCHOOL BUILDING DESIGN AND PLANNING PROJECT

Last year you proposed a new project which was called the "School Building Design and Planning." You estimated the total cost would be $305,000, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. What was the estimate for the preceding year?

Mr. WILLIAMS. We are not implementing that project, Mr. Chairman.

Mr. PASSMAN. If I read it correctly here, your books says that your 1970 request was for $65,000.

Mr. WILLIAMS. Yes. That is correct, Mr. Chairman. We proposed that as a new project in fiscal year 1970 presentation. We have not initiated the project, and we are not requesting funds for——

Mr. PASSMAN. Have you de-obligated or did you ever obligate the $305,000?

Mr. WILLIAMS. We never obligated funds for that project.

Mr. PASSMAN. That project is out.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. What is the name of it?

Mr. WILLIAMS. School buildings project.

Mr. PASSMAN. Do you have any intentions of funding it this year?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. You are making no request for it.

Mr. WILLIAMS. That is correct, sir.

Nepal

Mr. Passman. Now, in Nepal, the fiscal 1971 estimate is $2,591,000, is that correct?

Mr. Williams. That is correct, sir.

Mr. Passman. This is an increase of $341,000 above the current fiscal 1970 program, is that correct?

Mr. Williams. Yes, sir.

Statistics development project

Mr. Passman. Again I noticed on page 175 you have increased the total estimated cost of the statistics development project by $52,000, to $276,000, is that correct?

Mr. Williams. Yes, sir.

Mr. Passman. When did you submit this project to the committee the first time?

Mr. Williams. 1960, sir.

Mr. Passman. What did you ask for the project then?

Mr. Williams. I would have to check that, Mr. Chairman. May I submit that?

Mr. Passman. What is the last year of which you have any record?

Mr. Williams. 1970.

Mr. Passman. In 1970 you gave us an estimate as to completion cost. What was it?

Mr. Williams. $224,000.

Mr. Passman. What kind of an estimate are you going to give us now?

Mr. Williams. $276,000.

CENTO and Regional Programs

Mr. Passman. Do you see what I mean, Doctor? This thing is just a very loose operation.

You are requesting $4,185,000 for the CENTO and regional programs for fiscal 1971, is that correct?

Mr. Williams. Yes, sir.

Mr. Passman. This is $280,000 above the 1970 program.

Mr. Williams. Yes, sir.

Mr. Passman. Now, as we think in terms of regional projects we must ascertain what each country in your area is getting from their regional programs, add this amount to the total country program in order to get the grand total, wouldn't you?

What percentage of the grand total requested would be spent for regional programs?

Mr. Williams. It would be about 1 percent of the total AID expenditure in the Bureau; but about 12 percent of the technical assistance expenditure.

Mr. Passman. Let's make it all inclusive. You have got so many different programs.

Mr. Williams. One percent, sir.

Mr. Passman. What are you requesting for your total program?

Mr. Williams. For the region?

Mr. PASSMAN. No, no, the other items, not the region.
Excluding the region what is your total request?
Mr. WILLIAMS. For the countries of the NESA region?
Mr. PASSMAN. Yes, your entire area.
Mr. WILLIAMS. For the entire area $478,307,000.
Mr. PASSMAN. $478 million?
Mr. WILLIAMS. Yes, sir.
Mr. PASSMAN. One percent of that would be $4,783,000, is that correct? You are a good mathematician. It is pretty simple to arrive at that figure, isn't it.
Mr. WILLIAMS. Yes, sir.
Mr. PASSMAN. I am asking you what are you asking for CENTO and the regional programs?
Mr. WILLIAMS. $4,185,000, is our request for CENTO and the regional programs together. Is that the question, sir?
Mr. PASSMAN. If you take the grand total through the first 24 years of the AID program, the net disbursements before we include the interest is $122 billion. We haven't added the last fiscal year to that, but your region received $14,896,000,000. That would be about 7 percent of the grand total, wouldn't it? This region is getting to be a very large item, and it is just an additional spigot.
Mr. WHITE. That is a worldwide figure. It exceeds by a large amount what is attributable to NESA.
Mr. PASSMAN. It is very hard to break out these regional expenses by country, but it is good to make a record that this is just another spigot which is not mentioned in the detailed examination.

STUDENT COSTS AT AMERICAN UNIVERSITY OF BIERUT

On page 179 you indicate that $2,300,000 is requested for regional training activities at the American University of Beirut, for fiscal 1971. How many students will this amount cover?
Mr. WILLIAMS. 478 students, sir.
Mr. PASSMAN. Don't you have a per capita cost to furnish the committee? Would it be very much trouble to insert in the record a list of what countries they are from?
Mr. WILLIAMS. We would be pleased to do that.
Mr. PASSMAN. The number by country.
(The information follows:)

Number of AID/NESA financed participants presently at AUB by country

Afghanistan	63
Cyprus	43
Iran	29
Jordan	110
Lebanon	64
Nepal	23
Pakistan	122
South Yemen	7
Turkey	27
Total	478

Mr. PASSMAN. What is the average per capita cost?
Mr. WILLIAMS. $3,500.
Mr. PASSMAN. $3,500 for how long?

Mr. WILLIAMS. A year's academic training, Mr. Chairman.

Mr. PASSMAN. How many months is that, 9?

Mr. WILLIAMS. Nine months for most, but we pay for some summer students as well.

Mr. PASSMAN. $3,500. Now, what does that represent? Could you give us a breakdown on it, the amount that goes to the American University, and give us the other parts of this total?

Mr. WILLIAMS. May I submit that for the record, Mr. Chairman?

Mr. PASSMAN. Yes, but let me ask you a few questions.

Mr. PASSMAN. Concerning this $3,500 for 9 months, does that cover the total cost of maintaining this student, from his home to Beirut and return, or does he make any contribution, or his parents or the country he is from, or does the United States pick up the total tab?

Mr. WILLIAMS. I believe that would be for tuition only. We also help with his maintenance and books, Mr. Chairman.

Mr. PASSMAN. I think this is a very fine institution, but I am more interested at this time as to what the $3,500 per student for 9 months represents. Do you know whether or not it represents travel?

Mr. BIRNBERG. We pay the travel and maintenance.

Mr. PASSMAN. Do you pay for his travel?

Mr. WHITE. Yes, and the travel would be in addition to the amounts spent on tuition and maintenance.

Mr. PASSMAN. It would be in addition. In other words, he gets $3,500 plus travel.

Mr. WHITE. Right.

Mr. PASSMAN. What else? Anything else?

Mr. WHITE. Maintenance, books, tuition, travel are paid for.

Mr. PASSMAN. That comes in the $3,500?

Mr. WHITE. The $3,500 is tuition and overheard primarily.

Mr. PASSMAN. We have two figures now. We have $3,500. Now, we must add to that the travel. What else?

Mr. WHITE. Travel, maintenance, and books are in addition.

Mr. PASSMAN. He gets maintenance, too, in addition to the $3,500?

Mr. WHITE. That is correct.

Mr. PASSMAN. My goodness.

Mr. SHRIVER. Who gets that?

Mr. WHITE. The school of course gets the tuition.

Mr. PASSMAN. The grand total, gentlemen, we are trying to find out how much per student it is costing. You have already said $3,500 plus maintenance, plus travel. Now what is the grand total?

Mr. WILLIAMS. The figure varies.

Mr. PASSMAN. Wait a minute. I don't think as fast as you do. These two men are getting their heads together on this grand total.

Mr. WHITE. The per diem is $120 a month.

Mr. PASSMAN. Times nine, that is $1,100; isn't it?

Mr. WHITE. $1,100 plus travel, which is another $150, on the average. Travel costs vary widely with the region. Jordan and Cyprus are quite, low Nepal and Pakistan would be much higher.

Mr. PASSMAN. Wait a minute. We are going to make the record now. What do you have for travel?

Mr. WHITE. $150 for travel, on the average, and $1,100 for maintenance, that is, it's $1,300 for expenses in addition to the tuition and overhead to AUB.

Mr. PASSMAN. Then what is the grand total?

Mr. WHITE. It would be about $4,800 for each student.

Mr. PASSMAN. $4,800 per student. Do you think if you had a little more time, you could find some other things to add to that?

Mr. WHITE. We think that is complete.

Mr. PASSMAN. You think so. You are not positive.

Mr. WHITE. I think it is.

Mr. PASSMAN. I will have to take it, but thinking something is one thing, and being positive is another.

Mr. Shriver?

Mr. SHRIVER. I want to get clear on this. Are we talking about all of the students?

Mr. PASSMAN. Average.

Mr. SHRIVER. Do none of the students pay for their own tuition?

Mr. WHITE. There are students who do pay for their own courses.

Mr. PASSMAN. There are several now.

Mr. SHRIVER. How many are there under this grant program?

Mr. WHITE. 478 are under the grant program—and the school has 3,500 students.

Mr. WILLIAMS. The cost varies widely by the nature of the school they go to. For example the amount we pay to AUB for a participant in engineering, is $2,600, but for agriculture the cost is $4,300, nursing is $2,700, pharmacy is $2,200.

Mr. PASSMAN. Did you give us the average a moment ago?

Mr. WILLIAMS. Yes, sir; we did.

Mr. PASSMAN. So the average is $4,800, is that correct?

Mr. SHRIVER. Has the university increased its tuition in the last few years?

Mr. WHITE. I believe it has.

Mr. WILLIAMS. These are grant students.

Mr. SHRIVER. I am not talking about that.

Mr. WILLIAMS. I don't have it specifically but it seems reasonable that the tuition has been going up. Costs have been going up.

Mr. SHRIVER. I understand that. They should raise the tuition, but perhaps there is some reason why they can't. Is this in your area?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I want to make it abundantly clear that I am not criticizing AUB. I think it is a very fine school, and I actually believe it has been a tremendous investment for our country and in all probability one or two nations would have broken off diplomatic relations with this country if it were not for the American University.

All I am trying to do is establish the cost per student. I would think that is a little high. I am just wondering if you wouldn't get just as many students if you would say, "Yes, this is the grant but you pay your own transportation." These people have gone through high school and prepared themselves for college, and you are talking about, in all probability, the elite in each one of these countries where these students come from. Sometimes we may make it too easy on them. I wish you would have a look at it.

Mr. WILLIAMS. All right, Mr. Chairman.

CENTO

Mr. PASSMAN. Last year you proposed $350,000 for CENTO for fiscal 1970, but this year I notice your estimate is for $606,000 for CENTO for the same fiscal year; is that correct?

You requested $350,000 but you have allocated $606,000. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Even out of a reduced program?

Mr. WILLIAMS. Yes, sir.

(Discussion off the record.)

INDUS BASIN AND DEVELOPMENT FUND

Mr. PASSMAN. We will now turn to the Indus Basin Development Fund. Your request for fiscal 1971 is $13,810,000, is that right?

Mr. WILLIAMS. That is the request; yes, sir.

Mr. PASSMAN. What has been our total contribution to this Indus Basin Fund since its inception? Do you have that figure?

Mr. WILLIAMS. $291.9 million.

Mr. PASSMAN. What is your present estimate to bring this project to completion?

Mr. WILLIAMS. About $125 million.

Mr. PASSMAN. In addition to the $291 million?

Mr. WILLIAMS. That is correct; yes, sir.

Mr. PASSMAN. That would make a total of about $416 million?

Mr. WHITE. Yes, sir.

Mr. PASSMAN. That is millions we are talking about?

Mr. WHITE. Yes, sir.

Mr. PASSMAN. That is a lot of money, isn't it?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Now you state on page H–10 that the replacement works are approximately 90-percent complete. I think this is the same figure you gave to us last year; is that right?

Mr. WILLIAMS. Yes, sir; I believe it is.

Mr. PASSMAN. Does that mean that the project is dormant?

Mr. WILLIAMS. No.

Mr. PASSMAN. Does that mean some statistician just picked that figure up out of last year's book and put it in this year's book?

Mr. WILLIAMS. Progress has continued on the replacement work, Mr. Chairman, and work has started on Tarbela Dam.

Mr. PASSMAN. Mr. Director, that is what you just said, but I am telling you that the book shows it is 90 percent.

Mr. WILLIAMS. The figure is misleading.

Mr. PASSMAN. All of this stuff is misleading but we want to establish in the record occasionally just how misleading it is. Does any friction exist between India and Pakistan over the use of the Indus Basin waters at this time?

Mr. WILLIAMS. I am not aware of any at this time, Mr. Chairman.

AVERAGE INTEREST RATE PAID BY FEDERAL GOVERNMENT

Mr. PASSMAN. Mr. Controller, what was the average prevailing interest rate on Federal securities and short-term notes for the calendar year 1969?

Mr. FLINNER. I don't know that I can say for sure.

Mr. PASSMAN. Would you mind calling the Treasury while we go answer the bells; the average interest rate, because I am getting ready to get up a recapitulation table and I want to use your figures and not mine. That is the average rate of interest the Government paid on borrowed money for calendar year 1969.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Let's take a brief recess.

(Short recess.)

Mr. PASSMAN. Mr. Shriver?

AID FROM SOVIET UNION AND RED CHINA

Mr. SHRIVER. Mr. Davies, how much economic and military assistance are the recipient nations in your area receiving from either the Soviet Union or Red China?

Mr. DAVIES. These states, sir, would be primarily India, Iran and Afghanistan. Pakistan and Turkey have been receiving some economic assistance from the Soviet Union. The United Arab Republic also receives aid from the U.S.S.R., but they are not a recipient of U.S. aid. I will have to provide you the total, sir.

Mr. SHRIVER. All right, if you would.

(The information follows:)

COMMUNIST ECONOMIC CREDITS AND GRANTS EXTENDED TO THE NEAR EAST AND SOUTH ASIA, 1954-69

[In millions of U.S. dollars]

Recipient country	Total	U.S.S.R.	Eastern Europe	Communist China
Total, Near East and South Asia	7,388	5,214	1,760	414
Afghanistan	737	697	12	28
Ceylon	123	30	52	41
Greece	84	84		
India	1,980	1,593	387	
Iran	839	508	331	
Iraq	432	305	127	
Nepal	82	20		62
Pakistan	438	265	64	109
Southern Yemen	12			12
Syria	443	233	194	16
Turkey	390,	376	14	
United Arab Republic	1,679	1,011	562	106
Yemen	149	92	17	40

Mr. SHRIVER. And what types of projects or materials are involved?

Mr. DAVIES. In the United Arab Republic, to start in the west, the Soviets assisted in financing the expansion of a steel mill which was originally built with West German credits at Helman. They have, of course, been the primary source for the high Aswan Dam.

In Turkey there is a petroleum refinery near Izmir, which is being financed by the Soviet Union. Interestingly enough this is being constructed by an American firm, which was the low bidder chosen by the Government of Turkey.

Mr. SHRIVER. Why don't you put it in the record?

Mr. DAVIES. I will put those in the record.

(The classified information was furnished to the Committee.)

Mr. SHRIVER. That isn't classified?

Mr. DAVIES. No; it is not classified. In most instances these countries are interested in economic development. In general there has been very little political exploitation, except for the enhancement of the influence of the Soviet Union in the economic sector.

I might note that in Iran, where there has been a development between the Soviet Union and the Iranian government for the sale of gas from the oil fields in Iran, which previously has been wasted or flared, the Soviet Union has contributed to the construction of a pipeline up into the Soviet Union. This is being paid for by shipments of gas, but in the future, once the current Soviet projects are paid for, there will be a buildup of Iranian credits with the U.S.S.R., which may increasingly shift a part of the Iranian economy to the Soviet side; this is something that concerns us.

Mr. SHRIVER. You didn't say anything about military assistance, so you might include that for the record.

Mr. DAVIES. All right, sir. Of course, there has been Soviet assistance to India, the United Arab Republic and Iran. Iran has used some of these credits built up by barter trade with the Soviets for the purchase of military trucks and some very basic military items which do not involve Soviet training personnel.

(The information follows:)

Communist military aid extended to Near Eastern and South Asian countries, 1955–67

Recipient country:	*Total (in millions of U.S. dollars)*
Afghanistan	250
Cyprus	30
India	610
Iran	110
Iraq	650
Pakistan	40
Syria	460
United Arab Republic	1,550
Yemen	100
Total	3,800

AID TO ISRAEL

Mr. SHRIVER. The news reports late last month regarding the administration's decision not to sell an additional 25 Phantom jets to Israel indicated that large scale economic and food aid would be substitute for that military assistance. Would you tell us what the Department has in mind?

Mr. DAVIES. Yes, sir. We have received a very sizable request from Israel, which would run over the next 5 years.

Mr. SHRIVER. Sizable? $1 billion?

Mr. DAVIES. I will ge the exact figure for the record——

In the meantime we are prepared to go ahead with the Public Law 480 program for Israel. It has been running at $32 million annually, and it will probably be in excess of that amount. We will also extend additional military credits to help cover the balance due on past mili-

tary contracts, but in principle we have agreed with the Israelis to respond affirmatively to certain of Israel's short-term financial needs, by giving further study to its longer term needs.

Mr. SHRIVER. How long has it been since we have given economic assistance to Israel?

Mr. DAVIES. Israel was dropped as an aid recipient of loans in 1965, I think.

Mr. WHITE. 1966.

Mr. SHRIVER. I meant other than Public Law 480.

Mr. DAVIES. 1966, sir.

GREEN REVOLUTION IN INDIA

Mr. SHRIVER. Mr. Williams, on page 5 of your statement you mention efforts which are being made to help smaller farmers participate in the Green Revolution along with the larger farmers in India. What are those efforts?

Mr. WILLIAMS. The Indian Government has indicated a policy of special efforts, particularly in the area of credit to small farmers. The new seeds and fertilizer are equally responsive to small plots as well as large plots, if the small farmer has access to water and the ability to finance the fertilizer, so that credit becomes quite important.

Additionally there are farmers who are not benefiting from the Green Revolution or the new technology in seeds, primarily because the technology is water responsive, and so the Indian Government is also giving attention to helping farmers in dry land areas.

Programs will involve not only credit but also the adaptation of varieties for dry farmers, encouraging smaller farmers to organize in cooperatives, so that they can be more efficient in procuring services and marketing products.

FAMILY PLANNING PROGRAM IN INDIA

Mr. SHRIVER. Your comments at the bottom of page 7 would seem to indicate that you have issued almost unlimited credit to India for its family planning program. It is an important area, but since you admit that you really don't know what you are doing in that field yet nor what real effect it is having, it would seem that putting unlimited amounts of money in there would be inappropriate at this time. How much money are you considering for this program?

Mr. WILLIAMS. In the proposed request, it is quite small. It is $700,000. Encouraging India to move as swiftly with family planning as makes good sense is a policy that is of interest to the administration as well as to the Congress. As you know, $75 million is earmarked this year and $100 million next year for family planning programs worldwide. We are looking at the ways to make the Indian family planning program more effective, insofar as foreign aid can do that. The effort must, of course, come from within the country. It is primarily a problem of administration in India. It is also a problem of motivation and education. This is a terribly important problem. We would consider providing additional assistance, for an expanded effort, if the Indian Government is able to develop the administrative

structure for a more effective family planning effort, under such conditions we could consider increasing the allocation of funds to support the Indian Government's program.

Mr. SHRIVER. I notice on page 6 you say, "The planning budgets have increased rapidly to $56 million in 1969." Is that India?

Mr. WILLIAMS. Yes, sir, that is.

Mr. SHRIVER. Over on page 8 it says, "Fiscal year 1971, $4.7 million is requested to support population programs in the entire region." Is that other than India?

Mr. WILLIAMS. $56 million is the Indian Government's budget effort.

Mr. SHRIVER. You are only planning to put in something less than $1 million.

Mr. WILLIAMS. As currently planned, $700,000 for India. We are looking at the proposals for increasing that level if they make good sense. We will not put in funds that we do not believe can be effectively used.

Mr. SHRIVER. Are you still paying the National Institutes of Health for population research out of the AID budget?

Mr. FURMAN. Yes, sir, there is still a project going on. They are carrying out research programs, supervising the research programs for AID.

ENCOURAGING PRIVATE BUSINESS INTERESTS

Mr. SHRIVER. Page 9, you say that more could be done in these countries to encourage private business interests in the task of development. What measures are you thinking about that could or should be taken in each country?

Mr. WILLIAMS. In most cases it has been, in the first instance, a matter of loosening up controls, particularly government regulations over the allocation of resources. As these countries gained independence, many developed a view that more equality would be achieved and the little man would get a better chance if the government had an administrative structure that allocated resources.

In other words, bureaucrats would make many of the basic economic decisions. We have been attempting to persuade countries that that is not the way to do it, although on the face of it, it would seem that you get more equity. The market mechanism is far more efficient, and indeed through a properly structured market, the access to credit, to raw materials, is greatly improved for a larger number of people. Medium and middle sized farmers, medium and middle sized businessmen have a much better chance of gaining resources for investment, of gaining raw materials for production. One of the main thrusts of policy has been to free markets, to reduce government controls, to liberalize the sources of credit, to liberalize the sources of raw materials. A freer market involves pricing of materials closer to market value, and reducing the subsidy on imports, so that use of domestic resources is encouraged. These are all factors.

I believe that taxes, tariffs, and interest rates are three indirect controls that make far more effective allocation of raw materials than direct controls now in use and lead to a more effective private sector

in these countries. We are attempting to put our emphasis in these areas.

Mr. SHRIVER. Taxes, tariffs, and what is the other one?

Mr. WILLIAMS. Interest rate, the price of money.

Mr. SHRIVER. The same thing with us. How much are you allocating to each of these three in your program?

Mr. WILLIAMS. It is a matter of policy advice more than allocation of our resources. We are assisting with a project on tax administration in Turkey. We have provided some help on that in India. I think we included some training for participants in taxation in a new project for India that was mentioned yesterday. It is primarily a question of policy advice.

Most of our program aid does provide raw materials for the private sector and helps support a more market oriented policy. For the farmer it is fertilizer, and other inputs for agriculture. About 40 percent of the funds we are proposing are for agriculture and supports the private sector in agriculture. On the industrial side, medium and smaller businessmen have access to raw materials.

FOREIGN AID VERSUS DOMESTIC AID

Mr. SHRIVER. In the conclusion of your statement, you say that reduced aid from the United States has led to slower growth in the Near East and South Asia and other countries than you would like to see. Of course it is a question of degree, but there are many of our constituents who feel that we are experiencing similar problems here at home.

How would you suggest that we justify increasing foreign aid expenditures for education, jobs, and health overseas, when these activities are being cut back here because of our own strained resources? How would you advise me to justify that to my people?

Mr. WILLIAMS. These are certainly very difficult questions of priorities, Mr. Congressman. What I was saying in my statement is that the green revolution, the increased production of food, has made it possible for India to grow at a higher rate than was previously possible at any other time in the past.

For a country as poor as India, it does seem a shame if it does not grow as rapidly as it can when so many people are living so close to the margin of subsistence. If half of productive capacity is underutilized because of lack of funds, then a growth potential is passed up.

Mr. SHRIVER. Today, as an example of what I was talking about, we have before us on the floor of the House the education appropriations bill for the coming year. The Appropriations Committee increased it over the request of the President by about $700 million. Yet I understand this afternoon there will be $100 million more requested in amendments.

They are all good amendments, if we had the resources to do it. It is a question of priority, and this is what our Subcommittee on Education considered. It bothers me when you have increased the amount for this area some $116.4 million over the amount available in fiscal 1970. Your total request is for $478,307,000, at a time when we are cutting back on domestic programs in the same fields of health and education.

TOTAL AID COMMITMENTS TO INDIA

Would you update the table which appears on page 1009, of last year's hearings showing the United States' share of total aid commitments to India?

Mr. WILLIAMS. We will be pleased to do that.

(The information follows:)

U.S. SHARE OF TOTAL AID COMMITMENTS TO INDIA[1]

[Dollar amounts in millions]

	1966	1967	1968	1969	1970
U.S. development loans (including Export-Import Bank)[2]	$299	$210	$274	$194	$230
U.S. Public Law 480, title I sales	329	406	385	167	137
Total, United States	628	616	659	361	367
Consortium assistance (including IBRD and IDA)	592	722	345	463	581
Other food aid	147	132	62	62	42
Soviet bloc assistance[3]	627	25	0	30	(4)
Total assistance to India	1,994	1,503	1,066	916	990
Total U.S. assistance as a percentage of total	31	41	62	39	37

[1] Indian fiscal year (ending Mar. 31).
[2] U.S. development loans shown by U.S. fiscal year ending June 30, year of each column heading.
[3] The Soviet Union has made 5-year commitments. This distorts totals and percentages shown on this table.
[4] Not available.

Mr. SHRIVER. Why did that percentage increase to 64 percent in 1968? That is on 1009.

Mr. WILLIAMS. In 1968 the IDA contribution was not made to India because of the delay in replenishment. Our proportion of the total therefore went up, Mr. Congressman.

EXTENSION OF PROJECTS IN INDIA AND INCREASE IN COSTS

Mr. SHRIVER. That is a substantial percentage increase. Last year there were 10 projects in India which had been extended past the original final obligation date with corresponding increases in total cost. How many are there this year? Put them in the record.

Mr. WILLIAMS. We will be pleased to do that.

Mr. SHRIVER. And put in the circumstances of each of these extended projects.

(Clerk's note: The information may be found on pages 592 and 627.)

AID LEVELS OF CONSORTIUM MEMBERS

Mr. SHRIVER. Would you provide for the record a table showing the aid level for each of the members of the consortium for India, Pakistan, and Turkey for the past 4 years and the anticipated balance at the first of the year.

Mr. WILLIAMS. Yes, sir.

(The information follows:)

PAKISTAN CONSORTIUM ASSISTANCE

[In millions of dollars]

	Pledges (fiscal years ending June 30)				Cumulative total 1961–70	Undisbursed balance [2] of commitments (as of Dec. 31, 1969)
	1967	1968	1969	1970		
Canada	25	25	36	27	220	52
France	10	10	2	14	88	----
Germany	38	38	45	38	342	70
Italy	30	15	----	15	99	----
Japan	30	30	30	30	255	42
United Kingdom	22	22	19	23	202	31
United States [1]	131	184	105	91	1,562	163
Other countries	5	5	5	14	56	8
IBRD/IDA	63	35	203	140	858	267
Total	354	364	445	392	3,682	633

[1] Includes AID and EXIM.
[2] Excludes undisbursed export and suppliers' credits which total $68,000,000 and undisbursed Indus/Tarbela loans which total $98,000,000.

INDIA CONSORTIUM ASSISTANCE

[In millions of dollars]

	Pledges (fiscal years ending March 31)				Cumulative total 1962–70	Undisbursed balance of commitments (as of Dec. 31, 1969)
	1967	1968	1969	1970		
Canada	83	61	48	53	419	184
France	30	30	30	30	240	95
Germany	63	62	62	62	894	158
Italy	34	----	6	7	217	84
Japan	45	52	45	65	497	66
United Kingdom	105	82	84	91	870	141
United States [1]	210	274	194	230	3,529	381
Other countries	26	18	48	38	178	36
IBRD/IDA	336	40	140	235	1,936	227
Total	932	619	657	811	8,780	1,372

[1] U.S. fiscal year. Includes AID and EXIM.

TURKEY CONSORTIUM ASSISTANCE

[In millions of dollars]

	Pledges, calendar years				Cumulative total 1963–69	Undisbursed balance of commitments (as of Dec. 31, 1969)
	1966	1967	1968	1969		
France	29	20	21	19	116	47
Germany	44	46	44	44	310	24
Italy	10	18	20	18	99	----
United Kingdom	14	14	17	16	119	16
United States [1]	133	137	71	40	717	195
Other countries	2	29	35	21	130	60
European Investment Bank	35	35	35	35	175	83
IBRD	50	14	25	24	175	80
Total	317	313	268	217	1,841	505

[1] AID and EXIM.

REDUCTION OF OVERSEAS PERSONNEL

Mr. SHRIVER. How many of the overseas personnel in your region have been returned home as a result of the President's directive to cut down on the number of Americans serving abroad?

Mr. WILLIAMS. There were 935 United States Nationals employed by AID in the countries of this region on June 30, 1969. We projected 869 for June 30, 1971. That is a reduction of about 66, sir.

INDIA'S INCREASED RELIANCE ON MARKET FORCE

Mr. SHRIVER. On page 11 of the project book, you mentioned India's increased reliance on market force "as the major means of improving the resources allocation, individual initiative and broadening competitive participation." On the same page, you discuss Prime Minister Gandhi's nationalization of the 14 largest domestic banks. You say her aims were lofty, but on the face of it this does not sound like increased reliance on market force, does it? Wasn't that more a political move than an economic one?

Mr. WILLIAMS. Very definitely a political move, Mr. Congressman. On the nationalization of the banks, the Indian Government's feeling was that credit could be more effectively extended to the rural areas under greater government direction than those banks had received in the past. That is a worthy objective.

Mr. SHRIVER. It may well be.

Mr. WILLIAMS. Performance remains to be seen.

Mr. SHRIVER. As you say, increased reliance on market force.

Mr. WILLIAMS. In the allocation of raw materials, as I have described it earlier. Also in price incentives to farmers to increase their production, these aspects of reliance on market force have very definitely been strengthened.

Mr. SHRIVER. By the nationalization of banks?

Mr. WILLIAMS. By Indian economic policy. The nationalization of the banks was separate from the other policies and had a strong political motivation, and also the objective of attempting to extend credit more effectively to the rural areas and to small farmers.

INDIA'S INDUSTRIAL EXPORTS

Mr. SHRIVER. What percentage of India's total exports are represented by products other than agri-based exports?

Mr. WILLIAMS. It has been industrial, nontraditional exports.

Mr. SHRIVER. What percent?

Mr. WILLIAMS. Industrial exports have been growing in the last few years. I estimate about 35 percent are industrial, and they have been more dynamic, growing faster than the traditional agricultural exports, Mr. Congressman.

Mr. SHRIVER. Do you have information as to the dollar amounts and the percentage share of the U.S. exports and imports with these countries last year? Submit that.

Mr. WILLIAMS. Right.

(The information follows:)

U.S. SHARE OF FOREIGN TRADE OF SELECTED NEAR EAST AND SOUTH ASIAN COUNTRIES, 1968

[Dollar amounts in millions of U.S. dollars]

Country	Exports			Imports		
	Total exports	Exports to United States		Total imports	Imports from United States	
		Amount	Percent of total		Amount	Percent of total
Afghanistan [1]	$70	$11	16	$141	$14	10
Ceylon	342	23	7	365	29	8
India [2]	1,813	276	15	2,482	762	31
Jordan	40	(3)	(3)	159	18	11
Nepal [4]	50	2	4	100	1	1
Pakistan	720	96	13	996	300	30
Turkey	496	73	15	770	122	16

[1] Afghanistan fiscal year Mar. 22, 1968–Mar. 21, 1969. Trade totals preliminary; U.S. figures based on U.S. trade data.
[2] India fiscal year Apr. 1, 1968–Mar. 31, 1969.
[3] Negligible.
[4] Nepal fiscal year July 1, 1968–June 30, 1969. Trade totals are estimates; U.S. figures based on U.S. trade data.

SCIENCE AND MATHEMATICS PROJECT

Mr. SHRIVER. Page 33 of the project book, you request $413,000 for the science and mathematics project, which is contracted for with the National Science Foundation. Did you know that the administration has proposed a $25 million cutback in the Foundation's science education program here in our country for fiscal 1971? Why not a corresponding cutback in this project?

Mr. WILLIAMS. We are cutting back on this project. The number of advisers is being reduced from nine to six. The closeout of the Summer institutes has been accelerated by a year; 1970 will be the last year for which AID will provide consultants. Having made this investment in a program which has been one that has been accepted very well in the Indian educational system, the last stage of the project involves changes in curriculum and textbook preparation, but we are accelerating part of the project to an earlier conclusion, and reducing the number of advisers.

Mr. SHRIVER. The point I am making is that the administration has proposed a $25 million cutback in the Foundation's science education program here in our country for fiscal 1971. How does the $413,000 compare with prior years?

Mr. WILLIAMS. The current year is $561,000.

Mr. SHRIVER. So you have cut back some.

Mr. WILLIAMS. We have cut back. The number of advisers is being reduced. In fiscal year 1969 we committed approximately $1 million, so there is a reduction in this project, which is now approaching its final stage—that is the preparation of a science and mathematics curriculum and textbook.

PESTICIDES

Mr. SHRIVER. Have you broken down how much you are proposing in your area for pesticides? I noticed on page 57 you say, "Pakistan lost one-fifth of its potential agricultural output to pests and disease in a normal year."

Do you have a separate figure on that? Are you using any money for pesticides?

Mr. WILLIAMS. Yes, indeed. It is a very important part of the program. We have only an estimate. I would think about $15 million.

Mr. SHRIVER. Why don't you put the figure into the record and the total crops lost in this way in a normal year in the countries in your region?

Mr. WILLIAMS. Pakistan is placing quite an emphasis on the import of pesticides. One of their senior agricultural officials called on me just the other day and stressed the importance of pesticides. They do want our help. They have started a new institute to study the problem of effective application of pesticides in West Pakistan, and the return on assistance can be very high indeed. There is a large saving, I am sure, for every dollar allocated to pesticides.

(The information follows:)

CROPS LOSSES DUE TO PESTS

Comprehensive data on the amount and value of crop losses due to pests in the NESA region countries are not available, and much more research is needed before reasonably accurate answers can be obtained. However, the limited research which has been done in the United States as well as in less-developed countries, does indicate that the losses can be considerable. In 1967 the President's Science Advisory Committee issued a report, "The World Food Problem," which contained the following conclusions:[1]

"The range of annual losses in production of food crops in the United States from 1951 to 1960 was 2 to 38 percent due to plant diseases, 2 to 31 percent due to insects, 2 to 8 percent due to nematodes, and 3 to 25 percent due to weeds. In spite of advanced farming technology and mechanized methods of crop production, it has been estimated that pests reduce agricultural production in the United States by at least 30 percent annually.

Detailed data on the nature and extent of losses caused by pests in foreign countries are largely unavailable, but indications are that the overall loss in developing countries is greater than in the United States. According to FAO estimates, preharvest losses to food and industrial crops due to insects and diseases in 11 developing countries of the Near East Region are equivalent to 23 percent of the crop production."

EXTERNAL DEBT SERVICING

Mr. SHRIVER. How much will the countries in your region need in fiscal 1971 for external debt service obligations?

Mr. WILLIAMS. By that you mean how much external debt servicing will they do?

Mr. SHRIVER. Yes.

Mr. WILLIAMS. The debt service for fiscal year 1969, $357 million for India, $153 million for Pakistan, and $103 million for Turkey, sir.

NUMBER OF PEOPLE PER DOCTOR IN CEYLON

Mr. SHRIVER. In the project book, the basic data for Ceylon shows a decrease in the number of people per doctor, from 5,800 last year to 4,180 this year. That is very fine, but how did you accomplish that?

Mr. WHITE. That is a UN estimate. Actually there is a time span of something closer to 4 or 5 years between those estimates.

Mr. SHRIVER. That doesn't mean too much.

Mr. WILLIAMS. It shows progress during several years.

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[1] Source: Report of the President's Science Advisory Committee, "The World Food Problem" (September 1967), vol. III, p. 131.

ELIGIBILITY OF JORDAN FOR DEVELOPMENT LOANS

Mr. SHRIVER. On page 169 you say Jordan remains eligible for development lending. On what criteria do you base that eligibility? I was told last year by Mr. Sober that Jordan happens to be in a quite healthy financial situation, that they have very large reserves.

Mr. WILLIAMS. That is correct. Jordan has large foreign exchange reserves, since it is receiving a great deal of assistance currently from other Arab countries. The oil states—that is Libya, Kuwait, and Saudi Arabia—contribute $100 million a year to the support of Jordan. Consequently our program is presently limited to technical advice, rather than capital assistance. What this means is that if Jordan chooses to request aid from us, we would have a look at it, but we would have a very sharp look at it, Mr. Congressman.

Mr. SHRIVER. Mr. Chairman, I believe that is all.

AVERAGE INTEREST RATE FOR U.S. BORROWING

Mr. PASSMAN. Thank you, Mr. Shriver. Mr. Controller, did you get that average interest rate for us?

Mr. FLINNER. Yes, sir. I called Treasury, and I have two different figures. The first figure that I got was the average interest rate on all the borrowed money they had that was outstanding in 1969.

Mr. PASSMAN. What is it?

Mr. FLINNER. They compute that monthly. That is 4.68 percent.

Mr. PASSMAN. All right, next.

Mr. FLINNER. Then I asked what was their current calendar year 1969 borrowing rate. In that year they had 40 marketable security offers, and they were for different periods of maturity and different amounts. Averaging those out, those 40 offers that they made, it came to right close to 6.75 percent.

Mr. PASSMAN. Let's, if we might then, just use the round figure of 6 percent. Of course they were paying up to 8¼ percent for certain issues. Would you furnish for the record at this time the amount of interest yielded on $122,048,200,000 in 12 months at 6 percent. Could you figure that out for us?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Would you work that out and give it to the clerk?

Mr. FLINNER. What was that final figure, $122,408 million?

Mr. PASSMAN. $122,048,200,000. What would that investment yield at 6 percent, not 6¾.

Mr. FLINNER. The annual interest would be $7,322,892,000.

TOTAL OF ALL TYPES OF AID IN 1970

Mr. PASSMAN. No. 2, would you happen to know the present estimate of all aid disbursements for fiscal 1970?

Mr. FLINNER. The estimated disbursements in fiscal year 1970?

Mr. PASSMAN. Right.

Mr. FLINNER. Yes, sir. It is estimated to be $1,845,559,000, gross disbursements in fiscal year 1970.

Mr. PASSMAN. There is a mistake somewhere.

Mr. FLINNER. It is estimated to be $1,845,559,000.

Mr. PASSMAN. You mean the total checks drawn in all spigots of aid.
Mr. FLINNER. I am talking about the AID Agency now.
Mr. PASSMAN. No, I want the whole ball of wax.
Mr. FLINNER. No, I don't have that figure available.
Mr. PASSMAN. You will get it for us, will you?
Mr. FLINNER. I believe we can get it.
Mr. PASSMAN. I would think so.
Mr. FLINNER. Yes.
Mr. PASSMAN. I have been getting it every year for 18 years. I don't know of any reason why it should change this year.
Mr. FLINNER. We have been getting the unexpended, and we can compute the expenditures, yes, sir.
Mr. PASSMAN. What we want to know is the best estimate as to what disbursements will be made against all spigots contained on the table that I receive each year. Of course the net disbursements on all brands of foreign aid, all categories, good, bad, and the other, 1946 through 1969 was $122,048,200,000. I want to add to that. You are working on this sheet now, aren't you?
Mr. FLINNER. Yes, sir; we are.
Mr. PASSMAN. To bring it up to date. This is extremely valuable not only to the taxpayer and Members of Congress but it should be of some interest to the AID Agency and the other agencies that disburse funds, because it shows what each country got over a period of so many years, and we always try to get at the bottom and show the net disbursements.
Mr. FLINNER. Mr. Chairman, we can get you the comparable figures, but those figures are really not the net disbursements. That is the net obligations and loans authorized.
Mr. PASSMAN. Well, net amount that you have obligated.
Mr. FLINNER. Made available, yes, sir.
Mr. PASSMAN. Moving it out of reach of the committee and the Congress. The great majority of it has been disbursed, hasn't it?
Mr. FLINNER. A large part, yes, sir.
Mr. PASSMAN. The only thing that would work against that is certain pipeline money, isn't that right?
Mr. FLINNER. Yes, sir.
Mr. PASSMAN. I want to be sure that I am correct that this table is what you gave to us last year, isn't it?
Mr. FLINNER. Yes, sir.
Mr. PASSMAN. And this was an extract right from your book.
Mr. FLINNER. Yes, sir.
Mr. PASSMAN. What we want to do is to bring it up to date.
Mr. FLINNER. Yes, we are working on that.
Mr. PASSMAN. Mrs. Reid do you have any questions?
Mrs. REID. Thank you Mr. Chairman. Are all of the countries in your area up to date in their service charges and interest payments on past development loans?
Mr. DAVIES. The United Arab Republic (UAR) is the only country in the region which is in default on dollar-repayable loans. The principal and interest in default through June 30, 1970, is $125.5 million.
Mrs. REID. What is being done to close the huge gap which separates East and West Pakistan, and what are the prospects in the near future for easing the tensions between the two sections?

Mr. Davies. The disparity in economic development between East and West Pakistan is recognized as a major problem facing the country. Pakistan Government efforts to reduce disparity were accelerated during the third 5-year plan (fiscal year 1966–70), and for the first time it is expected that public expenditures under the plan will be greater in the Eastern Province than in the Western. The political upheaval of October 1968–March 1969 that led to a change of government gave new urgency to the need to step up development in East Pakistan. The new administration has recognized the dimensions of the problem and has taken further steps to help East Pakistan move forward. More East Pakistanis have been brought into the Central Government. New incentives are being evolved to stimulate the lagging private sector in East Pakistan. The Government is now introducing on a major scale, new rice varieties which appear to be suitable to growing conditions in East Pakistan, hoping to duplicate the success it has had in increasing foodgrain production in the west. The Government has identified the flood control problem in East Pakistan as one of national priority and has agreed to the East Pakistani recommendation that land/water resource development be made an area for special priority attention. Pakistan has asked the World Bank to study the problem and we can expect Pakistan to seek assistance from the World Bank and other donors in financing water development.

More immediately important to a resolution of tension between the two wings of Pakistan has been the martial law administration's firm plan to hold the first direct nationwide election in Pakistan's history. Scheduled for October 5, 1970, it will be on a "one-man, one-vote" basis, and the National Assembly that is to result will have an East Pakistani majority. Following the formulation of a new constitution, a representative civilian government is to be established ———.

Mrs. Reid. Is there any indication that the suspension of shipments of military hardware to Greece has moved that country toward a return to constitutional government?

Mr. Davies. The suspension of shipments of some major equipment in our military assistance program for Greece was decided upon to show our concern for the extraconstitutional takeover of the Greek Government in April 1967. That suspension remains in force. During the past 3 years, the Greek Government has made some moves toward the reestablishment of some democratic institutions. The Government asserts it is leading the way to complete restoration of a representative democracy in Greece. There is obviously no scientific way to establish a cause and effect relationship between our military supply policy and the moves made by the Greek Government. The Greek Government has set a timetable for the establishment of institutions the existence of which, they insist, must precede free elections. They have thus far adhered closely to the timetable.

Mrs. Reid. Do you foresee that suspension of shipments of military hardware to Greece will be lifted any time in the near future?

Mr. Davies. Our military supply policy toward Greece is under review. I cannot predict when a decision will be reached nor what the character of the decision will be. When it is made it will be the result of a careful consideration of all the factors bearing upon it.

Mrs. Reid. Do you believe the present regime in Greece provides sufficient military and economic stability to satisfy the U.S. strategic interest in that area?

Mr. Davies. Last year the Greek economy grew by more than 8 percent while price increases were small. Although Greece has a balance-of-payments problem it appears to be manageable. Per capita gross national product in Greece has more than doubled in the last 15 years. The present regime's economic policies, based largely upon the unhindered interplay of the forces of free enterprise and continued steps toward full integration with the Common Market, seem likely to allow continued expansion of the economy. The present Government is committed to Greece's participation in the North Atlantic Alliance. NATO remains the cornerstone of Greek foreign and military policy. Although the military stability of Greece does not appear to be in question, the modernization of Greek military forces has been retarded somewhat by our policy of withholding the shipment of major items of military equipment.

Mrs. Reid. What role do you anticipate CENTO will play in the 1970's as both an economic organization and in mutual security?

Mr. Davies. CENTO in the seventies will probably carry on much as it does today. The regional members are increasingly interested in coordinating economic endeavors and they regard CENTO as a useful avenue to achieve this goal. The development and utilization of CENTO as an economic organization will depend primarily upon the regional members. CENTO has provided over the years a sense of military security to the regional members against the threat posed by international communism. We see no significant change in the offing.

Mrs. Reid. What other nations besides the United States are involved in providing assistance to India, Pakistan, and Turkey?

Mr. Williams. Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden and the U.K. are members of the consortia which provide aid to India and Pakistan. In addition, Austria and Denmark are members of the India Consortium. The members of the Turkey consortium are: Austria, Belgium, Canada, Denmark, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, and the U.K.

India and Turkey also receive aid from the U.S.S.R. and Eastern European bloc countries. Pakistan receives some assistance from Communist China, U.S.S.R., and Eastern European bloc countries.

Mrs. Reid. How does the increase in food production in India and Pakistan through the use of fertilizer, irrigation and better seeds compare with the increase in the population?

Mr. Williams. In the fifty years before independence, percapita food grain production in India and Pakistan declined. This trend was reversed in India during the fifties, when food production grew faster than population, primarily as a result of bringing new land under cultivation. By the early sixties, no major new land areas could be brought under cultivation and India's food import bill began to mount as production lagged behind consumption. It was the Green revolution, the introduction of new technology with new high yielding seed varieties, and of substantially increased use of fertilizer and pesticides, and water, which helped India keep its food production ahead of

population during the sixties, except in the two unprecedented drought years of 1965 and 1966. The prospect is that food production can increase at 5 percent annually as compared with the current estimated annual population growth rate of 2.5 percent. Our assistance in helping to train technical manpower through new land grant type agriculture universities, strengthening research, and providing fertilizer supplies and production facilities has made a significant contribution to this success.

The experience of Pakistan is equally dramatic. Pakistan's per capita output of food declined during the fifties. This trend was reversed sharply in the sixties by the effect of higher rates of investment in irrigation and tubewells, more flexible pricing and credit policies and the new seed varieties along with substantially higher use of fertilizer and pesticides. Again our help was critical. Over the decade Pakistan's food production increased 5 percent annually compared to 2.7 percent population growth. Pakistan is now trying to introduce on a major scale new varieties of rice in East Pakistan to duplicate its success in foodgrains which up to now has been primarily in West Pakistan.

Mrs. REID. How much have we loaned India under the Development Loan Fund? And how much has she repaid?

Mr. WILLIAMS. AID and predecessor agencies have extended loans to India in the amount of $2,982.5 million. To date the United States has received $424.0 million in repayments and interest.

Mrs. REID. How much does the United States own in Indian rupees? How much of this surplus currency could be used in connection with India's family planning effort?

Mr. WILLIAMS. As of December 31, 1969 the grand total of all categories of U.S.-owned Indian rupees was nearly $991 million equivalent. Approximately half of that total derives from Public Law 480 country-use and U.S.-use rupee accumulations which can only be used in limited ways, and given bilateral agreements, might be made available for economic development projects, including family planning. AID has agreed to provide up to $31.3 million equivalent for the procurement and operation of Indian-made jeeps and other vehicles used in the family planning program.

However, the rupees we hold can have only limited use in helping India expand the planned size of its family planning program. A recent U.N. evaluation of the Indian program concluded that India has made good progress in stepping up family planning activities but that a much larger effort is needed because of the size of its population problem. The report also pointed out the need for strengthening the administration of the program to facilitate its required expansion. Besides administrative problems, the family planning program is limited by overall shortage of resources that restrict the growth of all elements of India's investment and social programs. Demands for investment, social services, education, work housing, electrification and other development expenditures exceed the resources available. Presently projected expenditures exceed the foreign exchange and rupees available to purchase essential goods and services. Expenditure of the rupees we hold would not provide the additional real resources, the additional goods and services, to India to expand its family planning

program and meet other needs. In response to the U.N. report and the greater attention which India seeks to place on family planning, we and several other donors are considering additional foreign exchange financing to provide increased incentive for a more effective program and to help relieve the budgetary limitation. In view of the low direct foreign exchange costs of a larger program, external aid for an expansion of family planning would have to be largely for financing local budgetary costs.

FOREIGN INVESTMENT—INDIA AND PAKISTAN

Mrs. REID. What encouragement are India and Pakistan giving to foreign private investment?

Mr. WILLIAMS. The Governments of both India and Pakistan welcome foreign private investment, particularly in high priority areas in which local businessmen cannot provide the necessary know-how and capital. Both Governments maintain offices in New York to encourage private U.S. investment. Foreign private investments are given all tax advantages received by domestic businesses such as tax holidays and accelerated depreciation. Development banking institutions sponsored by both Governments lend substantial amounts to firms with foreign equity participation. Finally, both Governments have excellent records on repatriation of earnings.

Mrs. REID. What do you see as the country priorities overall in the area for which you are responsible?

Mr. WILLIAMS. In terms of development priorities NESA countries must feed themselves, bring population under control, and create more jobs for their people. More rapid economic growth is essential to meeting these priority objectives and is best obtained by reliance on private enterprise and the market mechanism, both in industry and agriculture, which our aid seeks to strengthen. Assistance is needed for these countries to realize their potential for industrial production and to sustain and expand the breakthrough in food grain production which we describe as the Green Revolution. Only with increased production will people in the region have more resources which they can apply to family planning, education, and better health and nutrition. These are our general development priorities. I have, however, been giving much personal attenion to what I consider the most urgent specific problem in the region—namely, accelerating and strengthening family planning efforts in India and Pakistan.

Mrs. REID. That is all I have, thank you.

AID PROGRAM FOR ISRAEL

Mr. PASSMAN. Thank you, Mrs. Reid. I have about four thousand more questions I could ask, but it would just be repetitive, because we have made the record as to how this program is run. I do not hesitate to say for the record that I hope and pray that we will have some settlement in the Middle East, but I am not unmindful that Israel is working awfully hard. They have developed an industrial nation there, and I certainly think if they can ever have peace in that part of the world, they are certainly setting a very good example which all those nations should follow. They have made great progress, and I certainly

hope that this is setting the pace for the others to follow. In many of the stores in Washington now, you see commodities manufactured in Israel, believe it or not. We have a lot of imports from Israel.

Many people are under the impression that we had terminated all aid to the State of Israel, but I believe in fiscal 1967 that we did have a substantial aid program covering their schools, did we not?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. Is that right?

AID FOR ISRAELI SCHOOLS

Mr. WILLIAMS. Yes, sir, this was aid for private Israeli schools.

Mr. PASSMAN. We also allocated quite a bit this past year, and personally I think it was a very wonderful gesture on our part, because you are taking care of the aged and you are taking care of the children, and you people build a lot of your program around the need for education. I think we had a substantial program for Israel last year, did we not, concerning the schools?

Mr. WILLIAMS. Yes, sir, just as in fiscal year 1969, money was appropriated for private Israeli schools.

Mr. PASSMAN. Would you please place in the record at this point the amount and the schools funded in fiscal 1969, and also the same information for fiscal 1970?

Mr. WILLIAMS. We will be pleased to do that.

(The information follows:)

U.S. ASSISTANCE TO AMERICAN-SPONSORED SCHOOLS AND HOSPITALS IN ISRAEL

Institution	Fiscal year 1969	Fiscal year 1970
Weizmann Institute Graduate School		$2,500,000
Hadassah Medical Center		4,850,000
Merkaz Lechinuch Ichud Girls' School Association		1,900,000
Amana Ulpenat, Inc. Girls' School		600,000
Educational Center of Galilee Girls' High School		800,000
Beth Yaacov Avat Girls' School		1,200,000
Hospital and Home for the Aged		650,000
Total		12,500,000

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. It is my understanding that these schools in fiscal 1970 will be funded with dollars. Is that correct, Mr. Controller?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Now, how about a Public Law 480 program? It would seem that we have had a Public Law 480 program with Israel, have we not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Has that been annually?

Mr. WILLIAMS. Yes, sir, that has been an annual program.

Mr. PASSMAN. Let's pick it up if we may from fiscal 1966 to fiscal 1970 inclusive, will you?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Is that grant or sale?

Mr. WILLIAMS. It is title I sale program, Mr. Chairman.

Mr. PASSMAN. Title I sales. And what are the terms?

Mr. WILLIAMS. A 20-year-repayment period. Would you like me to place in the record the amount for those years?

Mr. PASSMAN. If you would, yes.

Mr. WILLIAMS. All right, Mr. Chairman.

(The information follows:)

ISRAEL PUBLIC LAW 480 PROGRAMS, CALENDAR YEARS 1966–70

[Dollar amounts in millions]

	Title I		Title II [1]
	Amount	Terms and uses	
1966	$23.5	Local currency repayable: $5,900,000 equivalent for U.S. uses. $1,200,000 equivalent for loans to U.S. business firms and affiliates. $16,400,000 equivalent for economic development loans at 30 years with 3 years' grace period; 4⅝ percent interest rate during grace and thereafter.	$0.5
1967	27.6	Local currency and dollar repayable: $3,400,000 equivalent for U.S. uses. $700,000 equivalent for loans to U.S. business firms and affiliates. $9,700,000 equivalent for economic development loans at 30 years with 3 years' grace period; 4¾ percent interest rate during grace and thereafter. $13,800,000 repayable with no initial payment; 2 years' grace period; 19 equal payments at 2½ percent interest.	.4
1968	35.0	Dollar repayable, 5 percent initial payment; 2 years grace period at 2 percent; 19 equal annual payments at 2 percent.	.6
1969	33.5	Dollar repayable, 5 percent initial payment; 2 years grace period at 2 percent; 19 equal annual payments at 3 percent.	.6
1970 [2]			.3

[1] Export market value.
[2] Estimated. Negotiations are presently underway for a Public Law 480, title I, program for 1970.

FISCAL YEAR 1971 PROGRAM FOR ISRAEL

Mr. PASSMAN. Mr. Secretary, is it too early to furnish an accurate estimate as to what the aid program might be for Israel in fiscal 1971?

Mr. DAVIES. Yes, sir, but we will do what we can to see that Israel's economic needs will be met.

Mr. PASSMAN. That answer is going to confuse the record, that they will be met. You mean if you get the money?

Mr. DAVIES. If we get the money, sir.

Mr. PASSMAN. Now, question 2: I believe Secretary Rogers did indicate the amount, did he not?

Mr. DAVIES. Yes, sir. On March 23d, Secretary Rogers indicated that we would furnish approximately $100 million in additional aid to Israel. Now, this was for the short-term, sir.

Mr. PASSMAN. Is that grant aid?

Mr. DAVIES. No, sir; this would be a mixture of Public Law 480 credits and military sales. This has not been worked out in detail, sir.

Mr. PASSMAN. But is it a package where you have some grant aid, some local currency aid, and some dollar aid?

Mr. DAVIES. I doubt very much, sir, that there would be grant aid at this juncture. We are studying Israel's requirements. As you know, Israel is burdened with heavy military expenditures, and we are

anxious that Israel's defensive capabilities can be maintained with minimum strain on its economy. We are studying with the Israelis what they really need in terms of Public Law 480, development loans, and military credits.

POWERS OF THE CONGRESS

Mr. PASSMAN. You know you people speak as though we are the sole judges, that we are experts in this field, and that whatever decision we come up with is the right one. We can't even work our own business out in America financially, you know that, don't you, and we speak so affirmatively about what we have got to do for other countries, as though we are the great experts on everybody's business everywhere. I wish the Secretary had discussed this with the Congress before we made a commitment, because so many times they come in and say, "Well, you know it is a moral commitment now because of certain statements." I feel very kindly towards the State of Israel, but too many people in the executive branch forget that this is the first branch of Congress, and that we represent people on an elected basis, and we are supposed to make the judgment as to what people get. You don't argue that, do you?

Mr. DAVIES. No, sir, but I think before we can make recommendations or discuss this with the Congress, we will need to have some facts as to the extent of needs.

Mr. PASSMAN. Nobody is arguing about that, but Mr. Rogers made a public statement concerning aid to Israel of $100 million, didn't he? This takes me back to a lot of other commitments that have been made by our traveling diplomats, regardless of their rank. So far as I am concerned, the Congress is the first branch of government, and these figures should have been discussed with us. They should extend anytime subject to the approval of the Congress, but there are never any qualifying words in a diplomat's statements, I find out. They get us tied down. They come in here and we are the whipping boy. If we don't appropriate the money, then we are chastised. But anyway that is just the way it seems that the water flows.

Mr. DAVIES. Mr. Chairman, I don't want to go off the record, but we would have preferred not to have this figure out, but unfortunately an hour or two before the Secretary's press conference, it was out on the record.

Mr. PASSMAN. Out on the record?

Mr. DAVIES. Out on the record.

Mr. PASSMAN. What do you mean, "out on the record"?

Mr. DAVIES. It was in the press as a result of a briefing we had given here in the Congress.

Mr. PASSMAN. It was not to this committee, I don't believe.

Mr. DAVIES. No, sir, it was not.

Mr. PASSMAN. That is not unusual, for information to be leaked from committees, you understand. Plenty of times we hold hearings and I get back to my office and I have the press trying to verify something that has just been told to me 5 minutes ago, and it is rather embarrassing. All I have to do is get up some morning, if I want to really know what happened in my committee, and read the New York

Times or possibly the Washington Post because they have had an opportunity to study secret testimony in great detail, and they print the testimony verbatim. I can assure you of one thing, even though I am not holier than thou, I have never leaked a word out of this committee or any other committee since I have been a Member of Congress. I am just not built that way. If it is classified, it is classified, and that is the way I am going to treat it.

Finally, if we never appropriated another dollar for any brand of foreign aid, we would not violate any legal commitment, would we? I address that question to anybody who wants to answer it. I said legal commitment.

Mr. WILLIAMS. I don't believe so, sir.

Mr. PASSMAN. Thank you. I certainly hope that we might face up to our responsibility during this session of Congress, and cut out a lot of this assistance, because we have no legal commitment. I read all that stuff, and it almost nauseates me, because I know what kind of a mess we are getting this country into. We have closed down programs and curtailed projects in the United States because of the strain on the economy, but not a single foreign aid program has been cut back one dime. None of the restrictions are ever applied to AID so far as I know, but that is the way the water is running. I now want to yield to Mr. Riegle of Michigan.

Mr. RIEGLE. Thank you, Mr. Chairman.

I would just say at the outset, in light of your comments before about the powers of the various branches of Government, that the first article deals with the powers of Congress.

Mr. PASSMAN. That is right.

Mr. RIEGLE. And the legislative branch and subsequent articles deal with the executive branch.

Mr. PASSMAN. That is right. We are the first branch of Congress. If the gentleman will yield, as you know for years the leaders in the Congress would reluctantly give the President an appointment. They would meet him on a social basis but they wouldn't discuss programs. We wrote the legislation. We passed the laws, but over the years we have capitulated some of our powers. It is to be reflected that we have over the years abdicated to the executive. Your brains may be down in the executive branch but you are not the elected Representatives that speak for the people. We are looked at and reevaluated every two years, and some of us very closely.

Will you proceed?

Mr. RIEGLE. Will the gentleman yield back?

Mr. PASSMAN. I am yielding back to you.

Mr. RIEGLE. The other day, you will recall, a letter was sent regarding the Supreme Court nominee to Senator Saxbe. In that letter, it was indicated, or at least was imputed, that the President "appointed" Supreme Court nominees. In fact, as someone later pointed out, that isn't quite the way it works—he nominates.

Mr. PASSMAN. That is right, nominates.

Mr. RIEGLE. And the Senate has to advise and consent which they didn't in that case.

(Discussion off the record.)

Mr. RIEGLE. I notice, Secretary Davies, in respect to your statement concerning Greece you said:

"We are, however, doing what we can to encourage the regime to move as quickly as possible in that direction."

You were talking in terms of getting back to representative government. What specific steps have we taken to do that and to restore civil liberties in that country?

Mr. DAVIES. When the revolution took place in April we were faced with——

Mr. RIEGLE. Now, wait a minute. What do you mean by revolution?

Mr. DAVIES. When the junta replaced the constitutional government of Greece.

Mr. RIEGLE. I see. I am glad you made that change. That is a very interesting definition of revolution, but you go ahead.

Mr. DAVIES. The U.S. Government was faced with three basic options. We could continue our relations as we had before the change in government, or we could cut it off completely, cut off our relations completely, or we could follow a course of coolness toward that Government until it returned to constitutional procedures. We opted for the latter course. We have not continued our military assistance program at the level contemplated. We cut out high visibility items of military assistance, such as aircraft and artillery.

Whenever opportunity afforded itself we have pressed the Greek Government to move to return to a constitutional regime. The junta drafted a constitution which was submitted to the Greek people and in a plebiscite over 90 percent of those polled supported the draft constitution.

Mr. RIEGLE. It did provide for self-government?

Mr. DAVIES. It provides for a return to parliamentary government.

Mr. RIEGLE. When?

Mr. DAVIES. That was not fixed in the constitution itself.

Mr. LONG. That is just a minor detail.

Mr. DAVIES. When we finally sent an ambassador, Mr. Tasca, he was instructed to take advantage of every contact with Greek leadership and other Greeks to press home the interest of the U.S. Government in restoration of civil rights to the Greek people. The Greek Government has informed the Council of Europe that it does have a schedule for return to a constitutional regime and one of the first steps was to be in mid-April, with the restoration of the right of habeas corpus, and on April 10 the Government made the announcement and has begun implementing regulations carrying out this right.

Mr. RIEGLE. Is the rest of their program spelled out in a timetable so that we know what is scheduled to happen when?

Mr. DAVIES. It is spelled out in a timetable. We do not have the terminal date. We do know that by the end of this year the Government will have moved to drafting regulations carrying out all provisions of the constitution. In the announcement of April 10 the Government announced the formation of a consultative council which would draft the implementing regulations, and the end of this process is to be elections for a parliament, but the date is not set.

Mr. RIEGLE. A little like our withdrawal from Vietnam. The timetable is just not precise.

Mr. DAVIES. Well, for the dates that were provided so far for the press law and the restoration of the right of habeas corpus, they have kept to the schedule as we knew it.

Mr. RIEGLE. What about the cases that were just reported in the last 2 days? I believe one newspaper reporter was convicted of sedition and 78 or 87 others were imprisoned for terms of various lengths for statements that were deemed to be contrary to the interest of the Greek regime. Is that an accurate summary of what has been in the news the last 2 or 3 days? If not, would you amend it? Also would you comment on that specific incident?

Mr. DAVIES. There have been two series of charges. One had to do with violation of the 1950 press law, and the other had to do with acts of violence against the regime. It is our view that the sentences in the press case were unduly harsh.

Mr. RIEGLE. What have we said to the Greek regime about it?

Mr. DAVIES. Our ambassador has made this clear in his comments to Greek officials. Now, as far as the Democratic Defense trial, there were 34 alleged members of an organization called Democratic Defense who were tried in Athens for plotting to overthrow the Greek Government. The charges varied for activities violating the Law 509, which is the basic Greek anti-Communist sedition law which dates from the late forties, prohibiting acts designed to overturn the Government and the existing social order, illegal possession of explosives, setting or attempting to set explosive devices, illegal possession of firearms, attempted arson, inflicting physical injury. The court linked the defendants to a number of explosions which inflicted injuries on innocent bystanders in Athens public streets, and to the setting of bombs under a number of American-owned cars.

The Crown prosecutor asked for heavy sentences, specifically a death penalty for Karageorgas, who was the alleged leader of this group and in whose basement 13 bombs were found. He is frank in his testimony of his responsibility for these terror incidents.

The Crown prosecutor also asked for life imprisonment for four defendants and sentence of 2 to 25 years for 20 of the defendants.

On April 12 the Court convicted 27 of the 34, sentencing Karageorgas to life imprisonment. The remainder were sentenced to terms of 1 to 18 years. Seven of those sentences have been suspended and according to press reports a number of Greek political prisoners have been freed, and, as you know, Theodorakis has departed the country for Paris, for medical treatment.

Mr. RIEGLE. How close a relationship does our State Department, either through the Ambassador or through any other emissaries, or our AID agency now maintain with that regime?

Mr. DAVIES. Our Ambassador has been familiarizing himself with the situation and has set himself a very rigorous schedule of calls on every Greek in leadership position, and also those Greeks who are in opposition. We believe it is important to maintaain these contacts.

I must say that I have argued within our bureau that we should increasingly try to get some of these officials over to this country so that they can sense the bad image that Greece projects in this country

at the present time. I would hope that there would be no criticism of our use of either the prestige of the U.S. Government in extending an invitation when funds are not required, or if a grant is required, because I think it is quite important to get these people here so they can talk to our people in Congress, to our Government officials, and to our academic circles, to learn how certain actions of the Greek Government have blotted the image.

Mr. RIEGLE. What about our military people? I gather that our military people, through the channel of NATO or directly, probably maintain a closer liaison and working relationship with the regime that is in power than, say, with the State Department types. Would this be your observation or not?

Mr. DAVIES. Greece is a NATO ally. We have undertaken to support Greece in carrying out its NATO obligations. We do have 6th Fleet calls in Greek ports and, as you know, we do have difficulties in other Eastern Mediterranean ports.

MILITARY PERSONNEL IN GREECE

Mr. RIEGLE. Would you know how many American military personnel of all types are now in Greece?

Mr. DAVIES. I may have that figure. I can provide it for you. I will look it up, if you want to continue with your questions.

Mr. RIEGLE. Yes; I would like you to.

Doc, do you mind if I go down and answer my name? I will go down and be right back up.

Mr. LONG. All right; go ahead. We will suspend the committee until Mr. Riegle returns.

(Brief recess.)

Mr. LONG. The committee hearing is resumed.

Mr. DAVIES. You asked the number of American military personnel in Greece. There are 2,900 between Greece and Crete.

Mr. RIEGLE. You don't mean physically between Greece and Crete?

Mr. DAVIES. Either in Greece or on the island——

Mr. RIEGLE. OK.

Mr. DAVIES (continuing). Of whom 60 are in the MAAG, and it would be our MAAG people who would have the closest contact with the Greek military.

Mr. RIEGLE. I wonder if we could submit for the record how that number now compares with the number a year ago, versus 2 years ago, versus 3 years ago? Can you do that?

Mr. DAVIES. Yes, sir.

(The information follows:)

Number of U.S. military personnel in Greece (including Crete)

December 31, 1969 ———
December 31, 1968 ———
December 31, 1967 ———
December 31, 1966 ———

Mr. RIEGLE. I would gather, though, that the number is not substantially lower today than it has been previously.

Colonel BURDELL. I can address only the MAAG currently. That has dropped from 69 to 59 since October of last year.

Mr. RIEGLE. We have not cut it in half or gone down to token amounts?

Colonel BURDELL. No, sir; there is a steady downward trend, particularly in the MAAG.

Mr. RIEGLE. Is this unique to Greece or is that true in other NATO countries?

Colonel BURDELL. I beg your pardon, sir?

Mr. RIEGLE. Is that just unique to Greece or are we finding that there is that reduction in manpower in other NATO countries, as well?

Colonel BURDELL. There is a downward trend throughout.

Mr. RIEGLE. Across the board?

Colonel BURDELL. Yes, sir.

Mr. RIEGLE. The reason I ask this is, we do not see much of a leveling off or cutting back that might be, say, coincident with the events of the overthrow of constitutional processes in Greece. One of the things that concerns me is that we have been so actively involved with groups in defense arrangements with us as in the case of Greece and NATO—that we end up having a relationship that has a momentum of its own. This occurs in spite of or regardless of what happens to constitutional processes. It seems to me the State Department might be disturbed and troubled about this.

U.S. RELATIONSHIP WITH GREECE

I was very much concerned as I listened to General Wheeler and others come in to testify about the Military Assistance budget. The fact is that they are not really troubled about having to do business with these people in Greece because they are the same fellows they have done business with on the military side for a good many years. Furthermore, we use essentially the same kind of military methods in terms of the way they conduct defense operations, and so forth, and consequently, there is a good deal of friendship, I gather, from the tone of things, and a good deal of shared background.

It seems to me that this situation requires that the State Department assert certain basic principles that I am afraid don't get emphasized enough. I am distressed to no end when I think about the $130 billion we have plugged into South Vietnam and Southeast Asia in behalf of that regime, which is certainly not a paragon of deliberative democracy. We are also plugging in substantial sums of money in Greece, and yet the very ideals that we seem to be professing and the ones that we say we are concerned about achieving in South Vietnam are the ones that get set aside in countries like Greece. Yet, we continue to virtually do business with these folks as we have in the past, and I am distressed about this. I am distressed about what it means to people in this country. I am distressed about what it means not just to those of us who might sit on committees like this and have a chance to see this close up, but to our young people today. They are sophisticated, and a lot smarter than most of us were at comparable ages simply because of television, better education, and movies like "Z". If you haven't seen this movie you

ought to because it is well done and symbolic in the manner in which it dramatizes the point.

We know basically that there has been a loss of constitutional government as such, and yet the world goes on. You people come in and justify money for Greece and we find a way to live with these things that we don't like. But, every time we do that, it undercuts the credibility of these institutions, of your job, of yourself, the State Department, and the Federal Government. We ran into the same trap on Carswell.

I mean, we essentially tried to get by with a second-rate performance and the Senate put a stop to it. But, I think we are going to have to find a way to be more discreet and exercise more pressure in places like Greece in behalf of the ideals that we profess to believe in. Frankly, I am disappointed in what I read today about the Greek situation; I don't think that we are doing enough to move that regime in the right direction.

I sense in what you say a certain frustration—perhaps I overinterpret—but, it sounds to me like you are not altogether pleased with the progress we have seen from the Greek regime thus far.

Mr. DAVIES. Sir, I think there is a trend toward return to constitutional order.

Mr. RIEGLE. You are not satisfied with it?

Mr. DAVIES. I would like to see that trend accelerated and I don't think there is any question but what our representatives have made this clear to the Greeks. There is a problem because Greece is important to our security interest in NATO and also to our security position in the eastern Mediterranean. There is an equal problem that Greeks are just about as proud of being Greeks as any people we deal with and there is a limit to the pressures we can apply. We have applied pressures. We have suspended major items of grant military assistance and have made it clear that there has to be performance on the assurances we have received from the regime of their intent to steadily return to constitutional processes before we can feel comfortable in our traditional relationships.

Mr. RIEGLE. I would just add again that we can talk about maintaining defense alliances and all that business, presumably, on behalf of our philosophies. We do it on behalf of the unique view of man we share with "our allies". It seems to me that when we lose sight of our ideals, we vitiate the purpose of defense arrangements, defense treaties, and everything else. What are we defending? Totalitarian regimes? Regimes that are known to torture people or to abrogate constitutional and legal processes that we believe are basic human rights? It seems to me these questions have become so blurred that we do business with people who don't seem to be any different from our enemies. We are expending American blood against them at this same point in time. It is distressing.

Mr. DAVIES. Mr. Congressman, probably there were some excesses in 1967 and 1968. There has also been a great deal of, I think, emotional, if you will, exaggeration of the extent to which the regime itself is practicing now these procedures. I suggest to you that the influence of the U.S. Government can best be used to try to return Greece to what we consider the best way of life, a democratic constitutional order, than

to disrupt relationships if, in the judgment of people who know this country best, it would not result in a change to something better.

In other words, it is not U.S. support that keeps this regime in power at the present time. It enjoys at least the passive acceptance of the bulk of the population. They have been very astute in dealing with Greek problems. Economically the country is more stable than it has been for years. They have gone into the villages and done away with special church fees between rich and poor, and I think you and I know other regimes that have operated this way that turned out to be very bad regimes, indeed.

Mr. RIEGLE. Yes.

Mr. DAVIES. To date we don't know which way this regime is going to go. We are hoping it is moving in the direction of a return to civilian-controlled constitutional government.

DEVELOPMENTS IN GREECE

Mr. RIEGLE. Just as a final remark on the question of Greece, I would ask then if you would please submit for the record those instances over the last year and a half or 2 years where we have seen any performance that we think is constructive and in the right direction. I am thinking of the specific items that would give us some basis for encouragement. At the same time I would like a list of the more negative things that we find objectionable and excessive. I want them on the record and I want the record as complete as you can make it. I just think that ends up strengthening everyone's hands. If the facts are there I think that enables us to make whatever moral case can be made.

Mr. DAVIES. I will be pleased to provide that.

(The information follows:)

DEVELOPMENTS IN GREECE IN LAST 2 YEARS IN REFERENCE TO RETURN TO CIVILIAN CONSTITUTIONAL GOVERNMENT

During the past 2 years, the Government of Greece has acted in a number of ways which have offended important segments of international opinion and served to perpetuate the atmosphere of skepticism about its intention to return to parliamentary democracy. Among the most disturbing of their activities have been the purges of the judiciary and the universities, the continued arrest and trials of opponents to the regime by courts martial, the continued rule by martial law, reports of torture, the continued suspension of some of the basic civil liberties of the Greek people. Perhaps most frustrating to the dedicated critics of the Greek Government is the regime's insistence upon the rightness of its cause, its determination to proceed at its own pace toward a more normal governmental situation and, indeed, its continued existence in any form.

On the other hand, the Greek leadership has asserted its intention to restore civil liberties and parliamentary government. In September 1968 the regime presented a new constitution which was approved in a referendum by a substantial majority of the electorate. There were, however, indications that the referendum was held under conditions in which the free expression of choice was not entirely possible. A number of key provisions of the constitution, pertaining to civil liberties and political institutions were suspended and the government announced that these would be validated in accordance with a plan. In November 1968 the right to strike (for labor grievances only) was restored to the labor unions. At the same time the right of assembly was restored generally. In August 1969 some constitutional guarantees concerning arrest and detention, trial of civilians, press and property were restored. Also the administration of criminal procedure which was in effect prior to April 1967 was restored except for continuation of court martial jurisdiction for alleged crimes against law and order and

national security. Courts martial for other than these specified crimes were abolished. In November 1969 a new press law was implemented which granted some extension of press freedom and abolished prepublication censorship. In that same month, the Greek Government reached an agreement with the International Committee of the Red Cross for inspection of all places of detention. On April 10 of this year, the Greek Government announced the implementation of article 10 of the Constitution providing protection against arbitrary arrest and indefinite pretrial confinement, the release of an additional 350 political detainess (of the 6,000 political prisoners rounded up after April 21, 1967, all but about 1,300 have been released), the establishment of an advisory quasi-parliamentary body of 50 members and granted right of appeal to government employees dismissed from their jobs.

Finally, the Greek Government has asserted that in accordance with a specific timetable, to which they have thus far carefully adhered, the institutional structure of a democracy prerequisite to elections will be in place by the end of this year.

POSSIBILITY OF HOSTILITY BETWEEN PAKISTAN AND INDIA

Mr. RIEGLE. What is the possibility of renewed hostility between Pakistan and India?

Mr. DAVIES. Although relations between India and Pakistan continue to be marked by considerable hostility and fear, neither country appears to be preparing for hostilities; and we do not believe that a renewal of hostilities is likely. Both countries maintain substantial military forces in readiness along their borders, and there are occasional minor incidents arising from crossings of the border by local villagers and smugglers. There have been virtually no incidents along the Kashmir cease-fire line which prior to 1965 was a place of considerable tension and repeated armed clashes. ——— They have, however, maintained their defense forces at levels which they believe will be adequate to deter aggression by the other.

PAKISTAN'S RELATIONSHIP WITH COMMUNIST CHINA

Mr. RIEGLE. What is the nature of Pakistan's relationship with Communist China? How much of a potential threat to peace in this area does that represent? In limiting such a threat, how much leverage does our economic and military assistance programs give us?

Mr. DAVIES. A basic tenet of Pakistan's foreign policy since the early 1960's has been balanced bilateral relations with the United States, with the U.S.S.R. and with Communist China. Pakistan feels that these are the three countries which because of size, power and geographic location can be most beneficial to it.

In accordance with this policy, Pakistan accepts economic assistance from all three. Pakistan has also received military assistance from each—from the United States prior to the 1965 Indo-Pakistan conflict, from the U.S.S.R. and Communist China subsequent to 1965.

By walking this "triangular tightrope," Pakistan believes its position vis-a-vis India and the subcontinent as a whole will be strengthened. It also makes it unlikely that Pakistan would sacrifice the benefits of its relations with the United States or the U.S.S.R. to draw closer to the Chinese. Therefore, the threat to South Asia from Communist China operating through Pakistan is now limited as Pakistan would try to move quickly in countering any increase in Chinese influence impinging on this successful policy.

Our economic and military assistance programs are very important in permitting Pakistan to follow its independent foreign policy. The military assistance program is now limited to training a small number of Pakistani officers in the United States. The economic assistance program, however, continues to be sizable ($10.37 million in fiscal year 1969) and is very important in helping Pakistan to develop a free economy. By thus maintaining our side of the triangular tightrope, we are playing a vital role in preserving the independence and integrity of Pakistan.

MIDDLE EAST CRISIS

Mr. RIEGLE. Do you believe it is possible to work out a satisfactory settlement to the Middle East crisis without direct face-to-face negotiation of the Arab States and Israel?

Mr. DAVIES. We are convinced that only through negotiations and agreement between the parties can a viable and lasting peace be achieved. The basis for a negotiated settlement has been established in the U.N. Security Council resolution unanimously adopted on November 22, 1967. This resolution has been accepted by Israel, the United Arab Republic and Jordan as a basis for a settlement and provides machinery for reaching agreement by the parties. It does not prescribe direct negotiations as the sole method which the parties should employ to work out their differences, nor does it exclude direct negotiations. The public position of the administration is to support negotiations between the parties under the auspices of U.N. Special Representative Jarring without, however, spelling out in detail the negotiating procedures which we feel the parties should follow.

Mr. RIEGLE. Has there been any progress in the U.S.-U.S.S.R. discussions?

Mr. DAVIES. Certain progress was made in the course of the U.S.-U.S.S.R. talks on the Middle East in 1969, but important differences remained. Then at the end of the year, the Soviets backed off from prior understandings reached in the talks, an impasse resulted, and the bilateral talks entered a prolonged pause, while the Four Power talks resumed and have been continuing.

We believe that the U.S. position, as reflected in proposals developed in the major power talks in late 1969, is balanced and protects the legitimate interests of both sides. The United States has stood firmly on its position despite strong criticisms by the Arabs and Israelis. ———.

Mr. RIEGLE. Do you see any resolution of the Arab-Israel conflict in the near future?

Mr. DAVIS. ———.

GREECE AND TURKEY

Mr. RIEGLE. In respect to both Greece and Turkey, to what extent can we, or should we, in your opinion, concentrate on working with them as joint NATO members as opposed to bilaterally?

Mr. DAVIES. Both Greece and Turkey are important members of NATO, actively and deeply committed to the alliance. Our bilateral relationship with both countries is a key element in the maintenance and furtherance of their commitment. Because of our fundamental

disagreement with political developments in Greece our bilateral relationship has been somewhat impaired. Within the constraints imposed by that disagreement, we have attempted to maintain a working relationship with Greece which is supportive of both our security interests in Greece and the interest of the alliance. The continuing problem in Cyprus, itself not a NATO country but in which our two NATO allies have legitimate but often conflicting interests, requires a relationship between the United States and Greece and Turkey both multilaterally and bilaterally which can serve to prevent the strains of their Cyprus interests from affecting the cohesion of the North Atlantic Treaty Organization. We believe the United States must in its own best interest maintain relationships with Greece and Turkey both as members of NATO and bilaterally.

INDIA'S ROLE

Mr. RIEGLE. To what extent can India, despite its massive internal problems, be counted upon to take more leadership in this area of the world? Can it play a positive role in developing mutual security arrangements; in working out cooperative economic agreements with the neighboring states; in effect, giving leadership and direction to the other countries in this area?

Mr. DAVIES. The Government of India in the last year has taken an increasingly active role in the promotion of regional economic cooperation, particularly in Southeast Asia. The Indians are working in the ECAFE Council of Economic Ministers on a variety of schemes to facilitate intraregional trade through some form of multilateral payments arrangement. India provides economic assistance to Nepal and Bhutan and has extended limited credits to Indonesia and Ceylon. Shortages of foreign exchange limit its ability to make very large contributions to economic development in the region except where rupee payment arrangements can be worked out. Within these limitations India can be counted upon to play a positive role in the area. ———.

India foreign policy is based on the principal of nonalinement, and India is chary of mutual security treaties and alliances. ———.

On the other hand India is a member of the International Control Commissions in Laos, Cambodia, and Vietnam and through this vehicle has played a limited role in regional peacekeeping efforts. ———.

RATE OF ECONOMIC PROSPERITY

Mr. RIEGLE. How does the AID Agency and the State Department go about convincing the governments of the countries in this region of the world that they should increase their rate of taxation and lessen the direct controls over the economy to achieve a faster rate of economic prosperity?

Mr. WILLIAMS. We look, in the first instance, to the country's own interest in rapid development as the principal vehicle for stimulating resource mobilization and for removing obstacles to more rapid growth. The countries we assist are trying to meet the growing demand of their people for economic and social improvement and recognize the need to raise additional resources. A number of countries have asked for and

we provided technical assistance in tax administration to assist their revenue efforts. Turkey now finances better than 90 percent of its development program from its own resources. India, despite its low per capita income, contributes more than 80 percent of development resources; Pakistan contributes about 70 percent.

I find there is some disenchantment in our major aid countries with the value of direct controls as a development tool, which years ago was an almost unchallenged method. Experience with development problems, greater understanding of the limits of government, greater knowledge about some of the costs of controls are changing attitudes. I feel, despite some setbacks, that the broad trend is away from direct administrative controls in favor of market incentives and such indirect controls as fiscal and tax measures. The consortia have played a useful role in stimulating discussion and understanding of the issues among the donors, as well as the recipients. Studies of problems by the nationals of the country, by the World Bank, and by our missions, help governments base allocation policy on better information. Our loan funds, particularly program loans, can be a decisive factor in helping a country loosen direct controls over the economy. This was the case in India and Pakistan. But governments must first believe that more reliance on market forces will contribute to accelerated development, and this is frequently a question of education and persuasion.

EFFECT OF TROOP WITHDRAWALS ON FISCAL YEAR 1971 DEFENSE APPROPRIATION

Mr. RIEGLE. If we were to assume that all American combat and combat support troops were withdrawn from Vietnam at a steady rate so that all American combat and combat support troops were withdrawn by June 30, 1971, what amount may be deleted from the proposed Defense appropriation for fiscal year 1971?

Mr. KNAUR. On March 3, 1970, the Assistant Secretary of Defense (Compt) testified before the House Committee on Appropriations regarding the full and incremental cost of U.S. forces engaged in the war in Southeast Asia. On table 11a of this testimony, the incremental TOA in fiscal year 1971 for the support of our forces in Southeast Asia was ———. This amount includes Military Assistance Service Funded of ——— for the South Vietnamese and other allied forces. Thus, the TOA in fiscal year 1971 for the support of U.S. forces would be about ———. If your question assumes a steady redeployment during fiscal year 1971 of all U.S. forces from Southeast Asia and a return to the baseline force, the possible reduction in TOA would be about ——— depending on the one-time costs of redeployment and the rate of reduced accessions to force structure.

Mr. RIEGLE. That is all I have, thank you.

POLICY TOWARDS GREECE

Mr. LONG. I am very disturbed about our relationships with right-wing military regimes all over the world, especially the Middle East. I get the impression that our policy is to support the devil, if he is opposed to communism. Isn't that about it?

Mr. DAVIES. No, sir. I think that would be a simplistic statement. We support independent regimes. We use our influence where possible to support trends toward democracy. We do believe that there are dangers in certain regimes becoming too closely tied to the Soviet Union, but we note in the case of Yugoslavia and increasingly in East Europe, that although these regimes can be labeled Communist, they are also nationalist and the United States Government has——

Mr. LONG. Perhaps I should amend that; against the Soviet Union or China.

Mr. DAVIES. Sir, the President has said that our policy is based on negotiation rather than confrontation, and in all major areas of difference with the Soviet Union we are engaged in discussions seeking to reduce the possibility of confrontation.

Mr. LONG. When we give military aid to Greece, we are not only supporting an unconstitutional regime but we are scaring the Turks. When we give it to the Turks, we are scaring the Greeks. I am not arguing that we ought to break off relations with military regimes, but why do we have to pour any money in there at all? Why don't we say just hands off. You are not arguing, are you, that their presence in NATO is necessary to any success of NATO. The general feeling, from what I have seen, is that NATO rests primarily on American nuclear power, and nothing else matters very much. It is clear that we are a threat to nuclear war if the Russians move in; so why do we have to be supporting unpalatable regimes in order to make it workable?

Mr. DAVIES. I would not necessarily say that I would agree with you that we are supporting unpalatable regimes. Greece had very serious problems, both economic and social.

Mr. LONG. You mean Greece was threatened with some sort of internal revolution?

Mr. DAVIES. Internally, the economy under one of the Prime Ministers had deteriorated to the point where we had to pick up an emergency Public Law 480 program to provide wheat.

Mr. LONG. Do you think this justifies their overthrow of the constitutional government?

Mr. DAVIES. I do not, sir.

Mr. LONG. When this happens—it has been happening in country after country around the world, especially in Latin America—why don't we just walk off—make it clear that we can't run their countries, we can't interfere with their regime, but we don't have to underwrite what they are doing?

Mr. DAVIES. Our relations with the Greek people, sir, over the years have been very close.

Mr. LONG. They may continue to be close but that doesn't mean we have to support an oppressive regime. As a matter of fact, you can argue that our relationships would be closer if we did not support a regime which oppressed them.

Mr. DAVIES. There are various considerations that enter into this, sir. Greece has been a member of NATO. It has been a valued organization to the members thereof. Psychologically, I think it contributes to the morale of Western states. Certainly, states such as Turkey attach great importance to it.

Mr. LONG. It isn't a question of whether NATO survives. It is going to be a question of whether the French and Germans support it. Nothing else really matters except, of course, the nuclear capability.

Mr. DAVIES. France increasingly has been taking an interest in greater associations with NATO activities.

Mr. LONG. Fine; but isn't that what really will determine NATO and not what a very minor power, such as Greece, does?

Mr. DAVIES. I believe that in the Mediterranean, sir, the capabilities of Turkey, Greece, and Italy, will prove to be an important stabilizing fact.

Mr. LONG. They haven't been, so far. Our situation there has certainly deteriorated. We had those countries nominally on our side, and the situation in the Mediterranean has been deteriorating steadily.

Mr. DAVIS. There is also the question of whether we want a nuclear confrontation in the event of a——

Mr. LONG. Of course we don't.

Mr. DAVIES. So that the philosophy of NATO is one of flexible response so that for small——

U.S. RELATIONSHIP WITH GREEK REGIME

Mr. LONG. You know, I get so upset with the disingenuousness of you people when you come before us. You tell us things that I just know aren't true and ask us to believe them. Are you telling us that we have any real ability in NATO to resist a Russian onslaught in case they mounted it, apart from American nuclear capability? If you read the statements that lead up to the Europe Defense Community and the debates that preceded the creation of NATO you will find definite acknowledgment that nothing they could do could hold the Russians if the Russians meant to come in, and in the end it is American nuclear power. Now we are told that we have to suspend all of our ideas and ideals dealing with constitutional regimes in order to support a very minor country in the NATO alliance. Do you really mean these things when you tell us them?

Mr. DAVIES. To address myself to your last point, Mr. Congressman, our relationship with the regime, the return of our Ambassador, our other programs there, have permitted us to use our influence to move the regime toward restoration of constitutional rule. We have been assured by the Greek Government that it has a schedule for return to constitutionality. It has taken two steps in that direction, the most recent on April 10. I would put it to you that it is better to use our dialogue with this government to move it peacefully toward turning over the power to a constitutional regime than to disrupt relations——

Mr. LONG. But you are taking that government's word for it, aren't you, when it comes right down to it?

Mr. DAVIES. So far, they have met their schedule.

Mr. LONG. I can't see it with the kind of trials they have had just recently. This is a scandalous regime. I don't see any real evidence of a return to constitutionality except the assurances you have gotten. I think we are all entitled, on the basis of past performances of some countries, to be very skeptical of statements that they are going to go back to a democratic regime.

Mr. DAVIES. Sir. I would note that the trials were of people who were bombing places where there were innocent citizens, putting bombs under American automobiles, and that Karageorgas who is the only man who received a heavy sentence, conceded that he was the man who——

Mr. LONG. You are pretty solid on this regime, aren't you?

Mr. DAVIES. I am not, sir. I believe in democracy and constitutional order. I do believe that our Government is moving in the best way to move the Greek regime in this direction.

Mr. LONG. Well, I will tell you this. Your State Department policies in Latin America and elsewhere where you are giving weapons to military disadvantaged countries, when you are enunciating policies through Rockefeller and others like him that we ought to do more of this sort of thing and interfere less with countries that want to buy weapons—put fewer restrictions on them—certainly changed my vote. I used to be a supporter of foreign aid. I am not any more. I am going to fight against it every chance I get until you change your policies and make it clear that foreign aid stands for what it ought to stand. That is for improving the well-being of the ordinary person in this world and not for propping up all sorts of unconstitutional military regimes, financing arms races in half the countries on earth, and diverting resources away from progress, and undoubtedly achieving other ends which I don't think are worthy of this country. We are trying to be a world political boss, and I think that is what a large part of our whole aid policy is designed to do.

I am sure you won't agree with that, but that is the way it looks to me.

Mr. DAVIES. Mr. Congressman, I am, of course, a foreign service officer and I don't work for AID, but I have seen AID programs in countries where I have worked. In my view, they were directed toward the objectives you mentioned, to raise the standard of the people of the country, to provide that bit of assistance on the margin where it will do most good.

Mr. LONG. That is pretty hard to see. From what I see, it is to prop up the upper middle class in these countries or, as one of my colleagues on the Appropriations Committee has said—not on this subcommittee, it looked to him as if it were a WPA for American business. I suspect that is where a large part of the political support comes. It doesn't come from the grassroots. Considering how skeptical most of us are of the programs, it is a mystery to me that they get through Congress.

PROGRESS IN INDIA

Mr. DAVIES. Our biggest program is in India, and I would suggest to you that it has been administered for the benefit of the mass of the Indian people, notwithstanding political differences we have had with the Indian Government, and basically on a philosophy that if India makes it using democratic procedures our global interest in the progress of mankind will be served. If the Indian experiment fails and the Chinese type order takes over there, my son and his grandson are going to suffer the results.

Mr. LONG. I know. That is your rhetoric, but I can't see it. I have been in India, and I have studied the country. I think our program is

pretty much a waste of money. I am not saying that it is 100 percent waste. I suppose it is impossible for anything to be 100 percent waste, but we have been there a good many years and have put in $7.5 billion. A large hunk of that has gone for the military, financing the arms race between India and Pakistan. We have built steel mills. We have supported a fantastically inefficient bureaucracy in India, and I see very little indication that the Indian regime has benefited the mass of the Indian people. There are probably more people living under horrible conditions in India now than there were when we started our aid program, simply because of the huge increase in population. This increase may not be our fault entirely but probably is to some extent.

Mr. DAVIES. Mr. Congressman, I am not an expert on China, but one of my associates who is, made the statement, and I have no way of substantiating it, that there is only one country in the world today that has gone backward relative to what is available to the average man, and that is Communist China. I don't think this is true of India. The prospects in India may be discouraging but India's production has increased. The famine which we all grappled with back in 1966 and 1967 and which I personally thought was——

Mr. LONG. Are you saying that that famine couldn't happen again?

Mr. DAVIES. No; I think it could, sir.

Mr. LONG. Are you prepared to say that the Green Revolution is so well established that it is beyond famine? This is what bothers me.

Mr. DAVIES. I would have to defer to Mr. Williams on that.

Mr. LONG. I want to know whether this has gotten out to the ordinary fellow who cultivates his little plot or whether this is just a matter of the large estates and the Government estates, and whether this Green Revolution in India and other places in Asia could survive another drought, or whether what we have seen has just been merely a happy coincidence; that the Green Revolution came in at about the time and had a cycle of good weather conditions.

Mr. WILLIAMS. Mr. Chairman, there has been progress in India. The life expectancy in the last 5 years has gone from an estimated 45 to 50. Literacy has increased from 24 percent to 28 percent of a growing population.

Mr. LONG. In 5 years?

Mr. WILLIAMS. In 5 years.

Mr. LONG. I don't believe it.

Mr. WILLIAMS. These figures came from official India sources and are provided in U.N. statistical series.

Mr. LONG. I find this very hard to believe.

Mr. WILLIAMS. With a population of that size how accurate the statistics are I don't know, but there is progress.

Mr. LONG. And their life expectancy has gone up 5 years in 5 years?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. I don't believe that, either.

Mr. WILLIAMS. Changes in agricultural production are, I think the most significant. Against the background of declining yields in grain for 50 years up to the time of independence, there was slow progress in the fifties on the basis of increased acreage. In the early 1960's progress on this basis was no longer possible, you had a slowing

down of growth, a tendency to a plateau. The application of new technology, has produced a real quantum jump in the production of wheat, where fertilizer——

Mr. LONG. If what they tell you is true. The point is that it has yet to be demonstrated.

Mr. WILLIAMS. The wheat is true. The production is real. Now, you asked the question as to how much is due to weather. There has been good weather in the last couple of years. Experts that have looked say that half of the increase is due to weather and half is due to the very large investments that the Government has made in fertilizer which has meant a real resource allocation.

Mr. LONG. The question is whether the Green Revolution has gotten to the great mass of people who produce food, there is the real test of the Green Revolution.

Now, I have yet to see the evidence that it has gotten through to many sufficiently so that you can say that the Green Revolution isn't to some extent a flash in the pan, based partly on weather and partly on the application of this to a few of the big estates that would naturally take readily to it.

Mr. WILLIAMS. The application of technology has moved fastest with those who are best trained and it has moved faster with larger than smaller farmers. This, of course, happened worldwide.

Mr. LONG. I hear it hasn't really touched the ordinary peasant.

Mr. WILLIAMS. No; it has provided increased employment in the Punjab. Wage rates have increased. Labor has been scarce at harvest time because the technology has meant that they could have two or three crops where formerly they had one. The increase in production also has meant that the Government no longer has the constraint of food shortage in considering levels of investment. Its investment programs across the board have been held back because every time investment was pushed forward the shortage of food lead to a rise in prices, the Government cannot stand that rise in price for the common man, so that it has actually held back development investment that could otherwise be made.

Now, with the release of that constraint which is coming about in a very real way in wheat and is very much under active research for rice——

Mr. LONG. There have been people who have been arguing, Mr. Williams, that we could have gotten a bigger increase in production in food in India without the Green Revolution if only the Government had taken off this dead hand of price control, and so on, holding down agricultural progress.

Mr. WILLIAMS. The priority that was shifted in the 1960's in terms of allocation of increased resources to agriculture, and price incentives, these were all very real factors in the change in the whole outlook for agriculture and because of it I believe, in the outlook for development in India. It has been, I agree with you, a very real contribution to what is a major shift in policy, in priority and in agricultural prospects ahead.

The argument now among the experts that look at it is whether overall production of agriculture would grow at 4.5 percent or 5 percent a year. That is a very real jump in terms of agricultural produc-

tion. When you consider that agriculture constitutes the largest part of the economy, the growth rate overall potentially can jump to 5 to 6 percent instead of to 4 to 4.5 percent. Some people say that if you had the foreign exchange to support higher investment levels the Government has more confidence, with better food supplies to let the economy go to realize the growth potential that exists.

What you have, on the one hand, is a better prospect to accelerate development than there has ever been, with the removal of the food constraint, and a government that is very cautious of its investment policies because it fears to run into a balance-of-payments crisis. These may be very critical years as historians look back on it. Myrda gathered his data, I am told by people who were in Delhi who worked with him, entirely in the 1950's. I have looked through his book. I find very few statistics that go beyond 1958, or 1959, or at the latest the very early sixties, whereas most of the change that we are talking about came about in the middle 1960's.

Mr. LONG. I was in India in late 1965, and I could see very little evidence of any improvement. It was just coming into a famine——

Mr. WILLIAMS. The base was being laid——

Mr. LONG. Except this great improvement which must have been in the last couple of years.

Mr. WILLIAMS. Yes, that is correct, but the policy base for change was being laid in the policy changes in 1964 and 1965.

Mr. LONG. I don't know whether they were or not.

Mr. WILLIAMS. In investment in university technical personnel.

Mr. LONG. From what I saw and heard, it was merely a technical level.

Mr. WILLIAMS. You were there at the time of famine, I believe.

Mr. LONG. Just beginning.

Mr. WILLIAMS. But not famine as it was known historically?

Mr. LONG. No; but the beginning. Well, they predicted that unless we came to their aid with a lot of food they would have had about 60 million that could have died as a result of that. Of course, it didn't happen.

I must say only the Americans seemed very concerned about it. The Indians seemed far more concerned over the Pakistan war than they were over this famine. I will say this: our interest in agriculture has been certainly a far better thing than we seemed to be interested in before when we were trying to promote industrialization under Galbraith whose book "Ambassador's Journal," I have read and who seemed to have almost no real interest in development in India.

I am skeptical from what I have seen and what I have heard and from what I have read. But I think, quite aside from whether the agriculture revolution is being successful, that your big problem in India now is going to be increasingly the quality of city life. If you haven't read it I think you should read what Mehta has done on Calcutta, because it is a catalog of horrors if there ever was one and indicates that the problems there are so enormous.

Anybody reading this book is bound to be discouraged. I am horrified when I think of what those people have to go through, to think that we are going along with the diversion of so many billions of dollars to military rivalries between India and Pakistan. It indicates

to me that we are up against a middle class and an upper class in so many underdeveloped nations in the world that don't really care about the poor people. They are interested in their nationalism. They are interested in their own way of life.

There is much to be said for the view that in many cases they positively would not favor the improvement in the lot of the ordinary person even if it could be accomplished by waving a wand. They have their life and they don't want to see any challenge to it.

Mr. WILLIAMS. The politics of India today in terms of the campaign issues and the language of political debate is very much on the poor and on youth, and recently Indian Prime Minister, Mrs. Gandhi, was reported to have stated that large projects were not helpful because what she is reaching for, is small projects that help the poor.

Mr. LONG. But it took an awfully long time for them to come to that view.

Mr. WILLIAMS. I would say, Mr. Congressman, that productive capacity arising out of past investment, including social overhead, including much of the work in universities in India, the priorities and particularly the agricultural priority where 40 percent of our assistance effort is concentrated, the determination as shown by the Indian people in terms of their saving effort, moving investment to 15 percent of GNP.

Mr. LONG. What was testified here, I think the last time——

Mr. WILLIAMS. These are very real——

AMOUNT SPENT BY INDIA FOR DEFENSE WEAPONS

Mr. LONG (continuing). Was that we put $7.5 billion in all facets into India under our aid program. How much have the Indians spent in that time on the defense weapons system?

Mr. WILLIAMS. We will check that figure.

(The information follows:)

We do not know how much India has spent on weapons systems since 1951, when U.S. foreign aid started. We do know that during the 1950's India spent about 2 percent of its GNP on defense and procurement abroad was probably relatively low. After the Chinese Communist attack in 1962, defense expenditures rose to about 4 percent of GNP, but have since declined to about 3.5 percent of GNP.

Mr. LONG. During the same period as covered by the $7.5 billion.

MILITARY EXPENDITURES IN INDIA

Mr. WILLIAMS. I certainly agree on the problems of Calcutta. These are very real problems. A country like India will only be able to deal with these problems if it has a fairly high growth rate; if it can realize its potential in production from its existing capacity and from its existing agriculture to achieve the 6 to 7 percent that is possible in GNP growth.

Mr. LONG. I agree with you, but I feel that diversion of revenues to the military is slowing down the growth rate. It is bound to. It is doing it with us here. The United States and Russia are the two great sucker nations of the world. We are putting 10, 11 percent of the Gross National Product into defense and the Russians even

more. Germany and Japan, over whom we are holding the defense umbrella, are moving ahead at the rate of 15 percent a year compounded, with prospects that by 1985 both those countries are probably going to have a higher Gross National Product per capita than the United States is. Russia is actually slowing down and doing poorer than we are.

Now, if this military outlay can do it to us, imagine what it does to a hideously poor country like India. If only we could get them to see this.

Mr. WILLIAMS. The Indians did see it in the 1950's after independence, and indeed they saw it up to 1962. During this period they did not allocate very much to defense. In 1962 the Chinese invasion altered their sense of priorities. It led to an emphasis on defense—when the Chinese army penetrated deep into the northeast and nothing lies between them and Delhi.

Mr. LONG. Of course, that is the tragedy of communism, that it has given so many countries an excuse to divert their energies away from——

Mr. WILLIAMS. Up to that point, Indian allocations to defense were low. Today the proportion of defense to GNP is 3.5 percent. It is not the heavy burden we carry or that the Russians carry.

Mr. LONG. 3.5 percent of their GNP?

Mr. WILLIAMS. Yes, sir.

No government could survive in India which did not give the people some assurance of security. After all, they were under colonial rule for several centuries and that is a psychological factor of great importance, as you know, Mr. Congressman.

Mr. LONG. I suspect this concern for national defense is mainly with the middle class. The great mass of Indians are so close to starvation that I would think that they couldn't care less.

Mr. WILLIAMS. It is the concern with this kind of——

Mr. LONG. Who don't mind grinding the faces of the poor, because they are really pretty indifferent.

Mr. WILLIAMS. It is this concern that leads the government of India to mount a massive program of development, in which 80 percent of the resources are put up by India.

DEFENSE SPENDING VS. DOMESTIC INVESTMENT

Mr. LONG. How does this defense item, this absolute sum of money spent on defense in India, compare with their gross domestic investment?

Mr. WILLIAMS. In 1969—expressed in dollars for defense, $1.7 billion. For investment, $6.7 billion.

Mr. LONG. What does the $6.7 billion include?

Mr. WHITE. Total investment.

Mr. LONG. For what types of things?

Mr. WHITE. Fixed investment primarily and inventories—the normal definition of investment for GNP purposes.

Mr. LONG. I am not sure I understand what that is. Does that include housing, for instance?

Mr. WHITE. Yes, contruction, housing, industrial development, investment in irrigation facilities.

Mr. LONG. So that this $1.5 billion, did you say, or $1.7 billion defense is about 20 percent of their investment?

Mr. WHITE. Yes.

Mr. LONG. What is their investment as a percentage of their GNP?

Mr. WILLIAMS. 15 percent.

Mr. LONG. How does the investment compare with our aid? I mean how does the defense expenditures compare with our annual aid?

Mr. WILLIAMS. Our dollar loan aid to India has been about $200 million in the last couple of years, Public Law 480 has been reduced fairly dramatically in the last 2 years. I would say $500 million total Public Law 480 and development loans is a rough estimate of U.S. aid. Of course, they get other aid from others as well.

Mr. LONG. Is there military aid also?

Mr. WILLIAMS. There is no military aid from the United States for India.

Mr. LONG. There is no military aid now directly or indirectly?

Mr. WILLIAMS. That is correct, sir.

Mr. LONG. What is our training program?

Colonel BURDELL. For 1970, $75,000.

Mr. LONG. Their military expenditure is about $1.7 billion, and our aid is about half a billion dollars. That means then that they are spending about three times as much on defense as we are giving them in aid, is that right?

Mr. WILLIAMS. That is correct.

Mr. LONG. What is the story for Pakistan?

Mr. WILLIAMS. For 1969 defense was $560 million; total investment is about $2 billion.

Mr. LONG. Defense is $500 million. What is our aid to Pakistan?

Mr. WILLIAMS. $220 million, including Public Law 480 and dollar loans.

Mr. LONG. About two and a half to three times. Both countries are spending about three times as much on defense as we are giving them in aid. Is that all faucets, hard and soft loans and all kinds of things?

Mr. WHITE. Everything.

Mr. LONG. The fact that they are willing to spend this much indicates to me, and I think it does to others, that there is a surplus there. I think one of the reasons why warfare has absorbed too much of the energies of mankind in the last century is that the surplus that people have been able to develop in their economies over what you need to just get by from day to day has grown larger and larger. Why on earth can't we use our offices to try to persuade them to cut down enormously on their military expenses, and either increase their development, or enable us to keep our money at home.

Mr. WILLIAMS. They have been raising the level of development.

Mr. LONG. Take the $500 million now that we are giving India. We are very hard put to get that much money for pollution problems in the United States. Many people feel we ought to be spending about $1 billion. Last year I think we disregarded the President's budget, an expenditure of $214 million, and upped the ante to $600 million and we were told this was inflationary. We struggled and added about $800 million for education, so these sums of money are very important to us in terms of our own domestic programs.

Mr. WILLIAMS. It is a question of priorities. Certainly what happens——

Mr. LONG. Is it really one of our priorities, that India and Pakistan should be arming themselves against each other?

Mr. WILLIAMS. What happens in the subcontinent, with 700 million people, in Asia has a great potential for a lot of trouble in the world of very constructive development in Asia.

Mr. LONG. Aren't we really financing trouble then?

Mr. WILLIAMS. No, sir, I don't think we are. I think we are financing the possibility of dealing with the problems that you pointed out, such as the problems of Calcutta, where a very narrow extra margin of economic aid gives these countries an opportunity to deal with their economic social problems.

Mr. LONG. We are cooperating with them in letting them divert tremendous resources into arming against each other. You have been to India, haven't you, and you have been to Pakistan, haven't you, Mr. Williams?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. You know when you get there that all the talk in both countries is against each other.

Mr. WILLIAMS. I think that was true when you visited in 1965, Congressman. It has not been true on my recent visits. I find that the people I talked to are concerned with getting on with the job of development and dealing with problems such as low income.

Mr. LONG. Fine. Then why can't we get them both to scale down their levels of expenditures? What better way of doing it than for us to stop financing this arms race against each other?

Mr. WILLIAMS. They are scaling down—the relative effort has been declining in total resource terms.

Mr. LONG. The fact is——

Mr. WILLIAMS. The fact is that a Chinese army did attack India in 1962.

Mr. LONG. A long time ago, and a border war. I don't know of anybody who really claims that the Chinese had any real intention of coming in and taking over India, is that right?

Mr. WILLIAMS. I don't know Chinese intentions. I know that there was great concern at the time. I was in Calcutta, and there was nothing between Calcutta and the Chinese army.

Mr. LONG. Are you trying to tell me then you think the Chinese really intended to conquer India?

Mr. WILLIAMS. I don't know what Chinese intentions are.

Mr. LONG. I don't either, but the point is I think huge sums of money are being spent here, and we ought to know.

Mr. WILLIAMS. I think that India does have a security problem.

Mr. LONG. And of course China did pull back her force.

Mr. WILLIAMS. India does have a security problem along that long frontier. I don't believe any democratic government in India could survive doing what you say. A dictatorship might be able to enforce what you suggest in India, but under a democratic government responsible to an electorate I do not believe they could cut out the defense establishment.

Mr. LONG. You have got Pakistan and you do have a dictatorship and yet we are pursuing exactly the same policies in Pakistan that we

are pursuing in India, and they are, giving them substantial quantities of aid and letting them three times that much on defense.

Mr. WILLIAMS. Pakistan is attempting to cope with some very real development problems also.

Mr. LONG. Granted they are.

Mr. WILLIAMS. The allocation to defense is 3.5 percent of GNP, which is not high by world standards for security as I understand it.

Mr. LONG. You would like to laugh it off with percentages.

Mr. WILLIAMS. No; I wouldn't like to laugh it off.

Mr. LONG. Or rationalize it through percentages. I have to tell you that so far as I can see the ordinary person in my district is revolting against taxes, and $500 million is a very large sum of money, even by American standards. What it must be like for India and Pakistan is hard for me to imagine. Now if they are spending this money, one country's security is the next country's insecurity. You are handing me a line in the sense that you have got a policy. You have got to defend it here. You are insisting that what they spend on security is an absolute sum. It is something they are going to do no matter what we do.

Mr. WILLIAMS. I believe that is substantially correct; yes, sir.

Mr. LONG. I believe it is utterly incorrect. I believe myself that when we move in there with large sums of money, we are enabling them to spend more on defense than they otherwise would, particularly when we are doing it in all the countries. It would be different if it was just one country, but we are financing India defense indirectly, and that is a threat to Pakistan and Pakistan feels insecure so one country's security is the country's next door insecurity.

Mr. WILLIAMS. I don't agree with you, Mr. Congressman, that we are financing India's defense. I think the allocations we make to development lead to resources being used for development.

Mr. LONG. I think I could stay here for a week, Mr. Williams, and I wouldn't get you to admit anything else.

Mr. WILLIAMS. When the aid program to China was cut out and the U.S.S.R. pulled back its 2,000 technicians, the Chinese military budget did not decline with the decline of that economic assistance. What declined was the economic progress in China. These countries have minimum security needs that they are going to meet because they are determined to survive.

Mr. LONG. In any one moment of time; yes.

Mr. WILLIAMS. Because they are going to survive after being under colonial rule. The independence of these countries is their first priority.

Mr. LONG. I wonder if you could give us a table showing for each AID country the amount of aid we are giving it through all faucets, and the dollar amount and the percentage of GNP that is spent on defense. You can supply that for the record.

Mr. WILLIAMS. The dollar amount?

Mr. LONG. What I want is dollar aid and dollar defense, and the percentages in each case that go for GNP.

Mr. WILLIAMS. Yes, sir.

(The information follows:)

PROPOSED U.S. ECONOMIC ASSISTANCE AND MILITARY ASSISTANCE PROGRAMS FOR NEAR EAST AND SOUTH ASIA COUNTRIES IN FISCAL YEAR 1971

[In millions of dollars]

	Economic assistance				Military assistance	Military credit sales	Latest available year			
	AID	Public Law 480	Peace Corps	Total			Defense expenditures	As percent of GNP	Investment	As percent of GNP
Afghanistan	6.7		1.3	8.0	——		17	1.2	(1)	(1)
Ceylon	7.0	19.6	.3	27.0	——		14	.7	327	16.3
Greece					——	——	417	5.0	2,000	24.2
India	276.6	247.4	5.5	529.4		——	1,700	3.5	7,093	14.5
Iran			1.6	1.6	——	——	655	7.4	1,862	23.2
Iraq		.3		.3			283	11.8	286	15.0
Israel		35.5		35.5		——	787	16.9	1,115	24.0
Jordan	1.9	3.2		5.1	——	——	[2] 73	12.8	271	12.3
Lebanon		4.5		4.5	——		45	2.8	(1)	(1)
Nepal	2.6	.08	1.3	3.9	——		6	.8	(1)	(1)
Pakistan	125.2	99.8		224.9	——	——	565	3.5	2,022	12.4
Syria		.05		.05			97	8.3	(1)	(1)
Saudi Arabia					——	——	360	16.4	(1)	(1)
Turkey	54.2	65.0	1.7	120.9	——	——	640	5.0	2,588	20.2
Yemen		.005		.005			(1)	(1)	(1)	(1)
Southern Yemen		.4		.4			(1)	(1)	(1)	(1)
Total	474.2	475.8	11.7	961.7	——	——				

[1] Not available.

[2] 1967 figures are used because of lack of GNP data for more recent years. Jordan's defense budget in 1969 was $116 millions.

Mr. LONG. I will adjourn the committee now.

TUESDAY, MARCH 24, 1970.

BRIEFING ON VIETNAM PROGRAM

WITNESSES

DONALD G. MacDONALD, DIRECTOR, U.S. AID MISSION TO VIETNAM
ANDREW F. WESTWOOD, OFFICE OF PROGRAMING, BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
WILLARD D. SHARPE, OFFICE OF ECONOMIC POLICY, BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
RICHARD H. HERR, ASSISTANT PROGRAM OFFICER, PLANS BRANCH, U.S. AID MISSION TO VIETNAM
BERT TOLLEFSON, ASSISTANT ADMINISTRATOR FOR LEGISLATIVE AND PUBLIC AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS AND COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We are very fortunate to have with us this morning Mr. Donald G. MacDonald, Director of the U.S. AID Mission in Vietnam. I want to thank you, Mr. MacDonald, for appearing before the committee to give us information on the AID program in Vietnam. I would assume, inasmuch as this is a special meeting rather than a previously scheduled budget hearing, that you have no prepared statement?

Mr. MACDONALD. That is correct, sir.

Mr. PASSMAN. Would you like to, just in your own way, make a brief statement for the record, and then we might have a few questions for you so we will have a better understanding of the program in Vietnam.

STATEMENT OF THE DIRECTOR OF THE VIETNAM MISSION

Mr. MACDONALD. I would be pleased to. I would like to start by expressing my gratitude for the opportunity to be here. I have found in my years in Vietnam that it is a great worth to speak to the Congress, both here and in Vietnam, as they come to visit us, to impart to them a better understanding of the problems that we face in Vietnam and the nature of the specifics of our program, so I am very much appreciative, Mr. Chairman, of this opportunity to talk to the subcommittee.

ANTI-INFLATION PROGRAM

I have been in Vietnam now nearly 4 years. I am rounding out my fifth year. Yesterday evening, thinking about our discussion this morning, I ran my mind over it and recalled how things were when I first arrived and drew some comparisons with how they are today.

One of our greatest problems throughout my term there, Mr. Chairman, has been the problem of maintaining relative economic stability in order to enable that small and frail economy to support an enor-

mous war effort, to deal with a national budget inflated, indeed ballooned, by the military costs of meeting the enemy, the invader. I thought I would talk to you about the stabilization program that we have run over the last 4 years and tell you the results of it.

In the summer of 1966 when I arrived there was real concern, real doubt, as to whether the economy would be able to bear the burden that was being put on it. There had been 40 percent inflation in the previous year. Inflation in the first half of 1966 was running at a rate well in excess of 70 or 80 percent annually, which was a crippling rate, and there was real reason for concern.

Mr. PASSMAN. How much annually?

Mr. MACDONALD. It was running at a rate in excess of 70 or 80 percent in the first half of 1966. For the entire year, Mr. Chairman, it came out at 60 percent in 1966. But the curve in the first half of the year was moving upward evermore steeply and giving every indication of going off the top of the chart.

In any case, there was a real crisis and the reason I dwell on it a bit here is that it is so easy to forget today the criticality of that problem then. American and other free world troops were arriving in Vietnam in order to avert military defeat, to help the Vietnamese standoff the invader. While they were doing so there was real risk that the economy could collapse and that there could be economic and social chaos and political instability. If these things had come to pass it is quite conceivable that the entire United States and free world position could have gone by default for economic reasons.

As a result of the programs that we and the Vietnamese—and I should always mention them first, Mr. Chairman, because the acid test in Vietnam is not what we do but what they do—as a result of the things we have done either separately or jointly we have been able to maintain relative economic stability. As a result of the large commercial import program that the U.S. taxpayers financed under the AID program, supplemented by the Public Law 480 program of the Department of Agriculture, and as a result of the devaluation of the currency in June of 1966, inflation was brought under control. The last half of 1966 saw inflation in progress on the order of, I think, less than 10 percent. Since that time, Mr. Chairman, Vietnam has had an inflation of about 27 percent a year. That is a lot of inflation, and I don't mean to suggest that it isn't. However, it is strikingly less, sir, much less, than has occurred in other crises and emergency situations around the world. Much less, for instance, than the Korean War situation where in 1 year at the height of their problem inflation rose to over 300 percent. Vietnam has averaged 27 percent since July of 1966 up until a month or two ago.

Mr. PASSMAN. That is not too much worse than ours.

Mr. MACDONALD. Not too much worse than ours, yes.

I would like later, if I may, to come back to this question of inflation because some people tend to raise their eyebrows when they hear me say that we have managed to maintain inflation at tolerable limits; 27 percent is not tolerable, obviously, in a normal situation, but I would like to come back to it later in my discussion of Vietnamization since inflation is a technique whereby a government can tax its people by making things more costly and by supporting larger budgets.

In any case, sir, we have managed to do a reasonable job of maintaining economic stability. The risk is always there. From month to month we face problems. I was saying the other day that it is a little like running the high hurdles race. There is always a new opportunity to trip just ahead, and our next hurdle, as you undoubtedly know, is the hurdle of Vietnamization. How do we strengthen this economy, how do we make it more healthy, more able to bear the burden, increased burden entailed in Vietnamization?

COMMERCIAL IMPORT PROGRAM

Before I leave the stabilization efforts that we have carried on, the anti-inflation program, if I may, sir, I would like to mention two or three other aspects that are not well understood. I remember when I went in and flew over Cap St. Jacques the first time I saw 89 ships at anchor awaiting their turn to go up the Saigon River at the Port of Saigon. The entire import program depended upon the ability of the port, the single major port in all of Vietnam, to receive and handle this very large import program. It was a mess in those early years. There was congestion. There was chaos. There was disorder. There were losses of goods. Today, sir, that port has been essentially rebuilt, modernized. Its capacity has been nearly tripled. There is no waiting to get into Saigon any longer. There are other ports that have been developed in the country. Saigon is one of the best ports in Southeast Asia and all of Asia. It is modern, efficient and in good shape.

Another point I would like to make is that our losses in our commercial import program have often and repeatedly been exaggerated as being very, very high. They have always been exaggerated. In my judgment, even in those early years losses were not the 20, 30 and 40 percent that they were said to be but something more nearly on the order of 5 or 6 percent at the most. Today, sir, I can tell you that our commercial import program losses are very much less than 1 percent, less than one-half of 1 percent. We have a battery of modern management techniques that enables us to protect the integrity of the resources that we are bringing in, sir.

Finally, I would mention the qualitative aspect of our effort there. Vietnam, as in all underdeveloped countries, was an essentially monopolistic import community run by a few people with the opportunity to charge whatever they chose to and to realize high profits, great profits. The average markups in the early years prior to 1966 on imported goods was in excess of 75 percent, so that there perhaps was something to the charge in those earlier years that the American taxpayers' aid money was not reaching the little fellow to the extent that we would wish. This has been changed. There has been an import liberalization procedure. There has been an enlargement of the importer community and there is real competition today. The average markup on goods, not just AID goods, but all imported goods that come in, is something on the order of 15, 16, perhaps 20 percent. There are occasions, of course, where that percentage will go way up and there are other occasions that balance this out. The average is now an acceptable and proper level.

I mention this because whenever I come home I pick up the paper and I read about the extent to which aid is going into the pockets of the few and not the people that the Americans are being asked to help. That article that came out some months ago, the Jack Anderson article, alleged that multimillionaires were being created by this. I can state flatly that this is not so.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. COHELAN. You wouldn't suggest there hasn't been some profit taking by some individuals in Saigon as a result of our economic policies designed to level off inflation?

Mr. MACDONALD. Oh, I would not suggest that there has not been profiteering at all, Mr. Congressman. We have had all kinds of problems and a whole series of individual cases of unsavory——

Mr. COHELAN. There have been illicit practices—that is what I am trying to say—and a lot of people have become very rich.

Mr. MACDONALD. What I am saying, though, Congressman, is that the average import markup is now 15 to 20 percent and has been for 4 years, and that, sir, is a businesslike markup. Now, this is the average.

Mr. PASSMAN. We will approach it this way: It was very forcefully brought out to me during a recent meeting, and I think it makes a good point, if you were operating a two-man filling station down on the corner of F and 18th Streets, just two men working there and operating on a cash basis, 40 percent of all the decisions made would have to be made by your subordinates. Sixty percent of everything that goes on in that filling station you wouldn't know anything about. Contrast that with a man trying to acquire a knowledge of an operation as large as the one in Vietnam. Your subordinates say this and you say that, and it finally gets to Washington. We have to accept it at face value. But I am reminded over a period of years handling this bill—and I want you to understand that it is no indictment of your administration—we are in a mess out there. We just assume that it is our responsibility to straighten out everybody's business all over the world, but I think it would be a good point to make. A few years ago Mr. McNamara, our then Ambassador, and I think it was the Prime Minister, were standing up in the door of this airplane with their hands linked saying, "Everything is OK. We are just getting on top of this situation. Everybody is honest." Just a few weeks later the Prime Minister was caught at the border trying to get out of the country with millions of dollars, so the story goes. It was so embarrassing that they said, "Well, the poor man had a nervous breakdown and he was up there resting," and they prevailed upon him to return to Saigon. In about 3 days he got well, got over that nervous breakdown, but he had another one and he wound up in the U.N. This is from the record.

This, of course, would not be charged to your administration. We are in this mess and I don't know of a way to get out of it other than to proceed as we are today.

Let's take a minute recess.

(Brief recess.)

Mr. PASSMAN. You have a lot of friends in the Congress and in Washington because you do have a difficult assignment, and well we know

that there is waste and there will continue to be waste, but let's just hope in the end that it is worth the investment. Some of us, at least those of the old school, insist on looking at the record and looking at history. When we think in terms of Indochina, you have had a form of civilization there I believe for some 2,000 years, haven't you?

Mr. MACDONALD. Yes; about 2,000 years.

Mr. PASSMAN. And you have had some form of warfare or very keen oriental competition going for some 2,000 years, so today they are possibly in the valley but sooner or later they will be up on the side of the hill. These things come and go, and sometimes we wonder why other people in the immediate area who are more familiar with the culture and customs of the people in that part of the world don't get excited like we do some 11,000 miles away, and I refer particularly to the Philippines, and for that matter some of the other countries. It seems the closer those people live to communism, the less fear they have of it, and that causes some great concern. I don't think that I would be as critical of the AID programs if I didn't look at our domestic programs here in the United States.

Talking about inflation, I came to Congress in January 1947 and as I read the record of the purchasing power of the U.S. dollar, during my tenure in the Congress it has lost 52 percent of its purchasing power. That is how we have been dealing with inflation in the United States. More than half of my life savings and the value of my insurance has been confiscated, legally you understand, through my Government's policies of spending money we didn't have for things we didn't need, trying to be everything to everybody, everywhere regardless of cost. So we have to look at the record of the United States, too. We don't have a good record. Inflation here hasn't been as wild as it has been in some other countries, but it has been extremely damaging and the thrifty of the past who managed to save and buy annuities are the ones who are really being hurt. For the man who is working on a salary, the losses are compensated for by salary increases, and we do some of that for the pensioners, but it is the man who saved and invested in annuities and insurance who gets hurt.

Last year the record indicated we had 4,408 AID projects or subprojects in 99 nations and five territories of the world. We were closing down projects in America, public works projects, reclamation projects, soil conservation projects, and rivers, harbors, and navigation projects. We had awarded the contract, but the amount of money allocated for the year had been impounded or possibly had been exhausted and we literally bankrupted many contractors in the United States, some of them small contractors, and also we hurt badly some of the large contractors, one of them operating in my district. He had a Federal contract for locks and dams down in the Black River. This was approximately a $30 million project and it was awarded on the low-bid basis and they said "We will fund it in three slices." Well, of course, the fellow had some good weather and he got a little ahead of schedule, and, of course, when some of the funds were impounded, he had to close down and the man lost about $1.5 million.

I make that observation because not one single AID project anywhere in the world, and it has been testified to by Mr. Rogers and all the other witnesses, lot a dime. We wouldn't have thought too much about that if we had not picked out a few projects around the world where AID actually funded nonexistent programs. We can only make the record by going to the testimony of Secretary Rogers, and I am sure that he knew what he was talking about. This is from last year's printed hearings.

Mr. PASSMAN. I am going to have to ask two questions.
Did you say that the land reform program in Vietnam still has to pass the Vietnam Legislature?
Secretary ROGERS. That is my understanding; yes.
Mr. PASSMAN. Is the legislature in Saigon in session at this time or in recess?
Secretary ROGERS. I think it is in session.
Mr. PASSMAN. But even though this bill is before the legislature, there is no positive assurance it will pass the legislature; it is just being considered; is that right?
Secretary ROGERS. That is my understanding.
Mr. PASSMAN. There is no assurance it will be passed; is that right?
Secretary ROGERS. That is correct.

But what did we find? Even though it was a nonexistent project as such, the AID people, while we were closing down projects in America, alocated $10 million to this project, and, off the record——

(Discussion off the record.)

Mr. PASSMAN. What worries me is that while we were closing down projects in America, freezing the funds, letting people go broke, in some country 11,000 miles away we were attempting to bribe the legislature, you understand, into passing legislation. As we go on into the story it would appear that the excuse was that we wanted to check inflation and by our country allocating $40 million to the program small payments made to the landowners wouldn't create inflation.

I could write a book about AID, but I don't want to embarrass any of the witnesses any more than necessary to make a point. However, you can appreciate how we feel. This is just one project. We can go through the 4,408 AID projects and subprojects, and God knows how many similar projects we could pick out. On many of them, AID gives an estimate of what it will cost and we find out later that it was three times that amount. They say a project will be completed in 2 years, and later we find it will take 7 years. In some instances we find the total costs increased sevenfold, which means poor planning to me.

But in your instance we know what we are up against, and I didn't see any alternative other than to proceed as we are, hoping sooner or later we can be relieved from this situation. When it will come, I don't know. We only hope soon, but we do have some fear and that would be that you don't have to give people caviar, filets, and pink champagne to make them happy. Some of the happiest people I know are poor people. You have a lot more suicides among the wealthy people who have everything than you do among the so-called poverty

group. I think we all know that. The record certainly supports us in that instance.

BEGINNING OF U.S. FOREIGN AID PROGRAM

This wouldn't necessarily apply to Vietnam, but if you read the record here is what you will find: When you go back to 1947—that is a long time ago—and I look back at the 435 Members that I observed when I was sworn in and realize that 402 of those Members are no longer here, and I am a senior Member in the first 33. What do I see when I go to the record? They proposed to start the Marshall plan to aid the distressed nations of Europe. Only the older Members, well fortified with seniority, dared walk into the well of the House and you could hear a pin drop when they started elaborating "Mr. Chairman," or "Mr. Speaker," as the case may be, "we are now embarking on a program that could conceivably take us into 16 nations of the world. It may ultimately cost $15 billion and it may require 5 years to complete the program."

Let's contrast the $15 billion with actually over $190 billion of net disbursements in AID and Foreign Assistance when you include the interest on what we borrowed to give away. It is not 5 years. We are in the 24th year and getting stronger every year. Not 16 nations, but we finally got this program into 121 nations and seven territories of the world. We just about cover all the population of the world with this program, which means that we just got too far afield with this program, committed ourselves to too many people and too many places. What is the result?

AFFECT OF AID PROGRAM ON U.S. ECONOMY

We are actually, believe it or not, wrecking our own economy. Now, how do I arrive at that conclusion? We borrowed money from the American people to pay for commodities we are giving to the so-called less-developed countries. Then we look at a long record of aid-recipient countries. We will look at one, Thailand. They created a foreign exchange surplus in gold and convertible currencies of about a billion dollars—an amount just about equal to what we gave them. In 1968 in an effort to minimize our balance of payments problem, we sent our black satchel men around the world trying to borrow money. One of them stopped in Thailand and said, "We have been good to you. We want to borrow a quarter of a billion dollars." They said no. It was a most unpleasant incident, and I have it from a very high authority, who told me of the arm-twisting we had to do, but finally, Thailand reluctantly agreed to make us a $100 million loan, at 6 percent interest, and a maturity of four and a half years. Why? As I said earlier, it was because of the balance-of-payments situation. The President was determined to have it favorable before he left office, so we went out and borrowed money from over 30 nations of the world, some of them out in Asia, but the biggest one was Thailand, from whom we borrowed $100 million. This one time, yes, maybe I would say that is the proper thing to do, but what are you going to do when it falls due? We wound up the year with a $93 million surplus and it was only the second time in 20 years, but it was because we borrowed the money. What

happened last year? We had a $6.9 billion balance-of-payments deficit, the largest in the history of our country, which means the claims against our gold and dollar reserves are continuing to build and build and it is going to get to the point where we won't be able to manage it, because we are pricing ourselves out of the world market. We are having to sell with subsidies. Even with increased subsidies many of the foreign nations can still outsell us; for instance, Japan. They can come to America, buy scrap iron, buy iron ore, ship it to Japan, process it, pay the freight and duty to ship it back to America, and sell most stainless steel sheets for $285 a ton cheaper than you can buy them in Pittsburgh.

I want you to take this data with you and after reading it and I think that you will really apreciate the fact that we have problems. You have problems out there and I have heard a lot of very wonderful things about you and we know that you are doing the very best that you can, but remember that we have plently of problems in this country, make no mistake about that. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Foreign aid has been fragmentized, and this year it is the biggest in the history of our foreign aid and assistance program, when you put the pieces together which are scattered throughout the budget. It totals $12,133, million. Some of it is good. We can't condemn the Export-Import Bank in its entirety, but we have now weakened a part of the Export-Import Bank's lending authority. We are lowering the credit criteria so more borrowers can qualify. Then they even make arrangements to charge it off subsequently if the loan goes bad. When you have maturities of 25 years on doubtful credits, I call that a form of assistance. I want you to take one of these letters with you, because this is from the A.I.D. record.

Mr. MACDONALD. Gladly.

Mr. PASSMAN. I want to say again that what we want to do is to cooperate with the administration. I am thoroughly convinced that President Nixon is determined to get us out of this mess and I am perfectly satisfied with the degree at which he is cooling it off, and when you start reducing the net number of American people on Vietnam soil, to me that is a cooling off process, and when you take the number that is projected to be brought out, new troubles notwithstanding, the American people are satisfied. They would like to see us step it up but they trust the President. I am going to commend him because I think he is going to get us out, but I think one of our main problems, Mr. MacDonald, subsequently will be to return these people to a standard they can maintain themselves.

If you just look at the record, we know that those people are enjoying a standard of living that they never dreamed they would enjoy, not all of them, but I am talking about the top people who usually run governments.

SOUTH VIETNAM MILITARY EFFORT

I read an article a few days ago which said that 86 percent of all the people in Vietnam were very little, if any, affected by the Vietnam war. Is that accurate?

Mr. MACDONALD. I can't think of one who hasn't been affected.

Mr. PASSMAN. I am talking about substantially, now; all, to some extent, but it said about 86 percent were living about normal lives, and had not been greatly molested in their communities and villages.

Mr. MACDONALD. No; no, sir; no, Mr. Chairman. I just don't think that stands up.

Mr. PASSMAN. I am only asking the question.

Mr. MACDONALD. Oh!

Mr. PASSMAN. You may have read it. It was in one of the national magazines.

Mr. TOLLEFSON. No, I didn't see it.

Mr. MACDONALD. In the first place, they are going to have over a million men, 1,100,000 men, under arms by the end of this year.

Mr. PASSMAN. How many?

Mr. MACDONALD. 1,100,000 is their target for all the regular and paramilitary forces, the Army, the Navy, the Air Corps, regional forces, the popular forces.

Mr. PASSMAN. That is new. Others have said what was needed were more American soldiers. You may have read that statement by, I think, the immediate predecessor of the present President, when he was in the Philippines. I remember that statement very well. But bringing these people into the military is something new, isn't it? I am speaking of the last year, or the last year and a half.

Mr. MACDONALD. No, sir; the Army was on the order of 500,000 to 600,000 strong when I went there in 1966, and they are aiming almost to double it. Now, this is the first million affected by the war, sir. They also have had nearly 1.5 million refugees. At the peak last spring there were 1,450,000. Those people were certainly affected by the war. The present administration, under President Thieu, also has organized a people's self-defense force and this is the first time that a Vietnamese leader has seen fit and had confidence to do it.

Mr. PASSMAN. Certainly it is new, then. You have answered my question in the affirmative. It is new that you now have a leader who is taking the lead and he feels that he can organize them.

Mr. MACDONALD. Some of the things I have mentioned go back some time.

Mr. PASSMAN. But the very fact that you are going to go from about 500,000 up to 1.1 million indicates that they now just realize that Mr. Nixon meant what he said when he stated "We are going to equip you and train you, but you are going to fight your own wars."

Mr. MACDONALD. No, sir; the timing is a bit off. You are quite right, sir, in suggesting that the Vietnamese are more and more realizing the necessity that they make a larger contribution, a greater sacrifice, and I do stress the word "sacrifice," Mr. Chairman, because there has been a tremendous sacrifice by the people of Vietnam.

Mr. PASSMAN. And you use the word "contribution." I like that expression because invariably a fine man like you will always give us a complete, honest answer, and that is what you have given us. They now realize that it is their country that must be saved. That is about what you said, that they realize it.

Mr. MACDONALD. Oh, yes; they do realize it.

Mr. PASSMAN. They are beginning to realize it.

Mr. MACDONALD. I said that they increasingly realize it.

Mr. PASSMAN. I will accept that, "increasingly realize it," because I think that you know and I know that there is no reason why South Vietnam soldiers shouldn't fight just as well as North Vietnam soldiers.

Mr. MACDONALD. The South Vietnamese soldier is fighting much better than the North Vietnamese soldier, and fighting more than American soldiers, too.

Mr. PASSMAN. You don't have any other soldiers other than the Vietnam soldiers involved in the war—North Vietnamese, South Vietnamese, and Americans? Aren't they all in the Vietnam area, either North or South? I think it is a good question. Is there any reason why a South Vietnamese soldier couldn't fight just as well as a North Vietnamese soldier?

Mr. MACDONALD. There is no reason that he shouldn't or cannot, and I suppose this is the reason he is fighting not just as——

Mr. RIEGLE. Mr. Chairman, would you yield at that point?

Mr. PASSMAN. Surely.

Mr. RIEGLE. Because if that is so, in light of the fact that you have a population in South Vietnam on the order 17 million or thereabouts, why after all these years do we still need something on the order of 450,000 American troops in the field? We know we have more South Vietnamese under arms, at least according to the statistics, and if they are better than the Norh Vietnamese why can't we get all these Americans out of there now?

Mr. PASSMAN. That is a good question.

Mr. MACDONALD. I think we should recall for the record that I am Director of the AID program in Vietnam and I am perfectly prepared to try to respond to your question and give you my personal view, but I have no particular competence.

Mr. PASSMAN. It is tied together and that is why we are asking these questions.

Mr. RIEGLE. You are on the scene. You have probably a good front line assessment of this.

Mr. MACDONALD. I am not sure it is as good, but I would give you my personal answer to that question.

In the first place, the nature of the war itself is one in which the enemy has an enormous advantage. He lives in bivouacs and prepares himself for the attack outside of South Vietnam for the first part. This is a great advantage.

In the second place, he fights in part a guerrilla war, striking when he wants at whatever force levels he wants and where he wants, and it takes more people to defend against that kind of an attack than it does to lead the attack.

The second point I would like to make is that there is, I think, a clear policy from our President to reduce the military presence and to withdraw American troops as quickly as it is possible to turn over more of the fighting responsibility to the South Vietnamese. I think the facts are clear that they are taking more and more of the fighting. The casualty rates are now running four or five, as I recall, South Vietnamese killed and injured to an American killed and injured. I think their performance record is standing up quite well, too, compara-

ble to the advantage that American troops have over North Vietnamese troops.

Is that a responsive answer?

Mr. RIEGLE. Yes. I thought we ought to get one statistic on the record here if you can provide it, and, if not, perhaps you can get it, but if you take all the categories of enemy forces from your record, the North Vietnamese, the VC infastructure, and so forth, take the entire population of the enemy forces, all categories in South Vietnam, I think you will find that better than half of that total number are indigenous South Vietnamese, and if I am not mistaken—and this is using Defense Department data—I think you will find that that figure has been higher than 50 percent since the first day of the war right up to the present.

If that is not so, let's have it.

Mr. MACDONALD. I don't know the answer. I am sure we can get it and supply it for the record.

(The information may be found on page 783.)

Mr. RIEGLE. You ought to know that, though, because that is a critical fact.

Mr. MACDONALD. No, not in the economic aid program, but perhaps I should know it. I do know there has been a changing ratio with more and more of the enemy being constituted by North Vietnamese and less and less being made up of South Vietnamese who have been conscripted into the Vietcong.

Mr. RIEGLE. If you take the total enemy forces you will find that over half are South Vietnamese, total, all categories. That includes the irregular, the guy that is out in the field during the day and going into battle at night.

Mr. MACDONALD. I don't have these figures, Mr. Chairman.

Mr. PASSMAN. I assumed that the President meant what he said, and I know that he did, that his plans are to get combat troops out of Vietnam and that we are going to train the Vietnam soldiers, you understand, to replace American troops. Now, if that is the program, it simply means that we are embarking on a relatively new program to let these people be trained and fight their own wars, and the record is abundantly clear on our side that just 3 years ago, or maybe 2 years ago, some of our people out there were advocating increasing the number of American troops.

Mr. MACDONALD. One can find advocates for anything in South Vietnam.

Mr. PASSMAN. But I am talking, Mr. MacDonald, about our top personnel. You know very well until Mr. Clifford became Secretary of Defense, it was a build-up of American troops. Some commanders were asking for an increased number of troops, and it would seem now that this thing started cooling off at the beginning of Mr. Nixon's administration because he made a very positive promise that it would. I thought his program called for training Vietnamese to fight, and this would release American troops. This is what I understand to be the facts of life, and I believe that the record is on my side, which means that this is a relatively new program, to train large numbers of South Vietnamese. I think that we have to admit that there wouldn't be any reason in the world why you couldn't train a South Vietnamese to fight just as well as a North Vietnamese. Americans are being killed out

there and I hope the President will go through with his program to get American personnel out of that conflict. Inasmuch as you are in the aid area and not in the military area, that is why I asked the question originally and used Mr. Rogers' understanding of what we were doing.

We are taking those people too far too fast. I am familiar with some projects out there. Two men flew from Saigon to meet me in Bangkok. They gave me reams and reams of information on projects that I am not going into now. But inasmuch as Secretary Rogers evidently understood this so-called land reform program as I did, and the hearings indicate that we were trying, indirectly, to bribe the Vietnam Legislature to pass this land reform legislation.

Mr. MacDonald. Mr. Chairman, I have reams and reams of questions you put to me and I would like to respond to some of them.

Mr. Passman. We asked you here as a courtesy to the committee. You have certain projects going in foreign countries we can't even afford for America. Let's be realistic about it and let's see if we can't cool this thing off.

I am supporting the President but I sincerely believe if we cut your appropriation in half you could do a better job. No man can manage this type of program and say that we are getting value received for it. Therefore, I can see that we are just going to have to operate on whatever basis your present plans calls for until this thing cools off. I also hope that we won't turn around and lose South Vietnam 2 days after we get out simply because we can't continue the present level of aid.

TOTAL AID TO VIETNAM

Now, what is the population of South Vietnam?

Mr. MacDonald. Between 17.5 million and 17.7. There are three or four estimates.

Mr. Passman. And I believe our total aid is now approaching $6 billion, is it not?

Mr. MacDonald. $6 billion?

Mr. Passman. Yes, sir.

Mr. MacDonald. In gross over time, sir, that may be, depending on what you count.

Mr. Passman. Let me say grant aid, military and economic.

Mr. MacDonald. The AID program down there from the beginning of time, which starts in fiscal 1954, totals in all categories——

Mr. Passman. Let's use that date because we had not become involved in that conflict until then. Of course, we were financing the French. We all know that.

Mr. MacDonald. Let me give you the figures that I have.

Mr. Passman. Let's get it, if we may, from AID's books, and I believe this is 1969. You don't mind my using AID's figures, do you?

Mr. MacDonald. By no means.

Mr. Passman. Let's go to page G–8 of the justifications. It would appear that the total aid, both military and economic, is $5,814,600,000 in grants, and the loans were $92.1 million.

Mr. MacDonald. I think the figure that you just spoke of is a figure that includes some military aid.

Mr. PASSMAN. I said total economic and military.

Mr. MACDONALD. I misunderstood you.

Mr. PASSMAN. But not Defense. That figure excludes the three years that the Defense Department has been picking up the tab for military assistance. As you know, the military portion was transferred out of Title I of our bill over to the Defense appropriation bill.

Mr. MACDONALD. Yes, military assistance was transferred out to regular DOD appropriations.

Mr. PASSMAN. I am only using AID's figures. We have approximately $6 billion in grant aid.

Mr. MACDONALD. There is another billion you haven't counted, Mr. Chairman. That is about a billion in Public Law 480.

Mr. PASSMAN. No; this is all-inclusive.

Mr. MACDONALD. Yes, sir; you are right. That is inclusive.

Mr. PASSMAN. Now, what is that on a per capita basis?

Mr. MACDONALD. I can do the arithmetic here.

Mr. PASSMAN. We agree that, to use a slang phrase, it is a heck of a lot of money, isn't it?

Mr. MACDONALD. Right.

Mr. PASSMAN. For a very small country.

Mr. MACDONALD. And very large U.S. objective to be achieved.

Mr. PASSMAN. I am not talking about objectives. I am talking about population. You have to relate dollars to population. I am not talking about the defense costs because I guess defense cost has been about $100 billion, hasn't it?

Mr. MACDONALD. I do not know the amount but you are quite right, it is a very large figure.

Mr. PASSMAN. I am looking only at grant aid.

Mr. MACDONALD. You are quite right; it is a very large figure, and if you do it on a per capita basis I suspect it is among the very largest we have had in the last 20, 25 years.

Mr. PASSMAN. I don't think I would ever be guilty, unless a man figured he had all the answers like a few witnesses we have had before this committee, because life is too short for me, to ever try to embarrass an individual. But we do know the record is abundantly clear that we overextend ourselves and we get into too many commitments, and then we go to the adding machine and find ourselves embarrassed.

Let's take Thailand. I know that is not your responsibility, but we have to look at a lot of different programs. I was in Thailand, I think it was about 8 years ago and had a very fine meeting with the Ambassador and the AID people. They said we have "Wonderful news for you." "What is it?" "We are concluding our AID program in Thailand. It is no longer necessary. This country is waxing fat now with wealth by their standards and it is all over." I came back to Washington and reported that to Doug Dillon. He was quite enthusiastic about the reports that reached him.

A year or so later I went out and we set up another meeting. We asked the question, "Is it true that you plan to renew the AID program in Thailand." "Yes, that is right."

"What are your estimates for the next fiscal year?"

"Oh, we are instructed out of Washington not to give you that information."

I said, "Is that so?" He said, "Yes."

We went on to the military mission. They had received no such instructions. "You are entitled to all the information you want. Here is our 5-year program." They gave it to us.

We came back to Washington and found that the then AID director out there had wired Washington that "We are going to be embarrassed if we let Passman in on what we plan to do after telling him last year it was all over," and Washington had wired back, "Do not give any information." Several heads rolled as a result of that incident.

What point am I trying to make? If we had stopped the AID program then as we had planned, we wouldn't have been in the mess we are in now in Thailand. We know we have problems in Thailand, Mr. MacDonald, but can you conceive that these people had built up a surplus in their foreign exchange account of over a billion dollars, just about equal to the amount of aid that we gave them. Then we go out there and almost got down on our knees to borrow $100 million from them. Now we have to pay that $100 million back in about another 39 months.

Let me tell you another story, and you will know why we are a little concerned about this program.

Mr. MacDonald. I am at your pleasure, Mr. Chairman.

Mr. Passman. Let's look at Thailand again. We were in Thailand years ago, and I brought this message back. I said, "You know, the Commander-in-Chief or the head of Thailand owns 39 businesses and every dime of materiel purchased for the Army must be requisitioned through one of his businesses." I said, "Mr. Dillon, you ought to check into that. This is kind of a strange arrangement." I don't know whether he did or not. But a few years later we were in Thailand and picked up a paper and we noted where this fellow had died and had only built up an estate, according to the press, of $139 million. He moved from a bicycle and a straw-covered shack to a Rolls Royce and a palatial home and in the process had only accumulated a little sum of $139 million. Subsequently, they said, "No, it is only $80 million," and later on they reduced that estimate. I think they ended up giving his wife about $17 million. I bring that out to show you the financial awareness of the Asiatic mind. All we have to do is just look at the record, and don't let them, Mr. MacDonald, lead you so far along that the time comes that we will lose them, because we can't continue this aid level. Off the record.

(Discussion off the record.)

LAND REFORM PROGRAM IN VIETNAM

Mr. Passman. I read in the Wall Street Journal of March 17, 1970, that a land reform bill had passed the National Assembly and it was sent to President Thieu. Has the President signed the bill yet?

Mr. MacDonald. I believe he plans to sign it on the 26th, which would be Thursday. They are declaring Thursday a national holiday and there will be functions throughout the country, particularly in the Delta, to commemorate this sweeping piece of social legislation, sir.

Mr. Passman. What is the total cost of this land reform bill?

Mr. MACDONALD. In the closing days of the National Assembly's consideration they changed two or three provisions. One had to do with the cost and we don't yet have an interpretation of how they will arrive at that cost. The President's bill would have cost about 52 billion piasters.

Mr. PASSMAN. In dollars?

Mr. MACDONALD. In dollars, about $400 million if you use the official exchange rate, Mr. Chairman, of 118 to 1.

Mr. PASSMAN. The internal situation is that the Government purchases land from landowners to make it available to other landowners in smaller lots?

Mr. MACDONALD. The land goes directly to tillers of the land.

Mr. PASSMAN. I understand.

Mr. MACDONALD. Yes, sir; you are correct.

Mr. PASSMAN. I believe that our purpose in committing $40 million, if that is the figure, was to lessen the burden on the Vietnamese Government and hold down inflation; is that correct?

Mr. MACDONALD. Yes, sir; to meet the foreign exchange impact of that injection of——

Mr. PASSMAN. You mean the foreign exchange impact of making cash available to the Vietnamese that they would go into the economy and spend and create inflation; is that it?

Mr. MACDONALD. When 50-odd billions of piasters are put into the economy over the next few years, there is going to be an inflationary effect.

Mr. PASSMAN. That was my question. That is the purpose?

Mr. MACDONALD. Yes, sir; which will need to be dealt with in part by taxation and part by imports.

Mr. PASSMAN. If you turn loose any large sum of money, you create a seller's market and you create inflation. Is that correct?

Mr. MACDONALD. Correct, sir.

Mr. PASSMAN. Why couldn't the Vietnamese Government, inasmuch as they are dealing with their own citizens and they all should be interested in the welfare of their own country, have issued interest-bearing bonds with an annual installment and just say, "Well, now, this is guaranteed by your government like any other bond, and we are going to pay you this in 20 years at a given rate of interest"? Wouldn't that accomplish the same thing?

Mr. MACDONALD. In part, they have done that, Mr. Chairman.

Mr. PASSMAN. I know, but why not for the other part? I am interested in the $40 million part. Why didn't they work this out without us having to commit $40 million?

Mr. MACDONALD. I don't think you understand the provision of the bill as to financing.

Mr. PASSMAN. They waited so long to pass it, I doubt if anybody knows it. I hope you do.

Mr. MACDONALD. I think I can explain it, Mr. Chairman. It provides for a 20-percent downpayment in piasters from the Government to the former landlord for land that the tiller has received, and then it provides for interest-bearing bonds for the rest over an 8-year period, so it is not all being injected into the economy in the first year, sir.

Mr. PASSMAN. The point that I make is that the only excuse you have to get in with $40 million, if that is the figure that you use—I know that was given to us last year——

Mr. MACDONALD. No, sir; there is no figure.

Mr. PASSMAN. What if I tell you that the people testified for $40 million last year for the land reform project in Vietnam? I can assure you, Mr. MacDonald, of that.

Mr. MACDONALD. I do know what was testified last year, but if you let me explain I can say to you——

Mr. PASSMAN. I don't want you to repudiate a factual statement, maybe unintentionally. Let me read out of the House report. It says:

> Apparently, during the year a new scheme for the land reform program developed, and on June 27, 1969, that was my birthday—3 days before the end of the fiscal year when the funds would lapse, the Agency obligated $10 million to the project and is requesting an additional $30 million for this purpose in fiscal year 1970. As the Acting Assistant Administrator for Vietnam, Joseph A. Mendenhall, stated on page 512 of part 2 of the printed hearings: "It (the $40 million) was the best estimate that this is what it would take to get the bill through the National Assembly, Mr. Chairman."

That is what he said, $40 million.

Mr. MACDONALD. Mr. Chairman, I was not contesting. Please be sure I am not here to contest.

Mr. PASSMAN. That is all right.

Mr. MACDONALD. I had understood you to say that the administration had told you that the U.S. total dollar contribution to this program from its inception to its completion would be $40 million.

Mr. PASSMAN. I didn't use it in those terms.

Mr. MACDONALD. I am sorry. I drew the wrong impression.

Mr. PASSMAN. They had to assure $40 million to get it through the legislature. This was 2 years ago.

Mr. MACDONALD. Mr. Chairman, I apologize for having——

Mr. PASSMAN. You don't need to apologize.

Mr. MACDONALD. I apologize for the wrong inference. The fact is, as you have pointed out, that we did obligate in June of 1969, admittedly for the end of the fiscal year——

Mr. PASSMAN. Three days before the end.

Mr. MACDONALD. Three days before the end.

Mr. PASSMAN. And it would have lapsed if you had not obligated it.

Mr. MACDONALD. $10 million.

Mr. PASSMAN. Would it have lapsed if you hadn't obligated it?

Mr. MACDONALD. It would have gone into consideration for carryover; yes.

Mr. PASSMAN. So they would have lost the $10 million.

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. OK; good record.

Mr. MACDONALD. Let me explain why at that moment in time this obligation was incurred. It was not either to induce, much less bribe, the Vietnamese Government into agreeing to a program of land reform nor was it intended to squirrel away funds which, as you point out, we would have had to return to the Treasury had they not been obligated at that time. We had been working with the Government of Vietnam for the best part of a full year, Mr. Chairman, trying to encourage them, trying to help them on technical grounds, to develop a land re-

form program that would answer some of the basic social problems in South Vietnam. It was in June that we finally reached agreement with the Government that they finally took the decision that there would be a land reform program.

Mr. PASSMAN. When did you make that decision?

Mr. MACDONALD. In June.

Mr. PASSMAN. What year?

Mr. MACDONALD. Of 1969. The Vietnamese made the decision and at that point in time we entered into a project agreement. They undertook to proceed to develop legislation and to submit it to their national assembly. We undertook to provide up to $10 million.

Mr. PASSMAN. That was 2 fiscal years ago.

Mr. MACDONALD. Well, sir, our expectation had been——

Mr. PASSMAN. I know, but I am trying to get the record to read like I believe it is. We are dealing with fiscal 1969.

Mr. MACDONALD. Mr. Chairman, it was 10 months ago. It was less than 10 months ago.

Mr. PASSMAN. Wait just a minute. This was fiscal 1969. Now we are talking about fiscal 1971.

Mr. MACDONALD. But you said June 27, 1969.

Mr. PASSMAN. I said June 27, 1969. That is when we were given this information.

Mr. MACDONALD. That was less than 10 months ago.

Mr. PASSMAN. But the money had been obligated, you understand, to a nonexistent program and even at this time the bill has not yet been signed, you only expect him to sign it.

Mr. MACDONALD. The new land reform program did not exist but the nature of our dealings with South Vietnam and other governments in the development business is to come to agreements from time to time as to what the characteristics of desirable programs are to be, programs the United States would like to see them enter into, will be.

Mr. PASSMAN. I can only tell you what the AID people said, that it required this to get the assembly to approve the legislation. That is what they said. If they don't know what they are talking about, I am just going to read this again:

> Apparently, during the year a new scheme for the land reform program developed, and on June 27, 1969, 3 days before the end of the fiscal year when the funds would lapse, the agency obligated $10 million to the project and is requesting an additional $30 million for this purpose in fiscal year 1970.

But now we are considering 1971, aren't we?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. We are talking about 1971.

As the Acting Assistant Administrator for Vietnam, Joseph A. Mendenhall, stated on page 512 of part 2 of the printed hearings: "It—the $40 million—was the best estimate that this is what it would take to get the bill through the national assembly, Mr. Chairman."

Now, if that doesn't mean that they are running our show, what does it mean? He said that we would have to make a commitment of $40 million before they could get a bill through the national assembly to help their own country. My question hasn't been answered yet. Since these people are Vietnamese, they live in Vietnam, they should love their country, as we love our country, and they should be able and willing to make a contribution for their welfare, or make a contribution to the so-called underprivileged. Couldn't the assembly just as

easily pass legislation, paying their large landowners on a 20-year basis, 5 percent per year, plus a going rate of interest"? In your opinion, would you have considered that good legislation?

Mr. MacDonald. Well, there are political problems that the President of South Vietnam faces.

Mr. Passman. You are very fair. We are getting right down to what it is all about. It is a political matter, but there would have been nothing wrong with the program. It would have served the same purpose, would it not, and it would have checked inflation had it been paid out over 20 years?

Mr. MacDonald. I think it is possible to draw, if I may say, Mr. Chairman, hypothetical alternate programs which might have been considered. I think that, as a practical matter, a bill that talked in terms of payment over 20 years, which is more than half the life span of the average Vietnamese who lives today, would have been considered as an extreme delay in the settlement of the obligations that the Government had.

Mr. Passman. Those are Government bonds. I tell you I think it is simply ridiculous that we let the Vietnamese involve us into that kind of a deal where we have to guarantee $40 million on a project that is yet to be firmed up. Then while we were closing down projects in America, you allocate $10 million to a project that is not yet created. You took the money out of 1969 funds. Now we are in 1971 and we still are waiting for the President to sign the land reform bill. What happened to the $10 million you allocated?

Mr. MacDonald. The $10 million is under obligation. It has not been spent.

Mr. Passman. Has not been disbursed?

Mr. MacDonald. The provisions of the project agreement made it quite clear that under no circumstances would we spend U.S. taxpayers' money on this program until there was a viable program that——

Mr. Passman. Then it could have just as easily waited until we had firm legislation, and then we could have made the allocation?

Mr. MacDonald. It could have, in light of what has transpired, but the expectation was an earlier enactment and the law was passed in August or September.

Mr. Passman. Oh, yes, we have some excellent authorized projects in my State that have been outstanding for 14 years that some day we hope to get the money for construction.

Mr. MacDonald. May I make one statement of why the Government didn't perhaps summarily put the landlords off?

Mr. Passman. Surely.

Mr. MacDonald. The land tenure pattern in South Vietnam is really quite different from one most of us Americans are accustomed to. We are not dealing with large owners, 500 or 600, that own most of the land. We are talking about tens of thousands of landowners that till some of their land and rent additional amounts out, so there is a question of equity of paying on a reasonably prompt basis for the land that the Government is going to transfer to other tillers. There are many, many people involved and thus there is a legitimate political problem here.

Mr. Riegle. Would you yield just a minute?

Mr. Passman. Surely.

OBJECTIVES OF THE AID PROGRAM

Mr. RIEGLE. As I remember, Mr. MacDonald, the No. 1 objective of the AID program in Vietnam a year ago, and I assume it is true today, was to combat inflation.

Mr. MACDONALD. Yes.

Mr. RIEGLE. You placed that as your No. 1 priority. Is that still the case?

Mr. MACDONALD. It has been the No. 1.

Mr. RIEGLE. Is there one that comes higher than that today?

Mr. MACDONALD. I would keep it right up there in the front of the pack. The whole problem of Vietnamization, the need for the Vietnamese to generate more and more resources internally in order to meet the increasing cost of the budget is an inflationary challenge.

Mr. RIEGLE. If I remember correctly, more dollars in your AID program a year ago were devoted to inflation control than any other single operation.

Mr. MACDONALD. That is correct.

Mr. RIEGLE. Is that still true today?

Mr. MACDONALD. That is correct.

Mr. RIEGLE. OK, now, I think this gets in with what the chairman was discussing a minute ago. At the same time we do that we are pumping in $40 million in this land reform program and the effect of additional piaster spending on land reform has to be inflationary, does it not?

Mr. MACDONALD. Oh, yes. This is an inflationary program. There is no question about that.

Mr. RIEGLE. So here we are; on the one hand, our No. 1 objective is to try to combat inflation, and we are spending money to do that. On the other hand, we are encouraging Vietnam to spend large sums of money to create inflation.

Mr. MACDONALD. Oh, yes; but may I say, Mr. Chairman, just quickly—forgive me, the obvious point, Congressman Riegle—that this is a rather complicated situation in Vietnam and there are many objectives that the South Vietnamese are trying to achieve. They are trying to defend themselves against the invasion of an army from up north. They are trying to work a social revolution in their country, despite the war, during war. They are trying to create a capability as a government to provide public and social services to their people, miniscule compared to the scale at which the U.S. Government and Western countries are able to provide these services. My whole point is that there are multiple objectives. This is a complicated situation. It would be easy to control inflation, Mr. Chairman, very easy, stop turning the printing presses, cut the budget, don't have a million men in the army to defend against the enemy, don't put 83 percent of the primary-school-age children in school, let them not go to school. That would be easy.

COMMODITY SUPPORT PROGRAM

Mr. RIEGLE. How about the commodity import program? Would not that be another one we could cut down on? In other words, tax off the money now being spent for various kinds of commodities that are being imported into the country.

Mr. MacDonald. The commodity import program is the prime generator of piaster revenues to go into the budget to finance these multiple objectives.

Mr. Riegle. I don't refer now to just our AID commodities. I am talking about all commodities.

Mr. MacDonald. I am talking about all commodities, because the effective rate of exchange applied to non-AID-financed imports is actually higher than the AID-financed imports. Most of the budget is financed from very high customs and tax duties put on imports coming in.

Mr. Riegle. But if we didn't pump in commodities and we took those same dollars that people are spending on these commodities and the Government taxed those dollars off and used them for education, used them to outfit this million-man Army, and so forth, that actually would serve to reduce the amount of money that Americans have to pay?

Mr. MacDonald. Congressman Riegel, that is how we finance the schools. That is how we finance the schools.

Mr. Riegle. By selling motorbikes?

Mr. MacDonald. By selling a long list of commodities, of which motorbikes happened to be a relatively small amount.

Mr. Riegle. There are a lot of motorbikes.

Mr. MacDonald. Oh, yes. Let me speak to the question of Hondas. Many of my friends have raised this with me.

Mr. Riegle. We were driving in Saigon and saw them using motorbikes.

Mr. MacDonald. They said, "What are you doing there tolerating the purchase of Hondas over here under the AID program?" The first thing is that we don't finance Hondas.

Mr. Riegle. Not directly, but, in a sense, we do indirectly.

Mr. MacDonald. Indirectly, the source of the dollars is from U.S.-appropriated sources, but let me make the other point that a Honda in the United States is a luxury. It is for the teenager to go dashing around on. In South Vietnam, it is a basic mode of transportation for the farmer to get from his hamlet to the nearest market. It is the mode of transportation for a family of three, four, five, and I have seen six Vietnamese on a Honda. This is not a bunch of teenagers dashing around. There are some, obviously, and you saw them and I saw them and they are there, but the Honda is not a luxury item.

Mr. Passman. Not all of them.

Mr. Cohelan. Mr. MacDonald, what did they do before they had those Hondas?

Mr. MacDonald. I was there in 1961 and 1962, and they didn't have all those.

Mr. Passman. When I was there in 1956 and 1957, I saw a lot of them. We are building those people up to a standard of living they can't maintain. I am getting ready to yield.

Mr. Cohelan. Mr. Chairman, I think we ought to pursue this.

PROBLEMS IN VIETNAM

Mr. Passman. I am coming to you in just a moment. I wanted to drop the curtain on this observation:

The problems you are trying to solve have been with those people for thousands of years; is that not correct?

Mr. MacDonald. The problems that we are trying to solve are those of disease, poverty.

Mr. Passman. I don't know. The Asiatics are very smart people.

Mr. Long. They are a lot smarter than we are, to tell the truth.

Mr. Passman. You are exactly right, and I know it.

Mr. MacDonald. Which problems do you refer to?

Mr. Passman. The problems you have been trying to correct out there. It has been with them ever since they have been in existence for 2,000 years.

Mr. MacDonald. My problems are the problems of inflation, the problems of helping the government.

Mr. Passman. You mentioned schools and you mentioned land reform.

Mr. MacDonald. Yes; those problems have not been there for 2,000 years.

Mr. Passman. In America we are only 180 years away from the Constitution. The United States was a little country of 3 million and we were willing to carve out our way in life by hard work. But here we are out in Vietnam pumping in billions of dollar of American wealth and sacrificing the lives of our precious youth. Now we come along and we say "Joe, you have 6 acres. You only need 3 acres. We want to buy this 3 acres of land." Now, the only way we can buy it is to say we are going to pay for it in 8 years and we are going to get Uncle Sam in for $40 million of it.

My point is that with all the hundreds of millions of dollars we are pouring into this country, they should be willing to make some sacrifices themselves. You could just as easily pass legislation saying that "You keep three acres. We are going to buy 3 acres and we will pay you 5 percent a year for 20 years plus the annual rate of interest. This is it." You could have checked inflation by that system, but poor Uncle Sam has to get in and start committing himself. Let's get this thing in proper perspective. You actually obligated this $10 million out of fiscal 1969 funds. The very fact that you didn't obligate it to a nonexistent project, that is, firmed-up project on June 27 doesn't alter the fact that it covers fiscal 1969. It was a fiscal 1969 appropriation.

Mr. MacDonald. That is correct.

LAND REFORM PROGRAM IN VIETNAM

Mr. Passman. How much is the total land reform program going to cost the United States as you think of it at this time?

Mr. MacDonald. Well, it is not possible for me to give you a definitive answer because——

Mr. Passman. Approximately, then, Mr. MacDonald.

Mr. MacDonald. It would entail my divining what is going to happen in the next 8 years. I started to tell you that we are doing recomputations and it will be more, not less——

Mr. Passman. What will be more?

Mr. MacDonald. The total cost of the program under the President's provisions would have been 52 billion piasters, which translated into dollars at the legal rate would be about $400 million.

Mr. Passman. That is the final figure?

Mr. MacDonald. $400 million.

Mr. PASSMAN. That is the same thing they used.

Mr. MACDONALD. $400 million, Mr. Chairman.

Mr. PASSMAN. I know. I know the total cost. I am following you a lot closer than you think I am, so you proceed. I am listening.

Mr. MACDONALD. Good, sir. One has to make estimates of the amount of the 52 billion piasters that is going to have to be met through imports and the rough calculations that the economists have made are that half of those 52 billion piasters are going to manifest themselves into demands for imports. The exchange rate of 118 to 1 notwithstanding, the fact is the most goods come into the country between 250 and 300 piasters to the dollar, and if you apply that factor to half of the $400 million you have a grand total of about $110 million worth of foreign exchange necessary to meet the import demands over 8 or 10 years. I cannot tell you how much the United States is going to stand ready to provide.

Mr. PASSMAN. Let me say respectfully, and this is not a threat, this committee has the power to write limitations. I am not too sure you are going to get 50 cents on the type of testimony you are presenting here today. This committee must have some definite facts about this project before any money can be appropriated.

Let me make an observation.

Mr. MACDONALD. I think I talked to you on the foreign exchange requirement.

Mr. PASSMAN. No; you are getting into the formulas which I am not interested in at this time. Here is what your people said, and you said about the same thing, on page 515 of last year's hearings:

> Mr. MENDENHALL. The estimated total cost of this program is about the piaster equivalent of $400 million, of which we are proposing $40 million in fiscal year 1969 and 1970 under the AID program.

Earlier testimony indicates that $10 million was requested in fiscal 1969 and $30 million in fiscal 1970. If we are embarking on some program that is going to be several times this amount, now is the time for us to know. You are bound to have some estimate. If you don't have an estimate, then you ought to go back, reobligate this $10 million and not ask the Congress to appropriate a dime until you do have some type of firm estimate.

Mr. MACDONALD. Mr. Chairman, I obviously haven't answered your question with the clarity that it requires.

Mr. PASSMAN. I am afraid you didn't. We want to get down to dollar costs.

Mr. MACDONALD. Mr. Chairman, the total dollar cost of this program is estimated to be, was estimated to be, at the time the President's bill was submitted, about $100 million.

Mr. PASSMAN. What is it now?

Mr. MACDONALD. We do not know precisely because it is being studied, Mr. Chairman. I think it might be in the order of about $140 million worth of dollars, at the outside.

Mr. PASSMAN. Aren't we entirely premature in getting into these commitments before we have any idea what they are going to cost?

Mr. MACDONALD. Mr. Chairman, we have not made a commitment to finance all the dollar costs.

Mr. PASSMAN. I asked you a question and I will reask it.

What is your best estimate as to what the dollar cost would be to the U.S. taxpayer concerning the land reform program in Vietnam?

Mr. MacDonald. I can tell you that the first dollar cost is $10 million that we obligated which we expect to carry us through 1970. We do not anticipate applying the additional $30 million requested for fiscal year 1970. Mr. Chairman, I am saying to you that whereas an earlier witness told you we were going to apply an additional $30 million of 1970 fiscal year funds to this program, we will not do that because the program does not warrant it.

Mr. Passman. That is good. What is the final estimate? When the land has been bought and we have disbursed the money what is your best estimate of how much it is going to cost the American taxpayers?

Mr. MacDonald. Mr. Chairman, be patient with me, please.

Mr. Passman. I am patient with you, but give us some idea. Give us an answer.

Mr. MacDonald. I want to let you know some of the reasons that I am not able to give you a definitive answer to this question today, which I don't think leads to the conclusion that it is inappropriate to continue to give some support on an interim basis; but, sir, we foresee in the years ahead very good prospects, particularly if peace comes, particularly if there is a political settlement, that the South Vietnamese people will be able to increase their foreign exchange earnings. There is real development potential here. To the extent that they are earning more and more foreign exchange 7 and 8 years from now they are going to be able to meet more and more of the dollar cost of all their programs, including this program, and I would be the last one to propose, much less commit, that the United States forward finance for 8 years the foreign exchange cost of a program that can very possibly be met with substantial measure by the South Vietnamese themselves.

Mr. Passman. In other words, you don't know what this land reform program may eventually lead us into?

Mr. MacDonald. What I know is that we should not be led into a commitment prematurely at this point in time for financing 8 years ahead.

Mr. Passman. Do you think there are any flood control rivers or harbors, reclamation, soil conservation, or any other type of project in America that you would be permitted to make an allocation to unless you first established a cost estimate? We just don't do it in America that way. If it is a flood control project in Massachusetts, Louisiana, Michigan, California, or Maryland you have to come up with a firm estimate of what it is going to cost and you must then get an authorization. Then you come in on bended knees and you get a slice of about one-sixth to proceed on a firm estimate. Now, here we are embarking upon a program and it is not known how much it will eventualy cost the U.S. taxpayer.

Mr. MacDonald. I did not come to make a presentation in defense of the President's budget to the——

Mr. Passman. We have a right to ask you.

Mr. MacDonald. Oh, yes, sir.

Mr. Passman. We are going to find out something about what these programs are going to cost.

Mr. MacDonald. Yes, sir, Mr. Chairman. I will be able to give you the answer to your question. The bill passed a handful of days ago. They have changed the financing provision of the bill. It is not a terribly complicated thing but prudent business sense suggests that we take a fairly careful look at it before we come to some conclusions as to the request that we make to Congress.

Mr. Passman. When will you be able to give us the cost estimates?

Mr. MacDonald. I cannot tell you today, Mr. Chairman. This is under study and my Agency, when it makes its formal presentation to you for the 1971 proposal, will answer this question.

Mr. Passman. Can't you understand why the committee would be somewhat exercised over the fact that you allocated $10 million to a nonexistent project in fiscal year 1969 and we are considering an estimate for fiscal 1971 when the bill is yet to be signed by the President. Approximately how many acres are involved?

Mr. MacDonald. 2,250,000.

Mr. Passman. And I think that is the same figure you gave us previously, not you, but one of the others, and I believe at that time the average price was about $150. Will you update this figure? If you arrive at the number of acres involved and the cost per acre, there isn't any reason in the world why you couldn't come up with a formula as to how many dollars we are going to put up against the equivalent of the Vietnamese. It is just that simple. We may wind up paying all of it if we are not careful.

Mr. MacDonald. I assure you we will have this for the record. Mr. Chairman, if I could make one more point——

Mr. Passman. Please.

Mr. MacDonald (continuing). I know this is not a personal thing, but for the record I would like to say that there have been many proposals from the Congress, both chambers, that have argued that the United States, in order to enable, and perhaps indeed induce, this social change on land reform, that the United States should be prepared to pay the full cost, the full $400 million cost.

Mr. Chairman, I have never associated myself with that point of view. I have always argued that we take this step by step and not make decisions today about situations that will obtain 8 years hence.

Mr. Passman. Do me a favor. Don't tell me who advocated that, please.

Mr. MacDonald. I won't, sir.

Mr. Passman. I can't believe someone would advocate that the United States pick up the entire tab.

Mr. Riegle. Would you yield?

Mr. Passman. Yes, I yield.

Mr. Riegle. Looking back 8 years, I just wish that somebody in 1962 in Vietnam had spent a little more time looking 8 years ahead. We ended up with a bad show over this past 8 years, and I hope you are thinking ahead to avoid repeating those same mistakes.

Mr. MacDonald. We and the Vietnamese are thinking 8 years hence in terms of carrying out a sweeping piece of legislation to bring more social justice, to enable social change. I am talking about one aspect, the arithmetic of who is going to pay for it, in what ratio.

Mr. Riegle. An important aspect.

Mr. MACDONALD. Oh, a very important aspect, but no one has lost sight of the fundamental program itself.

Mr. PASSMAN. How long are you going to be in the country?

Mr. MACDONALD. I have been there nearly 4 years, sir.

Mr. PASSMAN. No; I am speaking about in the United States.

Mr. MACDONALD. I had planned to leave yesterday, but the proposal that I come here to talk generally about the AID program here has kept me on. I hope to leave Thursday or Friday, sir.

Mr. PASSMAN. Do you think it would be possible to examine some of these projects in great detail? I think the land reform program opens up other questions. If we are in similar circumstances out there with other programs, allocating money to nonexistent projects, I just think maybe we better open this up on many, many other projects. If we would pick a favorable time, could you return by invitation so we might have the benefit of your views on other projects?

Mr. MACDONALD. Mr. Chairman, I obviously will do what Dr. Hannah instructs me to do. My recommendation to him will be that I return to Vietnam, to return to that very large and complex problem.

Mr. PASSMAN. I want you to know I am not asking you to stay now. I am talking about some subsequent date. We haven't even gotten the project books, Mr. MacDonald. We don't have a single project book, as far as I know, before this committee. When those project books are made available shall we, through Dr. Hannah, extend you an invitation if the committee should think it wise to ask you to come back?

Mr. MACDONALD. Mr. Chairman, I don't know when Washington will have the project details to you. If at that time I am in Saigon and it seems appropriate to ask Dr. Hannah that I return and he instructs me, I will certainly come, sir.

Mr. PASSMAN. We want to do this on a perfectly peaceful, constructive basis. We don't want you to think that we are forcing you, but when you go into this land reform program and find out we have been allocating money to a nonexistent project. It makes you wonder what is happening in other projects. This committee has its prerogatives, but we would like to officially request it through Dr. Hannah if we consider it necessary. The committee will make that judgment later. I am yielding now to Dr. Long.

Mr. RIEGLE. Mr. Chairman, before you go, I am just wondering if maybe some of us shouldn't go out there and take a look at it?

Mr. LONG. I would also like to look, first hand, at the land reform program in Vietnam.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

FIELD EXAMINATION OF THE VIETNAM PROGRAM BY CONGRESSIONAL COMMITTEES

Mr. RIEGLE. I would just say that as the land reform program relates to Vietnamization generally, I think it would be appropriate for the subcommittee to go out there and take a look at it first hand.

Mr. COHELAN. If the gentleman will yield, Mr. MacDonald, hasn't there been a committee of Congress out there this last month?

Mr. MACDONALD. Oh, goodness, frequently.

Mr. COHELAN. Which committee? Would you tell us for the record?

Mr. MacDonald. The Subcommittee on House Government Operations, the chairman of which is John Moss, was there just a few weeks ago for the best part of a week.

Mr. Conte. Could you tell us for the record who has not been there from the Congress?

Mr. MacDonald. Well, there have been some repeats, but counting them, we have had more than half of the membership of both Chambers, I believe, more than half in my time there, sir. Of course, we welcome the visits of Congressmen.

Mr. Reigle. Who has been out there to look at the AID program in detail within the last year?

Mr. MacDonald. Everybody, sir: John Moss being the most recent

Mr. Riegle. Who from this committee?

Mr. MacDonald. From this committee?

Mr. Riegle. Yes; or from the Senate Appropriations Committee.

Mr. Cohelan. On Foreign Operations?

Mr. Riegle. Yes; because we authorize these expenditures, appropriate these expenditures.

Mr. MacDonald. Let me not speak too fast. No; they have pretty much brought people into Washington. You know, the black market hearings that were held by Senator Ribicoff's subcommittee has brought people in from Saigon to testify.

Mr. Riegle. To your knowledge, there hasn't been anyone from the Senate or House Appropriations Subcommittees out there within the last year?

Mr. MacDonald. Not the Appropriations Subcommittees. I think you and Congressman Shriver were the last ones from the Appropriations Committee. You were there, Mr. Cohelan, two or two and a half years ago.

Mr. Cohelan. 1967. Mr. MacDonald, will you make the distinction between a casual visit for a briefing and perhaps a full field inspection from the kind of field hearings that were conducted by the Committee on Government Operations under oath and with a full-scale review of your program? I have in my hand here, as you well know, a copy of the hearings that we held in Saigon and other places throughout Vietnam in 1967. This Committee on Foreign Operations has never undertaken a field hearing of that kind, has it?

Mr. MacDonald. The staff of John Moss' subcommittee have come two or three times—I am quite sure it has been three times—in force, two or three times, more than that number to stay for extended periods of time to examine into the land reform program in great depth, to challenge the statements that I have made over the last 3 years that the AID program is in good shape in terms of its ability to protect U.S. taxpayers' resources. The GAO has a resident staff of 11 people there, and it is supplemented by teams of anywhere from two to seven or eight or nine people who come and go. They are almost literally in orbit.

The Inspector General for Foreign Assistance in the Secretary's Office has a team come out at least three times a year to go into all aspects of our program, and particularly the difficult and perhaps not too well administered parts of it in great depth. We have a new auditor general recently established by Dr. Hannah in AID itself and

Vietnam was picked as the first country program into which there would be an extensive examination.

Mr. Benz, a senior AID officer, came with a large group of hand-picked people and was there for about 5 or 6 weeks. So, gentlemen, please don't misunderstand that I am resisting another visit, but I can assure you that we are under a magnifying glass constantly by Congress and its agencies, as well as inspection agencies of the administration.

Mr. RIEGLE. If you will just yield, the problem is, here we are and you can use what you want as a starting date for the war, but this war has gone on year after year after year. All these congressional groups have been in and out, and you have been out there and working hard for 4 years, but the fact of the matter is we haven't found the answer.

We lost nearly 100 American men last week in Vietnam. We are still spending over $50 million a day in that country. There is no evidence that these programs are coming to a point where we can really liquidate that problem or that we are in the process of getting out bag and baggage. You are repeating things that I heard 2, 4, 5 years ago, and it seems to me for all the trips that have been made that the job still hasn't gotten done. So I would not want the suggestion to be there that those trips have necessarily been productive. It seems to me we need some more trips, perhaps by different people.

Mr. LONG. If the gentleman will yield, I agree with much of what he says. However, many of us would have to honestly disagree. I haven't digested the result of what others have gotten from their trips to Vietnam. If a person is going out there, he should stay awhile. Otherwise, he doesn't really accomplish anything. He ought to go there with the power to subpena witnesses under oath. A 5-day trip is worse than useless. I think, in the famous words of your colleague, Mr. Romney, you get brainwashed. I just don't see how you can find out much in a short time.

Mr. RIEGLE. If that is true, why are we holding these hearings under these circumstances?

Mr. LONG. We can bring witnesses here and talk to them hour after hour. When you go out to Vietnam it has been my experience that you are talking to people who have you on their own terms. You can't speak the language of the people. If I could talk Vietnamese I could find out a lot in Vietnam, but I find myself very much limited.

Mr. RIEGLE. You could take your own interpreter.

Mr. COHELAN. We have just received testimony from Mr. MacDonald pointing out that there has been no lack of inquiry or oversight on the operations in the field. Isn't it true, Mr. MacDonald, that many of the recommendations that have been made have implied that there have been some problems out there. Isn't it also true that, as you have described to us, there have been very elaborate field preparations for many of the committees that have visited in the area to conduct the inquiry, but the staff work was the basic work. Wasn't there a great deal of time spent in developing background information for the hearings?

Mr. MACDONALD. Yes.

Mr. COHELAN. I ask a specific question. In terms of some of the recommendations that have ensued from some of these investigations,

hasn't the mission benefited by them, or haven't they been implemented?

Mr. MacDonald. By all means. By all means we have benefited by a different point of view, an independent assessment of what our problems have been. I must say in all candor, Mr. Congressman, that I have yet to have had a new problem served up to me by a congressional committee staff that is one of which I did not know. Indeed, the opposite is quite the case. We display our problems. We trot our difficulties with complete candor. I do. And they then become properly the subject of very deep and extensive investigation by the congressional committees, but the answer, the short answer, is, yes, this has been helpful to us. It has been consuming of time but it has been helpful.

I wonder if I could make a couple of points here, Mr. Chairman, on this subject and recall again for the record that I am the Director of the AID program in Vietnam and, while my span is pretty broad, in that capacity, it doesn't cover the end of the spectrum and when one thinks about the desirability of the subcommittee perhaps visiting Vietnam to examine the greater depth some of the problems suggested by Congressman Riegle's formulation. I infer that we are talking about an examination into the entire spectrum and not just the AID program, the whole business of political evolution that is going on, the whole question of pacification, the success and progress in that area, of achieving security.

Mr. Long. Our job ought to be the AID program. I don't think we ought to get into the military aspect of the war. That is only my opinion.

Mr. MacDonald. I would be happy to proceed here to deal more specifically with the AID program than I have had a chance yet, sir, to do. That is why I am here, to tell you about the AID program in its outlines and in its specifics.

OPERATION OF AID PROGRAM WITHOUT U.S. MILITARY ASSISTANCE

Mr. Conte. May I ask one question? There is a growing movement in Congress to cut out all the funds for the military in Vietnam. If this prevails, do you feel you are in a position to carry out an AID program in Vietnam without the military?

Mr. MacDonald. Well, if the military weren't there, if that implies the coming of peace, we could carry out a whale of an AID program, sir.

Mr. Conte. I am not saying that. I am not an authority. I was only in Vietnam once—in 1959. After that trip, I came back and said we had no business being there and that we should get out. But I am saying there are some in the Congress now who are advocating, as opposed to the administration, the military and other people, striking out the funds for military assistance to Vietnam this year. My question to you is: You have been out there 4 years. Can you run an AID program without any U.S. military combat troops in Vietnam?

Mr. MacDonald. Yes.

Mr. Conte. You are not going to be bothered by Communists or anybody else? You can go ahead and do it?

Mr. MacDonald. We can run an AID program.

Mr. Long. Without any U.S. combat troops there at all?

Mr. MacDonald. Well, I can't predict the degree of security that would prevail if all combat troops were taken out, but security is extremely good at the moment and, as I indicated earlier, when I am not sure all the members had arrived, the South Vietnamese are taking more and more responsibility for the fighting of their war and their performance begins to approach the comparative advantage American troops have in the contest with the North.

Mr. Conte. If you are right, we should get those troops home fast.

Mr. Long. Many of us have an uncomfortable feeling—I wish it were otherwise—that this is a lull which the Communists are going along with so that we will be encouraged to get out—that the real test is going to be when we get the numbers down to some more critically low level. Meanwhile the Communists, instead of fighting in South Vietnam, are doing so in Laos and Cambodia and elsewhere. You don't really know right now what the results are going to be when the chips are down, whether you are going to have security or not.

Mr. MacDonald. I do not know that. You are quite correct, sir.

Mr. Long. I do wish the people that came before us would be a little more candid in admitting this because I have an unhappy feeling there are going to be a lot of red faces some time in the future.

Mr. MacDonald. With all respect, Mr. Chairman, again this is essentially not an AID question that you are putting to me. You are putting to me a question of military.

Mr. Conte. I asked you a question. You were there. You are not like these congressional groups that come in and out, write a book after being there 3 days, make all kinds of speeches on the floor of the House, and have all the answers. You have been there steadily for 4 years. You have a feel for the situation. My question was, if we got the military out of there tomorrow, could you run an AID program? Your answer was yes?

Mr. Long. I just don't think you have the basis for really knowing. You can say you might be optimistic but I don't see how you can really know.

Mr. MacDonald. No one knows what the future holds, and I am the last one to make predictions and I would like the record to be clear that nothing I have said constitutes a prediction. I just don't predict. But the President does have a plan for the reduction of U.S. forces in South Vietnam scaled to the program for building up the capability of the South Vietnamese to take over, to equip them, to train them. There is that plan. It is in motion. It has been in motion for some months. The President has not seen fit as yet to publish a timetable, and I am not privy to what time he may be working on. I can say this—and I mean this: There has been a transformation of the country in the last 18 months after the recovery from Tet. It has been all up, all up. I am not an optimist when I say that as opposed to being a pessimist. I am just trying to impart to you my sense of what the true situation is there. The whole process of political development has proceeded apace. There were cynics who said it would falter once the Constituent Assembly that was elected in September of 1966 met, but it didn't falter. In the early part of 1967 there was a Constitution promulgated and in the late spring of 1967

there was the beginning of elections in local hamlets and villages, and there was a return for the first time in a hundred years to the idea of local autonomy, local government. There was a return of authority and political power, to local levels.

Since then, there has been the presidential election, as you know, and there has been the investiture of the Supreme Court. We are talking now about new elections at the province level and 50 percent of the Senators are up in the fall. This is a real process, Mr. Chairman. It is taking place. The machinery and the apparatus of government, of democratic government, is being installed and beginning to function.

OPPOSITION TO THE GOVERNMENT

Mr. COHELAN. If the gentleman will yield, Mr. Chairman.

Mr. MacDonald, what about all these people who are in the clink who are not Communists but just seem to be in opposition to the government? That doesn't bespeak a very healthy political state.

Mr. MACDONALD. I am not trying to suggest that everything is perfect in Vietnam.

Mr. COHELAN. You can speak plainer than that. Everybody that comes back from that area is some sort of an authority. I am thinking of Reischauer and I am thinking of all the Asian scholars. They all point to this fact: that the Thieu-Ky government is not going to be able to develop a viable political state because they put all their enemies in jail. Now, almost anybody can run a government that way.

Mr. MACDONALD. They don't. Again, I am talking not as an expert in these matters but as a person who has been there for 4 years. They do not put everybody in the clink. There are political prisoners who have been put there——

Mr. COHELAN. How many?

Mr. MACDONALD. I don't know the figure. But they have been put there because they have been said to have violated Vietnamese law. I think you have to put everything on the scale. I don't think you can just look at these cases. I think you have to look at the process that is going on. It is a real process.

Mr. COHELAN. Mr. MacDonald, the National Council of Churches, with a very distinguished committee which consists of Cy Vance, Harrison Salisbury, Professor Richauer and many other distinguished citizens including Dr. Arthur Flemming, if you please—all of the findings on Vietnam they have produced indicate that the Thieu-Ky government is not viable.

Mr. MACDONALD. I would disagree with that emphatically. I have nothing to gain or lose. I am a bureaucrat. I am a civil servant and I have an independent view and I would reject those assessments just emphatically, and it is not because I am euphoric or because I am optimistic. It just does't ring true. You talk about there not being opposition in Vietnam. I have never seen such opposition to a national administration in any country in which I have worked.

You read about Senator Tran Van Don all the time. He is one of the people who imparts to the American people the notion that Thieu is no good and that the government is corrupt, and he keeps doing it. That is an awful lot of political opposition, and he is not in the

clink. Big Minh not only was permitted to come back into the country a year and a half or more ago; he is there and he is a force for the opposition. My good friend, the Minister of Economy, with whom I work most of the time, last week had his picture on the front page of every one of our 40 newspapers, and recall that I said 40 newspapers. There are a lot of stories about oppression of the press and closing down of the press. There are more than 40 newspapers and the Minister's picture was on the front page with horns on, as I am told, because he sought to reduce the subsidy of newsprint and he was accused of trying to crush the press. He wasn't trying to do this. He was trying to reduce the deficit of the national budget by getting the subsidy out of the way and by stopping the sales of newsprint by newpapers who got it in excess of their needs. He was also trying to encourage the domestic industry of newsprint. He had good, positive, constructive reasons, and they lambast him. This is pretty healthy political opposition.

Mr. COHELAN. Assuming it is healthy and assuming your view of the world is certainly justified, how do you account for the opposition? What is the basis of the opposition? Is it irresponsible?

Mr. MACDONALD. Which opposition?

Mr. COHELAN. The opposition you just described.

Mr. LONG. I don't understand the gentleman's question. Even the very fine Democratic administration, such as we had the last 8 years, has had opposition. There is always opposition.

Mr. CONTE. Within its own party.

Mr. MACDONALD. I hope there will be opposition for ever and ever in South Vietnam.

Mr. COHELAN. What is the nature of the opposition? That is what I am getting at.

Mr. MACDONALD. Let me say again my own personal view, to put this into a balance here, is that there are relatively few South Vietnamese who are rushing to the North Vietnamese or the Vietcong. There is an awful lot of opposition to the North Vietnamese and the Vietcong. The million under arms——

Mr. LONG. We have reached noon. If there is no objection, we can adjourn until 1:30, unless somebody has a question which he feels ought to be answered.

Mr. COHELAN. I am going to have to go, Dr. Long.

Mr. MACDONALD. May I finish my sentence?

Mr. LONG. Yes. I didn't mean to cut you off right now. I thought it was quitting time.

Mr. MACDONALD. The million Vietnamese who are under arms and the nearly 3 million—it is well over 2 million—who have volunteered to serve in people's self-defense organizations at no pay—they are armed by the central government, by the President and he is the first national leader that has undertaken to arm the citizenry in the countryside—that is an expression of confidence in the government. It certainly isn't an expression of confidence in the enemy.

Mr. COHELAN. How many people do we have in the AID mission at this point?

Mr. LONG. Would the gentleman yield?

Mr. COHELAN. Yes.

Mr. LONG. Mr. Shriver has another meeting this afternoon and has some questions. How is your examination coming?

Mr. COHELAN. I have two broad questions, because I, too, must leave.

Mr. LONG. We will stay in long enough to hear some questions from Mr. Shriver and then we will adjourn for lunch.

AID EMPLOYMENT AND PERFORMANCE IN VIETNAM

Mr. COHELAN. Mr. MacDonald, first of all, I just want to get a quick overview of the size of the mission and the quality of the mission, some of your manpower problems, if any, and then I would like to find out what your problems are. You have told us how great everything is but you haven't told us about your problems.

Mr. MACDONALD. Oh, we have problems. We have all kinds of problems.

Mr. COHELAN. First of all, give us the numbers. How many people do you have involved?

Mr. MACDONALD. U.S. direct hire, I have 1,742 on board.

Mr. COHELAN. What is their average length of stay or tour?

Mr. MACDONALD. It is moving up. It is about 3, 4 years now, 4 years I think, two tours.

Mr. COHELAN. And this is an unaccompanied tour?

Mr. MACDONALD. Unaccompanied, yes.

Mr. COHELAN. And what are they primarily? Province representatives, technicians, specialists?

Mr. MACDONALD. A little bit less than half are out in the countryside under Bill Colby's operation under the CORDS organization, and a little bit more than half are in the headquarters in Saigon and in the various ministries in Saigon. They are not headquarters people. They are working on projects and programs, and some are agriculturalists and educationists who answer to my command about the countryside. These are direct hire, and I should add that we have another 745 contract Americans in addition to those. We are on the decline, Mr. Congressman. We had a table of organization of about 3,000 direct hire and contract in late 1967, early 1968, and we are drifting down, as I have suggested, to something on the order of 2,300 to 2,400.

Mr. COHELAN. What is the turnover rate in your manpower situation, your AID manpower situation?

Mr. MACDONALD. You mean, how often——

Mr. COHELAN. Yes; how often do they turn over?

Mr. MACDONALD. Much less than they used to. We are keeping them 2 years. The AID program has been radically curtailed around the world and there are fewer and fewer who wish to leave, more who are content to stay.

Mr. COHELAN. Let me ask you this: Are you having any trouble in recruiting and holding high class manpower?

Mr. MACDONALD. We have at the upper echelons of the organization I think close to the cream of the crop. We have very able people. I have had up to as many as 6 mission directors from other missions around the world as members of my staff in these last several years. Our quality is good. Off the record if I may.

(Discussion off the record.)

Mr. COHELAN. I wish we had more time, Mr. MacDonald. I had the great privilege of meeting you some 4 years ago and I know that you have had a rich experience out there under very difficult circumstances. I just want to say for the record even though I have strong

reservations about the program I am most pleased with your personal performance.

Mr. MacDonald. Thank you.

Mr. Cohelan. Let me ask you this: In relation to the recommendations that were made by the Government Operations Subcommittee at the time I was there in 1967, and there are some five recommendations, ranging from proposals that the U.S. mission should insist on the Government of Vietnam suspending importers who fail to remove cargoes from the port area within 19 days, and so on—you are familiar with those recommendations.

Mr. MacDonald. Yes.

Mr. Cohelan. What has been done about those recommendations?

Mr. MacDonald. All of the points made by the Moss committee have been satisfied. The problem addressed by those points in every case, in my judgment, has been satisfied. Now, there are one or two in the longer list of some 70 recommendations that the subcommittee has made which I declined to accept because of other considerations that I think, sir, have indicated the wisdom of our alternate way of handling the problem, but the important point is I think we have satisfied all of the problems raised by the Moss committee.

Mr. Cohelan. What are the dominant illicit practices today in Vietnam?

Mr. MacDonald. Illicit practices? As far as the AID program is concerned, virtually nil.

Mr. Cohelan. How about manipulation of currency and the scrip, and that sort of thing?

Mr. MacDonald. You mean private citizens trafficking in the money black market To Do Street?

Mr. Cohelan. Right.

Mr. MacDonald. I suspect there is a great deal of that. There have been all kinds of estimates of the volume of transactions. Bob Parker, who testified before the Ribicoff committee, who, incidentally, was for 2 years my extremely able special assistant to help me be sure that the AID program was clean and protected, estimated that the volume of business was in excess of $150 million a year. Now, that is not a loss. That is not a price tag on capital flight, but just the turnover. This is a problem. It is not an AID problem, except as occasionally I find AID employees who are participating in the traffic on Tu Do Street, and I ship them home in 48 hours when I do.

Mr. Conte. When they are shipped home what happens to them?

Mr. MacDonald. They are discharged.

Mr. Cohelan. What is your most important single problem right at the moment?

Mr. MacDonald. In working with the Vietnamese, the problem now is the implementation of Vietnamization. In the past 4 or 5 years we have all tended to take for granted the capacity of the economy to support this enormous budget. I keep saying a million men under arms. That translates into the equivalent of about 14 million men in the United States population terms, and Vietnam is a small country, with a small, frail economy. We have, however, assumed that somehow the economy would do it and we have managed to enable that economy to carry the burden.

Looking ahead, the national budget of Vietnam is going to increase. For every American boy who goes home there is going to be one or two Vietnamese boys that come into the service and have to be fed, and have to be paid their salaries and have to be clothed, and all the rest, so the budgetary pressures are going to be severe. The pressures are going to go up, up, up. I have a chart that I would like to discuss with you after lunch on this question of Vietnamization and the strains on the budget itself. So this is our big problem. Congressman Riegle asked what is your biggest problem today. You used to say it was inflation. In a sense, it is inflation. We have to avoid inflation if Vietnamization is to succeed. This is our big problem.

Mr. COHELAN. What do you think the future of the Montegnards will be?

Mr. MACDONALD. That they will become less and less nomadic, that they will have in the few years ahead the benefits of the kind of virtually universal educational opportunity that all the rest of the Vietnamese people now have, and that they will come more nearly into their own. There is a separate land reform program addressed specifically to the Montegnards. It will take a few years longer. It will take perhaps more than 8 years to carry that one out. But they have a future. They have a fine future, I think.

Mr. COHELAN. And finally, Mr. MacDonald, what were the findings of the Moss committee? Did they make any recommendations to you in this field?

Mr. MACDONALD. On the last?

Mr. COHELAN. Yes; on their last visit.

Mr. MACDONALD. No, sir. In the press conference at Tan Son Nhut Airport, Chairman Moss said that he had some problems with the Washington headquarters because it had refused to authorize some Washington representatives in Saigon on the investigation and inspection staff—men I do not command, they are there to investigate me, so I don't command them—to give him certain documents. But I was very pleased that he also said that as far as the AID mission itself was concerned he thought it was in good shape and he very generously commended the leadership of the mission.

Mr. COHELAN. When do you complete your tour, Mr. MacDonald?

Mr. MACDONALD. I have no tour. I serve at the pleasure of many, many people.

Mr. COHELAN. What are your plans?

Mr. MACDONALD. I plan to talk to Dr. Hannah at 10 o'clock tomorrow morning.

Mr. COHELAN. Thank you very much, and good luck.

Mr. MACDONALD. Thank you.

Mr. LONG. Mr. Shriver?

VIETNAMIZATION

Mr. SHRIVER. I want to join in Mr. Cohelan's remarks in commending you for your leadership. This is a very difficult, very important assignment. Mr. MacDonald, in regard to Vietnamization, a report ordered by General Westmoreland a couple of years ago indicated that South Vietnam would need 50,000 new technicians and semi-

skilled laborers within the next few years to undertake even minimal development on its own. At the time U.S. Government agencies and contractors were employing 15,000 third-country nationals in the types of jobs the Vietnamese should be learning themselves. Has this situation changed?

Mr. MacDonald. Well, yes. To round the picture out, if I may, Mr. Congressman——

Mr. Shriver. I wish you would.

Mr. MacDonald (continuing). In addition to the 15,000 third-country nationals that had been imported, U.S. Government agencies and their contractors employed during those years some 150,000 Vietnamese in addition to the third-country people, and they were training them in interchangeable military-civilian skills, everything from a typist to an IBM computer programer, so there has been really significant training of the manpower pool among the Vietnamese.

Mr. Shriver. How many third-country nationals now?

Mr. MacDonald. Third-country nationals. By June of 1970 we expect to be down to a grand total of 2,000 AID-financed. Your 15,000, sir, probably includes MACV financing.

Mr. Shriver. They would probably include those that are hired by contractors.

Mr. MacDonald. Yes; the figures I gave you, the 2,000 for AID, includes contractors.

Mr. Shriver. How do their salaries compare with Vietnamese civilians?

Mr. MacDonald. They are a bit higher, Mr. Congressman.

Mr. Shriver. How do they compare, roughly?

Mr. Westwood. $6,000 is our average cost for TCN both direct hire and contract.

Mr. Shriver. TCN refers to?

Mr. Sharpe. Third-country nationals. Vietnamese would run out at an average of, of course, much lower, probably down around $1,500.

Mr. Westwood. The comparison would be between about $1,500 and about $6,000 including allowances we provide for third-country nationals.

Mr. Shriver. If you add up all together those working for contractors and all of them, how many people would be involved?

Mr. MacDonald. Third-country nationals?

Mr. Shriver. No; the total employment picture as far as the Federal Government in the AID program is concerned.

Mr. MacDonald. Well, as far as the AID program, A–I–D——

Mr. Shriver. AID, plus all this other, third-country nationals, and so forth. I am not talking about the combat personnel.

Mr. MacDonald. The figures that I have been giving you and all the figures I cited in answer to Congressman Cohelan's questions were AID figures, Americans, third-country nationals, and local. On June 30 of this year we will have 1,730 American direct hire in Vietnam. We will have 695 contract Americans. At the same date under third-country nationals we will have 344 direct hire, mostly Filippinos and Koreans and 1,664 contract local nationals direct hire 1,709, and contract 3,198, for a grand total of 9,340 in all categories of AID financed personnel.

Mr. LONG. Just under the AID program, though?

Mr. MACDONALD. Financed by AID.

Mr. LONG. Not counting other Americans there on other programs?

Mr. MACDONALD. I am only counting what I pay for, and I said, Mr. Chairman, a significant portion of these total numbers I provide for Ambassador Colby and his pacification program.

Mr. SHRIVER. Mr. MacDonald, one of the important features of the AID appropriations bill is supporting assistance. Last year we added $100 million to that. It was added actually over in the Senate and we in the House agreed to the additional $100 million for supporting assistance which was for Vietnam, for Vietnamization. Would you comment upon the need for this kind of support money in all its ramifications—you don't need to now, but furnish it for the record because I think we should go to lunch—and in connection with 1970 as well as the coming fiscal year 1971.

Mr. LONG. Very thoughtful question, Mr. Shriver.

We will adjourn until 2 o'clock.

AFTERNOON SESSION

Mr. LONG. The committee will come to order.

Proceed, Mr. MacDonald.

DEGREE OF WASTE AND LOSS IN THE AID VIETNAM PROGRAM

Mr. MACDONALD Thank you very much. I will be as brief as I can in finishing my opening remarks, and if I may start by making comment on two or three points that were left pending at the end of our morning session, there were a couple of questions as to the degree of waste, the degree of loss, in the AID program, and I would like to say, Mr. Chairman, that war is inherently wasteful, but I think I am able to tell this committee that we have done a reasonably good job in the AID program and I am only speaking now about the AID program although. I don't mean to imply others have not done well, too.

The plain fact is that our losses have been extraordinarily low. We have less than one-half of 1 percent loss rate in your CIP program. We have losses, as best we can estimate, of about 2.2 or 2.3 percent in all our other programs, our Public Law 480 programs and our project programs.

Mr. LONG. Have those figures been widely accepted? I understood that sometime ago, some quarters have estimated the losses were much higher.

Mr. MACDONALD. Yes. They are accepted by myself and by AID inspection and investigation sources. The press has speculated on losses, as I said, up to 20, 30, and 40 percent. They have been the subject of intense scrutiny by the GAO.

Mr. LONG. Has the Moss committee pretty much accepted them?

Mr. MACDONALD. No outside investigating agency has put its stamp of approval on my estimates, but they have been subjected to intense scrutiny and they have not been challenged, nor have outside agencies made alternate estimates. The losses I am talking about, sir, are losses from all causes, too, from short shipments from American sup-

pliers, inadvertent, I am sure, losses at sea, losses in the port of Saigon from theft and pilferage. We have quite a battery of management controls, and we control our commodity resources.

The other point I was trying to make was that the goods themselves that we ship into South Vietnam get to their intended places, the little fellow, the average South Vietnamese. I am much troubled at my failure to have imparted to the press and, through them, the public, the character of our AID program in this respect.

We mentioned before you came in, Mr. Shriver, the Jack Anderson type of article that talks about millionaires being created by the AID program. This just isn't so. There are no millionaires being generated by AID programs. We have good controls to see that our resources go to where they are intended.

Mr. SHRIVER. Is anyone profiteering?

Mr. MACDONALD. I am sure there are profiteers, yes, in the non-AID-financed areas.

Mr. SHRIVER. Like what?

Mr. MACDONALD. Well, there are people, importers, who can bring things in under GVN account and deal with them with complete freedom, hold them back from the market. Bring in too few in order to drive the price up and have a windfall profit for the few that they bring in. There is a black market problem. There is theft. PX goods are stolen, non-AID goods. I am not talking about AID matters now, and obviously there is an underworld of sorts that is organized and that feeds upon the presence of goods such as PX goods.

Mr. LONG. How about the subsequent sale of AID goods after they leave your hands and you satisfactorily disposed of them? Is there a possibility for people to make a lot of money from that time on?

Mr. MACDONALD. Well, there is always a possibility and there are exceptions that prove the rule that I am trying to present to you. But as I said, the average markup on all imported goods really is now between 15 and 20 percent. It used to be 70 or 80 percent and more, on the average. Assuming there is a sufficiency of supply, prices are going to be kept to within normal levels. The whole purpose behind the CIP program is to do just that, is to meet effective essential demand for essential commodities.

Mr. SHRIVER. In that area is there waste? Is there loss? Is there fraud? Is there thievery? Is there corruption?

Mr. MACDONALD. I suppose that there are instances in which an AID-financed CIP commodity which has been delivered safely finally into the commercial community and is then stolen out of somebody's warehouse. But that does not negate or in any way blunt the effect of the AID program, which was to bring the resource into the economy and generate the piasters through counterpart and customs taxes.

TYPE OF COMMODITIES IMPORTED

Mr. LONG. Who determines your success in bringing commodities and making sure that they are closely related to the need.

Mr. MACDONALD. I, in the first instance, make proposals as to what will be brought in. We lean over backwards in our definition of what is essential. We don't bring anything that could even remotely, Mr. Chairman, be called a luxury good and we always shy away particu-

larly from goods that could be put to some other strategic use by the enemy if it ever got into the enemy's hands. We bring in the basic requirements of the civilian economy, the foodstuffs, the rice that used to be grown in Vietnam in sufficient quantities that couldn't be because of the war, and the iron and steel and the chemicals, the cement, things of that sort. We don't bring in liquors. We don't bring in Hondas, or vehicles, or even television or radio, which I would not regard as a luxury. I certainly would not regard a radio as a luxury. But we lean over backwards. We do not bring luxury items in.

Mr. SHRIVER. I did not want to interrupt. I do regret I wasn't here all of the time this morning, because I was in another subcommittee where we had the Secretary of Health, Education, and Welfare, and I got here as soon as I could, but I wanted the record to so show.

Mr. MACDONALD. Forgive me, Mr. Congressman. I inferred from your later questioning that you had a particular interest in this point and I wanted to mention to you that I was repeating it really for your benefit. The markup on imported goods is now a proper, prudent, businesslike, acceptable business markup. I am taking too much time on that one point.

Mr. SHRIVER. Indeed, you are not, because this is the sort of thing we are asked in the full committee and on the floor of the House. Members of Congress read the reports that are not the same as you have related, that there is a great deal of waste, fraud, and corruption in the program. We have to be ready to defend the program, so you are not spending too much time.

Mr. MACDONALD. I am glad you brought it up. I stand on what I say. I think I can demonstrate this. I know that I have been challenged by, as I said, the 11-man full-time GAO staff that is there, the 12-man internal AID inspection and investigation staff that is there, the inspector general of the State Department that comes frequently, and by many, many congressional visitors. We have good systems. The books are open.

RECIPIENTS OF U.S. GOODS

Mr. LONG. Let me ask this question: How do you make sure that our AID commodities go to the right people? To my understanding, the Lord himself would have a hard time telling who is Vietcong and who is a loyal person on our side. The fact is, and Sir Robert Thompson pointed this out in his book on Vietnam, that tremendous numbers in Vietnam have made an accommodation with both sides; in their own mind they are very flexible. That means goods are going into the hands of all sorts of people. How do you make sure that this stuff doesn't in one way or another, directly or indirectly, give aid and comfort to the enemy?

Mr. MACDONALD. I can't say to you, I wouldn't pretend to be able to say to you, that Vietcong could not walk into Saigon, go to a store, and buy——

Mr. LONG. No, no; but I am talking about putting it out in the villages; you do, don't you?

Mr. MACDONALD. Half of our program is a commercial import program, the foods and the other items that I mentioned.

Mr. LONG. We are making goods much more freely available than they otherwise would be in Saigon and all over the place.

Mr. MACDONALD. Fertilizers, pesticides.

Mr. LONG. How do you insure that the goods don't find their way, one way or another, to the enemy, you can't really superintend its use?

Mr. MACDONALD. No, I don't.

Mr. LONG. I am a little puzzled as to how you can get such a low loss figure in a country where loyalties are as ambiguous as what they are. How can you be so sure that you are losing a half of 1 percent? My God, even department stores lose more than that on their credit programs.

Mr. MACDONALD. Much more. Well, a word of explanation. We have two programs: a commercial import program, which is intended to deliver to the commercial community goods that the economy requires, and once they have been delivered through importers to wholesalers and retailers, then they are available for purchase in South Vietnam by anyone who has piasters with which to purchase them, South Vietnamese, whatever their political coloration may be, Americans, or other foreign visitors. I suppose, sir, that some fertilizers that have come in through commercial channels to South Vietnam have been purchased by peasants who have fought on the side of the VC who may, to use your words, for purposes of survival, have some kind of an accommodation with the enemy. Yes, that is possible. That is possible, and I didn't mean to suggest that it was not. My one-half of 1 percent loss figure has to do with losses that I incur until those resources are delivered to their intended destination, the economy of Vietnam.

Mr. LONG. This may be where the confusion is. We have a legalistic defininition of loss, but, of course, it is quite possible for the people, once we have delivered, to put it to all sorts of strange uses.

Mr. MACDONALD. I will comment on that sir. There has been an agricultural revolution taking place in Vietnam since early 1967. It is not well known that in 1969 South Vietnam reached an alltime record for agricultural output for all kinds of agriculture, not only rice, largely through the now well known miracle rice production program, but as a result of a whole series of secondary crops including an increase in protein production. This alltime record also includes the commercial industry, the commercial agriculture, rubber, and timber, the things that have been damaged by war, by shrapnel, by bombs——

Mr. LONG. This, in spite of the fact that a very large part of the whole labor force is under uniform?

Mr. MACDONALD. Yes, sir. This production is not much greater than the previous record in the early 1960s. Using that previous record as index base of 100, the current 1969–70 crop year we calculate it at 101½. It is just a little bit more, but it has been accomplished with less people and on significantly less land, and it has taken into account the significant, not tremendously large but the significant, losses of agriculture production in commercial crops such as rubber and the loss of timbers.

I am trying to get back to your question, your point about the Vietnamese, the enemy, having access to some of the goods that come in. Yes, they do. The point I am trying to approach, sir, is that a growing economy, in which tenant farmers have some possibility indeed the reality of improving their immediate lot—not thinking ahead many, many years, but being able to farm their land to get increased production and sell it—is a generally good thing. If occasionally a VC-inclined farmer buys from a retailer fertilizer that originally came

from the United States, I am not sure that it is an entirely bad thing. It seems to me that one of the explanations for the change in attitudes among the population in the Delta over the last 2 years has been a burgeoning prosperity in the Delta, not the promise of betterment tomorrow made by the other side but the reality of improvement today.

Mr. LONG. Go ahead.

Mr. MACDONALD. Yes, sir. The other point I wanted to just mention very, very quickly, was the question of the appropriateness of the magnitude of our program and the size of our staff. I didn't have a chance to make the point that we are going down, have been going down consistently for 3 years, both in dollar volume and in personnel. Later, when we talk about Congressman Shriver's question, I will explain why it may be necessary somewhat to increase the economic input in order to finance Vietnamization or the reduction in troops.

VIETNAM STANDARD OF LIVING

The last point, I would like to give the committee my view that the Vietnamese people are not living in luxury circumstances. Oftentimes one hears references to the Hondas. I sought to make the point this morning that Hondas, which we do not finance, are not the luxuries that teenagers of well-to-do families are gadding about the town on. They are a mode of transportation in cities that have roughly doubled in their population in the last 4 or 5 years and city utilities have not been able to keep pace. There are no good bus systems. There are no good public transportation systems.

In any case, the so-called luxurious standards of the South Vietnamese are myths. For the most part, the South Vietnamese continue to live at relatively low margins. Now, they are progressing. Their economy is beginning to level itself and move forward but, sir, there is very little luxury there. So much for the points I wanted to refer back to in this morning's discussion.

REFUGEE PROBLEM

There are two other quick areas that I would like to mention, having talked now of stabilization and the fight against inflation. A major responsibility AID has been given has been to help the Vietnamese Government to provide relief to the suffering South Vietnamese, the casualties of war, the refugees, and the civilian war-injured, and the orphans and the other disadvantaged. The Government literally was swamped in the early years of the build-up by the magnitude of these problems, but I think, sir, in this year we have brought them under very good control. The number of refugees on the rolls at the beginning of 1969 was nearly 1.5 million. It was 1 million, four hundred-some-thousand. Today that has been reduced to about 270,000. 500,000 have actually returned to the hamlets from whence they came. Another 600,000 have received resettlement allowances, but most of them have remained in the camp areas in which they were quartered when they came from their home hamlets.

Just a couple of months ago in Binh Dinh, in II Corps I saw families literally with carts behind them waiting for the bulldozer to plow the road—it was spring rain time in Binh Dinh—going back into

areas in which the VC had the total control for 9, 10, 12 years, longer in some cases. I flew all over the southern half of Binh Dinh Province and you could see peasants out there cutting the brush of a dozen years' growth and beginning to cultivate their areas.

Mr. LONG. Are they going back to their own homes?

Mr. MACDONALD. Going back to their homes.

Mr. SHRIVER. And their own land?

Mr. MACDONALD. And their own land. I must say I am not an expert on this. They are going back with a great deal of courage and a little more quickly than I think I might have gone in two or three of the places over which I flew. The point is they apparently have the confidence to do this and there is great progress being made in cutting down on the refugee problem.

MEDICAL TREATMENT

The civilian war injury problem was a particular difficult one to handle. The hospital system in South Vietnam was not competent to handle the flow, the sheer volume, of civilian war casualties. It was running at about 48,000 a year. Those are casualties admitted to hospitals. There were obviously many more than that not admitted to hospitals. How many more, no one knows.

Mr. LONG. These are people who have been injured by weapons, either Communist or American weapons?

Mr. MACDONALD. Yes, in open warfare.

Mr. LONG. How do you distinguish those from others who fell off the back of a truck or got kicked in the face by a buffalo, or something?

Mr. MACDONALD. Well, I am sure that the statistics are not precisely accurate, but the admissions procedure in each of the provincial hospitals——

Mr. LONG. They find out?

Mr. MACDONALD (continuing). Is to ask what the cause was. Interestingly, if I may go back to your earlier question about how do we assure ourselves that our aid has not been provided to the enemy as well as the people of South Vietnam, it is as clear as it can be that frequently VC will come to a Ministry of Health hospital and seek and secure medical assistance, sometimes at the hands of American doctors and surgeons and nurses, because the incidence of the arrival of male patients injured in the war is higher than the proportion of civilians in those areas, so some of our aid goes to provide, indirectly, medical assistance to the enemy, as well. I don't think this is a bad thing and I think that there are appreciable numbers of wounded VC, who when they get out of the hospital, become Choi Hanh and come in under the Chieu Hoi and rally to the Government.

SOCIAL DEVELOPMENT

Just one more area, if I may. I said two or three times this morning that there was in the making what I would describe as a social revolution. Certainly, there is an attempt to achieve very rapid social change. I cannot give you all the examples in these few moments, but let me give you one that I think is a good typical example.

In 1954 when the French left there were perhaps as many as 400,000 primarily schoolchildren in primary school. Today there are 2,300,000.

I think this is evidence of a government with a policy to attempt universal free education for its young that has essentially achieved that objective.

Mr. LONG. Can this country possibly maintain that without vast infusion of money from the United States on a continuous basis after we have pulled out?

Mr. MACDONALD. Yes; I think the answer is clearly yes, and when we turn to Congressman Shriver's question about Vietnamization I will talk about the budgetary implications.

Mr. LONG. Dr. Hannah was saying here the other day—I felt with a great deal of cogency—that we were talking about providing people education in many of these countries when it would cost several hundred dollars a year to do it, and their total incomes aren't that much. Isn't something like this true in Vietnam?

Mr. MACDONALD. Not at the present time.

Mr. LONG. Of course, at the present time we are pouring into that country a sum of money, which for military and other purposes is equal every month to their entire annual GNP.

Mr. MACDONALD. I understand your question, sir. Forgive me. I didn't answer it properly. The present rate of development, or the stage at which they have arrived in being able to provide public services to their people, is not beyond their capability to carry on without extraordinary assistance in the years ahead, given peace, and a reasonable political settlement, and the opportunity to reduce the size of their military budget. I will be quite precise in discussing the figures that I think will satisfy your question.

Mr. LONG. Who are some of the economists that you have had over there studying? Would there be names I would recognize?

Mr. MACDONALD. Roy Wherle, William Jump winner of 1967, left us last year—he is now at Brookings working at domestic problems here in the United States; Charles Cooper, a reasonably well known economist to say the least, working at RAND, left us last year. Mr. Alfred Boucher is the senior economist on the AID mission today. He is an old AID pro. We have under contract, as I think you know, David Lilienthal's Development and Resources Corp., and one of their senior economists, Fred Moore, is working now essentially full time on these problems.

If I may turn to Mr. Sharpe, are there others that I might have mentioned that escaped me?

Mr. SHARPE. You could mention Arthur Smithies out of Harvard who has been out there two or three times.

Mr. LONG. He is the only one you mentioned whose name I recognized. Is the Cooper the one from Yale?

Mr. MACDONALD. No; there have been two Coopers: Charles Cooper from RAND, and Dick Cooper from Yale who was Deputy Under Secretary of State for Economic Affairs a couple of years ago.

Mr. LONG. Is there any place that I could get a copy of a study on these problems? I would like to see that. I can't help but feel that you have gotten an artificially blown-up economy. I would like to get some expert reassurance that this thing would be viable after we pulled out. If it is viable without this association, I will be very much surprised. Go ahead.

Mr. MACDONALD. Let me just conclude on the example I was citing. Today 83 percent of the primary school-age children are in primary

school. This could not have happened without an enormous amount of American technical and professional assistance. There is no question but that it could not have in the time frame in which it was accomplished, but it has happened and it is now an entirely Vietnamese operation. There are 40,000 teachers and 31,000 classrooms, 16 or 17 million textbooks. We used to have 29 direct hire American advisers and several other contract advisers, and today we have two American direct hire advisers helping them improve. I could give you many other examples of South Vietnam's obvious determination to develop the capability to provide public service for its people, and examples of its having done so.

I will just mention one more, agriculture. In the midst of war Vietnam is reversing the decline in production that typically goes with war, and next year will be self-sufficient in the production of rice, the first time since she was back in 1964, and in the years thereafter, depending upon the characteristics of the world market, she will be able to export amounts increasingly. This has not happened by chance. It has happened as a consequence of a lot of technical assistance that we have given, a lot of extension services that the Government provided the farmers of Vietnam, and some reasonably enlightened, intelligent policies that the South Vietnam Government has pursued in subsidizing fertilizers and adjusting the terms of trade between rural areas and the cities. They have reversed the traditional decline in agricultural production in war and it is on its way up.

Enough for that. Perhaps I should without further ado, sir, turn to Congressman Shriver's questions.

Mr. LONG. Let's adjourn the committee hearing for a few minutes to answer the bells.

(Brief recess.)

Mr. LONG. The committee will come to order.

VIETNAMIZATION

Mr. MACDONALD. I appreciate your patience in letting me finish my opening remarks, Mr. Chairman, and I will try my best now, sir, to respond to Congressman Shriver's question about Vietnamization.

I would like it understood, if it is agreeable to the committee, that my remarks here are preliminary. This is a very complex subject and I would like to respond more fully in writing for the record so that all the implications of Vietnamization are fully understood and spelled out to your satisfaction.

(The information follows:)

ECONOMIES OF VIETNAMIZATION

SUMMARY

Turning over the burden of combat to the Vietnamese and withdrawing U.S. troops cause increased budget deficits and losses of dollar earnings to the Government of Vietnam. If not compensated for, these would lead to an increase in the rate of inflation and decline in living standards with risks that the GVN's margin of popular support would be reduced. A combination of increased U.S. economic assistance, increased GVN tax collections, and other measures by the U.S. and GVN will be necessary to handle this problem.

EFFECTS ON GVN BUDGET EXPENDITURE

The transfer of responsibility for military operations to Vietnamese force is giving rise to higher GVN budget expenditure on two accounts. First, GVN force

levels are being raised to substitute for U.S. troops; and second, the GVN is taking over a variety of U.S. installations and equipment, which must be operated and maintained.

The increase in GVN force level has been taking place steadily since the time of the Tet offensive in early 1968, even before U.S. troop withdrawal was decided upon. However, in general terms, GVN force level increases can be ascribed to the Vietnamization process. From mid-1969 to mid-1970, the total strength of GVN military forces (regular forces plus regional and popular forces) is going up by 100,000 men from about 900,000 to 1,000,000. The GVN military budget will go up from 92 billion piasters in 1969 to an estimated 130 billion piasters in 1970.

The turnover of installations and equipment to GVN forces will also lead to increased budget expenditures which will become significant over time. Facilities turned over will usually be in good condition, so that replacement cost will not be an immediate factor. In many instances, spare parts, fuel, and other costs will be covered by the U.S. under military assistance service funded programs (MASF). However, some operational and maintenance costs will begin as soon as the transfer takes place. Examples are the local civilian labor cost associated with the maintenance of base camps, electric power for electronic and communications equipment, and repairs for vehicles and Navy patrol boats.

EFFECTS ON DOLLAR EARNINGS

In 1969, Vietnam earned $346 million from U.S. official purchases of piasters. In the main, these are purchases by the Department of Defense for uses associated with the U.S. military presence. The dollars enter the foreign exchange reserves of the National Bank of Vietnam, where they are available for financing of commercial imports. Since Vietnam currently has commodity exports of only about $15 million a year, and since invisible earnings (tourists, port and airport services, etc.) about match invisible expenditures, the earnings from U.S. Government piaster purchases are critical. They finance substantially all of Vietnam's imports, except those covered by the AID commercial import program and the Public Law 480 title I program. During 1969, Vietnamese commercial imports by source of financing, in payment terms, were as follows:

	Dollars in millions
CIP	177.2
Public Law 480, title I	87.8
Total U.S. financed	265.0
GVN financed	394.0
Total	659.0

GVN-financed imports in 1969 were greater than foreign exchange earnings, and reserves fell by about $56 million during the year. Effective reserves at the end of February 1970 were about $250 million, only sufficient to finance about 5 months imports which is nearly a minimal level. In the future, earnings and expenditures will need to be kept close to a balance.

Of the total U.S. dollar piaster purchases of $346 million in 1969, about $55 million were resold by U.S. disbursing offices to U.S. troops and civilian employees for personal use, an average of roughly $8 per man per month. Another major part of the total went for the salaries of some 140,000 Vietnamese civilians, employed by U.S. Government agencies and contractors for a wide variety of tasks, including road repair, base maintenance, truck driving, clerical work, and translation. Another part represents payment to Vietnamese landlords for rental of buildings and still another is for the few commodities which the United States buys in Vietnam: fresh vegetables and fruit for our troops and some building materials.

All of the piaster uses just noted have the character of "invisible exports". That is, Vietnamese labor and other resources are being purchased by the U.S. Government for its own purposes in Vietnam. These purchases are not foreign aid.

Many of the piaster expenditures just described are associated with rear areas and bases, and will probably be sustained until the last stages of our withdrawal. Therefore, the level of these expenditures is not expected to fall as rapidly as the U.S. troop strength. Dollar earnings from U.S. piaster purchases

are not expected to change greatly in 1970 from 1969; they will still be in the general range $325 to $375 million. In 1971, however, a substantial though as yet not predictable decline will almost certainly take place.

EFFECTS ON GVN BUDGET REVENUES

GVN budget revenues are to a considerable extent dependent on the U.S. presence. Customs collected on imports financed by the GVN, with dollars earned from U.S. piaster purchases, enter the budget. In 1969, these receipts totaled about 32 billion piasters, or 22 percent of the total budget. For 1970, they are estimated to be 64 billion piasters, or 32 percent of the budget for that year. They will be higher in 1970 chiefly because of the major increase in austerity tax rates on a variety of imported goods, made effective at the end of October 1969.

MEASURES TO COPE WITH THE PROBLEM

Summing up the effects of Vietnamization: Budget expenditures must expand as the GVN recruits larger forces and takes over part of the great complex of U.S. facilities in Vietnam; dollar earnings will decline as U.S. forces withdraw and their need for dollar-purchased piasters is reduced; budget revenues based on imports will decline for lack of dollar earnings. The increased Government deficit, financed by more central bank borrowing, adds directly to the money supply, and expands inflationary pressure.

The exact extent to which this will occur depends on the rate of U.S. troop withdrawals and on the combination of all U.S. and GVN counter-measures.

U.S. economic assistance is the residual measure to be taken after all other available measures have been taken. The exact extent of additional economic assistance needed for U.S. fiscal year 1971 and later years is still under study within the executive branch.

IMPLICATIONS OF VIETNAMIZATION

Mr. MacDonald. However, I will do the best I can in a preliminary way here. Let me start by acknowledging your point, Mr. Chairman, that the successes, such as they have been, that I have cataloged here this morning in the stabilization effort, the fight against inflation, and the buildup of the armed forces in the creation and operation of a whole series of public and social service programs by the Government has been made possible not only by considerable technical and professional help from the United States but also as a result of extraordinary AID dollar financial aid and that, indeed, the Government of Vietnam has developed an appreciable dependence or reliance in its present circumstances on external financing for the things that it is attempting to do.

In the very early sixties the import levels in Vietnam were, if I recall them correctly, on the order of $250 million a year and Vietnam had export earnings of something approaching $100 million a year. That is a bit of exaggeration. As I recall, the highest export earning level was about $84 million, and I believe that occurred in 1960.

Today the import levels have risen to about $750 million. They have tripled in those several years, and a significant portion of this $750 million has been direct American aid under the AID appropriation and under the Public Law 480 food for freedom program. Roughly 45 percent of that $750 million level comes from U.S. programs.

This is prefatory to say that there has been a considerable dependence on American aid build-up during the war years. About half of it, a little less than half of it, was appropriated by the Congress under AID and Public Law 480. The remaining portion of the dollars used to import have originally come, Mr. Chairman, from appropriated dollar sources also, and I want this to be clear. The Department of

Defense requires piasters to finance its cost in Vietnam and there are not sufficient piasters generated as counterpart and as Public Law 480 sales proceeds to meet those costs.

The Department of Defense last year purchased something approaching $370 million worth of piasters. They get something in return so these dollars do not constitute aid to South Vietnam. The Department of Defense purchases services and goods with these piasters, but I do want to make the point that the original source is appropriated U.S. dollars. So it is possible to say that almost the entire three-quarters of a billion dollars of imports come from, originally, U.S.-appropriated dollars. There are some that do not. Vietnam continues to have some export earnings. They are down to about $15 million or $16 million this year.

Mr. SHRIVER. May I interrupt you a moment? I notice on this chart, and I know that you are not testifying from it, but in addition to our making available to them services and materials in the form of AID, do they also receive from us customs on U.S.-financed imports?

Mr. MACDONALD. No, sir.

Mr. SHRIVER. What does that mean on this chart?

EXTERNAL FINANCING OF IMPORTS

Mr. MACDONALD. Let me turn to the chart right away. I think I finished my point that there is a significant dependence that has built up over the years on external financing for their imports. I think we have nearly reached the peak, that this has to reach a plateau and then begin to go down. I think that South Vietnam has to begin to get its domestic production up to substitute for external financing.

Mr. LONG. That is a tremendous sum of money for them to make up. As I understand, their whole gross national product is about $2.5 billion a year. If it is $750 million on their imports, that is a third of their entire GNP.

Mr. MACDONALD. The GNP is about $4.5, not $2.5 billion, if you convert to dollars at 118 piasters to the dollar. It is about $4.25.

Mr. LONG. Is it?

Mr. MACDONALD. Yes, sir.

Mr. LONG. I am a little bit behind.

Mr. MACDONALD. This is 15 or 20 percent of their GNP.

Mr. LONG. That is still a very large amount——

Mr. MACDONALD. Yes.

Mr. LONG (continuing). Because our total imports in relation to GNP, admittedly a small proportion compared with other countries, is about 10 percent, isn't it, in the United States? In any case, it is a very large amount for them to have to make up when we are out of there, and I just wouldn't be optimistic about their being able to do it.

Mr. MACDONALD. Let me address that.

Mr. LONG. Of course, their imports will undoubtedly have to fall way off.

Mr. MACDONALD. Hopefully, their need for imports will fall off. If some measure of peace comes, or if the war does wind down, and they don't have to carry this enormous defense budget of theirs——

Mr. LONG. We would all be interested in how your postwar projection of just what this type of thing is going to be. What is the postwar GNP going to be if we get out of there? What would their imports settle down to being? You know, somebody must have done this.

Mr. MACDONALD. Yes.

Mr. LONG. Could you put this in the record?

Mr. MACDONALD. Oh, yes; I can give it to you off the top of my head. We will put the study in for you, if you would like that.

Mr. SHRIVER. How long is that?

Mr. MACDONALD. I can give you the figures.

Mr. LONG. We don't need the whole study, just a brief summary of it—unless it is a brief study.

Mr. MACDONALD. I forget how long it is, but the essence of the study is that within a decade, 1980, Vietnam can reasonably expect to reach export earnings of $427 million. Now, that compares with an alltime high back in 1960, I think is the correct year, of $84 million. million.

Mr. LONG. Does that mean that we are going to be subsidizing for the next 10 years to close that gap?

Mr. MACDONALD. They will need external financing to help them in their postwar development, but assuming that their potential development is exploited, Dave Lilienthal's study in November–December of 1969 foresees up to $427 million worth of export earnings, so there is a real potential there.

Mr. LONG. Ten years off. You know, that is very depressing news for American taxpayers, to think they are going to be subsidizing this to some extent even for another decade.

Mr. SHRIVER. We have been doing it in Korea for much longer than that, and we are still doing it in Europe.

Mr. LONG. Wouldn't it have depressed you if we were told 20 years ago that that was going to be happening?

Mr. SHRIVER. Right.

Mr. LONG. So many people are going around the country saying when we are out of Vietnam we can do this, do that, and do the other thing.

Mr. MACDONALD. That may be so, sir, if we can start saving tens of billions of dollars as the war winds down. I would hope that we could feel that we could afford a few hundred millions of dollars to make a safe and viable nation so that we don't have another war as costly as the military war has been.

BUDGET OF VIETNAM GOVERNMENT

Let me turn to this chart now. What I have tried to do here is give you gentlemen a picture of the extent to which Vietnam is paying its way currently, the extent to which it doesn't have the capacity to do so, and why we have to fill a gap. Over on the left-hand side is a picture of their budget in the year just past. I am sorry I didn't use 1970, but that would all be estimated.

Mr. LONG. This is all right.

Mr. MACDONALD. These are much firmer figures. On the left side is the total budget which is divided into Defense and Defense-related ex-

penses on the one hand, the red is the Ministry of Defense budget. That is just the Ministry of Defense, budget, not all Defense-related things. I have shown, for purposes of leaning over backwards here, all the Defense-related costs, the refugees and civilian war-injured, and Chieu Hoi, and all the things that a normal budget isn't burdened down by, in the blue.

Mr. LONG. How many piasters to a dollar?

Mr. MACDONALD. The official rate is 118 to 1. There is, however, in effect in Vietnam what amounts to a rather extensive multiple rate system.

Mr. SHRIVER. What do you mean by that?

Mr. LONG. Black market?

Mr. MACDONALD. No, no, not black market.

Mr. LONG. You have a lot of that, too.

Mr. MACDONALD. Well, yes, sir, but in relation to the exchange rate when CIP commodities, AID-financed commodities, come in across the customs shed they generate an average of 253 piasters to $1, and those piasters all go into this budget. It is an artificial exchange rate, perhaps, but the generations are not at 118 to 1. They are at 253 to 1.

Mr. LONG. In 1965, the black market rate, if I recall, was 168 per dollar.

Mr. SHARPE. In 1965?

Mr. LONG. Sometimes you can get more and sometimes less?

Mr. MACDONALD. The black market rate is now over 300.

Mr. LONG. It is?

Mr. MACDONALD. Oh, yes, on Tu Do Street, but, Mr. Chairman, the reason the so-called black market rate is over 300 is that, as a practical matter, that is what it costs to buy things that are imported legally and aboveboard. The non-AID-financed imports that come in, which tend to be the less essential, and therefore the more sought after, have even higher customs duties and austerity taxes piled on top of the 118, and the average rate is about 298 or 300 piasters to a dollar.

Mr. LONG. So this is about a half billion dollars in the GVN budget in our money? If you figure it around 300 to a dollar it would be about a half billion dollars?

Mr. MACDONALD. Yes. Well, there it is on the left-hand side. The red is the Ministry of Defense, and the rest is civilian, including, but not very civilian, defense-related series of things I mentioned. Take a look at the right-hand side, please, and you will see what I have attempted to do, to identify down in the blue revenues that are truly and genuinely Vietnamese. These are their contributions. I mean, there is no question about the U.S. directly or indirectly contributing to the blue. We do not. They collected from their domestic revenues of all sorts $36.9 billion, and this is inclusive of some income taxes, a relatively small amount of income taxes, other direct taxes on corporations, production taxes, indirect taxes, lotteries, services, Government agencies like the Post Office and the PTT, and perhaps one or two other minor things that I have missed.

It includes deficit financing which I have characterized here, you will note, as a contribution by the South Vietnamese people. That is what it is, I believe. It is a form of taxation and the Government by letting prices rise is able to finance Government programs on the left.

Now, our contribution is in red. It consists of AID counterpart, the 118 to 1. It goes automatically into the special counterpart account when AID-financed goods come in. Our contribution also includes the additional 130 or 135 piasters per dollar, special customs and austerity taxes, which don't happen to go into the counterpart account. They go into the general treasury and they are then applied to the budget. So it is crystal clear, I think, Mr. Chairman, that the Vietnamese are financing 66 billion of this total from their own sources. The U.S. is financing, directly or indirectly, 36.3 billion, 24.3 billion, and the 12 billion. You will note a cross-hatched section in the middle, and again I am leaning over backwards. This represents the customs payments and the austerity taxes on GVN-financed imports that have been paid for with dollars the GVN has earned mainly by selling piasters to the Department of Defense.

Now, there are some people who say that the exchange rate at which those sales takes place, and they do take place at 118 to 1, is so favorable to the Vietnamese and, therefore, so unfavorable to us that in some measure the customs received on those imports are attributable, at least in part, to U.S.-appropriated dollars. I would argue against that, but I won't for the purposes here.

The right-hand chart, in short, shows that 46.6 percent, all the blue, of the budget is truly and genuinely Vietnamese contribution and that the remainder of 53.4 percent, the red and the cross-hatched, is directly or indirectly generated as a result of U.S. aid or U.S.-appropriated dollars.

Now, there are a couple of interesting things. If you note, the blue on the right-hand side, the genuine Vietnamese contribution, happens to be larger than the blue on the left. You asked me if it is going to be possible for the Vietnamese to continue to carry these artificially established and inflated programs of social service, the schools, the hospitals, and all the rest. This suggests, Mr. Chairman, that they are already doing it and that they should be able to continue to do it after the war to cover the civilian functions, and then some, and some part of their defense budget.

Obviously, they can't generate enough revenues to finance 1.1 million men in the army but they certainly can afford the traditional services of civilian governments.

COST OF CONDUCTING THE WAR

Mr. LONG. Do you have any idea of how the Communists are doing? As compared with our $25 billion to $30 billion a year that we are putting into South Vietnam, the Communists, I understand, are putting about a billion dollars into Vietnam all together, and they are putting on a pretty darned good war effort. The economies are not too different. The populations are about the same. I would be a little bit interested, and I think we all would, in knowing just what the Communists do, how they do it on the cheap compared with us.

Mr. MACDONALD. I think I know how they do it on the cheap. They do it with human lives. They sent 600,000 men down the Ho Chi Minh Trail in the last 4 years or so and none of them has gone back.

Mr. LONG. I wish I were sure of that. I have an uncomfortable feeling that some of this is our manufacturing of statistics. I hope you are right, but I just don't have that feeling of confidence in those figures.

Go ahead. Even if that happened, I am a little puzzled as to how they do it.

Mr. MacDonald. Whatever the refinements of the figures are, and I can't attest to them, Mr. Chairman—this is not my business; it is General Abrams' business—I think my answer stands up. I think they are fighting a different kind of a war.

Mr. Long. They are trying to educate their people at the same time we are doing it, aren't they?

Mr. MacDonald. Oh, yes. There is a general condition of austerity and depression in the countryside in North Vietnam. Agricultural production is declining as it goes up in the South.

Mr. Long. That just thickens the mystery, Mr. MacDonald. With their agricultural production going down that would, of course, mean that food has to be brought into the country, where as it is not true of South Vietnam, and yet they are able to get by with a billion dollars a year of subsidy and it costs us about $25 billion. It costs us a great deal more than that. Of course, part of this is the fact that they don't have any soldiers and any military presence directly. Theirs is entirely an aid program and ours is mostly military presence. How would that billion dollars they are putting into the country compare with what we are putting into the country?

Mr. MacDonald. Well, I must say that I don't know if the billion dollars is low or high, sir. I just don't know whether that is an accurate measurement. I am not contesting it.

Mr. Long. I don't know. I have heard it many times. I have never heard any larger figure than that.

Mr. Sharpe. Our military assistance figure is something like $2.1 billion, $2.2 billion per year, so add our total economic aid which is in the direction of a half billion dollars, so maybe $2.5 billion.

Mr. MacDonald. $2.5 billion, $2.6 billion.

Mr. Long. But, of course, we have to count some of the fact that our military is there, because we are carrying a lot of burden which otherwise the South Vietnamese would have to carry. It still makes the northern thing look as if they are getting a lot for their money compared with what we are getting.

Mr. Riegle. Would the gentleman yield?

Mr. Long. Yes.

Mr. Riegle. I am not sure the record is entirely complete. I would not want the record to show anything that isn't true. Did you say military assistance?

Mr. Sharpe. Yes.

Mr. Riegle. Would that include, then, for example, all the money we provide for subsidizing the wages of the South Vietnamese troops, and for their guns and equipment, and so forth, that we make available to them? I dont' think it does.

Mr. Sharpe. I think it does.

Mr. Riegle. In other words, you are saying if we can withdraw all the American troops today that the only ongoing expense we would have in Vietnam would be $2.5 billion? Are you really prepared to make that statement?

Mr. MacDonald. No, I would not be prepared to make that statement.

Mr. Riegle. I am sure that is inaccurate.

Mr. LONG. In other words, we would reduce the cost to 10 percent of what it is today?

Mr. MACDONALD. We have and do operate all kinds of base facilities and presumably for a longer period of time than we have combat troops in the field we are going to have helicopter support and artillery backup and tactical air. These are the more complicated military operations that it will take longer to train the Vietnamese and turn over to them, so when we do turn it over to them there will be some cost associated with that, in addition to the purely present military assistance.

Mr. RIEGLE. That has to be substantial because, as I understand it, we have been losing choppers this year at a fairly heavy rate and presumably that can't go on indefinitely unless you replace them and, of course, that gets into a significant cost factor, as these things are not cheap. I just think it is important that we include these provisos because otherwise it might seem these costs are much smaller than they really are.

Mr. MACDONALD. Again, I must remind the record that, as the AID chief here, I don't have at my fingertips all the military cost figures. The point I am making, however, is that in answer to your question, Mr. Chairman, our enemy does fight the war with a different set of ethics and standards and values, and the loss of life is of less importance to them than it is to us, and the principal reason for the very high cost of our military operations is the standard that we have about human life. I cannot attest to the 600,000 North Vietnamese that have come down and did not go back, sir, but I think it is an accurate figure.

VIETNAMIZATION

However, back to the question of Vietnamization, in the left-hand chart the Ministry of Defense red block in 1970 is not going to be 92 billion, as it says there on the righthand side of the red block. It is not going to be 92 billion. It is going to be 130 billion, or thereabouts, depending upon how quickly they can conscript the additional troops and get them into the field and start paying them salaries. In 1971, Mr. Chairman, I don't know what it is going to be, but as American troops leave, as they stop fighting and they go home, and Vietnamese boys are conscripted to take their place, the national defense budget is going to rise.

Mr. LONG. Don't we have any 5-year plan on that?

Mr. MACDONALD. Well, I do not, Mr. Chairman. As I said this morning, the President has not as yet announced a plan for the pace of scale of reductions.

Mr. LONG. Would this be security classified if you got it?

Mr. MACDONALD. Oh, yes, by all means, and I really do not have it.

Mr. LONG. So there is no sense in asking you to put it in the record.

Mr. MACDONALD. Let me say that my agency, the Defense Department and the White House are going to have to work very closely so that we in AID can foresee the growth of the military budget, Defense budget, there, and get some indication of the implications of that growth for more piasters that have to be generated, one way or another. There are a variety of ways that they can be generated: One, by more aid, which is a lot less expensive than leaving Americans and their equipment to fight forever. Another way is to tax the Vietnamese

people more than they are taxed today. The tax bite is pretty heavy. To start with 30 percent inflation a year, that is a tough tax bite, and the people are taking it in terms of higher prices and lower consumption. That is not just casual financing. That is a deliberate taxation program.

A third way is to begin the process of getting Vietnam's economy moving even more rapidly than we have been able to do it during the war, to begin to reach for that $427 million worth of export earnings that Lilienthal foresees as possible by 1980. I would add that that is just the top of the development or production iceberg. For every dollar you export you must produce an awful lot domestically to replace imports or to raise consumption. It is clear that as the budget goes up there have to be piasters to finance it. This is the reason that the President in his message to Congress has talked in terms of a $100 million supplemental authorization and appropriation. I cannot tell you today whether the President will finally determine to go forward for that full amount or half of that amount or much less than half of that amount. All I have sought to do today is to give you a feeling of why some additional aid may be necessary.

Mr. SHRIVER. And this would be in the nature of supporting assistance, supporting the Government?

Mr. MACDONALD. Supporting assistance in the form, largely, of imports that will generate 250 piasters per dollar as they are sold in the country, piasters to finance that higher defense budget.

Mr. SHRIVER. I will now finish my questions.

Mr. LONG. Yes, go ahead, Mr. Shriver.

LAND REFORM PROGRAM

Mr. SHRIVER. A recent news report indicates that the South Vietnamese Government has finally acted on an extensive land reform program for which AID requested funds each of the 2 past fiscal years. Is this correct?

Mr. MACDONALD. It has been passed by the assembly and the President of South Vietnam has scheduled the signing, which will make it law, on the 26th of March, Thursday next. They will make it a national holiday and there will be ceremonies throughout the country. We did receive from the Congress sufficient funds in fiscal 1969 to obligate $10 million in support of that program. We told the Congress that we thought we would need an additional $30 million in the current fiscal year. Because the National Assembly has taken some time in considering the bill we will not need to make a contribution in fiscal 1970.

Mr. SHRIVER. It will go slowly?

Mr. MACDONALD. No. It has gone slowly. I think that program, when it becomes law, will move along at a fairly fast clip, Congressman Shriver, I hope it will.

NUMBER OF REFUGEES

Mr. SHRIVER. I think you commented on this generally in your prior statement and it has to do with the refugee situation. What was the decrease in the numbers of refugees in South Vietnam?

Mr. MacDonald. The all-time high was in the order of 1,400,000-odd and that was reached in early 1969. At the moment that has been reduced to about 270,000 refugees.

Mr. Shriver. On January 4, 1968, the South Vietnamese House of Representatives passed a resolution unanimously, which included this provision:

"We do not accept the establishment of a coalition government with the Communists under any form whatsoever." Is this provision still in force?

(Discussion off the record.)

INCREASE IN ECONOMY DUE TO U.S. TROOP PRESENCE

Mr. Shriver. Included in this information that you have been discussing for the past several minutes is there exchange in the form of U.S. dollars that will go into the Vietnamese economy due to the presence of our U.S. forces there?

Mr. MacDonald. Yes.

Mr. Sharpe. Our figure on that for 1969 is $345 million.

Mr. Shriver. That is what I want.

Mr. MacDonald. And this is made up of roughly $300 million worth of purchases of piasters required for official purposes to run the bases, pay the salaries of local workers, and the remaining amount is made up of dollars to purchase piasters for personal uses of soldiers.

Mr. Long. How much goes for the pocket money?

Mr. MacDonald. The latter category would be the difference, about 45, something like that.

Mr. Long. Million?

Mr. MacDonald. Yes.

Mr. Long. A year?

Mr. MacDonald. Yes.

Mr. Long. How do you keep it so low? It seems like a very tiny sum of money.

Mr. MacDonald. I would like to go off the record.

Mr. Long. That is only about $7 per person.

Mr. Sharpe. That is about $7 per month per person.

Mr. Long. About $80 a year.

Mr. MacDonald. I can answer that. When American troops first came to Vietnam in large numbers we foresaw the inflationary impact and we talked to our Defense Department colleagues and asked them to work up programs that would minimize the inflationary impact. They were spending at an average of $35 or $40 a month worth of dollars. As you know, R. & R. is provided to youngsters so that they can go down to Australia, and Honolulu and other places, and they are kept away from the economy, by and large. Off the record.

(Discussion off the record.)

PROBLEMS IN SOUTH VIETNAMESE ARMY

Mr. Shriver. As I understand it, desertion and draft evasion have been major problems for the South Vietnamese Army. Would you compare the figures on these problems for each of the last 3 years? If you don't do it now, put it in the record.

Mr. MacDonald. I will see that a request is made and furnish it.

Mr. Shriver. In other words, what I am driving at is, has the situation improved noticeably since we began our emphasis upon Vietnamization of the war?

Mr. MacDonald. I would like to supply this for the record because these are Department of Defense figures and I would like to be sure they are accurate.

(The information follows:)

DESERTIONS AND DRAFT EVASION

The desertion rate within the Republic of Vietnam Armed Forces is as follows:

	Total	Rate per month
1967	77,714	6,476
1968	116,064	9,672
1969	107,942	8,995
1970	[1] 17,971	8,986

[1] January-February.

The rate has declined moderately during 1969–70. The decline could be attributable to a concerted effort by the GVN to increase the quality of the leadership, intensify the training and attempting to alleviate some of the social disparities which have existed, e.g., dependent housing, great distances from their families.

Draft evasion statistics are not maintained by the GVN. However, the GVN has not encountered any difficulty in meeting their monthly draft quotas.

AID FINANCED WATER DISTRIBUTION PROJECT

Mr. Shriver. In 1967, I began an inquiry each year into the operational status of the AID-financed water distribution project loan, the loan in Saigon. Last year I was again told that our technical support for this project would come to an end in fiscal 1971. Can you tell us the status of this project?

Mr. MacDonald. Well, last year, 1969, we worked down from a very large number of advisors to three direct hire advisors. It does end with fiscal 1971.

POSTWAR PLANNING FOR VIETNAM

Mr. Shriver. Do you have an active working relationship with the Joint Development Group composed of the Vietnam Postwar Planning Group and Development and Resources Corporation headed by the man you mentioned a little while ago, Lilienthal?

Mr. MacDonald. Yes, we have had a very close relationship with them. You will recall that the Joint Development Group, made up of a group of public Vietnamese and private Americans, worked for a little better than 2 years to develop a first overall report of the potential of the country and this report was presented to the two Presidents, Nixon and Thieu, in the spring of 1969. After that the group was dismantled as a group and President Thieu has lodged responsibility for postwar planning and current planning in a new office within his immediate office.

Mr. Shriver. How much foreign aid did they think would be necessary?

Mr. MacDonald. The report is a rough cut and assumes some kind of peace undefined to start at some point in time unspecified. The report's major conclusions were that in 10 years or possibly less Vietnam could achieve a state of self-sustaining growth without the need for additional concessional aid thereafter, that it would require a total investment of about, let's see, $5 billion, equivalent, one-half of which would be in local currency to be contributed, obviously, by the South Vietnamese, and another half, $2.5 billion, from external sources.

Mr. Shriver. Well, of that $2.5 billion, then, how much would you expect the United States would have to put up? All of it?

Mr. MacDonald. Oh, by all means no; by all means no. I would hope that we would have a minority share in this operation and, indeed, I am sure that the Vietnamese would share that view. We are hopeful that other countries, principally Japan, will come forward and match us and that perhaps all the other countries other than Japan and the United States would combine to match each of our shares.

JAPAN'S CONTRIBUTION TO ECONOMIC AID IN VIETNAM

Mr. Shriver. How much foreign aid does Japan put into Vietnam?

Mr. MacDonald. She has been running at about $2 million, $2.5 million a year.

Mr. Shriver. $2.5 million?

Mr. MacDonald. Million; during the war years, sir and addressed primarily to humanitarian aid. In their current fiscal year I understand that there are prospects for their aid to increase fivefold or sixfold to about $12 million. I would like the opportunity to correct that figure if I am mistaken.

Mr. Shriver. Are they doing any trading in South Vietnam?

Mr. MacDonald. Oh, yes.

Mr. Shriver. How much, relatively?

Mr. MacDonald. Mr. Sharpe, do you know how much of their $425 million GVN reports of imports were from Japan last year? We have it, if you will wait 1 minute. We will have it in just a minute. We have a breakout of the sources of imports from all over the world. Japan is a fairly large supplier of Vietnamese requirements. I really can't presume to speak for the Japanese, but I do foresee an increasingly active role for them both in trade and commerce and in aid.

Mr. Shriver. I would assume so, too, because I think they do a lot of trading. How much of the earlier aid that you mentioned from Japan was in the form of reparations?

Mr. MacDonald. I don't know, to tell you the truth, Mr. Congressman. I will find out and we will insert it in the record.

(The information follows:)

Goods imported as Japanese reparations totaled $7.5 million during the period 1961–65. None have been delivered since 1965.

Mr. Long. Do you have any idea whether we have been helping the Japanese balance of payments by our dollar aid to Vietnam which is then used to purchase from Japan?

Mr. MacDonald. As you know, Public Law 480 is all U.S. source goods, so there is absolutely no balance of payments effect on it. As far as AID financing is concerned, we have three, and only three, arrangements, with one exception. Most of our goods come from the United States. In the current fiscal year we expect all but a relatively small percentage to come from American suppliers. The remaining

relatively small percentage will come from so-called PD 31 countries, those that are authorized to participate in the AID program under tied letter credit arrangements, whereby the dollars we pay Taiwan, the Philippines, or Korea go in the very next transaction back to the United States.

Third, under barter arrangements in which we will cause the transfer of resources from any country on the condition that they accept an equivalent amount of American imports. The only exceptions, sir, are under our project program I think we had a couple of thousand dollars—is that correct—worth of parts for machinery that would have been totally lost if the parts were not purchased from a non-United States or non-PD 31 country.

Mr. LONG. Mr. Shriver?

Mr. SHARPE. A figure for imports from Japan, $92 million were licensed in 1968 and $153.2 million in 1969.

Mr. SHRIVER. How would that compare with American commercial exports sent to that country outside aid?

Mr. SHARPE. United States commercial exports to Vietnam were $57.7 million in 1968 and $58.4 million in 1969.

Mr. SHRIVER. So Japan is actually exporting to the country commercially about half?

Mr. SHARPE. Yes.

Mr. SHRIVER. That is all, Mr. Chairman.

Mr. LONG. Mr. Conte?

IMPORTS FROM FORMOSA AND OTHER COUNTRIES

Mr. CONTE. How much are you buying from Taiwan?

Mr. MACDONALD. I had the breakout here Mr. Congressman. The CIP, our commercial import program, and that is only half of the program we are talking about—no, it is more than half; it is about $200 million out of $250 million—in 1970. Let me give you the 1969 figures. We haven't totaled it, but the United States amount is $128 million, United States-supplied, Taiwan was $37.6 million; Singapore, $22.6 million. Then it falls off, Korea, $3.9 million and then it gets less than $1 million. India, Tunisia, Pakistan and Morocco, and, as you will recall, the non-United States source is administered either on a barter arrangement or on the tied letters of credit, so the dollars that are approved to the supplying country have to come in the very next transaction to the United States.

We are very tight, Mr. Congressman, on the balance of payments within the AID program and within Public Law 480, but since it hasn't been said, let me make the point that there are these free dollars that Vietnam accrues by selling piasters that, the U.S. Government needs to buy services and goods, and they are free dollars and they will take those dollars and spend them anywhere. They are conscious of our balance of payments problem. We talked to them about increasing the proportion of those dollars that we spend in the United States. The total amounts are running at about $350 million a year. About $50 million to $60 million of those are being spent by them for American goods. The rest go to other countries, but the AID program and the Public Law 480 is rather tight.

Mr. CONTE. Do you want to put that chart in the record?

Mr. MACDONALD. Yes; be pleased to.

(The chart follows:)

SOURCE OF CIP LICENSING -- FY 1967 through FY 1970 (First Half)
(In Millions of Dollars)

SOURCE COUNTRY	FY 1967 Value	FY 1967 % of Total	FY 1968 Value	FY 1968 % of Total	FY 1969 Value	FY 1969 % of Total	FY 1970 * Value	FY 1970 * % of Total
TOTAL	$154.7	100.0	$88.9	100.0	$204.5	100.0	$82.0	100.0
United States	99.9	64.5	52.5	59.1	128.3	62.7	68.6	83.7
Taiwan**	39.8	25.7	19.5	21.9	37.6	18.4	6.5	7.9
Singapore**	6.4	4.2	13.4	15.1	22.6	11.0	0.1	0.1
Korea**	1.6	1.0	0.2	0.2	3.9	1.9	4.3	5.2
India	2.3	1.5	0.2	0.2	0.7	0.3	0.3	0.4
Tunisia	-	-	#	#	0.7	0.3	-	-
Pakistan	1.2	0.8	#	#	0.1	#	-	-
Morocco	-	-	#	#	0.1	#	-	-
Philippines	-	-	-	-	-	-	-	-
Other Countries	0.7	0.4	-	-	-	-	-	-
Barter Procurement***	2.8	1.9	3.1	3.5	10.5	5.2	2.2	2.7

* First half FY 1970. ** Figures include barter procurement.
*** Excludes barter procurement from PD-31 countries (Taiwan, Singapore, and Korea).
# Less than 0.05.

CIP LICENSING BY MAJOR COMMODITY -- FY 1967 through FY 1970 (First Half)
(In Millions of Dollars)

CODE	COMMODITY	FY 1967 Value	FY 1967 % of Total	FY 1968 Value	FY 1968 % of Total	FY 1969 Value	FY 1969 % of Total	FY 1970 * Value	FY 1970 * % of Total
	TOTAL	$154.7	100.0	$88.9	100.0	$204.5	100.0	$82.0	100.0
061	Sugar	4.4	2.8	5.8	6.5	16.2	7.9	1.2	1.5
276	Non-Metallic Minerals	3.0	1.9	0.4	0.4	-	-	-	-
332	Petroleum & Products	16.7	10.8	22.4	25.2	35.4	17.3	0.7	0.9
##	Chemicals & Dyestuffs	14.0	9.0	6.0	6.7	11.4	5.6	9.6	11.7
541	Pharmaceuticals	9.7	6.3	1.0	1.1	-	-	-	-
561	Manuf. Fertilizers	1.5	1.0	1.0	1.1	29.0	14.2	17.4	21.2
581	Raw Materials for Plastics	6.3	4.2	6.2	7.0	17.5	8.5	6.3	7.7
62	Rubber Manufactures	1.1	0.7	1.5	1.7	4.0	2.0	1.2	1.5
64	Paper and Pulp	11.1	7.2	1.1	1.2	-	-	-	-
651	Yarns and Threads	7.3	4.7	2.1	2.4	4.3	2.1	8.0	9.7
655	Textile Fabrics and Made-Up Articles	0.3	0.2	2.3	2.6	1.2	0.6	1.2	1.5
661	Cement	5.8	3.7	6.9	7.9	0.5	0.2	-	-
67	Iron & Steel Products	22.0	14.2	19.0	21.4	42.9	21.0	21.3	25.9
71-2	Machinery & Apparatus	25.8	16.7	8.8	9.9	32.7	16.0	12.3	15.0
73	Transportation Equip.	17.2	11.1	1.9	2.1	5.7	2.8	2.0	2.4
...	All Other Commodities	8.5	5.5	2.5	2.8	3.7	1.8	0.1	0.1

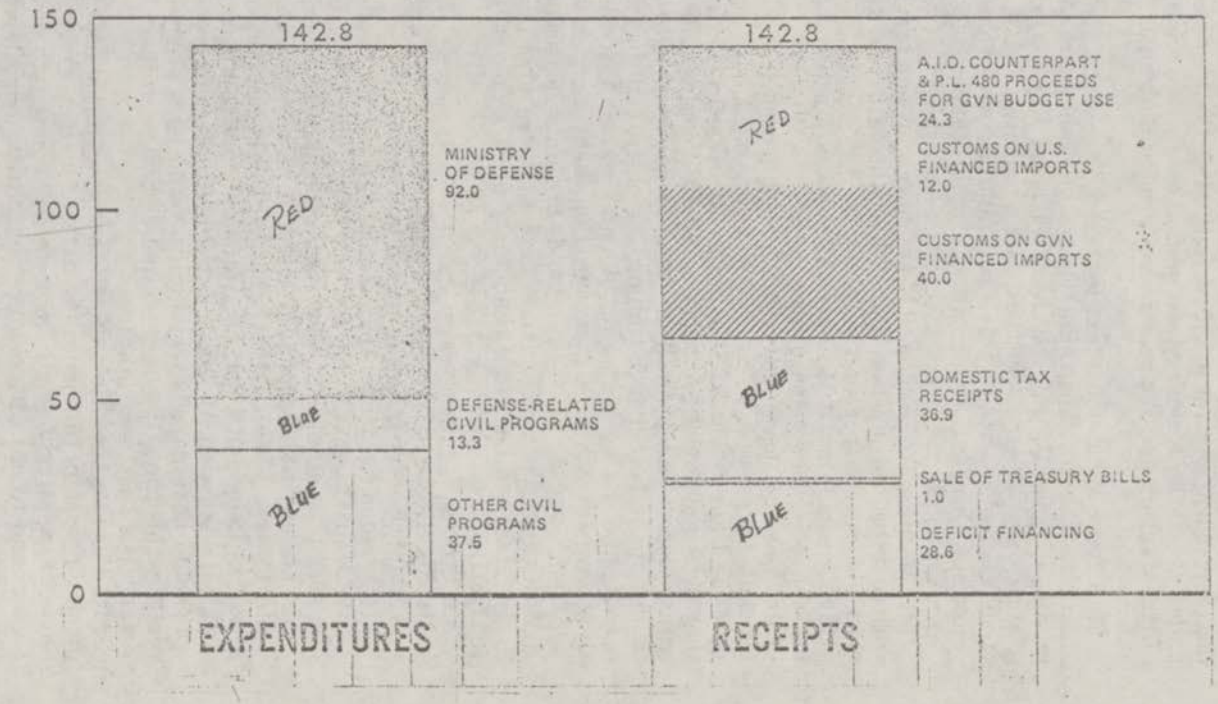
Codes 51, 53, 55, and 59. * First Half FY 1970.

Source. USAID Yearly and Half-Yearly Summaries.

GVN BUDGET 1969

Insert for Page 2026
HAC
Mr. MacDonald's Testimony
March 24, 1970

BILLIONS OF PIASTERS



Mr. CONTE. It is my understanding that we buy a lot more than this from Formosa. I happen to be interested in Formosa because of the textile problem and for other reasons. Isn't there some other program under which the United States purchases for Vietnam in Taiwan?

Mr. MACDONALD. We used to buy cement and sugar last year, until about——

Mr. CONTE. What about textile goods?

Mr. MACDONALD. To my knowledge, in recent years we have not been buying it from Taiwan. By recent I mean the last couple of years.

Mr. CONTE. What about the factory in Taiwan at which equipment from Vietnam is rebuilt? Are you familiar with that?

Mr. MACDONALD. Let's see. Is that for military?

Mr. CONTE. Yes.

Mr. MACDONALD. Yes. Yes, I am sure they buy services in Taiwan with that sort of thing, yes. I don't have the figures on it, Mr. Congressman. I am sure that we can supply it.

Mr. CONTE. That is the only thing you know about it? It seems to me that there was something else.

Mr. MACDONALD. It may be, Mr. Congressman. AID and Department of Agriculture I have covered for you. I have tried to cover in part the Department of Defense by alluding to the free dollars that they get from having sold their piasters. There may be other business transactions that our military agency had with these countries for rebuilding and other such things. Obviously, certain foreign exchange earnings accrue by the visits of our boys to Australia and Taiwan and elsewhere in R. & R. I am sure that there are some earnings resulting from a variety of odds and ends of things of that sort.

Mr. CONTE. The AID mission has been there now for about 10 years.

Mr. MACDONALD. More than that, sir. I think it started back in 1952 or 1953 when it was aid to——

Mr. CONTE. Eighteen years.

Mr. MACDONALD. Indochina through France, and a separate mission was established for programing aid to Vietnam.

Mr. LONG. Even earlier than that, as early as 1947 under Truman.

Mr. MACDONALD. Well, I think there may have been under the Marshall plan administered through the Metropole aid.

Mr. LONG. No; but that is all right.

Mr. CONTE. I realize that Vietnam has been ravaged by war. Congressman Long and I had Dr. Hannah here the other night in a philosophical discussion. We seemed to think that, taking your date of 1952, we should have paved every highway and built every school and hospital by this time. We have poured $5 billion in there in economic assistance; is that not right?

Mr. MACDONALD. Most of it for supporting assistance purposes to generate piasters to finance the defense budget. Only relatively small amounts, relatively small amounts, have gone into developmental activities and technical assistance and institutional development, hospitals, schools, and things of that sort.

VIETNAM SELF-HELP PROJECTS

Mr. CONTE. Do we have anything like a WPA project over there?

Mr. MACDONALD. Oh, yes.

Mr. CONTE. Could you not generate a lot of piasters with Federal projects in Vietnam?

Mr. MACDONALD. Well, you know, projects of that sort cost money. You have to have a budget to finance them.

Mr. CONTE. Are we not talking about $5 billion that have been sent in there?

Mr. MACDONALD. There is, Mr. Congressman, a lot of work of the sort perhaps that you have in mind by the point you make. There are a lot of self-help programs and projects that are going forward under which the Government is prepared to supply financing to villages and hamlets. As a matter of fact, there is a plan this last year to give up to 1 million piasters to every village, which is roughly——

Mr. LONG. About $3,000; $4,000 if you take the 250.

Mr. MACDONALD. If you take that exchange rate.

The whole purpose of this self-help fund that the Government has set up for villages and that we have agreed be financed from the counterpart account over which we have some controls—they can't use it without our concurrence—is to give the people of the village the necessary financing for the bits of cement and equipment and other things necessary to build schools and dig irrigation ditches or buy a few pigs to get a proper breeding program going if they will prove their own resources through time, effort, and money in some cases into the task. So there is a lot of community development that is going on along these very lines.

PACIFICATION PROGRAM

Mr. CONTE. You are satisfied that the pacification program is moving along at the proper speed?

Mr. MACDONALD. Well, I hope that the record doesn't suggest when we all read it later that I have been here suggesting that there are no problems or, in any event, that they have all been solved. This is not the case.

There are very many difficulties and, as others around the table have suggested earlier, it is always possible that the enemy will come across the boundaries once again and disrupt the situation, and that there will be some retrogression. I am sure there are going to be some reverses in the time ahead, but in my time there, and particularly in the last year and a half, 20 months, there has been not just steady progress, Mr. Congressman, but remarkable progress. The countryside is opened up, as I have said. Agricultural production in 1969 has hit an alltime high, even though there are few farmers around to till the land, and less land being worked. There is better security. People are declaring themselves. They are joining up in people's self-defense forces as they have never even had the opportunity to do before because previous leaders had not seen fit to have a program that arms the citizenry. Today that is happening. There has been wholesale delegation of central authority at the local communities. The national policeman who, from time immemorial, has answered to Saigon's command, is under the control of the village chief and the village chief today is an elected village chief, not an appointed man. The PF (Popular Forces), are under the command of local communities. The Central Government has said that it will no longer

require villages who collect land taxes to give part of those land taxes to the Central Government, that they can all be used for local purposes. The Government is trying experimentally, and on beyond in a couple of the other more secure and more affluent communities, to get tax systems going so that local people can take over local services completely 2 or 3 years hence.

The country has come alive. There is better security. There is more participation. I am very, very confident on the basis of what I have seen that things are going well.

LACK OF NATIONAL SPIRIT

Mr. CONTE. The tremendous lack of national spirit in Vietnam has troubled me for some time. Many Vietnamese did not even know what the South Vietnamese flag was. Once you got out in the rice paddies, all they were interested in was having a couple of square meals a day. Is there a nationalistic feeling now for their country?

Mr. MACDONALD. I think that some of the things I have mentioned, and perhaps still others, are kind of a testimony to a stirring along these lines. I would add that most, two-thirds, of the underdeveloped world have had similar attitudes to those that you have attributed to the Vietnamese in earlier days. Certainly, that kind of attitude isn't particularly surprising, I think, in a population, in a people who have been under colonial rule for the best part of a hundred years, ruled by a government that was colonial in all its characteristics. I see change. I see not just the reformation of government to attract people's loyalties but the delegation of the right to govern themselves which, in a sense, constitutes not reformation but the creation, I think, of local government, of a new government of the sort that local people have to have if there is going to be freedom of choice and some possibility for real progress.

KOREAN AND REPUBLIC OF CHINA ASSISTANCE TO VIETNAM

Mr. CONTE. One of the best land reform programs in the world exists in Taiwan.

Mr. MACDONALD. A good program.

Mr. CONTE. Excellent. Have you gone over there? Have you studied this? Of course, you had a whole set of different circumstances there. You have all Chinese. You do not have the division that you have in South Vietnam among Catholics, Buddhists, Montagnards, and others. Moreover, the Taiwanese are great agriculturists, I think some of the best out there. Do you have people from Taiwan working with you on this thing?

Mr. MACDONALD. Yes, sir. I was fortunate to have as the head of my agriculture outfit, until the job wore him out and he had to leave, a man who was a Commissioner on the famed JCRR for 6 years and knew the history of Tiawanese-Chinese agricultural development and land reform like the back of his hand, and others have gone into the study. We have a contract with the Chinese Technical Assistance Agency under which we have—I have forgotten—perhaps 20 Chinese agricultural technicians that are working with the Vietnamese introducing new cultivation techniques, new feed and new methods of cultivation. Yes, they are well involved.

Mr. RIEGLE. Will you yield?

Mr. CONTE. Go ahead.

Mr. RIEGLE. Do we pay for that? Do they volunteer their service?

Mr. MACDONALD. In this case we paid for it.

Mr. RIEGLE. I think that is important to have on the record because the Chairman the other day in making a case for Taiwan indicated that they had offered us anything that we wanted in terms of a contribution to the war effort in Vietnam. I am just wondering why they are not giving us this. Why are we having to pay for it?

Mr. MACDONALD. Let me see. There may be some contributions that they are presently making.

Mr. RIEGLE. They are, but they are nits.

Mr. MACDONALD. Oh, yes, yes; but——

Mr. LONG. I don't know whether he said that they would offer them free.

Mr. CONTE. It wouldn't make any difference. If they offered it free, we would just give them some more submarines, destroyers, and airplanes.

Mr. MACDONALD. The plain fact is that they don't have all that kind of foreign exchange to play with, and they are trying to make their beginning. The Koreans are going to give a $2.5 million hospital to South Vietnam and they are very proud that they are doing this and it is not easy.

Mr. RIEGLE. You know, we are paying the South Koreans for their participation.

Mr. MACDONALD. But the point I am making is that they are striving to step across the threshold and join the whole world, and they are doing this. They don't have to do this. I don't think the arithmetic is maintained so finely that if they did not undertake to give a $2.5 million hospital to Vietnam that their receipts from us and others would be down by that amount. I think this is a genuine effort on their part to make a contribution.

Mr. RIEGLE. I hope you are right. I just think that this has been an excellent economic windfall to the Koreans and the Formosans that they could never hope to have any other way. I think this war has been an economic bonanza for Southeast Asia.

Mr. MACDONALD. I wouldn't try to characterize it.

Mr. RIEGLE. Paid for with our blood and dollars. I feel just as badly as I can be about it.

Mr. MACDONALD. I would recall that there were many economists who wrote in the journals and elsewhere in the mid- and late 1950's that the Japanese economic progress was all attributable to the U.S. economic and technical assistance. That helped, but the plain fact is that most of that progress was attributable to U.S. spending in Japan during the Korean war.

Mr. LONG. Plus the fact that we have held a defense umbrella over them now for two decades. This is a free ride in itself, so all their surplus energies can go into growth instead of bringing it all over the world the way we are doing. I think it is very sad because we are going to be a third and fourth ranking country in another couple of decades, with West Germany and Japan getting this free defense ride that they are getting plus their unwillingness to contribute anything but token amounts to these development programs.

Mr. CONTE. Are the Vietnamese girls still riding their bicycles with beautiful white silk dresses and buying expensive French perfumes?

Mr. MACDONALD. I don't get close enough to them to know. They still wear the Ao Dai. They are lovely costumes.

Mr. CONTE. I came back infuriated after my last trip to Vietnam.

Mr. MACDONALD. In 1965, sir?

Mr. CONTE. Yes. To see those attractive girls riding bicycles with beautiful veils floating in the air and with all this perfume, you would never think there was a war going on. We had hearings here and I said, "You know, if my county in Massachusetts, Berkshire County, was being attacked by the enemy, the girls up there would be filling sandbags and fighting alongside me to keep the enemy out."

Mr. MACDONALD. If I may say, sir, with all due respect, time moves in that country. That was 5 years ago and in that country was 5 light years ago. I think you should come back and take another look, sir.

Mr. CONTE. I will try.

Mr. RIEGLE. Would the gentleman yield, because we were out there just a year ago, and Mr. MacDonald you and I saw these sights together. I don't know how many people you saw on motorbikes and bicycles, 5 years ago, but last year the streets were so jammed that it was difficult to move, and they were not just girls but more young men than girls.

Mr. LONG. The haze that hangs over that city from the scooters is unbelievable and when the curfew goes into effect at midnight and that noise cuts out, you can hardly believe the silence.

Mr. MACDONALD. Mr. Chairman, it is not my purpose here to justify the traffic jams. I don't like them wherever you find them. As to Hondas, I did make a point, sir, when you were out, Mr. Riegle, that the Honda, in my judgment and it is my judgment—I have no reason to defend Hondas rather than bicycles or anything else—is not a luxury product.

The urban population has doubled in the last 4 years in South Vietnam and there has not been a build-up of the normal urban transportation systems to keep pace with that. The Honda is a vehicle on which families move from one end of the city to another, or bread earners from home to work place. It causes traffic jams almost as bad as the ones you find in New York & Bangkok.

Mr. RIEGLE. I don't think you would want to leave the inference before this subcommittee that there aren't thousands upon thousands of young people of an age of, say, 25 or under, boys and girls, wherever you look, on motorbikes in Saigon because they are there and I saw them and you see them every day, and we shouldn't obscure that fact. Sure, there may be families riding a motorbike there and that is part of it, too, but let's not just define it that way. Let's give it some balance.

Mr. MACDONALD. I would, if I knew the issue. I don't know how many thousands you imply by your remarks, but it is not my statement that there are thousands and thousands and thousands.

Mr. RIEGLE. There are many.

Mr. MACDONALD. There are some.

Mr. RIEGLE. Many.

Mr. MACDONALD. Oh, sure.

Mr. CONTE. Do you travel up and down Route 1 now?

Mr. MACDONALD. Yes. Pretty much in the daytime anywhere you want to go. The lettuce and cauliflower and cabbages come in not only down Route 1 but that other one, Route 19.

Mr. LONG. That could be an accommodation with the enemy because we know with an awful lot of stuff in Vietnam the payoff goes to Viet Cong. The point is, could Congressman Conte go up and down Route 1?

Mr. CONTE. Could I go up and down it alone?

Mr. SHARPE. Are you talking about Route 1 or Route 4?

Mr. CONTE. Route 1 was the main artery north and south?

Mr. SHARPE. From Saigon south is Route 4, and you can travel that virtually all the way down to the far end of the Delta from Saigon. You could.

Mr. CONTE. How about Route 1?

Mr. SHARPE. No——

Mr. RIEGLE. Day and night?

Mr. SHARPE. No. Route 1 from Saigon north, you can travel about the first 50 miles then it is blocked, until you get another 60 or 80 miles further north. Then it is mostly open up through the north end of the country.

Mr. CONTE. Are there any projections as to when that blocked section will be open?

Mr. SHARPE. The major section that is blocked is one of the really most difficult areas. It runs through jungle for 60 or 80 miles, and I am not sure where it stands this year. My feeling is that the military up to now have thought that it was too expensive in terms of troops you have to put there to keep it open.

Mr. LONG. Can a Congressman walk through Tu Do Street?

Mr. MACDONALD. I had the good fortune in my last 10 months to have Mrs. MacDonald with me, as I didn't my last 3 years. She returned home with me on this trip and all our friends have warned her that she better not assume here the kind of security that she enjoyed in Saigon, and I am not exaggerating.

Mr. RIEGLE. Of course, we spend a lot more there to provide security than we do in Washington, D.C. The record ought to show that on a per capita basis in terms of American troop losses or in terms of aggregate expenditures, we spend more money to police South Vietnam than we do any place in the world, including our own country.

Mr. LONG. You don't have any trouble finding a policeman on Tu Do Street?

Mr. MACDONALD. Mrs. MacDonald was able to walk about Saigon freely at any hour of the day within curfew and be comfortable, and I was at ease that she was doing it.

Mr. RIEGLE. Doesn't this give you some question about our national priorities when that is true in Saigon and it is not true in Washington, D.C., the Capital of our own country?

Mr. MACDONALD. I think it is an extremely regrettable thing that it is not possible to do that in American cities and I think that every effort should be made to correct that.

Mr. RIEGLE. Would you accept cutting the AID program on Vietnam to find the dollars to finance aid programs in the District of Columbia?

Mr. MacDonald. You pose it as an "either or", an AID program versus American domestic needs, and perhaps you are even suggesting Vietnam AID program versus American domestic needs. It seems to me that American interests are varied and multiple and insistent. I think there are some things that, in the national interest, have to be done in various places.

Mr. Riegle. Let me just respond. Would you yield for one more point?

Mr. Conte. Yes.

Mr. MacDonald. May I say one thing, sir? I would like this off the record.

(Discussion off the record.)

Mr. Conte. So the record is clear, I asked about Route 1 and Route 4 because of what my good friend, Ambassador Lodge, told me when I was there. My question to him was: "When are we going to get this war over with in Vietnam?" His reply was: "When you can drive up Route 4 and Route 1." I was hoping you would say it was open all the way and that we get the troops out of there and home.

Mr. Riegle. I would like to come back and make one more observation with respect to this business of having better security today in Saigon and Mrs. MacDonald is safer on the streets there than she is in the District of Columbia or some other major American city.

I want to make one point to you on what I think is important, and I have a personal regard for you. Right down the hall here in the Capitol is the District of Columbia Appropriations Subcommittee room and I serve on that subcommittee. We had hearings there yesterday and we don't have the money that we need to finance the legitimate needs of the District of Columbia in education, in terms of law enforcement, in judicial reform, the whole ball of wax, and I can assure you that one of the reasons we don't have the resources to do that job here in our National Capital is because of the tremendous amount of money that moves through this subcommittee and related to the work of this subcommittee, the money that moves through the Defense Department to augment in a military way what we are doing out in South Vietnam. I can tell you right now that we don't have enough money to do all these things.

We have made the choice, I think accidentally, to plug a massive portion of our national resources into Vietnam, on the order of $30 billion a year, and it has had to come out of things like urban problem-solving in this country. So when you make a point like the problem that you and Mrs. MacDonald find now as you come back to the United States, this is what we have been creating. We may be weaving a national fabric in South Vietnam but we are shredding the one in this country.

I just hope by the time your tour of duty ends out in South Vietnam and you come back that we still have a country here for you, one that is together and that you can live safely in.

Mr. Long. If I may interject for a moment, I wonder if we could get your questioning wrapped up so we can adjourn by 4:30. Do you think that is possible?

Mr. Riegle. I will try to do that, but I am intruding on Mr. Conte's time right now.

Mr. CONTE. I have no further questions. I want to ask a question later on this letter. Go ahead.

Mr. LONG. Mr. Riegle?

AID FINANCED EMPLOYEES IN VIETNAM

Mr. RIEGLE. I am wondering how many AID people we have now in Vietnam today and what that would compare with in terms of the number last year at this time.

Mr. MACDONALD. I gave those figures a bit earlier, but they were on January 31 we had 1,742 direct hire Americans, including PASA and FSO's on January 30, 1968, we had a high of 2,149 Americans. We are declining and projecting ourselves down to 1.730.

Mr. RIEGLE. What are your indirects in both nationals and third-country?

Mr. MACDONALD. I can give it to you in any degree of detail or gross that you wish.

Mr. RIEGLE. Why don't you put these figures in the record, if you would?

Mr. MACDONALD. We are on the decline, Mr. Congressman, and in all categories we are on the decline, and I will submit this for the record.

(The information follows:)

VIETNAM—U.S. AID-FUNDED PERSONNEL ON BOARD (1967-70)

	U.S. employees		3d country nationals		Local nationals		
	Direct hire [1]	Contract	Direct hire	Contract	Direct hire	Contract	Total [1]
June 30, 1967	1,983 (1,628)	337	0	1,117	1,868	1,092	6,597 (6,042)
June 30, 1968	[2] 2,201 (1,988)	450	254	1,274	2,864	638	7,681 (7,468)
June 30, 1969	2,183 (1,921)	787	378	2,225	2,216	2,483	10,272(10,010)
Jan. 31, 1970	1,912 (1,742)	735	376	2,078	1,747	2,786	9,644 (9,474)
June 30, 1970	[3] 1,800 (1,730)	[4] 695	[3] 344	[4] 1,664	[3] 1,709	[4] 3,198	9,410 (9,340)

[1] Includes training and pipeline. Employees actually in Vietnam are shown in parentheses.
[2] Peak of 2,381 (2,149) was reached in January 1968.
[3] June 30, 1970, employment limitations for U.S. AID and CORDS Vietnam. U.S. limitation for AID is 1,650 (including 117 PASA and other employees) plus an estimated 150 State Department employees for a total of 1,800. Of these, 70 will be in training leaving 1,730 in Vietnam. Foreign national figures exclude 76 regional positions for Safehaven support.
[4] Includes personnel under contracts for end products or services. 1970 data are based upon best available estimates of contract requirements.

Mr. RIEGLE. I am delighted to hear that. I would like to know the number of AID personnel, Americans and Vietnamese nationals, and then third-country people by Corps areas.

Mr. MACDONALD. By Corps area?

Mr. RIEGLE. In other words, separate out the Saigon folks and let's talk Corps areas. I would like to get some idea as to where these people are and the ratios.

Mr. MACDONALD. I think we can get that for you fairly readily. I know we can on Americans, and I think we can on third-country and locals, too.

(The information follows:)

USAID/CORDS VIETNAM—AID, FINANCED EMPLOYEES BY LOCATION (JAN. 31, 1970)

Employment category	Saigon headquarters	Saigon region	Region I	Region II	Region III	Region IV	Total
United States D/H, PASA, FSO:[1]							
USAID	483	246	45	53	50	66	943
CORDS	145	119	89	131	138	177	799
Subtotal	628	365	134	184	188	243	1,742
Local D/H:[2]							
USAID	1,740	0	3	2	2	0	1,747
CORDS	0	0	0	0	0	0	0
Subtotal	1,740	0	3	2	2	0	1,747
TCN D/H:[1]							
USAID	155	0	1	3	2	5	166
CORDS	49	1	38	37	46	39	210
Subtotal	204	1	39	40	48	44	376
Total direct hire	2,572	366	176	226	238	287	3,865
Contract employees:[3]							
United States	413			332			745
TCN	1,271			807			2,078
Local	1,891			895			2,786
Total contract	[4] 3,575			[5] 2,034			5,609
Grand total	6,431			3,043			9,474

[1] D/H—AID direct hire; PASA—participating agency; FSO—Foreign Service officers; TCN—third country nationals.
[2] All CORDS local D/H and daily wage employees were converted to MACV jurisdiction between December 1968 and July 1969.
[3] Area distribution is not available for contract employees. Figures shown include personnel under contracts for end products or services.
[4] USAID.
[5] CORDS.

Mr. RIEGLE. Would you also insert the number of AID personnel that are U.S.-based that are directly related to your work in Vietnam? I am sure there is a stateside component that you work with. I would like to know how big that group is.

Mr. MACDONALD. The AID Washington headquarters for Vietnam; all right.

(The information follows:)

The Vietnam Bureau of AID was created in Washington in April 1967 to support the rapid buildup of civilian effort in Vietnam. At the peak in December 1967, there were 457 people assigned. Of these, 73 have since been transferred to AID's central personnel activity and more than 200 other positions have been abolished to reach a level of 182 employees on board on January 31, 1970.

REFUGEE POPULATION

Mr. RIEGLE. I am amazed to hear you say that the refugee population in Vietnam has fallen from a high of something like 1.4 million a year ago or so down to about 270,000. Does this mean that all those refugees that you no longer list have gone back to their original homes?

Mr. MACDONALD. Not all. About 500,000 have gone back to their homes. Another 600,000 have received resettlement allowances. Most of these have remained on the sites which were created originally as refugee camps and which have become to a certain extent viable settlements with employment opportunities for the refugees. I don't mean to suggest that there aren't still deep-seated and very troublesome problems of social welfare in South Vietnam. There are. And

there are some refugees living in what used to be refugee camps and are now villages that are not prosperous people. But the magnitude of the change is an honest one.

The number of refugees on the rolls have been reduced from 1.4 million down to about 270,000. The rest have essentially been taken care of.

Mr. RIEGLE. I wish that you would supply for the record, then, in the interest of time, a definitive, detailed description of those people that have gone back to their original villages or to that general area. I would like to know exactly how well off they are. Have they gone back to housing equivalent to that they lost or is it half of what they had to start with? What really is the qualitative measure of how well they have been resettled, and I would like also that same story for the 600,000, I think that was your figure, for those that had gone to new areas or who perhaps are still in refugee villages which have become permanent living areas.

Mr. MACDONALD. I will get you everything I can on that, Mr. Congressman.

(The information follows:)

On balance, the 500,000 refugees who returned to their own villages did not return to equivalent housing. To restore their housing as it was before they were forced to flee would be an insurmountable task for the Ministry of Social Welfare to achieve, taking into account the large number of war victims affected. For example, in some areas in I and II CTZ, individual families occupied brick or concrete homes with expensive tile roofs. The purpose of the Ministry's program was to give the refugees returning to village temporary assistance of 10 sheets of roofing, VN$7,500 to construct housing and a rice allowance for 6 months. It can be expected that if security is provided to permit three or four harvests, the individual family will be able to reconstruct acceptable housing and become economically viable in about 2 years.

Due to the many variables, a qualitative measure of their status is very difficult to assess: However, the return to village refugee is probably half as well off now compared to the way he was when he was forced to leave his home.

In 1969 approximately 600,000 refugees were resettled in areas other than their original hamlets for reasons of security. The largest population of resettled refugees is found in I and II CTZ where 405,000 were resettled.

The word "resettled" has been used to describe refugees who have received the resettlement benefits prescribed by the MSW. A resettlement site does not necessarily possess economic viability or even the potential. Therefore, the numbers reported as resettled are essentially the count of refugees who have been paid their resettlement benefits and is not a qualitative measure of their integration into their new surroundings.

Generally, the housing and living conditions of the resettled refugees are adequate, but not as good as the return to village refugees who have gone back to their original homes. Since the majority of "resettled" refugees expect to return to their hamlets, they are reluctant to construct permanent structures at the interim resettlement sites, or undertake substantial development projects. Refugee advisers in the field estimate that 50–75 percent of the resettled refugees will return to their original hamlets when security is adequate. Again, considering the magnitude of the refugee problem and the nature of the conflict here, the resettled refugee who has not yet returned to his village is considered only about one-third as well off as when he left his home.

Mr. RIEGLE. Because we saw some desperately bad circumstances out there.

Mr. LONG. Would the gentleman yield?

Mr. RIEGLE. Yes.

Mr. LONG. You were probably there at the high tide of the search and destroy tactics that we were pursuing. Isn't that so? Isn't the diminution of the refugee program due to the fact that we are no longer engaging in large-scale search and destroy military missions?

Mr. MacDonald. No; the generations of refugees continue at lesser levels than they used to be 2 or 3 years ago during the search and destroy era, but the great breakthrough has been in the improvement of security and the opportunity for people to go back home or to be relocated in new areas. I think that the principal breakthrough has been the opportunity to get refugees back into the society. There has been a diminution in the generation of refugees but not entirely. I don't have that figure. It is not a program for which I am responsible or I would have it on the top of my head.

RESETTLING OF REFUGEES

Mr. Riegle. There is one other thing I wish you would provide, and that is, if I am not mistaken, there is a statistic that would suggest that I think it is in Binh Dinh Province that something on the order of 300-plus of some 500-plus total villages in that Province have been destroyed; in other words, that those villages no longer exist as such. Where the village site used to be is now a vacant area that has been shot up, or whatever. I think those statistics are pretty close to right, if I have the right Province, but what I am concerned about is this, in terms of resettling these refugees, have they gone back to the type of life that they left? In other words, if they were predominantly farmers in an agricultural area are they back doing that kind of thing or are they now clustered along the seacoast doing things economically that are pretty much related to the war and which would suggest that when the war activity sharply reduces that they may not be economically viable in terms of continuing on as they might be able to do today?

Mr. MacDonald. I will try to get you a geographical area picture.

Mr. Riegle. I am really concerned about that, and I suspect that is a factor.

Mr. MacDonald. I think the figures may not be accurate.

Mr. Riegle. No, no; 500, of which some 300 or so just aren't there any more. The people had to move away from that area. I raise that point because presumably the people picked the best land areas to settle on originally, and if in fact they are not being resettled on the same piece of geography it may well be that they are required to take on a whole new kind of economic activity just to survive, but I am just wondering to what extent this is a permanent kind of thing versus a temporary situation?

Mr. MacDonald. I do not have the answer and I will try to get the best geographic spread I can. I think in Binh Dinh the practice is for people to return to where they used to be many years ago, but I will get you the best geographic spread that I can, in answer to the question.

Mr. Riegle. I can recall, for example, when we were overflying some areas that you could see what seemed to be very fertile, very attractive areas that had been vacated and the obvious question was: Will we ever be able to have enough security to enable the people to go back to use that piece of land which looked like a very desirable piece of land? And I am wondering if we have been able to go back and reclaim the premium land areas or if those had had to just remain idle? This can go in the record.

(The information follows:)

According to information received from the refugee advisor in Binh Dinh Province, the number of hamlets not villages, reported destroyed is approximately

250 out of a total of 640 carried by the hamlet evaluation system. There are many abandoned hamlets included in this figure in the An Lao Valley, other small valleys and in the vast Montagnard areas of An Khe and Hoai An. Refugees located in Qui Nhon, the capital city of Binh Dinh, the Phu Thai Valley, and in the An Khe areas have achieved a higher economic status than they previously enjoyed. To a great extent, this income is related and dependent on U.S. and Vietnamese military or Government employment, or employment indirectly derived from U.S. presence (such as laundries, bars).

Qui Nhon has developed from a small fishing village of a few thousand inhabitants into the third largest city in Vietnam. There are some 35,000 fishermen refugees located in the city and they have generally found it economically more profitable to remain in the city rather than return to their original hamlets. The reasons for this are proximity to markets, access to improved transportation and the ability to market their product directly without the profit-taking middleman. In addition, they enjoy such urban benefits as medical services, repair facilities for their motorized vessels, schooling for their children, electricity, TV, et cetera. A recent partial survey of refugees in Qui Nhon revealed that 62 percent of them are from hamlets which have been secure enough for some time for them to return. On the other hand, the return to hamlet program in Binh Dinh is making good progress with over 100,000 persons in various stages of return to some 178 hamlets.

Approximately 38,000 have received roofing and one or more cash payments, and approximately 65,000 have received roofing allowances only. The majority of the returnees are returning to the exact site of their former hamlet and in many cases their former homes. There is considerable relocation near local military installations for enhanced security, but these homesites are generally within walking distance of their original homes and rice fields. It appears that about 50–75 percent of the refugees, who are predominantly farmers, will return to their farms when security permits. The remainder will be forced to adjust to a reduced income brought about by the reduction in war activity and war-related economic benefits.

The following is a capsule geographical survey of the refugee situation by Corps area:

In I CTZ, 229,000 people have returned to village in 1969, mainly in Thua Thien and Quang Ngai Provinces. Other Provinces, such as Quang Tin, Quang Nam, and Quang Tri, have no significant RTV programs in progress due to inadequate security. Return to village refugees are generally progressing satisfactorily, have adequate housing, and are doing the same kind of work as before. On the other hand, only one-half of the "resettled" refugees have adequate housing. Since the war started, 885,000 people, about one-third of the population have abandoned their homes. The Lilienthal report estimates that 75 percent of the refugees will return to village when peace comes. Advisors estimate 65 percent, with the remaining 35 percent becoming urbanized.

In II CTZ, return to village in 1969 has only been significant in the two Northern Provinces of Binh Dinh and Phu Yen, with 90,000 and 63,000 respectively. The situation in Phu Yen is very similar to that in Binh Dinh which has been described in detail. However, the current increase in NVA and VC activity in these two Provinces, particularly in Phu Yen Province, has caused some slippage in their RTV programs.

In III CTZ, resettlement camps are generally in better condition than the camps in the other three Corps. Most people in resettlement camps have adequate housing, with some better than they originally had. Overall, the refugees are no more dependent on the war economy than the rest of the population. Presently, there are 9,000 refugees in the resettlement process with about 7,000 RTV this year. In most cases, housing is equivalent to that in surrounding hamlets. People are happy to be back to their original land and after a few months build permanent type homes. However, the majority of people are not going back to their hamlets now, but are waiting for security. In some areas, the resettlement of refugees has been so successful they will probably stay where they are. For example, in the Saigon-Gia Dinh-Bien Hoa area, these people have found a better life than they had before. Not all economic benefits are war-related since there have been many new small Vietnamese industries created in this area.

Another resettlement program on a small scale in III CTZ is homesteading of small groups to land areas that heretofore have been inaccessible. This program does not fall into the RTV category and has only limited appeal to religious groups since no government assistance is authorized.

In IV CTZ there is no significant resettlement program being conducted. Most of the emphasis is on return to village. After these people have established themselves, usually 6 months to 1 year, they are generally well off. Return to village housing is adequate and after a period of time their economic status is frequently equivalent to what they had before through farming and fishing with little dependence on war economy. Most of the refugees in IV CTZ have been integrated into the local population and are now waiting to return to their village when security permits. For example, in 1969, after a 7-year absence, approximately 15,000 people returned to their hamlets along the Thap Nuoi Canal, in Kien Phong Province. These refugees came from several Provinces to reclaim their original land. Since their return they have made good progress, but after a 7-year absence it will take about 2 years of successful rice crops to regain what they have lost.

Mr. MACDONALD. Let me say that there has been a very significant return to areas that had been left 3, 4, and 5 years ago, very significant return of large number of not only refugees but the people who went to the city for security and sought urban employment and now have concluded that it is possible to go back out to their villages and hamlets. I will get you the best figures I can on this.

Mr. RIEGLE. O.K.

POLITICAL PRISONERS IN VIETNAM

Now going back to what was discussed earlier with respect to the political climate in Vietnam and the degree to which there was any political repression, I think you were asked the question how many political prisoners there were and I don't think you had that answer.

Mr. MACDONALD. No, I don't.

Mr. RIEGLE. Would you find that out, and I mean don't get the brushoff from the South Vietnamese officials where they say the guy is in there for this, that, or the other when, in fact, he is in there for essentially political reasons. I would like to have a good yardstick on that, and let me just go off the record.

(Discussion off the record.)

Mr. RIEGLE. Let's go back on the record.

Would you then supply for the record the following things: I would like to know how many political prisoners there are today of people who are in prison for political crimes or things that relate to this. I would like to know what that figure was a year ago, is this number increasing, is it declining, and what kind of terms are these people in under and for what kind of crime, specifically? I would like a very complete and detailed description.

Mr. LONG. You want to distinguish these from prisoners of war?

Mr. RIEGLE. Absolutely.

Mr. MACDONALD. Mr. Chairman, I may say I am happy to pass these requests on and cause them to be honored promptly, but I must recall that I am Director of the U.S. AID Agency in Vietnam and I don't have responsibility for these things, but I will see that the Department of State is given these questions.

Mr. RIEGLE. But you understand, I am sure, that if the situation were to become an intolerable one in terms of what seems to be right and equitable, we don't want to make aid available under those conditions, so it directly relates to the kind of judgments we have to reach here as a subcommittee. We don't know whether it is.

Mr. MACDONALD. If the situation were intolerable.

Mr. RIEGLE. We don't know that until we get that information, do we? We just can't know until those facts are presented here, and that is what we would like to have, those facts.

(The information follows:)

The problem of political prisoners is a complex one, especially since the term "political prisoners" itself is frequently misused. The Vietnamese government is faced with having to distinguish between those engaged in what might be considered here as legitimate political dissent and those who are known or suspected to be active on behalf of the enemy in wartime. The vast majority of prisoners in South Vietnam (aside from common criminals) are in the latter category; the number in the former category is believed to be quite small in comparison.

Because of this problem of definition, particularly in those cases where the distinction between the two categories is not entirely clear, we are unable to determine the exact number of "political prisoners" as such. We have no information to indicate that the number of such prisoners has increased significantly over the past year. The number of prisoners of all types has remained about the same. We do know of some specific cases of the release of certain individuals who might have been categorized as "political prisoners," but these would not necessarily represent all releases of such people.

BLACK MARKET IN VIETNAM

Mr. RIEGLE. With respect to the black market, is that a greater or lesser problem today than it was a year ago?

Mr. MACDONALD. Well, it is a lesser problem in one sense.

Mr. RIEGLE. I mean aggregate activity, now. Let's just talk about size.

Mr. MACDONALD. In agregate activity, I don't know. I really don't know. It is a lesser activity in the sense that there has been given an awful lot of management attention to this problem by particularly the U.S. mission, and more particularly the Department of Defense which has gone to extraordinary lengths to tighten up its procedures for the receipt and handling and dispensing of PX commodities of a variety of sorts, and they have reduced the line items that are available and the numbers of obviously attractive items as far as the black market is concerned.

General Abrams has given his personal attention to providing quotas for each post exchange.

Mr. RIEGLE. Let me ask you this question: If I were out there right now in Saigon and I wanted to get some standard sorts of items which are not generally available and I went out to find those things and had a savvy taxi driver, how long would it take me? Would I have any difficulty getting the things I wanted?

Mr. MACDONALD. A television set?

Mr. RIEGLE. No, nothing quite as fancy as that. Let's take clothes or personal items, things that would normally be found in an American PX short of television sets. Can't all those things be pretty much gotten, or not? Has that situation changed?

Mr. MACDONALD. I honestly don't know. The answer will vary by location within the country.

Mr. RIEGLE. But you just said a minute ago we are spending a lot of management effort in the AID mission on this very subject.

Mr. MACDONALD. Not in the AID mission; in the U.S. mission.

Mr. RIEGLE. Who would have that answer?

Mr. MACDONALD. The Department of Defense and the United States Embassy, which has an Irregular Practices Committee to see that all agencies are working together to reduce——

Mr. RIEGLE. You are not a part of that?

Mr. MACDONALD. Oh, yes. I have a member of my staff on that committee.

Mr. RIEGLE. Who is that?

Mr. MACDONALD. Mr. Thomas Naughton.

Mr. RIEGLE. Oh, I know Tom.

Mr. MACDONALD. My previous man was Mr. Robert Parker who happened to be the chairman of that committee, wearing not an AID hat but a U.S. mission hat, the Parker who testified before the Ribicoff committee.

Mr. RIEGLE. If this is appropriate, I would like to have Naughton prepare what would be an up-to-date, incisive analysis of exactly what the black market problem looks like at this stage of the game, and how that compares to what we found a year ago. You are obviously involved in the problem because you have a man on that committee, and I would like to have that from him, if it is appropriate to have him provide that.

Mr. MACDONALD. If I understand, your request is for as specific information as we can provide you as to whether it is easier or harder to get black market items.

Mr. RIEGLE. The nature of the black market problem today in Vietnam and how that compares to, say, the situation a year ago.

Mr. MACDONALD. All right. We do have a paper on the steps that have been taken by the U.S. Government to tighten up its situation, and I am very happy to be able to tell you that in response to——

Mr. RIEGLE. That isn't what I want, now. That is what we always get in the way of an answer. We get one of two things: either steps that are taken to try to change things, or what our plan is for the future. What I want is an assessment of the problem, and then if he wants to include with that steps that have been taken, all right, that is fine. I just want to know how big the problem is today and what its shape and nature is, say, versus a year ago.

Mr. MACDONALD. I will request the Department of Defense to provide the committee with its estimate of losses of PX goods, if that is what you want, Congressman Riegel.

Mr. RIEGLE. No, because that is not enough, as I am assuming that there are other sources of supply besides contraband from PX's. I assume there is smuggling and Lord knows what other ways to get goods into that country. There seemed to be no absence of things when I was there a year ago, and I am just wondering what the volume and size of that activity is today versus a year ago, some probably from the United States military sources, some presumably from other sources, maybe some from AID sources. Goodness knows, I don't know where it all comes from.

Mr. MACDONALD. I will try to get the best assessment that I can from the various agencies of the magnitude and characteristics of the black market problem for you.

Mr. RIEGLE. And then again, that in comparison to the ways it might have been a year ago.

Mr. MACDONALD. Yes, sir.

(The information follows:)

VIETNAM BLACK MARKET

Any attempt to assess the magnitude of the black market is impeded by the clandestine nature of the market itself. In the same manner, comparisons of one year against another will suffer from the lack of hard data. However, periodic visual observation indicates a marked reduction in the number of street vendors of PX goods and of the goods themselves.

The black market owes its existence to the general economic conditions of the country; the scarcity of certain items on the legitimate market; and the ready availability of these same items in both military and civilian contractor commissaries, post exchanges, company stores and through other military sources. The conditions mentioned earlier combine to make blackmarketeering an extremely profitable venture.

The most common black market goods are the small and relatively inexpensive post exchange items such as cigarettes, canned foods, liquor, detergents, soft drinks and beer. A demand also exists for high value commodities such as TV sets, radios, stereo components, watches, fans and refrigerators; however, these more expensive items are not generally peddled openly on the streets.

MACV has implemented effective countermeasures to suppress the diversion and leakage of post exchange and military commodities into the black market. These actions in conjunction with a random survey of black market prices on certain commodities over a period of time permit us to draw certain conclusions, that is, a substantial reduction in diversions and pilferage plus an increase in the black market price of a commodity means that countermeasures are effective.

A random black market price sample of certain critical commodities reveals the followings:

BLACK MARKET PRICE CONVERTED TO U.S. DOLLARS

Item	March 1969	March 1970
Towel	1.69	2.96
Cigarettes (carton)	4.25	6.77
Wristwatch (Seiko)	33.89	46.61
Detergent (Tide)	1.20	1.69
Beer (case)	4.23	13.13
Gin (4/5)	5.93	7.62
Bourbon (4/5)	5.93	7.62
Martel cognac	8.47	14.40

Attached as tab A is a MACV fact sheet showing sharp reductions in the procurement of certain PX articles in demand on the black market.

A further indication that the situation is better today than a year ago are the following PX average monthly loss figures for 1968 and 1969: 1968, $27,944; 1969, $1,213.

The figure for 1969, as a percentage of sales, is slightly less than the acceptable level experienced by any large department store in metropolitan centers in the United States.

Commissaries and post exchanges, are, of course, not the only source of goods in demand on the black market.

For years a number of enterprising operators have been engaged in smuggling. Using their own capital they have been purchasing expensive piece goods, watches, and other highly taxed items in Bangkok, Hong Kong, or Singapore, transporting these to Saigon by plane and bypassing normal customs inspection. These goods do not appear in the common street stalls, but are delivered to established merchants. Import taxes on some of the piece goods are set as high as 750 percent, a tremendous incentive for smuggling.

In the last 2 months, the GVN has made an effective effort to cut down this type of black marketing. At the present time some 700 packages are sequestered in customs storage, having been intercepted at Tan Son Nhut Airport. If customs duties are not paid in 30 days, the bundles are opened and the goods sold. The bundles already opened have contained for the most part high quality piece goods for women's clothing. In this particular segment of the black market it can be said that conditions are vastly improved over a year ago.

A third, and lesser, source of black market goods are those items stolen from U.S. and GVN warehouses. As an example, spare parts and tools of U.S. manufacture supplied to contractors and GVN facilities as part of U.S. military and civilian programs do appear for sale on the street. Petty pilferage is difficult to

control, however the loss from this source is probably no greater than that experienced in a normal economy.

The Mission Irregular Practices Committee consisting of all elements of the U.S. mission, has caused the institution of a number controls and regulations that have been effective in deterring and even reducing the black market. However, since the problem is essentially that of the GVN, there is a limit to what the U.S. side can do.

It has been encouraging to note that the GVN has set up its own high-level Irregular Practices Committee chaired by the Minister of Finance. This committee was established in January of this year and has been holding weekly joint meetings with representatives of the Mission Irregular Practices Committee chaired by Ambassador Berger since February 1970.

The vastly tightened control by customs resulting in the confiscation of smuggled goods mentioned above is a result of this new attitude of the GVN. As a complementary action, in recent weeks GVN customs have detained a number of Vietnamese, Chinese, Korean, American, and Indian individuals with currency and monetary instruments indicating currency manipulations, all of which adds to the problem of flight of capital. During March, the GVN confiscated over $100,000 in currency at Saigon airport which had not been legally declared. In April, two Chinese embarking for Hong Kong with $180,000 in U.S. checks and 48 million piasters in cash were detained by customs. Also, in the same month a Vietnamese was apprehended with almost 50 million piasters prior to his departure for Hong Kong.

These developments would seem to portend increased seriousness on part of the GVN to join the issues.

Fact Sheet on Exchange Activities

Following are some of the actions taken, and trends that we have developed in exchange procurements and sales, that will reduce the quantities of offensive items introduced into the black market of Vietnam from Vietnam regional exchange sources:

(*a*) The sale of furs, with delivery to customers in Vietnam, was discontinued on January 10, 1970. Customers can still purchase furs from the Army and Air Force Exchange Service mail-a-fur-program for delivery outside of Vietnam. Furs can no longer reach the black market from the exchanges.

(*b*) In November 1969 the Vietnam Regional Exchange (VRE) discontinued buying 21 items of electronic and camera items which sell for over $100 each. Due to the long procurement lead time (180 days), these items are still arriving, but in May 1970 they will no longer be stocked for sale in Vietnam. The items deleted from procurement include: music systems, stereo receiver/amplifiers, tape decks, tape recorders, television sets, and various cameras—all of which sold for over $100 each.

(*c*) Female underwear is sold only to female customers who are authorized to shop in the exchanges. Quantities received and sold are well within reasonable amounts when compared to the number of women customers in Vietnam. As an example, there are 950 brassieres and 732 pair of women stockings procured for delivery in April 1970. There are over 2,000 authorized female customers in RVN.

(*d*) Although the authorized customer demand for watches far exceeds the watches available in the exchanges, the procurement in 1970 of watches that sell for $25 to $50 has been substantially reduced over the procurement for a like period in 1969. As an example, 23,805 watches that sell for $25 to $50 were procured for delivery in March 1969 but only 11,592 were procured for delivery in March 1970.

(*e*) The procurement of alcoholic beverages has been reduced in 1970 when compared to the same period in 1969. During May 1970 only about two-thirds of the liquor/wine will be procured as was procured in May 1969. The total consumption of alcoholic beverages (liquor/wine) averages less than two bottles per month per authorized exchange customer.

(*f*) The procurement of cigarettes in 1970 is generally lower than for the same period in 1969. Procurement of cigarettes is approximately two-thirds of the amount procured for a comparable period last year. The total sales of cigarettes averages less than four cartons per month per authorized customer in Vietnam. The Vietnam Regional Exchange procures only 70 percent of the total quantity of cigarettes authorized each month by the MACV ration system.

(*g*) The procurement of tape recorders and decks (all prices) for 1970 has

been substantially reduced over the same period for 1969. Procurement for April 1970 is 43 percent of that procured during April 1969. The procurement of tuner amplifiers is 3 percent of the rationed quantity authorized.

(*h*) The jewelry sales in 1969 dropped substantially from sales in 1968. As an example, in November 1968 there were sales of $1,771,413 compared to $998,044 in 1969. Further reductions are expected in 1970. Over 80 percent of the diamonds sold by the diamond concessionaire are of size 0.50 carats or less.

(*i*) Procurement of TV sets has also been substantially reduced for 1970 when compared to 1969. Procurement for April 1970 is less than 50 percent of that procured during April 1969. VRE procures only 6 percent of the TV sets authorized by the MACV ration system.

(*j*) Since strict currency controls were established, the ROK and Thai exchange sales have dropped substantially. During the 5-month period following the establishment of strict controls, average monthly sales dropped to 27 percent of average monthly sales during the 5 months preceding the controls.

PUBLIC SAFETY PERFORMANCE IN VIETNAM

Mr. RIEGLE. Now the Phoenix program. How effective is the Phoenix program, in your judgment?

Mr. MACDONALD. I have little technical competence in this program. All these subjects, Mr. Congressman, that you have been putting to me, refugees, Phoenix, black market, pertain to responsibilities of CORDS and the Department of Defense. Ambassador Colby was here with a fairly large delegation 2 weeks ago from Saigon to appear before the Senate Foreign Relations Committee, and he prepared a paper on the Phoenix program and submitted to the Foreign Relations Committee. He spoke for 2 or 3 days with that committee. I am not trying to beg your question.

Mr. RIEGLE. No, no. But I would be interested from your vantage point, though, as an observer who is not in this chain of command and who is not, obviously, directly wedded and tied to that program; how does it seem to be working to you?

Mr. MACDONALD. By effectiveness, do you mean is it achieving in discovering who is the infrastructure——

Mr. RIEGLE. And helping to generally create a sort of smooth condition within which your AID programs are able to go forward better.

Mr. MACDONALD. Well, I think that it is making very fine progress. It has been brought on a national basis. Increasingly, the National Police are given responsibility for running it as a normal public safety function of government, to ascertain who is violating South Vietnamese law and terrorizing the citizenry, and all the rest, and I don't have the figures in my mind of the numbers that are being apprehended, killed in some cases, tried and sent to jail in others, but I believe all the indicators are on the upswing, Mr. Congressman.

Mr. RIEGLE. The reason I ask is I know there is some opinion to the effect that the way this tends to be working is you tend to pick off the enemy people of the lowest stature, the ones that are easiest to get your hands on, whereas the real hard-core, higher ranking infrastructure types are basically not being picked up by this program. I have a statistic here, which I can't cite right at the moment as to the number of infrastructure people the Defense Department identifies now, say, versus a year ago, and there doesn't seem to be any really substantial erosion in that number, but——

Mr. MACDONALD. I think there are exaggerations in some of these statistics. We all know that, and those who are responsible for administering the program know it better than I do and are quite candid

in saying so. In order to give some emphasis to the program, the central government has pushed the localities very, very hard to get on with the Phoenix program and there is a tendency for a local commander or local province chief or village chief to run around after a fire fight and count anybody who is dead as a Viet Cong member, an old infrastructure type, so there is exaggeration, but Ambassador Colby's cool and candid estimate of this situation is that the program is moving very nicely.

MILITARY PROVINCE CHIEFS

Mr. RIEGLE. Let me ask you this question just in terms of developing democratic institutions: How many province chiefs do we have now who are civilians rather than professional military?

Mr. MACDONALD. None.

Mr. RIEGLE. So we don't have any province chiefs yet who are civilians? We haven't been able to elect a single province chief?

Mr. MACDONALD. They haven't set out yet to elect a single province chief and the province chief is, as you appreciate, a military commander. He has military responsibilities, not merely the responsibility to administer civilian government functions, both.

Mr. RIEGLE. But he has tremendous power.

Mr. MACDONALD. Oh, he certainly does. He has the combined power of the civilian governmental chief and a military commander for that area.

Mr. RIEGLE. Yes. You see, now this is why it is important to make that distinction, though, because when we try to convince the American people that we really have a democratic government out there that is elected, we make a great deal of noise about electing local village chiefs, and so forth, which is fine——

Mr. MACDONALD. And which is a fact.

Mr. RIEGLE. Sure, which is the fact, but also a fact is that we essentially have a military regime in place in South Vietnam. President Thieu is a professional military man, as is Vice President Ky and most of the key men, strategically positioned men, in government are professional military. All the province chiefs are, and in a sense that military regime, be it good or bad, and we are not here to pass judgment on that today, have essentially an iron grip on the governmental process in that country in terms of how things are done, and so forth. I mean, this is basically a statement of fact, is it not?

Mr. MACDONALD. Oh, yes. It is also a statement of fact that each province chief, military officer that he is, has two deputies, one to run the military side of things, who is also a military man, and one to run the civilian side of things, who is without exception, I think, a civilian. The deputy province chief for administration is a civilian.

Mr. RIEGLE. But the province chief is boss.

Mr. MACDONALD. Oh, yes, he is boss. This is one war that is being conducted out there, the country is at war, and it has an invader in its midst. The paramount consideration in this war is to avert military defeat and overcome the enemy, so I don't think it is possible quite yet to minimize the importance of the military function. I make no excuses for the province chiefs.

NUMBER OF VIET CONG IN SOUTH VIETNAM

Mr. RIEGLE. Just two final things and I will be very brief here. If I am not mistaken, I think if you add up all categories of the enemy forces right down to the irregulars, if you take all the categories of enemy forces in South Vietnam presently and total those, and you then make a determination as to what percentage of that total are South Vietnamese rather than, say North Vietnamese regulars, you will find that over half of the aggregate "enemy population" in all categories is South Vietnamese. Is this not correct?

Mr. MACDONALD. You mentioned those figures this morning and I was doubtful about them. Mr. Sharpe and I talked at lunch and I don't have the national figures but he did recall one statistic which may or may not be typical of one province in Long An, in which a fairly careful study was made and in which it was shown that about 75 percent of the enemy were North Vietnamese.

Mr. RIEGLE. Which Corps area is this?

Mr. MACDONALD. Long An is in III Corps, just below Saigon. I don't know that that is typical and I will seek to get the best estimate that we have, Mr. Congressman.

Mr. RIEGLE. Why don't you go ahead and get your estimates and put them in, and if we may, I would like to have the committee clerk get those numbers, because they are public, out of the Defense Department, all combat categories, and we will insert them in here just to make sure that percentage is clear.

Mr. MACDONALD. How do you want to treat the enemy who sits in the bivouac areas in Cambodia and Laos?

Mr. RIEGLE. Are they South Vietnamese or North Vietnamese? I would divide them on that basis. I presume he moves around. I am more interested in whether he is an invader who is North Vietnamese or whether he is South Vietnamese.

Mr. MACDONALD. North. There are some Viet Cong that slip across the border with them.

Mr. RIEGLE. There may be sanctuaries. Then let's distinguish that, because I think what we will find is that over half the enemy force—that is defined as all those who participate at all with the enemy—are South Vietnamese, and so it raises a question as to whether we are really well advised to use the word "invader" or if it should be at least qualified to that extent.

(The information follows:)

ENEMY POPULATION

The current estimates of North Vietnam Army (NVA) and Vietcong (VC) forces in the Republic of Vietnam are NVA 100,000 and VC 140,000.

USEFULNESS OF CONGRESSIONAL VISITS TO VIETNAM

Mr. RIEGLE. Earlier when we were talking about the possibility of the subcommittee coming down to maybe take a look at the land reform program and some of the other things that are happening, the conversation was fairly light at some points as to whether the suggestion seemed to be good. Does it really help when you have a nonending stream of congressional types coming in and out of Vietnam, and I would be the first to say that there are some people that come and

accomplish something and others that come and accomplish nothing?

Mr. LONG. Except publicity for the whole group.

Mr. RIEGLE. Except goodness knows what, but I want to pursue this because I think it is useful for this committee particularly because of its position and responsibility to try to have a firsthand view. I think we ought to get out there later.

I want to go back just for a minute because this may come up later as we discuss the wisdom of a trip this year. When we were there a year ago it occurs to me that, particularly after the discussion we had with President Thieu, as you and I spoke afterward after you had a chance to speak with Ambassador Bunker, that the consensus at that time was that had been a useful session. I recall we talked about de-Americanization, which has been renamed Vietnamization, but I think the consensus was at that time that that was not a waste of anybody's time, and that useful things had been accomplished. Is that a fair assessment, as you remember?

Mr. MACDONALD. Oh, yes; President Thieu is most anxious to hear from visiting Americans about the American scene. He has, as a necessity, to think in terms of the American public opinion as well as his own country's public opinion in his conduct of his responsibilities because of the very close relationship that we two countries have together in this common cause. Yes, he has always welcomed the opportunity to hear from Americans. As to whether or not the committee wishes to come to Vietnam, it would be, I think, highly inappropriate for me to suggest anything other than that this is within the purview of the committee.

Mr. RIEGLE. Yes. But let me just take this once more, step by step, because apparently I didn't make it clear. I had the impression after we had that session in Saigon and we had had the chance to talk about what was taking place in this country and the need for certain things to begin to develop in Vietnam, that it was the feeling of those who were present at this meeting that it had been useful that that meeting had taken place; in fact, the things that we were trying to accomplish either as an AID mission or as an American mission in total, that those kinds of conversations held that way can from time to time be helpful.

Mr. MACDONALD. As I say, I think that the President has valued the opportunity to speak to many Representatives of Congress and to Senators who come through. Senator Javits was there recently. Many do call on him and he is anxious to see them and hear from them their individual views and to hear their firsthand impression.

Mr. RIEGLE. In fact, this can reinforce what you are trying to do out there, can it not?

Mr. MACDONALD. It can impart to many a wider understanding of conditions in the United States than he would have without the benefit of that kind of opportunity to talk to informed Americans.

Mr. LONG. I wonder if we could terminate at this time. I do have one question I would like to ask.

VIETNAM GNP

Looking at this chart, I see that estimate that roughly, you say, the gross national product of Vietnam is $4.2 billion. According to this, about $500 million is Government expenditures or receipts and we are

putting up more than half of that, so that I would say around $250 million would be what the South Vietnamese are getting in the way of taxes, domestic tax, plus deficit financing. Actually, only $150 million here would be domestic taxes and the rest would be the sale of Treasury bills and deficit financing. So if you take $150 million, that is really only roughly 4 percent, a little less than 4 percent, 3½ percent, of the national GNP of Vietnam is being paid in taxes compared with 22 percent in the United States.

Mr. SHARPE. When you start translating into dollars, the exchange rate causes trouble.

Mr. LONG. Tell me what the GNP of Vietnam is in piasters.

Mr. SHARPE. The GNP of Vietnam is piasters in 1969—you might as well have the figure that we use—was 532 billion.

Mr. LONG. 532 billion?

Mr. SHARPE. For 1969.

Mr. LONG. OK; so let's do it that way, then. 142 or roughly one-quarter is your expenditures. Half of that is raised domestically, so that is 12½ percent, and only half of that is raised through taxes, so that is about roughly 6 percent of the GNP is raised in domestic taxes, whereas that would be 22 percent in the United States. How can you justify that? That doesn't count our State and local governments.

Mr. MACDONALD. Let me say, sir, that I think your arithmetic is essentially right. We have calculated 12 or 13 percent of GNP and we have included deficit financing as a contribution by the people of South Vietnam to the financing of the budget. These figures, too, do not include much lesser taxes at local levels, land taxes that are enjoyed by the villages and all the rest. I do think it is not inappropriate to count deficit financing, Mr. Chairman.

Mr. LONG. Beyond that you have an invisible inflationary tax?

Mr. MACDONALD. Yes, yes. The burden of that inflation is borne by the people of South Vietnam solely for the purpose of financing the totality of national effort manifested in the budget.

Mr. LONG. I think you may have a good point there. Even so, that means that their tax effort is only half of what ours is.

Mr. MACDONALD. This is the great difficulty in underdeveloped countries where businesses are small and not long lived, or family owned in character, and it is not easy to increase taxes, particularly direct income taxes, thus the great reliance they have had on customs taxes.

Mr. LONG. Where would your local thing fit in this picture, the villages and provinces? Is that part of this GVN budget?

Mr. SHARPE. Local taxes would be very small and would be outside of this.

Mr. LONG. They are not part of this?

Mr. SHARPE. It would be fair, I think, if you are comparing with the total U.S. tax take, to add customs receipts.

Mr. LONG. You have it here.

Mr. SHARPE. You didn't count it when you counted up to 12 percent of GNP, I think you counted. You have just the first two.

Mr. LONG. I just took the blueprint of the chart.

Mr. SHARPE. Yes, the blue is domestic taxes and doesn't include customs.

Mr. LONG. I thought you told me that everything but the blue was ours and the blue was theirs.

Mr. SHARPE. The cross-hatched area is customs on imports financed out of their earnings. Most of their earnings essentially are due to the U.S. presence. Therefore, it isn't clear cut one way or the other.

Mr. LONG. Thank you very much, Mr. MacDonald. It has been interesting and very informative.

This committee is adjourned until further notice.

Mr. MACDONALD. I appreciate the opportunity to come and speak to you, sir.

WEDNESDAY, APRIL 22, 1970.

VIETNAM

WITNESSES

HON. ROBERT H. NOOTER, ASSISTANT ADMINISTRATOR, BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
HON. WILLIAM H. SULLIVAN, DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
ANDREW WESTWOOD, DEPUTY DIRECTOR, OFFICE OF PROGRAMING FOR VIETNAM BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT
WILLARD D. SHARPE, OFFICE OF ECONOMIC POLICY BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
WILLIAM W. THOMAS, JR., SPECIAL ASSISTANT, ECONOMIC AFFAIRS, BUREAU OF EAST ASIA AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
COL. THOMAS M. CONSTANT, U.S. ARMY, DEPUTY DIRECTOR, VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
LT. COL. GEORGE H. PATRICK III, U.S. ARMY, ASSISTANT FOR VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS, COORDINATION STAFF, LEGISLATIVE AND PUBLIC AFFAIRS OFFICE, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES F. FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the budget request for foreign aid. Our examination will be primarily in spigot one of 27 spigots, and the geographical area will be that of Vietnam. We have as witnesses the Honorable Robert H. Nooter, Assistant Administrator, Bureau for Vietnam, and the Honorable William H. Sullivan, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs.

I believe, Mr. Secretary, you have been here before.

Mr. SULLIVAN. Yes, sir.

Mr. PASSMAN. In a different capacity, I believe.

Mr. SULLIVAN. No, sir; in the same capacity.

Mr. PASSMAN. I made that statement because of this biographical sketch. It is not necessary to submit one every year.

Mr. SULLIVAN. I didn't realize one had been submitted.

Mr. PASSMAN. It had, so that caused a bit of confusion.

We want to welcome our busy Controller back.

I would assume, Mr. Nooter, that you have a statement you would like to make to the committee?

Mr. NOOTER. Yes, Mr. Chairman.

STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR VIETNAM

Mr. Chairman, members of the committee, I appreciate the privilege of appearing before this committee today to present AID's fiscal year 1971 program for Vietnam.

BROAD OBJECTIVES

Our broad objectives remain unchanged: to provide economic support for the defense of South Vietnam; to relieve the hardships of the civilian population; and to strengthen the non-Communist political forces, represented by the elected government in Saigon and the villages, through assistance to economic, social, and political development.

Activities involving refugees and civilian war casualities—included in our goal of war support and relief—relate to the first objective, while those activities under the goal of national development, such as aid to agriculture, education, public administration, and public works, support the second.

Two other major groups of activities, encompassed under the goals of economic stabilization and pacification, contribute to both major objectives. The first is concerned with the prevention of runaway inflation and the orderly flow of goods and services. This support makes it possible for the Government of Vietnam to carry on the war while providing essential public services. If inflation were not held to reasonable limits, increasing disparities between incomes and prices could create political unrest to the point where new social and political reforms now in process could be slowed or halted entirely.

In the case of pacification, this program helps people in areas formerly dominated by the enemy to develop a more secure and prosperous environment, one in which they help determine their own future. In the process, these people make a greater contribution to both the national defense effort and to the economic and social progress of the country.

BASIC ASSUMPTIONS

The proposed AID program for Vietnam in fiscal year 1971 has been based on the assumption that the military conflict will continue at about its present level of intensity but with the Vietnamese assuming increasing responsibility. The conflict will continue to generate some refugees and civilian casualties, but at much less than the peak rate of 1968. We are assuming that security conditions will continue to permit us to assist the Vietnamese to carry out programs of rural development and other public service improvements, and also to continue a series of studies on various sectors of the economy which can assist in planning for the country's longer range economic development.

(A table follows:)

FISCAL YEAR 1971 PROGRAM

[In millions of dollars]

Program goals	Fiscal year 1969 actual	Fiscal year 1970 estimate	Fiscal year 1971 proposed
Economic stabilization	133.6	223.2	222.4
War support and relief	26.7	22.2	20.1
Pacification	49.4	50.1	44.2
National development	59.3	34.9	45.5
Technical support	24.0	21.6	20.8
Program totals	293.0	352.0	353.0
Administrative expenses	5.6	5.5	5.8
Program support AID/W	6.1	7.7	7.5
Total AID assistance	304.7	365.2	366.3

Mr. NOOTER. To continue AID's program in Vietnam we are at this time requesting the sum of $366 million for fiscal year 1971. This is $1 million above our estimated fiscal year 1970 program.

We anticipate that we will need fewer funds for war support and relief and pacification due in large part to fewer refugees and fewer villages undergoing the initial stages of pacification.

Expenditures under the goal of national development, however, will rise as a result of a GVN decision to proceed with an extensive new land reform program. I will discuss this program in greater detail later on.

Program support costs, including technical, administrative, and Washington management, remain about the same. Reductions in U.S. personnel in Vietnam are continuing in fiscal year 1970 when the number of AID-financed direct-hire personnel on board will have dropped from 1,921 at the end of fiscal year 1969 to an estimated 1,730 by June 30, 1970.

Finally, in this presentation we have requested an amount for the economic stabilization program equal to that being utilized in fiscal year 1970. This amount will almost certainly be less than the funds which will be needed in fiscal year 1971 for this purpose. However, under the fiscal year 1971 authorization ceiling for supporting assistance, we do not have the ability to increase our request for funds for the commercial import program, which is the principal tool in the economic stabilization program, and also to program other requirements adequately. For that reason, the President's budget message stated that new supplemental authorization and appropriations of up to $100 million would be sought to meet this contingency.

VIETNAMIZATION

"Vietnamization" is a concept whereby Vietnamese Armed Forces at various levels "take over" from U.S. forces so that the latter can be withdrawn or reduced in number. As this withdrawal proceeds there will be a period when the additional costs to the Government of Vietnam of being directly responsible for more of the military effort will require more, not less, economic assistance from the United States.

A greater military effort on the part of the GVN and the withdrawal of U.S. troops affects the Vietnam economy in two ways. The buildup of the Vietnam Army, the upgrading of its manpower, and the transfer of functions from the U.S. military involves additional budgetary

expenditures for the GVN. Unless offset by increased revenues or other means of absorbing the additional purchasing power generated by these expenditures, inflationary pressures in the economy will increase, leading to a rising demand for imports.

At the same time foreign exchange availabilities are expected to decline as U.S. troops are withdrawn and U.S. purchases of piasters to pay for local goods and services are reduced. Since these dollar earnings have financed the greater part of Vietnam's imports, their loss will reduce Vietnam's ability to import the goods and services needed to maintain reasonable financial stability and at the same time provide the government with its major source of revenue.

Thus, the economic impact of Vietnamization means increasing inflationary pressures on the economy of Vietnam which, if not mitigated by external assistance, could create serious political or morale problems and might force a slowing down of the Vietnamese Government's progressive assumption of military burdens now borne by U.S. forces.

The commercial import program (CIP) financed from AID funds has been a principal tool for maintaining reasonable economic stability since the military buildup in 1965 and is expected to continue to perform this function as Vietnamization progresses.

It is not possible to determine at this time how much additional funding will be needed for the commercial import program over and above the $220 million requested in fiscal year 1971 in order for the CIP program to continue to perform its critical stabilizing function. The strength of the inflationary pressures will depend on the rate of increase of GVN expenditures resulting from Vietnamization of the military effort, and its ability to increase revenues. The rate of U.S. troop withdrawals and the consequent reduction in U.S. piaster purchases will determine the level of Vietnam's foreign exchange earnings and the size of the import program which it is able to finance with these earnings. At the same time, the Vietnamese Government is attempting to obtain further increases in tax collections which will reduce consumer demand and thus the need for increased imports financed by the United States. As these interacting trends can be more clearly assessed in the next several weeks or months, we shall be able to determine whether, and in what amount, we will have to ask the Congress for a supplemental authorization and appropriation of up to $100 million.

What is clear already, however, is that Vietnamization is putting increasing pressures on the Vietnam economy. Until resources can be freed to increase domestic production and exports, the country will continue to need substatnial assistance in order to maintain reasonable economic stability.

PROJECT PROGRAM

AID seeks to achieve its other goals in Vietnam by means of a wide variety of technical and capital projects known as the project program. The project program has steadily declined since fiscal year 1967, when it totaled $325 million, as major investments in health and refugee care were completed; port, water, and electric facilities improved; and major programs in elementary education and rice production taken over by the Vietnamese. In fiscal year 1971, we are requesting $133

million for the project program, including $20.8 million for technical support to the overall program as distinct from the personnel, commodities, and other inputs funded under each individual project.

WAR SUPPORT AND RELIEF

Under this goal we are requesting $20 million in fiscal year 1971 compared to $22 million in fiscal year 1970. The majority of these funds are for three projects involving refugee relief and resettlement, and two projects in Public Health related to the operation and supplying of provincial hospitals which, among other things, provide medical care for those civilians wounded in the course of the fighting. Over the past 12 months there has been gratifying progress in both these areas. The number of refugees on the rolls fell from a peak of 1.4 million to less than 300,000 by the end of February 1970. About 500,000 refugees returned to their own villages while about 600,000 were resettled in and around the sites of refugee camps. In the field of hospital care while monthly admissions of patients increased 15 percent in 1969, admission of civilian war casualties dropped by 26 percent. Nearly 1,000 patients were treated in the first year of operation of the AID-sponsored National Center for Plastic and Reconstructive Surgery, and the plan to merge Vietnamese military and civilian health and hospital resources has proved to be very successful with more bed space and better treatment accorded both groups.

In fiscal year 1971, AID will provide 97 specialists to assist the GVN throughout Vietnam in operating its refugee and resettlement programs. We will help finance 10 volunteer agencies who assist the refugee program and plan to provide nearly $4 million worth of construction commodities. In addition, we expect to utilize nearly $25 million of surplus food granted under title II, Public Law 480.

In the health field, we are providing medical personnel and medical supplies. Contracts with the American Medical Association, U.S. Catholic Conference and the International Rescue Committee will provide the services of nearly 90 doctors, nurses and technicians, while the Republics of China and Korea, also under AID contracts, will furnish 13 medical teams.

PACIFICATION

The word "pacification" as used here refers to a specific program undertaken by the MACV Office of Civil Operations and Rural Development Support (CORDS) in conjunction with various Government ministries.

Security from the Vietcong main forces and North Vietnamese units is provided by the Army of Vietnam (ARVN), by Free World Military Assistance Forces (FWMA), and by U.S. Forces. In militarily secured areas, rural development (RD) cadre teams and national police are placed in specific villages to help organize the People's Self-Defense Forces, train local governing bodies and assist self-help development projects.

Present emphases are on strengthening the village, which is the basic administrative unit in rural areas, and supporting greater autonomy and development at the province level. In keeping with the village development program which involves giving villages greater responsibility, the RD teams now operate under the authority of the

village chief. This enables elected village officials, in cooperation with the Central Government, to plan for the defense of the village and draw up small-scale economic development projects. Programs at the provincial level will stress public-works-type projects benefitting the province as a whole. A continuing project entitled "Provincial Roads and Quarries" is being expanded to accommodate the new emphasis.

During the past year, the pacification program has moved forward at both the village and province levels. In the villages the emphasis has been on local development projects, and for this program, government funds were allocated to all secure villages. Over 20,000 projects were planned of which more than half were completed by the end of 1969. More local elections took place and by December 1969 elected officials held office in 94 percent of all villages and hamlets. Nearly 16,000 key village officials and 35,000 lesser officials were given training related to their new offices. In provincial capitals, special councils for pacification and development were beginning to function. These bodies received the equivalent of $9 million from the central government for province development projects with emphasis on roads and bridges. Also during the year, over 6,000 national police were assigned to duty in 1,600 villages, 3 million persons were registered under the national identity program and nearly 20,000 Vietcong operating within the Communist political underground at the village level were exposed and imprisoned.

For fiscal year 1971 we are requesting $44 million for pacification compared with $50 million in fiscal year 1970. The fiscal year 1971 program is aimed at consolidating the gains made at the village and province levels by providing U.S. and third-country advisers, many of whom are specialists in community development, supporting 15 U.S. Navy Seabee teams who help on construction projects and by providing construction materials. Under the national police portion of the pacification program, we will continue to train the present 89,000-man force while preparing to train and support additional manpower. The national police force in actions against the Vietcong and its infrastructure, operates detention facilities, conducts a national registration program and provides surveillance of illicit movement of goods and persons. Also, the growth of this sizable civil police structure by its nature is creating a Government institution concerned with the development of civil law enforcement and serving the goal of national development.

NATIONAL DEVELOPMENT AND PLANNING

By national development we mean the improvement of Government institutions and methods for effecting in a positive manner a variety of programs in the economic, social, and political fields. The strategy is to carry on this development in a manner which elicits greater popular participation, emphasizes economic growth at the village level, stresses the transfer of certain categories of public decisions to the Province/district levels, encourages private initiative, and exercises the closest coordination with the pacification program. Under the planning aspect of this goal, AID is helping to prepare the base for national economic planning in the post-hostilities period. Under this goal, AID provides support for programs in the fields of agriculture, education, labor, public administration, public works, and public health.

The single most important activity in terms of its potential for the future of rural Vietnam is the land reform project. On March 26, 1970, President Thieu signed into law the recently passed land-to-the-tiller bill which will virtually eliminate tenancy on rice lands. The bill affects over 2 million acres of rice lands and about 500,000 tenant farmers. Under the bill, present owners may not retain more than 37 acres and then only if they farm that amount themselves. Acreage above the stated limit will be divided among those tenants now working the land with limitations on what any one tenant can own. The tenants will receive the land free of charge; the owners will be paid an amount equal to two and one-half times the value of the average rice yield over the past 5 years. Owners will be paid in cash (piasters) for 20 percent of the land value and in Government bonds repayable over an 8-year period for the remaining 80 percent.

Cash payments to be made over the next 3 years will constitute a significant inflationary factor. To cushion the inflationary impact, AID has agreed, subject to the availability of funds, to make a contribution in dollars since, from past experience, we know that any increase in GVN spending is reflected in a demand for imports. We estimate that the amount of our support for the purpose of meeting the import demand resulting from the cash payments will be about $40 million.

In fiscal year 1969 we obligated $10 million for this aspect of land reform. We expect to release the $10 million as the program gets underway and landlords are compensated by the government. An additional $15 million, needed in fiscal year 1971, is included in this request. We will probably ask for another $15 million in fiscal year 1972, depending on the progress made in implementing the program.

I cannot overemphasize the importance of this program to the future of Vietnam. It will provide rural farmers with a new incentive to protect their land, and will destroy one of the Vietcong's most compelling arguments for a change in government. The measure passed by the GVN is one of the boldest and most far reaching pieces of land reform legislation enacted anywhere in the free world, and represents an act of exceptional courage. It is worthy of our support.

Although the administrative problems are considerable, it is possible that the GVN may be able to speed up implementation so as to complete the program in less than 3 years. In this event we should make every effort to provide the U.S. support for this program at that faster rate.

Other than land reform, our program in agriculture continues to emphasize crops, livestock, and credit but with a somewhat lower AID contribution than in fiscal year 1970.

In the field of education, we are concluding U.S. support to projects in elementary and agricultural education. We will continue significant programs in secondary and higher education plus enabling additional veterans and wards-of-the-state to take degree training in the United States. Total funds requested for education are down 20 percent from the fiscal year 1970 level.

In all other sectors under this goal such as public administration, public health and public works we propose few changes in fiscal year 1971. In nearly all cases the funding requested is lower than in fiscal year 1970. In fiscal year 1971 we will have eight fewer projects than

in fiscal year 1970 and we plan to terminate at least 2 others during the fiscal year.

Mr. PASSMAN. Thank you very much, Mr. Nooter, for your statement. I will ask you some questions.

As you are aware, we had a session with the Mission Director in Vietnam, and if I had my way I would reduce your appropriation by at least 50 percent for Vietnam, because I think you are building those people up to a standard that they can't maintain. As we say in Louisiana, practically all of them are eating high on the hog. But it seems that we are in, what shall we say, a mess, unless you can think of a better word. About all we can do is just bear it as best we can, until we get out of there. In fact, I question whether the examination this afternoon will accomplish anything, other than filling up the record, because we have made certain commitments, not only in the economic area, but in the military area, and I don't know if we have any alternative, other than to try to see them through.

I don't think it would be fair to my conscience, my constituency, and to my country, if I didn't say that in my candid opinion, our President is doing a superb job in trying to solve these problems. I think there is every indication that he has a plan to get us out of Vietnam, and on an honorable basis. Until such time as I see some indication that those are not the facts, I am going to hold up his hand and praise him to the high heavens, wherever I may be.

To my way of thinking, no realist could find any reason whatsoever to criticize Mr. Nixon for the program that he is pursuing to conclude this terrible conflict in Vietnam. When I look at the net reduction in the number of troops in Vietnam, it makes me want to applaud him.

Mr. NOOTER. We appreciate your comments, Mr. Chairman, very much.

VIETNAMIZATION CAUSING INCREASING PRESSURES ON VIETNAM ECONOMY

Mr. PASSMAN. That is the way I feel.

On page 7 of your general statement, you state that "what is clear already, however, is that Vietnamization is putting increasing pressures on the Vietnam economy. Until resources can be freed to increase domestic production exports, the country will continue to need substantial assistance in order to maintain reasonable economic stability."

That is a good statement, but what are the facts? I was out in Vietnam, I guess in 1957, and again in 1958. This country was so primitive in the way it operated, they didn't even have a bookkeeping system. They had just gotten in two or three IBM machines, and they were fascinated by the way these machines operated. They were trying to set up some kind of a system to record the small taxes that they were collecting and expending. From reports that I read on Vietnam now, you can buy luxuries in Saigon that you can't get in New York. This kind of a statement irritates me a little bit, because you are in all probability giving these people a lot more aid than they can intelligently absorb.

You are pushing them to a standard they never dreamed of before. Of course, it can't be maintained after we finally leave there. I don't think there is any information anywhere to refute the accuracy of this statement, because I have been there under two different conditions and

gotten numerous reports as to how they are getting along, and how some of them may be building up fantastically high bank accounts.

(Discussion off the record.)

MEDICAL PERSONNEL AND SUPPLIES

Mr. PASSMAN. Now in the health field, it says in your statement that "we are providing medical personnel and medical supplies. Contracts with the American Medical Association, U.S. Catholic Conference and the International Rescue Committee will provide the services of nearly 90 doctors, nurses and technicians, while the Republics of China and Korea, also under AID contracts, will furnish 13 medical teams."

That is in addition to what we will furnish, is that correct?

Mr. NOOTER. The Republics of China and Korea do send teams.

Mr. PASSMAN. The U.S. Catholic Conference, the International Rescue Committee you state will provide the services of nearly 90 doctors.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Who is picking up the tab for that cost, are we?

Mr. NOOTER. Yes, AID is paying the cost.

Mr. PASSMAN. You are kind of bragging about the organizations. That is what that amounts to. If we are picking up the tab there is nothing sensational about that statement, don't you agree?

Mr. NOOTER. Nothing sensational about it, but the presence of medical teams from the Republics of China and Korea does represent the fact that countries in that part of the world do have an interest.

Mr. PASSMAN. You say AID is picking up the tab. That is why I am not overly impressed with the statement.

LAND REFORM

You further state that, "On March 26, 1970, President Thieu signed into law recently passed land-to-the-tiller bill which will virtually eliminate tenancy on rice lands." What do you mean by that?

Mr. NOOTER. The bill passed provides that those people who actually farm the lands will become the owners of those lands, as the bill is implemented. Therefore, tenancy will for all practical purposes be eliminated.

Mr. PASSMAN. I believe this is the item that we had the legislature go along with the proposal.

Mr. NOOTER. No, sir; we didn't.

Mr. PASSMAN. Let's read in the record just what they did say last year. It will be a lot better than what I say. You people obligated $10 million to a nonexistent project in Vietnam, and I think one of the witnesses stated that you had to make this commitment to get the legislature to go along with it, but I would rather read the witness' testimony into the record. It certainly would be better than my elaboration. I think Secretary Rogers answers on that.

(Discussion off the record.)

Mr. PASSMAN. I want to quote for the record from last year's testimony:

Mr. PASSMAN. I am going to have to ask two questions. Did you say that the land reform program in Vietnam still has to pass the Vietnam legislature?

Secretary ROGERS. That is my understanding, yes.
Mr. PASSMAN. Is the Legislature in Saigon in session or in recess?
Secretary ROGERS. I think it is in session.
Mr. PASSMAN. Even though this bill is before the legislature, there is no positive assurance it will pass the legislature; it is just being considered, is that correct?
Secretary ROGERS. That is my understanding.
Mr. PASSMAN. There is no assurance it will be passed, is that right?
Secretary ROGERS. That is correct.

But notwithstanding this type of testimony previous to that, I believe on June 27, you people obligated $10 million to the same project he was talking about. While you are doing that, we were closing up literally hundreds of projects in America for lack of money. You people were taking money for a project that had not actually been legalized, and you obligated $10 million.

On March 26, 1970, that is very recent, isn't it?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. That is when it was signed. Now may I ask you this question. Under this land reform bill, we don't change the location of the land. We merely change the owner of the land, so that the people who are surrendering this land, of course, are getting paid for it, are they not?

Mr. NOOTER. They will be paid for it under this bill, yes, sir.

Mr. PASSMAN. Let's forget about understanding this bill. I would assume that they would be paid for it without this bill, wouldn't they?

Mr. NOOTER. You mean if they sold their land?

Mr. PASSMAN. Yes, sold their land to the Government. The Government would guarantee them payment, isn't that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. And it is my understanding the only purpose of this $40 million we are putting up is to lessen the impact on the economy, and to hold down inflation, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. What plans are we making to hold down inflation in America? I want to be polite about this, but we were told last year that the purpose was to keep from pumping this excess money into the economy, which would create inflation, and these funds are to lessen that impact.

Mr. NOOTER. In this country, of course, that is the reason why President Nixon has attempted to balance the budget this year and hold down expenditures.

Mr. PASSMAN. He is not going to balance the budget. You people, along with all other bureaucrats, are putting the big britches on him. Certainly you are not going to balance the budget, because every bureaucrat is putting the big britches on the President. Everything that comes up is going to be increased, with the exception, I hope, of foreign aid, but I think it is somewhat ridiculous to read the hearings, Mr. Secretary, of last year, and the only purpose of our Government agreeing to give $40 million is to keep down inflation, because this is something that when they pay these landowners, of course, they are going to spend that money, and that is going to create inflation. Isn't that the claim?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Then why didn't the Government work it out on a

40-year period or a 30-year period, a 20-year period, rather than to handle it on this basis?

Mr. NOOTER. Because the landowners had a legitimate concern that this money may not become available to them, or that the Government would not be able to make it available.

Mr. PASSMAN. I see. The Government couldn't pay so poor old Uncle Sam has to borrow the money from the American taxpayers and go out there and put up the $40 million, but it is the Vietnam Government dealing with Vietnam citizens, buying some of their land, to make it available to other individuals, is that correct?

Mr. NOOTER. Yes, it is.

Mr. PASSMAN. And we have got to go in and pick up the check. I am not going to elaborate on that, but I am glad I am in good shape and because it would give me a heart attack, to just think that while the purchasing power of the dollar in this country is continuing to lose about 5 percent a year, that we have now got to create more inflation by borrowing $40 million and giving it to the Vietnamese, in order to keep down inflation. I am not going to go any further into that, because we got ourselves into this mess, and I don't feel very kindly about it. It is nothing personal, but to think that when we were closing down projects in America for the lack of money, you people were making allocations of $10 million to a project that had never come into being, and if you go into the hearings of last year, you will understand that the statement was made by some of the witnesses, it may have been you, I don't know, that we had to do this to get the legislature to pass the bill.

Mr. NOOTER. We certainly did believe that some assistance from the United States would give assurance to landowners that the Government would have the ability to make good on its promise to pay for the land.

Mr. PASSMAN. You are very nice, Mr. Director. I would hate to quarrel with you, but was it you that made the statement that it would take this to get the legislature to approve the legislation?

Mr. NOOTER. No, sir; Mr. Mendenhall testified last year before this committee.

Mr. PASSMAN. I think that is his statement.

Mr. NOOTER. I believe it is.

Mr. PASSMAN. It is kind of nauseating for us to see in the record where we have had to bribe the legislature, and that is just about what it is, with $40 million to get them to finally enact legislation that would take the Government of Vietnam's obligations to their own citizens, where they transferred land to another neighbor, and we would pay for the land rather than the Saigon Government.

FISCAL YEAR 1971 REQUEST

I believe the 1971 estimate for Vietnam, under this one spigot, is $366,300,000, is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. And the 1970 program is $365,200,000, is that correct?

Mr. NOOTER. That is correct.

UNEXPENDED FUNDS

Mr. PASSMAN. Would you furnish for the record at this point the amount of unexpended funds to the credit of Vietnam, all spigots, if you will?

Mr. NOOTER. We will provide that for the record.

(The information follows:)

VIETNAM*—SOURCES OF COUNTRY AID AND BALANCES

Cumulative (all spigots) unexpended balances (in thousands of dollars)

	June 30, 1970 (estimated)
Economic:	
Loans	0
Grants	284,999
Total	284,999
Military grants	0
Total AID and MAP	284,999
Food for peace (Public Law 480) (unshipped agreements):	
Title I—Sales	45,169
Title II—Donations	46,362
Total Public Law 480	91,531
Total AID and Public Law 480	376,530

*Excludes DOD reimbursements.

TOTAL AID TO VIETNAM

Mr. PASSMAN. Then if you will provide for the record the total amount of aid made available to Vietnam, including the military assistance, not our Defense Department, but military assistance, because previously that was carried in Title I of the bill that we are considering today, isn't that correct?

Mr. NOOTER. Yes, sir.

(The information follows:)

U.S. OVERSEAS LOANS AND GRANTS TO VIETNAM

U.S. overseas loans and grants to Vietnam from fiscal year 1946 through fiscal year 1970 (estimated) have totaled $13,053.4 million.

Mr. PASSMAN. All military assistance is presently being carried in Title I of this bill, with the exception of that provided for Laos, Thailand, and Vietnam, is that not correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. So it is necessary to keep the record straight as to the amount of aid we have given to put in the military assistance part, not the defense.

Mr. NOOTER. We will be glad to furnish that also.

UNOBLIGATED FUNDS

Mr. PASSMAN. Do you anticipate any unobligated funds in the Vietnam allocation?

Mr. NOOTER. For fiscal year 1970?

Mr. PASSMAN. Yes.

Mr. NOOTER. No, we believe that we will obligate all of our funds for this year.

NEW PROJECTS IN 1971

Mr. PASSMAN. Mr. Director, would you furnish for the record a list of new projects you plan to initiate in Vietnam for fiscal 1971.

Mr. NOOTER. We will furnish that also.

(The information follows:)

NEW PROJECTS

No new projects are planned for fiscal year 1971 in Vietnam.

DEOBLIGATIONS IN FISCAL YEAR 1970

Mr. PASSMAN. Would you also furnish for the record a table showing the name of the project and the amount of funds to be deobligated for each project during fiscal 1970 through June 30?

Mr. NOOTER. Yes, sir.

(The information follows:)

PROJECT AND COMMERCIAL IMPORT PROGRAM DEOBLIGATIONS

Table below lists estimated deobligations against projects active in fiscal year 1970 and commerical import program from July 1, 1969 to June 30, 1970.

[In thousands of dollars]

Project title	*Amount*
Agricultural extension and information	114
Land reform	—66
Irrigation and rural engineering	116
Crop production	952
Animal production	240
Agricultural credit and agricultural organizations	194
Agricultural economics and statistics	58
Fisheries	17
Agricultural technical support	460
Railway rehabilitation	671
Industrial development	888
Industry general support	—
Telecommunications	423
Electric power	102
Rural electric co-ops	482
Highways improvement	1,092
Provincial roads and quarry	1,356
National construction equipment training center	9
Inland waterway improvement	130
Civil aviation	131
Rural water development	591
Engineering technical support	631
Manpower development	155
Labor technical support	37
Malaria control	201
Provincial health assistance	3,330
Public health services	218
Medical and dental education	78
Chieu Hoi support	64
Nursing education and training	69
National health advisory service	477
Technical support	198
Vocational education	169
Agricultural education	56
Hamlet schools	146
Secondary education	129

[In thousands of dollars]

Project title	Amount
Adult education	2
Higher education	105
Vocational education	78
Technical education	19
Instructional materials	144
Teaching of English	8
Leadership training	78
Educational technical support	28
Public safety telecommunications	1,428
National police support	2,155
Correction centers	71
Support local government	150
National maintenance system	1,041
Central government administration	406
Improvement fiscal year administration and maintenance	477
Development planning	10
Suburban and municipal government	173
National institute administration	12
Veterans administration	10
Statistical services	299
Civil administration improvement	2
Public administration technical support	62
Logistics management	550
Saigon electric power	517
Provincial and rural electric	308
Saigon water and sewerage	1,034
Provincial city water supply	161
Saigon metro area development	42
Village and local development	22
Refugee relief	2,252
Architecture and urban planning	161
Social welfare	54
General contract support	5
Support of revolutionary development	1,107
Highlander affairs	21
Saigon action program	1
MACV/CORDS technical support	1,510
Port management and operations	30
Warehousing and distribution	1,964
Logistics management and operations	1,864
Logistics technical support	1,678
USAID technical support	2,219
Youth affairs	30
National information service	1,561
Sub-total project program	37,767
Commercial import program (CIP)	6,500
Grand total	44,267

LAND REFORM PROGRAM

Mr. PASSMAN. I might as well read this into the record. This is page 512 of the hearings last year:

Mr. PASSMAN. Then why don't you make that recommendation and not create more inflation in America by asking us to give you $40 million to check the inflation that will be created by the transfer of lands from one landowner to another in Vietnam?

Mr. MENDENHALL. It was the best estimate that this is what it would take to get the bill through the National Assembly, Mr. Chairman.

Mr. NOOTER. My understanding, Mr. Chairman, was that this had to do with the terms of the bonds and the terms of the payments to the landowners in Vietnam proposed by the Vietnamese Government.

Mr. PASSMAN. You said not changing the facts. Let's get it in the record again. I will go back further. This is page 511:

Mr. MENDENHALL. Mr. Chairman, originally the Vietnamese Government was talking about a higher downpayment——

Mr. PASSMAN. Certainly. As gullible as you people are, who are giving away this wealth, I am surprised they didn't ask for 100 percent. I think more of the South Vietnamese every time you answer a question because they are just making suckers out of you.

You are dealing entirely with a within-country commodity and that is a land reform movement. If you are going to create inflation by giving this man more piasters than he should have or he needs, and the way you are going to control inflation in Vietnam is by creating inflation in America to check inflation that will be created by this Vietnamese landowner spending those piasters—isn't it just that simple?

Mr. MENDENHALL. As I said, that depends on how we finance——

Mr. PASSMAN. That is the purpose, isn't it? Is that the purpose of the $40 million?

Mr. MENDENHALL. The purpose——

Mr. PASSMAN. To offset the inflation that will be created by these large landowners spending these piasters.

Mr. MENDENHALL. Yes, sir.

Mr. PASSMAN. Then why don't you recommend that the Government place controls on the way they spend the profit they make off the sale of their land?

Mr. MENDENHALL. There is a control in terms of the fact, that 80 percent will be in bonds.

Mr. PASSMAN. Then you don't need the $40 million?

Mr. MENDENHALL. For the 20 percent——

Mr. PASSMAN. Then why don't you recommend that the Government pay him 5 percent in piasters and 95 percent in bonds? Aren't they doing this for their own country?

Mr. MENDENHALL. Yes, they are.

Mr. PASSMAN. Then why don't you make that recommendation and not create more inflation in America by asking us to give you $40 million to check the inflation that will be created by the transfer of lands from one landowner to another in Vietnam?

Mr. MENDENHALL. It was the best estimate that this is what it would take to get the bill through the national assembly, Mr. Chairman.

Mr. PASSMAN. If that isn't a form of bribe, I wouldn't know what it is. I am not directing it on a personal basis, but it would appear that even though it was good for their country and for their government and for their people, we had to agree to put up $40 million before we could get the legislature to act. Subsequently, Secretary Rogers said he didn't know whether they would pass the bill, but those facts, notwithstanding, while we were developing this testimony, you had already allocated $10 million to the project, hadn't you?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. I won't quarrel about this, but the very fact that we were closing down projects in America in 1968 and in 1969, badly needed hospitals, badly needed public works programs, and we couldn't carry them out because we had to take care of Vietnam first, and for that matter 98 other countries.

INCREASE IN PARTICIPANT TRAINING

Mr. Director, page 8 indicates an increasing number of participants being programed from an actual figure of 691 in 1969 up to the proposed level of 1,020 in 1971, is that correct?

Mr. NOOTER. Yes, sir; that is correct.

Mr. PASSMAN. You can understand my frustration in examining on this kind of a program, when we know that we are hooked, and we have made commitments completely out of touch with reality. Because of the President's program to get us out militarily, I doubt if we can do anything but just move along, but when we see the number of participants increasing by this number, we just wonder whether or not it shouldn't have gone the other way.

Mr. NOOTER. Mr. Chairman, this increase is part of our effort to train the Vietnamese to take over the programs, and to operate and run them.

Mr. PASSMAN. Military or domestic programs?

Mr. NOOTER. This has to do with AID programs.

Mr. PASSMAN. Domestic programs?

Mr. NOOTER. Yes, Sir.

Mr. PASSMAN. I believe they have been doing business out there for about 4,000 years, haven't they?

Mr. NOOTER. They have been there for a long time, yes, sir.

Mr. PASSMAN. Let's see if we can't establish just about how long they have had a civilization there. Is it about 4,000 years?

Mr. NOOTER. I would say that is approximately correct.

Mr. PASSMAN. And they have been doing business and getting along in there own way for 4,000 years, haven't they?

Mr. NOOTER. They have.

Mr. PASSMAN. And here we are, this Nation, no different from any of the others, we are 181 years away from our Constitution. That would be our age as a Nation then, wouldn't it?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. We are trying to correct all of those ills just overnight, and in all probability if we would let these people work out some of their own problems, maybe they would get along better after we pull out.

What is the average cost of each participant during this 3-year period?

Mr. NOOTER. The average cost is around $4,500 per participant.

Mr. PASSMAN. How many participants have you had altogether from Vietnam?

Mr. WESTWOOD. From the beginning of the program?

Mr. PASSMAN. Yes.

Mr. NOOTER. I don't have that figure here, but we will be glad to supply it for the record.

Mr. PASSMAN. Is there any estimate from any of the witnesses as to the number of participants we have previously trained.

Mr. WESTWOOD. We will have to correct it for the record, but it is in the range of 4,000.

(The following information was furnished for the record:)

TOTAL (CUMULATIVE) NUMBER OF PARTICIPANTS

Total participants United States and third country under AID program in Vietnam through fiscal year 1969 were 4,194; another 1,054 is estimated for fiscal year 1970.

Mr. PASSMAN. Covering the waterfront, I guess.

Mr. WESTWOOD. Yes, sir, from 1954 on.

Mr. PASSMAN. That is 16 years ago. You mean you haven't reached the point in 16 years with 4,000 participants, if that is the correct num-

ber, to where they couldn't themselves assume responsibility and become trainers themselves?

Mr. NOOTER. Of course a part of their ability to maintain themselves as a viable country in these next several years as we withdraw will depend on their ability to meet the needs of their people in terms of modern practices, modern technology, and so forth.

Mr. PASSMAN. If you make them modern, it will be the only modern country in that particular area, as we think of America as being modern, but my question is still unanswered. If you have trained 4,000 of them over a period of 16 years, it would appear that some of those people, and they are alert people, we know that, that they themselves would be in a position, to impart this knowledge, without having to continue bringing in, I believe, 1,000 additional ones into the program.

Mr. NOOTER. But this is still a small number, considering the size of the country and the requirements of running a nation which is attempting to grow and expand.

Mr. PASSMAN. As though it was any of our business to do that, but again we are in that mess, and I don't know if we can do anything about it. I just hope someday, when I get away from here, I will pick up the paper and see where we have gotten ourselves out of a lot of these involvements and entanglements all over the world.

THIRD-COUNTRY NATIONAL TECHNICIANS

On page 9, I notice you are proposing an allocation of $6,073,000 for third-country national technicians, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. How many third-country technicians are involved in this estimate?

Mr. NOOTER. 803.

Mr. PASSMAN. Where are they being sent?

Mr. NOOTER. All these are technicians who are working in Vietnam, they come from the Philippines, the Republic of Taiwan, Korea, and other countries, in that part of the world.

Mr. PASSMAN. What is that costing us per participant? These are all foreign nationals, aren't they?

Mr. NOOTER. That is correct. The average cost would be $6,100 each per year.

Mr. PASSMAN. What part of that represents salary?

Mr. NOOTER. Virtually all of it.

(Discussion off the record.)

Mr. FLINNER. Mr. Chairman, I think in the past we were talking about, or we may have been talking about participants.

Mr. PASSMAN. No; we got into technicians and got into the very large amount they paid the employer for employing them.

Mr. FLINNER. Mr. Chairman, we were talking in previous years about contract consultants.

Mr. PASSMAN. We are so close to participants, it is only one line away, we will back up. Let's see your spread on the cost of participants.

Mr. NOOTER. There is no salary paid participants. This is to cover the cost of their training.

Mr. PASSMAN. But they get a monthly stipend. They get a check every month, don't they?

Mr. NOOTER. They receive support costs, but no salaries.

(Discussion off the record.)

Mr. PASSMAN. I believe previously we did examine on these technicians or consultants. We took the total costs in some instances running $55,000 a year and we broke it down and we found that only about 40 percent of it represented salaries; is that correct?

Mr. FLINNER. Yes, sir; there was a large overhead included in the contract costs.

Mr. PASSMAN. When we think of a technician, we are again thinking of a form of consultant, aren't we?

Mr. FLINNER. Yes, sir; except many of these third country technicians are hired directly by the United States, not through contract.

Mr. PASSMAN. It doesn't make any difference. You still have to add the overhead to it.

Mr. FLINNER. Yes.

Mr. PASSMAN. You are asking for $6,073,000 for third country national technicians. Is this the total cost, or are you including all of these fringe benefits that we discussed earlier?

Mr. NOOTER. Mr. Chairman, the number of $6,073,000 includes the funding of both direct hire third country people and contract.

Mr. PASSMAN. Let's get into the contract. Let's take one technician, the highest priced technician. Let's find out his title and what you pay him.

Mr. NOOTER. We have some contract technicians where the total cost of providing that man under the contract is approximately $10,000.

Mr. PASSMAN. What part of that would represent salary?

Mr. NOOTER. I don't have that figure here. What might give some indication is that our average overall contract cost per technician is $6,800, whereas the average cost of the direct hire technician, where there is no contract, and therefore no contract overhead involved, is $4,700.

Mr. PASSMAN. A difference of about $2,000.

Mr. NOOTER. A difference of about $2,100.

Mr. PASSMAN. For the same technician, I mean with comparable ability?

Mr. NOOTER. Not necessarily.

Mr. PASSMAN. Are you saying that by paying this man $2,000 that he is better able to check this man's qualifications than you people are?

Mr. NOOTER. The contract technicians would be more apt to include skilled mechanics or nurses.

Mr. PASSMAN. I am trying to find out in this one instance because we know this is a tremendous windfall for workshops, universities and colleges. It is the biggest windfall that has ever come their way, the tremendous amount of money that you people pay them to do your hiring for you. What we are trying to do is find out what they are costing in your area. Can you help us?

Mr. NOOTER. We will have to get a breakdown for you of the salary. As I said, some of those contract people do include skilled people, even doctors.

Mr. PASSMAN. Could you place in the record out of the total of $6,073,000 for third-country national technicians, would you break down the number of direct hire, and what nations they are from?

Mr. NOOTER. Yes, sir.

(The information follows:)

THIRD-COUNTRY NATIONALS (TCN)—DIRECT-HIRE EMPLOYEES, BY NATIONALITY

	Actual November 1969	Estimated June 1970
Philippine	340	310
Korean	28	22
Chinese (Taiwan)	2	2
German	1	1
French	4	3
Indian	4	4
Thai	1	1
Australian	1	1
Total	381	344

COST OF HIRING FILIPINO TECHNICIANS

Mr. PASSMAN. Who would you pay in the Philippines to employ technicians for you to be used in Vietnam? Who would be the employer?

Mr. NOOTER. We have one contract with a firm called Landis Bros.

Mr. PASSMAN. Where are they domiciled?

Mr. NOOTER. They are located in the Philippines, and they hire mainly radio repairmen. The Eastern Construction Co. is another.

Mr. PASSMAN. Let's get to this first one, what is it?

Mr. NOOTER. Landis Bros.

Mr. PASSMAN. How many have they employed for you?

Mr. WESTWOOD. Approximately 200 in fiscal year 1969.

Mr. PASSMAN. 1969 is good enough. They employed 200.

Mr. WESTWOOD. Radio repairmen.

Mr. PASSMAN. What fee did you pay on the 200 in 1969?

Mr. WESTWOOD. I am sorry, I don't know that.

Mr. NOOTER. We will have to get that breakdown for you.

Mr. PASSMAN. This is important.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. 1969 is only two fiscal years away. Do you have anything on 1970, how many they employed in 1970? We want you to provide for the record what you paid Landis Bros. for recruiting these 200 Philippine technicians.

Mr. NOOTER. We will.

(The information follows:)

AMOUNT PAID LANDIS BROTHERS FOR TECHNICAL SERVICES PERFORMED BY THIRD-COUNTRY NATIONALS

For the 2-year period ending March 31, 1970, there have been two contracts with R. B. Landis operating as Far East Technical Services to provide radio and other technical personnel for the installation and maintenance of radio facilities of the Public Safety Telecommunication project and the Management Support Division of CORDS. These contracts have provided trained third-country technicians, largely from the Philippines, for approximately 3,700 man-months of work. The field force has varied with demands for service; as many as 200 technicians might be employed at any one period.

Contract funding provided for salaries, transportation, insurance, and other support costs totaled $1,230,883 and Vietnamese dollars of $52,045,645 ($441,064). The provisional overhead rate was at 2.65 percent of direct salaries and overtime of the field staff. This is subject to audit and may be increased but not beyond 10 percent. In addition, a fixed fee of $66,910 was stipulated for the contractor.

The contracts were signed with R. B. Landis and Co., Inc., a company incorporated in the State of New York, with principal offices in Philadelphia. On July 24, 1968, the name of the firm was changed to Far East Technical Services and moved from New York to Pennsylvania. R. B. Landis, a U.S. citizen, remains as president of the firm.

Mr. PASSMAN. I would assume they came from the Philippines.

Mr. NOOTER. That is my understanding.

Mr. PASSMAN. Do they move out there and set up housekeeping for this sole purpose?

Mr. NOOTER. In most cases they would come from the Philippines.

Mr. PASSMAN. I am talking about Landis Brothers. That doesn't sound like a Philippine firm.

Mr. WESTWOOD. It is not. It is a U.S. firm based in the Philippines, run by a gentleman who is a U.S. citizen.

Mr. PASSMAN. They moved out there for the purpose of recruiting these technicians for you?

Mr. WESTWOOD. Right. We were unable to find trained Vietnamese to do the maintenance on various equipment that we provide, so we contracted with this firm to provide Filipinos.

Mr. PASSMAN. Where were they operating prior to going to the Philippines?

Mr. WESTWOOD. They were operating in the Philippines, sir, Philippine nationals.

Mr. PASSMAN. They were not born there, were they?

Mr. WESTWOOD. Yes, sir, Philippine nationals.

Mr. SHRIVER. Landis?

Mr. WESTWOOD. No.

Mr. PASSMAN. I am talking about Landis.

Mr. WESTWOOD. Landis is a U.S. citizen.

Mr. PASSMAN. There are two of them, they are brothers. Gentlemen, I don't want to quarrel with you. These people are taking you for a ride. We must know what you paid those people to employ these 200 technicians.

(Discussion off the record.)

Mr. PASSMAN. I want to find out what we paid this man to go out to the Philippines and recruit 200 Philippine technicians.

(Discussion off the record.)

Mr. PASSMAN. I believe that the Philippines have withdrawn the handful of men they had over in the Vietnam war, didn't they?

Mr. SULLIVAN. Yes, sir, they have withdrawn all except for a medical unit.

Mr. PASSMAN. I wonder if they are returning now with skilled mechanics?

Mr. SULLIVAN. No, sir. I think that particular unit is deployed in one of the southern provinces where they are having some trouble.

POPULATION CONTROL AND INCREASE

Mr. PASSMAN. Do you have any type of population or family planning control in Vietnam that has been approved by the government?

Mr. NOOTER. We have just one thing in that respect. The Vietnamese law, an old law still on the books, does not permit contraceptive devices to be used there, but they do interpret that law to mean that they can

engage in certain population research, and under that rubric they do provide contraceptive devices through——

Mr. PASSMAN. Research only. The law prohibits contraceptive methods.

Mr. SHRIVER. Is this an old law?

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. This country is not very old. They have only had a legislature for a short time.

Mr. NOOTER. This is a law that was put on the books at the time the French controlled the country, and it is still on a the books, I think.

Mr. SHRIVER. During the time that the French controlled the country, they had a legislature in Vietnam that passed laws, and those laws are still on the books and are being observed, aren't they?

Mr. NOOTER. That is my understanding.

Mr. SHRIVER. They are the laws of the land until they are repealed.

Mr. NOOTER. That is my understanding, and there is a bill now in the legislature to change that law, but it is not yet active.

Mr. SHRIVER. How about the population increase in South Vietnam. Do you have anything on that?

Mr. NOOTER. Our best estimate is that it is increasing at about 2.6 percent a year.

REFUGEES

Mr. PASSMAN. I note on page 2 that the number of new refugees fell from over 300,000 in 1968 to about 100,000 in 1969, is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. You further state that the number of refugees on the roles decreased from 1,450,000 at the end of February to 270,000 at the end of December. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. And nearly 500,000 refugees returned to their villages, while about 600,000 were resettled elsewhere, mainly in former refugee sites. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. This should greatly reduce the expense in this area then, shouldn't it?

Mr. NOOTER. It has led to some reductions in expense, yes, sir.

Mr. PASSMAN. Some reduction? If you reduce the number of refugees by 200 or 300 percent, don't you have a corresponding decrease in the fundings?

Mr. NOOTER. Our costs have not been able to be reduced in the same proportion for two reasons. On the one hand, some of those people who have been resettled in place will require some additional resources later, when they go back to their villages. A lot of these people are waiting until the lands are secured, until their original village land is secured, so that they can return, and this requires another resettlement cost at that time.

Mr. PASSMAN. We are really locked in out there, aren't we? We are trying to do just about everything for them.

Mr. NOOTER. These refugees have been a serious problem, as you know, and we are trying to help them get reestablished.

Mr. PASSMAN. You greatly reduce the number, and I am very glad to see this, but you are not reducing the cost very much. It would

appear that you plan to decrease your request for war support relief by only $2,176,000 down to a level of $20,048,000 for fiscal 1970. Is that correct?

Mr. NOOTER. That is correct.

PRIVATE INVESTMENT

Mr. PASSMAN. On page 3 you state that in the field of industry, the private sector invested the equivalent of $40 million in 1969 in a wide variety of industries, including food processing, fishing, boat building, cement production, steel, plastics, and so forth. Where did these private sector investments originate?

Mr. NOOTER. Some portion of them are foreign investments, and some of them are Vietnamese domestic investments.

Mr. PASSMAN. How much was involved?

Mr. SHARPE. Sir, I can't give you an answer yet on third-country national contracts. They are going to call back.

Mr. PASSMAN. They are working on it?

Mr. SHARPE. Yes, sir.

Mr. PASSMAN. Now this $40 million, is it made through U.S. loans?

Mr. NOOTER. No, sir, this is private investment. Both Vietnamese and foreign.

Mr. PASSMAN. Do you have any kind of a loan program to the individuals going into Vietnam?

Mr. NOOTER. We don't have any loan program; no, sir. Within the mission we have a project which attempts to provide some guidance to U.S. investors who are interested in investing out there, but nothing in the form of a loan program.

Mr. PASSMAN. I am sorry, I hope you don't think I am suggesting that.

Mr. NOOTER. No, sir.

DEOBLIGATION AND REIMBURSEMENT AMOUNTS FOR FISCAL YEAR 1971

Mr. PASSMAN. You indicate that the total available for supporting assistance for South Vietnam will be $366 million in fiscal year 1971. Can you tell the committee how much more will be made available to South Vietnam due to the fact that certain deobligations and reimbursements will be made in fiscal year 1971?

Mr. NOOTER. Mr. Chairman, the request which we have submitted represents the funds which we feel we need to run the program.

Mr. PASSMAN. I know you have that kind of a feeling about it. I didn't ask you that. I asked you how much more was going to become available from deobligations and reimbursements?

Mr. NOOTER. Estimate of deobligations, which we estimate coming from the prior year's programs, have been taken into account.

Mr. PASSMAN. I knew you were going to say that, but that still isn't my question. You are asking for new funds of $366 million, aren't you?

Mr. NOOTER. No, sir; $366 million represents the total program we are asking for to be funded partially from new funds and partially from deobligations.

Mr. PASSMAN. How much then will come from deobligations and reimbursements?

Mr. NOOTER. We estimate $44 million.

Mr. PASSMAN. I think the North Vietnamese and South Vietnamese and the Vietcong are all about the same people, about the same stature, speak the same language, and have about the same traits, more or less.

Mr. NOOTER. Yes, sir, more or less.

Mr. PASSMAN. And they are all related or interrelated, aren't they?

Mr. NOOTER. There are some ethnic differences.

Mr. PASSMAN. I mean the general mixture, North, South, South and North.

Mr. NOOTER. On the whole, yes, sir.

Mr. PASSMAN. Would there be any reason why the South Vietnamese soldier couldn't fight just as well as the North Vietnamese soldier?

Mr. NOOTER. No, sir.

Mr. PASSMAN. Would there be any reason why a South Vietnamese businessman couldn't operate a business just as successfully as a North Vietnamese businessman?

Mr. NOOTER. No, sir.

Mr. PASSMAN. When did we start this aid program in Vietnam, 1957?

Mr. NOOTER. 1954.

AID TO VIETNAM SINCE INCEPTION

Mr. PASSMAN. What was the first amount of economic aid to Vietnam? How much did we give them in 1954?

Mr. NOOTER. Our yearly breakdown here——

Mr. PASSMAN. Just give us one year, 1954.

Mr. NOOTER. It only goes back to 1962.

Mr. PASSMAN. All right, how much in 1962?

Mr. NOOTER. $110.7 million.

Mr. PASSMAN. How much in 1963?

Mr. NOOTER. $133.2 million.

Mr. PASSMAN. How much in 1964?

Mr. NOOTER. $159.3 million.

Mr. PASSMAN. And 1965?

Mr. NOOTER. $216.1 million.

Mr. PASSMAN. 1966?

Mr. NOOTER. $584.4 million.

Mr. PASSMAN. 1967?

Mr. NOOTER. $467.0 million.

Mr. PASSMAN. 1968?

Mr. NOOTER. $302.0 million.

Mr. PASSMAN. 1969?

Mr. NOOTER. $249.2 million.

Mr. PASSMAN. And 1970?

Mr. NOOTER. $365 million.

Mr. PASSMAN. This is one spigot only.

Mr. NOOTER. Yes, sir; this is AID funds.

Mr. PASSMAN. Now, let's go back and get all of the other spigots.

Mr. NOOTER. Do you want military assistance?

Mr. PASSMAN. How much was it in 1962?

Mr. NOOTER. $110.7 million in AID funding.

Mr. PASSMAN. So this thing has averaged from 1962, taking the next 7 years you have just about tripled, the aid on an average, have we not?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. But they were eating, breathing, smiling, and laughing in 1962, is that correct?

Mr. NOOTER. Yes, sir; they were.

Mr. PASSMAN. Thank you. That gives you an idea just how foolish we are. I say "we" because I come into that, because we recommend the funds. Now I want you to go back and pick up if you will 1954 when we started this program. Run it all the way through to fiscal 1970, and pick up all the spigots. You just tried to take them too far, too fast. You didn't go out and sell a few projects and do them well. You had to cover the waterfront just like they do with all other countries all over the world. I think the record will speak for itself. Put in if you will 1954 through 1970, and get all spigots in there too.

Mr. NOOTER. As an insert, sir?

Mr. PASSMAN. I guess that is what you would call it. We want it in the record.

(The information follows:)

Total U.S. loans and grants to Vietnam for fiscal years 1954 through 1970 estimated

[In millions of dollars]

Fiscal year:	*Amount*
1954	0.1
1955	325.8
1956	383.5
1957	391.6
1958	241.9
1959	249.1
1960	251.2
1961	209.1
1962	286.6
1963	383.9
1964	402.9
1965	542.5
1966	897.3
1967	540.7
1968	440.5
1969	348.6
1970 (estimated)	519.8
Total	6,415.1
Minus repayments and interest	−77.7
Total net U.S. loans and grants	6,337.4
Plus U.S. military force support	6,716.0
	13,053.4

Mr. PASSMAN. Now here comes one of your bookkeepers. What did they tell you?

Mr. SHARPE. Sir, I still haven't gotten the information.

Mr. PASSMAN. That is all right. Take your time.

(Discussion off the record.)

ADDITIONAL COST OF VIETNAMIZATION

Mr. PASSMAN. You indicate that the figures for South Vietnam do not include a possible requirement of up to $100 million to finance additional imports to offset the increased cost for Vietnamization in 1971, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Do you have any idea that this will be needed or is this some form of insurance by alerting the Congress?

Mr. NOOTER. Our best estimate is that the CIP——

Mr. PASSMAN. Stop that abbreviation, my dear friend. Tell us what it is, because you have got over 4,000 abbreviations in government, and even a Rhodes scholar couldn't tell you the meaning of 5 percent of them.

Mr. NOOTER. I agree. The request of $220 million for the commercial import program will not be adequate to meet the needs as we see them during fiscal year 1970.

Mr. PASSMAN. You mean to meet their ever-increasing appetite?

Mr. NOOTER. To offset the inflationary impact of the additional costs resulting from their expanded military program.

Mr. PASSMAN. Again the purpose is to check inflation.

Mr. NOOTER. That is correct.

Mr. PASSMAN. Do they have price controls and wage controls in South Vietnam?

Mr. NOOTER. Generally, they do not.

Mr. PASSMAN. Thank you.

Mr. COHELAN. Will the chairman yield?

How about manpower controls? Do they have manpower controls?

Mr. NOOTER. In what sense?

Mr. COHELAN. Full mobilization of resources?

Mr. NOOTER. Yes, sir, they certainly have.

Mr. COHELAN. You mean the Chinese are going full core with everybody else, the Chinese Vietnamese? Are they in the army?

Colonel CONSTANT. Yes, sir, they are drafted.

Mr. COHELAN. Are they being drafted with everyone else?

Colonel CONSTANT. They are drafted, sir. They are in the draft pool the same as ethnic Vietnamese.

Mr. COHELAN. Do you have any data which you can supply for the record to show exactly where the inputs are, in proportion to the total pool?

Mr. NOOTER. We will attempt to obtain that and put it in the record.

(The information follows:)

VIETNAMESE OF CHINESE DESCENT

Approximately 6 percent of the Republic of Vietnam's (RVN) population is of Chinese descent. The Chinese are 8 percent of the total RVN male population between the ages 15 to 48 (males who are eligible to serve in the RVN Armed Forces, Regional/Popular Forces, and the Peoples Self-Defense Forces). However, there is only 1.2 percent of the total Republic of Vietnam Armed Forces of Chinese descent.

PUBLIC LAW 480 FUNDS

Mr. PASSMAN. How much Public Law 480 funds will be provided to South Vietnam for supporting assistance?

Mr. NOOTER. In fiscal year 1971?

Mr. PASSMAN. 1971.

Mr. NOOTER. $93.5 million.

Mr. PASSMAN. How much did you provide in 1970?

Mr. NOOTER. $114.9 million.

Mr. PASSMAN. All this will have to be added to what you have been testifying to previously?

Mr. NOOTER. This will be in addition to the request for AID funds; yes, sir.

Mr. PASSMAN. Much of this is going into budgetary support, isn't it?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Are they operating on a balanced budget in South Vietnam?

Mr. NOOTER. No, they do not.

TAX INTAKE OF SOUTH VIETNAM

Mr. PASSMAN. What is the total tax intake of the central government of South Vietnam in fiscal 1970 in millions?

Mr. NOOTER. Our figures are shown here in piasters.

Mr. PASSMAN. Equivalent in dollars.

Mr. NOOTER. This is in calendar year 1969, which would be the last actual year. Their total revenues, collected in taxes of various kinds would be $86.1 billion piasters.

Mr. PASSMAN. Would have collected?

Mr. NOOTER. Did collect.

Mr. PASSMAN. What year?

Mr. NOOTER. In 1969.

Mr. PASSMAN. What is the equivalent in dollars?

Mr. NOOTER. $720 million if converted at the 118-to-1 official rate of exchange.

Mr. PASSMAN. Are you taking into account all the provinces or the Federal level?

Mr. NOOTER. This is the Federal level, the National Government.

Mr. PASSMAN. How much of that was paid in by the U.S. Government in the way of taxes?

Mr. NOOTER. None of this would have been paid in directly as taxes.

Mr. PASSMAN. It is my understanding that we do have to pay ad valorem tax.

Mr. NOOTER. Some of this does represent custom collections which come indirectly from U.S. sources financed.

Mr. PASSMAN. How much comes from customs collections? We have to pay duty on some of the stuff that we are shipping there for our boys, do we not?

Mr. SHARPE. Sir, there are duties collected on AID-financed commercial imports, that is right.

Mr. PASSMAN. On AID imports to Vietnam we have to pay duties? How much is that?

Mr. SHARPE. The U.S. Government does not pay duties.

Mr. PASSMAN. The AID agency pays it?

Mr. SHARPE. AID agency and other agencies are exempt from Vietnamese taxes by the agreement that we made in 1953. If any taxes are paid by the U.S. Government to Vietnam, it is counter to that agreement.

Mr. PASSMAN. Let us pin this down for the record.

The United States is paying certain ad valorem taxes on some of its equipment and land and what it takes to live there, are we not? Taxes to the Vietnamese Government.

Mr. SHARPE. The one instance that I am aware of that has been charged recently is that the U.S. Government is paying rents which include some rent taxes.

Mr. PASSMAN. Right. Now you are getting around to it.

Mr. SHARPE. The matter I think is still at issue because the Government of Vietnam claims these represent taxes on the income taxes of its citizens and not a tax on us.

RENT FOR STORAGE SPACE

Mr. PASSMAN. How much does the United States pay rent to Vietnam for storage space for military equipment?

Colonel CONSTANT. We have to provide it for the record.

(The following information was subsequently submitted for the record:)

STORAGE SPACE IN THE REPUBLIC OF VIETNAM

The policy of the Department of Defense is to require the host country to furnish the required space and facilities for the storage of military equipment on a rent free basis. Accordingly, the U.S. Government is not paying any rent for these facilities provided by the Republic of Vietnam.

However, rental payments of approximately $900,000 per annum are paid to the private sector for facilities to store items which are solely for the support of U.S. forces, such as warehousing, commissary, post exchanges, and billeting.

Mr. PASSMAN. We are paying rent?

Colonel CONSTANT. I am not aware of any rent paid for Government facilities.

Mr. PASSMAN. What are you going to provide for the record, then? I asked a question and you said that. Do you have something there to throw some light on the following document, Mr. Director?

(The information follows:)

We understand that the Thieu Government is forcing the United States to pay more than $15 million annually in illegal real estate taxes. Is anything being done to stop this?

Answer. Real estate, which is publicly owned by the Government of South Vietnam, is provided rent-free if needed by the U.S. Armed Forces in that country. Second, the Government of the United States did not write a check payable to the South Vietnamese Government for Vietnamese taxes, nor does the U.S. Government pay taxes directly to the South Vietnamese Government in any other manner. Third, that Government does not levy taxes on our Government. The taxes are levied on persons who happen to own real estate in that country, not on the U.S. Government.

Some of the taxes are based on the value of the property involved, but others are simply income taxes based upon the net income of the persons involved and are not related to whether they own real estate or not.

Mr. PASSMAN. But it is a fact that the United States, according to this question, is paying either directly or indirectly $15 million annually in illegal real estate taxes, is it not?

Mr. WESTWOOD. The question is simply an allegation. The answer is designed to be an answer to the allegation.

Mr. PASSMAN. You have it all fuzzed up here so the man could get any answer out of it.

The question will be—actually, who asked the question?

Mr. WESTWOOD. I am sorry, I thought that you did.

Mr. PASSMAN. I am talking about this document that you people were passing around yourselves a moment ago and I asked you to extend me the courtesy of letting me see it.

Mr. WESTWOOD. I am sorry. Has it been in the press somewhere?

Colonel CONSTANT. No, sir.

Mr. WESTWOOD. I believe this was a question that was asked during the previous hearing and it was a question and answer that was provided for insertion in the record.

Mr. PASSMAN. What actually happens, you give an answer here that covers the waterfront. If it had been a brief answer I could have accepted it. But you can read into that answer that immediately you are defending, trying to explain it away.

It would appear that part of the answer, "It may be that some portion of South Vietnamese taxes is passed on indirectly as a burden on U.S. expenditures for the defense of South Vietnam."

That is your own answer, is it?

Mr. WESTWOOD. Yes, sir.

Mr. PASSMAN (reading):

> The Department of State and the Department of Defense are undertaking necessary preparatory studies of the Vietnamese tax structures as they presently affect U.S. common defense expenditures and will consider initiating negotiations with the two governments involved if these studies demonstrate a need for new tax relief agreement.

That is part of the answer, too, isn't it?

Mr. WESTWOOD. Yes, sir.

Mr. PASSMAN. Then you couldn't categorically say that we are not paying this $15 million illegal tax, could you?

Anybody?

Mr. NOOTER. Not categorically.

Mr. PASSMAN. Certainly. Because it is just about admitted in here, I think, directly:

> It may be that some portion of the South Vietnamese tax is passed on indirectly as a burden on U.S. expenditures for the defense of South Vietnam.

That is quite a confession for a bureaucrat to make. It is a wonder he had not gotten fired for admitting that. I never heard such a bold confession in my life.

When you put those figures in the record be sure to pick up all of those spigots.

Mr. WESTWOOD. Yes, sir.

Mr. PASSMAN. They were eating, sleeping, smiling, and laughing when you were giving them about $35 million a year. Now you are giving them about half a billion dollars a year and they are very unhappy and you have to go in and bribe the legislature to get certain reforms. I still say that you tried to go too far too fast in this involvement. In all probability it is far greater than you see on the surface.

AID FUNDING OF MEDICAL PERSONNEL, SUPPLIES AND EQUIPMENT

On page 5 you indicate that AID funding provides for about 450 U.S. and other free world doctors, nurses, and technical personnel, and over $6 million in medical supplies and equipment. Why can't the doctors, nurses, and the technical personnel, being supplied by the other so-called free world nations, be financed by the particular nation providing the personnel?

Mr. NOOTER. The ones that are financed by us are from Taiwan,

Korea, and the Philippines, countries which have great burdens on their own economies. These are still countries which, while they have made considerable progress, are still not wealthy nations.

Mr. PASSMAN. You cannot blame them because we have a reputation of yielding quickly on these demands. These people are smarter than you give them credit for being. Why do they want to do it when, if they play hard to get, we will pay it? Some of these countries are getting along better than you may indicate.

How about Thailand; do they have any doctors and nurses they are sending over?

Mr. NOOTER. No, sir. There are no Thai doctors being sent.

AID ACTIVITIES REIMBURSED BY THE DEPARTMENT OF DEFENSE

Mr. PASSMAN. Would you list for the record the activities performed by AID for which they are reimbursed by the Department of Defense?

Mr. NOOTER. Yes, sir.

(The information follows:)

VIETNAM—AID-PERFORMED ACTIVITIES REIMBURSED BY DEPARTMENT OF DEFENSE[1]

[In millions of dollars]

Activities	Estimated DOD reimbursements fiscal year 1970	Proposed DOD reimbursements, fiscal year 1971
Railway rehabilitation	1.4	0.4
Highway improvement	30.4	42.7
National police support	3.7	5.3
Chieu Hoi support	12.2	11.6
Total	47.7	60.0

[1] Excludes other Civil Action Programs directly funded from Department of Defense appropriations.

ELEMENTARY EDUCATION PROJECT

Mr. PASSMAN. In connection with this secondary education project on page 21, I note the project was scheduled to terminate last year. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. It would appear in this year's presentation that you have extended the life of this project for 2 years until 1972. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Last year you proposed a fiscal year 1970 program of $545,000, is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. This year you indicate that the current fiscal year level will be $1,351,000, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. You wouldn't get yourself into this mess if we had a line-item bill and made you people come in with a very factual cost-benfit ratio program like we follow here in America.

This is par for the course all over the world, so don't let this worry you a bit. We have to give some kind of a guess as to what you are going to spend. In many instances it misses the mark by a hundred percent.

CORRUPTION IN VIETNAM

On page 4 you state that although there has been some improvement corruption is still serious.

Do you mean among Vietnamese?

Mr. NOOTER. In that particular reference the answer to your question is "Yes," sir.

ASIAN FOUNDATION ASSISTANCE

Mr. PASSMAN. In connection with the higher education project on page 23, could you tell the committee what assistance the Asian Foundation provides for $100,000 in projected costs for fiscal year 1971?

Mr. NOOTER. They provide technical advice and equipment to the two private universities, Dalat and Van Hanh.

Mr. PASSMAN. Place that in the record.

Mr. NOOTER. Yes, sir.

(The information follows:)

THE ASIA FOUNDATION FISCAL YEAR 1971 PROGRAM OF ASSISTANCE TO HIGHER EDUCATION IN VIETNAM

The Asia Foundation is assisting the two private universities of Dalat (Catholic) and Van Hanh (Buddhist) in library expansion, faculty development, and through provision of some scientific equipment. In fiscal year 1971, this type of assistance will be extended to the University of Hue which was severely damaged in 1968; $25,000 is designated for reestablishment of the university library.

Mr. PASSMAN. You started so many programs and let everybody get in on the play.

EDUCATION GENERAL SUPPORT PROJECT

In connection with the education and general support project on page 27, I note last year you projected the obligation to be $1,225,000 and expenditures at $1,001,000 as of June 30, 1969. In this year's presentation you indicate the obligations through June 30, 1967, were $2,668,000 and expenditures at $2,152,000. Can you work this puzzle out for us?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. It turns out to be $2,268,000, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Last year you told us the expenditures would be $1,001,000 but it turns out they are going to be $2,152,000. Is that correct?

Mr. NOOTER. Yes, sir. I am told that another project was merged with this one.

Mr. PASSMAN. Which one was merged?

Mr. NOOTER. The instructional materials project.

Mr. PASSMAN. What about instructional materials; what did you tell us about that project last year?

Mr. NOOTER. That is in last year's book on page 33.

Mr. PASSMAN. What did you say that you would obligate for that project?

Mr. NOOTER. We said that we would obligate $131,000 in 1970.

Mr. PASSMAN. 1969 I am talking about.

Mr. NOOTER. In 1969, $286,000.

Mr. PASSMAN. Consolidate the two, then. It would seem to me that $1,225,000 and the other figure——

Mr. NOOTER. This would require consolidating the——

Mr. PASSMAN. Even if you put your consolidation in, it would only be about 50 percent.

Mr. NOOTER. We would be consolidating the $1,598,000 and the $1,225,000. That would be $2,823,000.

Mr. PASSMAN. What was the purpose of the consolidation?

Mr. NOOTER. The instructional materials project was largely phased out. There were some residual elements of it which were carried forward in this project. The bookkeepers added the obligations of the two projects together.

Mr. PASSMAN. For the purpose of confusion?

Mr. NOOTER. In this case it does indeed confuse.

Mr. PASSMAN. Was it for the purpose of confusion?

Mr. NOOTER. It was not deliberately intended to confuse.

COST OF TECHNICIANS ON TRADE UNION DEVELOPMENT PROJECT

Mr. PASSMAN. On page 32, under the Trade Union Development project, I note that you plan to hire two direct-hire labor advisers at a cost of $110,000; is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. What do they do?

Mr. NOOTER. They work with the Vietnamese labor movement in attempting to help them become established and show them how to operate a trade union movement.

Mr. PASSMAN. Another indication that you people have to get involved in everything. Concerning the $110,000 for these two labor organizers, that is $55,000 each for how long?

Mr. NOOTER. This is for 1 year.

Mr. SHRIVER. Two people?

Mr. NOOTER. This is not just salary but also includes their support costs.

Mr. PASSMAN. There are only two individuals involved, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. The cost per individual is $55,000, is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. For 1 year?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Let us see what sort of breakdown we have.

Mr. NOOTER. One of them would be paid in the range of about $33,000 a year. The other one approximately $22,000 a year.

Mr. PASSMAN. Take the $22,000-a-year man; see where he winds up. How much will the $22,000-a-year man cost of the $110,000?

Mr. NOOTER. It would be roughly 40 percent. That would be a total of about $44,000.

Mr. PASSMAN. That leaves $66,000 for the other man. Take that $66,000-a-year man and how much is his salary?

Mr. NOOTER. Approximately $33,000.

Mr. PASSMAN. Another $33,000 to build around the salary. What does that represent?

Mr. NOOTER. In addition, he receives a 25-percent pay differential.

Mr. PASSMAN. Gentlemen, you are great patriots, dedicated people. That is a part of his compensation, isn't it?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Why not say he is getting so much in salary? If he is getting 25-percent differential compensation for being in Vietnam, it is part of his salary, isn't it?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. What else?

Mr. NOOTER. There are certain retirement, insurance, health benefits.

Mr. PASSMAN. That $33,000 means that you are adding to that $8,250, aren't you?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Let's see what the salary is, then. He is actually getting a salary of $41,250, isn't he?

Mr. NOOTER. Yes, sir, while serving in Vietnam.

TECHNICIAN'S PAY COMPARED TO ARMY GENERAL'S

Mr. PASSMAN. What is the highest ranking Army officer over there; what is he, a three star or four star?

Colonel CONSTANT. The highest ranking general is a four-star general.

Mr. PASSMAN. That is General Abrams?

Colonel CONSTANT. Yes, sir, General Abrams.

Mr. PASSMAN. What is his salary?

Colonel CONSTANT. I do not have that information but I can provide it for the record.

Mr. PASSMAN. Find out now.

Colonel CONSTANT. Yes, sir.

Mr. PASSMAN. I think that you will find this labor organizer gets more salary than the four-star general.

While he is getting that, let us find out what happened to the other $23,750.

How do you absorb that? What does this represent?

Mr. NOOTER. About $2,400 of it is for retirement, insurance, life insurance.

Mr. PASSMAN. Life insurance?

Mr. NOOTER. Fringe benefits. Yes, sir.

Mr. PASSMAN. That would be part of a man's salary, too?

Mr. NOOTER. It would be indirect compensation.

Mr. PASSMAN. What do you mean "indirect"? It is life insurance and life insurance is not normally considered an outside expense; that is, you carry life insurance, don't you?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. You pay for it out of your salary?

Mr. NOOTER. Partly.

Mr. PASSMAN. How much does this man get?

Mr. NOOTER. In this case he would get——

Mr. WESTWOOD. For his standard Government life insurance, the United States makes a contribution.

Mr. PASSMAN. I know the Government puts up some but, as far as this man is concerned, he is getting more insurance than this record indicates. Isn't he? You are not including the Government's cost there, are you?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. How much is this?

Mr. NOOTER. This is the Government's part. A total of $2,400 for these three items.

Mr. PASSMAN. Insurance?

Mr. NOOTER. Retirement benefits.

Mr. PASSMAN. Retirement is something that accrues to his account?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Is that added to the $41,250?

Mr. NOOTER. That is part of the $2,400.

Mr. PASSMAN. Which should be added to the $41,250?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. How much salary is this man getting? How much is the retirement? That goes into an account and he is given credit for cash, isn't he, in that retirement account?

Mr. NOOTER. Some part of it would be.

Mr. PASSMAN. If it is retirement it all goes into that account to his credit?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. How much is the retirement part?

Mr. NOOTER. I don't have a breakdown as between those three items.

Mr. PASSMAN. What is the total?

Mr. NOOTER. The total is $2,400.

Mr. PASSMAN. I want a breakdown on that for the record.

Mr. NOOTER. We will supply that.

(The information follows:)

Cost of employee salary and benefits (fiscal year 1970–71 program estimates)— budget estimate for authorized senior labor position, grade FSR–1/step 2

	Amount
Base salary	$32,762
Differential (25 percent)	8,191
Retirement (6.5 percent)	2,130
Health insurance (0.6 percent)	[1] 197
Life insurance (0.4 percent)	131
Average benefits (7.5 percent)	2,458
Total	43,411

The present incumbent of the senior labor position holds a lower grade than authorized. Actual pay rates for the incumbents of the two labor positions are as follows (including the recent pay raise):

	FSR–2/2	FSR–3/2
Base salary	$27,237	$21,584
Differential (25 percent)	6,809	5,396
Retirement (7.0 percent)	1,907	1,511
Health insurance (0.6 percent)	[1] 122	[1] 107
Life insurance (0.4 percent)	109	86
Total	2,138	1,704
Actual pay rates	36,184	28,684

[1] Average cost is 0.6% but actual costs shown are lower based upon plan selected by employee.

Note: Comparison of these pay rates with military pay is extremely difficult because of differences in the authorized benefits.

Mr. PASSMAN. What else?

Mr. NOOTER. The balance represents what the Vietnam mission has determined to be the average cost for travel to and from post, a separate maintenance allowance for his family because of the fact that the families are not allowed to live in Vietnam.

Mr. PASSMAN. You mean family allowance back here? Since his family can't be with him there, the Government pays for their keep?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Go ahead.

Mr. NOOTER. Also certain educational allowances if his family is living in a safe-haven post in Asia, the storage of household effects and baggage, as well as the average costs of his travel and transportation to and from the post.

Mr. PASSMAN. Where did you recruit this highfalutin genius?

Mr. NOOTER. I believe these people are furnished through the contractor, American Free Labor Institute.

Mr. PASSMAN. What do they get for locating this man?

Mr. WESTWOOD. The man in question?

Mr. PASSMAN. Yes.

Mr. NOOTER. No, I am wrong. These are direct-hire people.

Mr. WESTWOOD. The original source several years ago was the AFL–CIO.

Mr. PASSMAN. By request from the AID agency?

Mr. NOOTER. Yes, they helped us to do that.

Mr. PASSMAN. They didn't originate this but it had to be originated by you people, did it not?

Mr. NOOTER. Yes, sir.

Mr. COHELAN. Would the chairman yield?

This is not a new program? We have had labor advisers before, have we not?

Mr. NOOTER. Yes, sir.

Mr. COHELAN. Is this an unaccompanied tour?

Mr. NOOTER. Without his family. Yes, sir.

Mr. COHELAN. Who are the present incumbents?

Mr. WESTWOOD. Mr. Roger Burgess is the present incumbent.

Mr. COHELAN. Where is he from? What is his background?

Mr. WESTWOOD. He was with the AFL–CIO for some years and has been with AID for perhaps the last six or seven.

Mr. PASSMAN. I am not quarreling with this individual. He may be worth $10,000 a year, how do I know? In all probability you are paying him much more than your four-star general is getting. We are going to pin this down and find out what part of that $2,000 represents insurance, life insurance, and what part of it represents retirement. Of course, you know that in both of those they are part of his salary. I don't believe that you want to tell the committee otherwise, do you?

Mr. NOOTER. No, sir.

Mr. PASSMAN. Thank you.

We are going to return to this item later after we get the information.

LOGISTICS GENERAL SUPPORT PROJECT

In connection with the logistics general support project on page 36, would you please explain the $50,000 item required to replace vital equipment in emergency situations.

Mr. NOOTER. This is an emergency fund, to provide replacements on short notice for vital equipment which breaks down or is damaged.

Mr. PASSMAN. Undetermined at the time of the allocation?

Mr. NOOTER. At this time it is undetermined; yes, sir.

Mr. PASSMAN. You couldn't wait until you had a need and then fund it; you just wanted to get it in one of these little pigeonholes and if you don't use it for this purpose can you use it for something else?

Mr. NOOTER. It won't be obligated unless the need arises. There is——

Mr. PASSMAN. You are not obligating it? You mean that you won't spend it unless the need arises?

Mr. NOOTER. In this case we actually won't obligate it unless the need is determined.

Mr. PASSMAN. You are asking us to appropriate the money, aren't you?

Mr. NOOTER. Yes, sir. In this case.

Mr. PASSMAN. You will have it on hand?

Mr. NOOTER. It would be on hand.

Mr. PASSMAN. That is what I said, would have it on hand. Since this comes in the general pattern, if it is not used for this purpose, you could make it available for some other program not under your legislation?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Certainly you have all these little pockets and nooks and get all these little things set in and it is part of the game.

FAILURE TO REFLECT TOTAL PROJECT COSTS AND TERMINAL DATE

I notice by your justifications that the majority of your projects do not reflect an estimated total cost or schedule of final obligation date. Is that true?

Mr. NOOTER. That is correct.

Mr. PASSMAN. This frightens us because this is not new. It is popping up all through the justifications where heretofore with slight exaggeration they would say this project will cost $2,286,395.16. And we are going to complete it at 2:30 in the afternoon on June 18.

My, how exact they have been! This year we see that they have substituted for that cost "undetermined. Completion date undetermined."

I don't know what the committee is going to do, but I don't buy that. We might have to place a restriction on these types of projects because when we start already illustrative programs all over the world—it is illustrative?

Mr. NOOTER. Yes, sir, it is.

Mr. PASSMAN. When you come along and try to make a record and about every fourth project you indicate that you don't know what date it will be completed and what the total cost will be, it is difficult. If we didn't raise complaints this year this sets the stage for all of it going into that category. Even though you missed these projects sometimes by large percentages, it is better to give us some type of figures than just indicate you don't know what it is going to cost and you don't know when you are going to complete it. You can imagine what kind of a mess we could get in with this program on this basis.

Mr. NOOTER. May I comment?

Mr. PASSMAN. You know what kind of a mess we would be in if we got them all in that category?

Mr. NOOTER. Yes, sir, I agree.

In the Vietnam program over the last several years it has been very difficult to predict terminal dates of projects.

Mr. PASSMAN. You have been predicting it in most instances and you have been predicting the completion date and the cost, haven't you?

Mr. NOOTER. I believe in most cases in the Vietnam program over the last several years we have indicated that the schedule would be undetermined.

PAY AND ALLOWANCE OF FOUR STAR GENERAL

Mr. PASSMAN. I had not detected that.

What does the general get per year?

Colonel CONSTANT. The pay and allowances a four-star general serving in Vietnam under present conditions is $38,971.32.

Mr. PASSMAN. Base pay plus allowances?

Colonel CONSTANT. Plus all allowances, yes, sir.

Mr. PASSMAN. That means this labor organizer is only getting $10,000 a year more than the four-star general. Maybe he is worth it, but I don't think so. I have a lot of respect for General Abrams. It gives you an idea of the way things are.

That includes his allowances, too?

Colonel CONSTANT. Yes, sir; it does.

Mr. PASSMAN. When we include this man's allowances it runs up to $66,000. Do you read me?

Colonel CONSTANT. Yes, sir.

Mr. PASSMAN. I am going to call this to General Abrams' attention if he ever has time to read the hearings.

INTERNAL REVENUE AGENTS ON LOAN TO AID

In connection with the improvement of fiscal administration project on page 37, I note that you plan to fund six IRS team members and a customs team of 9 members at a cost of $800,000.

Mr. NOOTER. That is correct.

Mr. PASSMAN. That is a total of 15. What does that figure out per man?

Mr. NOOTER. $55,333.

Mr. PASSMAN. Per man?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Are these people experts, well trained in their field?

Mr. NOOTER. These are, on the whole, specialists and trained people. This figure does include some backstopping support cost under our arrangements.

Mr. PASSMAN. There are backstopping costs to all these projects, are there not?

Mr. NOOTER. Yes, sir; but in this case it is included in the figure since these are furnished under a participating agency agreement with customs and IRS.

Mr. PASSMAN. It is my understanding that we have a tremendous shortage of customs officers and trained Internal Revenue Agents in this country. Is that correct?

Mr. NOOTER. I am not aware of that but it is possible.

Mr. PASSMAN. I make this as a statement of fact. They can not recruit the expert personnel that they need in this country and I am on the committee that provides that money. They are in dire need of additional agents and I don't think any year in the past 10 they have been able to recruit and train the personnel that they need to administer those programs properly in this country. Yet, all through the record we read about countries, Latin America, Africa, now Vietnam, taking Internal Revenue Agents out of IRS in America and assigning them to other countries. I would assume that these people are employed directly out of IRS, aren't they?

Mr. NOOTER. That is correct. These are people on loan from them. I would say that there is hardly any program which is more important to our own interest as well as that of the Vietnamese.

Mr. PASSMAN. I would think that is so, but we have already established the record that they have been running governments out there for over 4,000 years and we are only 181 years away from our beginning. You would assume that somewhere along the way those people learned something about collecting taxes and they had a few of the old citizens that would know something about the game of tax collecting, wouldn't you?

Mr. NOOTER. Unfortunately this is one area where they have not advanced as fast as we would like to have seen.

Mr. PASSMAN. Certainly they have not advanced as fast as you would like to see them.

PUBLIC ADMINISTRATION GENERAL SUPPORT PROJECT

On page 43, under the public administration general support project, I notice that you plan to provide travel for key government Vietnam officials to observe good administrative practices in other countries at a cost of $5,000. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Who thought this one up?

Mr. NOOTER. This is part of our public administration people's effort to——

Mr. PASSMAN. Why don't you keep them home?

Mr. NOOTER (continuing). Train the Vietnamese in this area.

Mr. PASSMAN. Where are they going to travel?

Mr. NOOTER. This is travel to other Asian countries, principally Japan.

Mr. PASSMAN. You do say key government officials?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Out of the millions of dollars we give them, you don't think they could find this little $5,000 to pay this expense of these key officials?

Mr. NOOTER. I am certain it would be possible for them to find any one portion of it.

Mr. PASSMAN. Is this a new program?

Mr. NOOTER. I think this was not listed in last year's book.

Mr. PASSMAN. Have you ever heard that expression, "From little acorns big trees grow?"

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. I just can't conceive of you people thinking of all these programs, and the first thing you know, all these Vietnamese

officials will be vacationing down in Japan. You think this is the principal place they are going to go?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. A fine place to vacation. Taiwan is not bad either.

I also notice on the same project last year you proposed a fiscal year 1970 program of $246,000 and this year you projected this program level to be $676,000. Is that correct?

Mr. NOOTER. That is correct.

PROVINCIAL HEALTH ASSISTANCE PROJECT

Mr. PASSMAN. In connection with the provincial health assistance project on page 45, I note that the American Medical Association provided up to 32 volunteer physicians. Is that correct?

Mr. NOOTER. Yes, sir.

PHYSICIANS PROVIDED BY AMERICAN MEDICAL ASSOCIATION

Mr. PASSMAN. What amount will the U.S. pay to the American Medical Association for these volunteers?

Mr. NOOTER. We will pay certain costs incurred in the placement of these volunteers, covering their expenses and so on of $1 million. The services themselves are gratis. The physicians volunteer.

Mr. PASSMAN. You mean there are 32 of these volunteers, is that correct?

Mr. NOOTER. Thirty-two volunteers. Excuse me. The $1 million figure also includes the 15 long-term health coordinators.

Mr. PASSMAN. What do you mean "long term"?

Mr. NOOTER. These 32 volunteers go over for 2 months' period of service. The 15 are there on a permanent basis, 1- or 2-year basis.

Mr. PASSMAN. The $1 million for the 15 is for 1 year?

Mr. NOOTER. That is correct.

Mr. PASSMAN. How much is that going to cost?

Mr. NOOTER. The cost of the 15—excuse me.

Mr. PASSMAN. It says here, the medical association will provide up to 32 volunteer positions.

Mr. NOOTER. Excuse me. The American Medical Association keeps 32 volunteers on the ground in Vietnam at all times.

Mr. PASSMAN. It is costing $1 million a year?

Mr. NOOTER. The 32 are replaced at 2-month intervals.

Mr. PASSMAN. You are going to have 32 there and you want $1 million for fiscal year 1971, is that correct?

Mr. NOOTER. For that, plus the 15 long term.

Mr. PASSMAN. You are basing it on 1 year, aren't you? You want the $1 million for 1 year?

Mr. NOOTER. That is right.

Mr. PASSMAN. How many will be involved for the 1 year?

Mr. NOOTER. The 32 volunteer positions will include a total of 192 doctors who will come over at 2-month intervals.

Mr. PASSMAN. What will you average? What will be the average number of doctors on Vietnam soil at all times?

Mr. NOOTER. Funded under this $1 million will be a total of 47 at any one time.

Mr. PASSMAN. Forty-seven divided into $1 million; how much is that per year?

Mr. NOOTER. It would be about $52,000. Excuse me. $22,000.

Mr. PASSMAN. What else do they get? Do we pay the travel in addition?

Mr. NOOTER. This includes the travel and housing and the expenses. As I said, the salary is free, gratis.

Mr. PASSMAN. These doctors will go there and this will be a new country to them. They are just dropping in for about 60 days, is that correct?

Mr. NOOTER. They are there for about 60 days, yes, sir.

Mr. PASSMAN. What possible service could a doctor render in dropping in a country strange to him, entirely new environment, for 60 days?

Mr. NOOTER. Doctor services are pretty universal. They can go right to work and be very valuable in a short period of time.

Mr. PASSMAN. You don't become oriented in a new environment like that overnight. You don't even speak their language.

When did you originate this project?

Mr. NOOTER. 1967.

Mr. WESTWOOD. This activity.

Mr. PASSMAN. What did it cost? Put that in the record.

Mr. NOOTER. Yes, sir.

(The information follows:)

AMERICAN MEDICAL ASSOCIATION CONTRACT VOLUNTEER PHYSICIANS FOR VIETNAM PROJECT

The original contract with the American Medical Association to provide volunteer physicians for Vietnam was executed effective the 1st of May, 1966. It provided for volunteer physicians to serve minimum tours of 60 days on a rotating basis so that a maximum of 32 volunteer physicians were present in-country at any one time. Over a 1-year period, 192 individual physicians would be deployed to Vietnam contributing 384 man-months of service. The original contract was funded at $672,312 for a 1-year period. The average cost for each of the 192 physicians was $3,500 and included travel to and from Vietnam plus travel and maintenance within country during the 60-day period.

The scope of work under the new contract has been expanded to include 15 long-term professional coordinators who perform 180 man-months of service per year, plus 250 man-days of professional consultant services. The new contract is funded at $1 million and includes the same number and costs of volunteer physicians plus 15 permanent (1-year) physicians and consultant services.

HEALTH LOGISTICS SUPPORT PROJECT

Mr. PASSMAN. In connection with the health logistics support project on page 51, I note last year you proposed expenditures through June 30 of 1969 in the amount of $24,694,000. Is that correct?

Mr. NOOTER. In last year's book we show the total estimated obligations through June 30, 1969, as $31,294,000.

Mr. PASSMAN. It is $24,694,000?

Mr. NOOTER. Yes, that is the correct expenditure estimate.

Mr. PASSMAN. However, this year it indicates that for the same year, same period, you moved it up to $30,328,000. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. What would have happened if you had only $24,694,000?

Mr. NOOTER. This was used for the payment of medical supplies and other costs of the project.

Mr. PASSMAN. What would have happened if we had said, "Fine, you made a good case and we are going to give you the $24,694,000, and write into the bill not any more"? What would you have done?

Mr. NOOTER. This represents the expenditure of obligated funds, Mr. Chairman, not a change in the obligation level.

Mr. PASSMAN. Your expenditures have gone up from 24 to 30, haven't they?

Mr. NOOTER. Yes, sir, but that merely represents——

Mr. PASSMAN. Let us check the obligations. How much are your obligations?

Mr. NOOTER. The obligations are $32,555,000 through June 30, 1969.

Mr. PASSMAN. What did you tell us last year they would be?

Mr. NOOTER. We predicted they would be $31,294,000.

Mr. PASSMAN. What will they be?

Mr. NOOTER. They were $32,555,000.

Mr. PASSMAN. What would have happened if you had only gotten the $31,000,000? You would have lived on it?

Mr. NOOTER. Yes, sir.

FUNDS PROVIDED BY DEPARTMENT OF DEFENSE FOR PROJECT

Mr. PASSMAN. I note the $5,328,000 in medical supplies was supplied to this project directly by the Department of Defense. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. How much did the Department of Defense provide last year for this project?

Mr. NOOTER. We will ask our Department of Defense witness.

Mr. PASSMAN. Put that in the record.

(The information follows:)

DEPARTMENT OF DEFENSE CONTRIBUTION OF MEDICAL SUPPLIES TO THE HEALTH LOGISTICS SUPPORT PROJECT

The Department of Defense provided medical supplies to the health logistics support project valued at $6,100,000 in fiscal year 1969, and $6,300,000 in fiscal year 1970.

Mr. PASSMAN. Did you reimburse the Department of Defense for the $5,328,000?

Mr. NOOTER. No.

Mr. PASSMAN. That is in addition?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. If you get the grand total that must be added to it?

Mr. NOOTER. That is correct. That represents the part which they provided.

Mr. PASSMAN. When we get into illustrative programs it is impossible to keep on top of this thing as to what really these programs are going to cost. Here is a little item, $5,328,000, and I bet that you have not clipped that many coupons in your savings this year. Have you?

Mr. NOOTER. No, sir.

Mr. PASSMAN. I have not either, and all the other years I have lived.

You people throw these billions around like they were a cheap grade of marbles.

PROVINCIAL ROADS AND QUARRIES PROJECT

On page 55, in connection with the provincial roads and quarries project, I notice that last year you proposed a 1970 program level of $3,490,000. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. The same fiscal year program has been increased to $10,544,000, is that correct?

Mr. NOOTER. Yes, sir.

SAIGON ELECTRIC POWER PROJECT

Mr. PASSMAN. I hope that you know more about what you need this year than last year. Under the Saigon electric power project on page 61, can you tell the committee what commodities are planned to be provided by the $950,000 that you estimated in your 1970 program which was not justified before the Congress last year? You did not justify it, did you?

Mr. NOOTER. That is correct. This represented——

Mr. PASSMAN. Put the information in the record.

Mr. NOOTER. Yes, sir.

(The information follows:)

COMMODITIES FOR THE SAIGON ELECTRIC POWER PROJECT

The $950,000 in the Saigon electric power project is for the purchase of consumable and replacement spare parts for 64—2,100 kw. diesel generating units to insure their continuing operation. An unexpected high rate of parts replacement, caused primarily by use of lower grade fuel, together with an insufficient order for spare parts at the time of the original purchase, has required an obligation of funds in fiscal year 1970 that was not foreseen when the program was presented. These diesel units are an essential interim addition to the power generating facilities in the Saigon area until completion of two large thermal generating units at Thu Duc.

U.S. AID TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. In connection with the U.S. AID technical support project on page 67, I note that you plan to fund in 1971 $2 million for expenses of other AID mission personnel costs in Thailand, Philippines and Taiwan for support of AID and civil operations and rural development support dependents situated in those countries. Is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Please explain to the committee the need for these mission personnel costs.

Mr. NOOTER. This represents the cost of maintaining the families of the portion of our AID people who are serving in Vietnam.

Mr. PASSMAN. Prefer to live in places like Taiwan?

Mr. NOOTER. Yes, sir, since they are not permitted to live in Vietnam.

SUPPORT OF RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. On page 69, under support of rural development project, I note the primary objective of this project is to mobilize popular support for the Government of Vietnam by demonstrating the

Government of Vietnam's desire to help the people improve their standard of living. Is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Vietnam is a small country and with all the aid at all levels and all the billions that we have given them, the fact is that the most illiterate Vietnamese know very well about our resources and that we are sacrificing the youth of our country in their behalf and now we have got to start a project to go out in the rural section and mobilize support for the Government of Vietnam.

ETHNIC MINORITIES AFFAIRS PROJECT

On page 71, in connection with the ethnic minorities affairs project, I note that you plan to acquire trucks as excess property at a cost of $39,000. Is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. What kind of a project is this?

Mr. NOOTER. This is surplus excess property which is obtained——

Mr. PASSMAN. Ethnic minority, what is that?

Mr. NOOTER. Those are the Montagnards and some of the other hill tribes which live, for the most part, in the highlands in Vietnam.

Mr. PASSMAN. You are acquiring these trucks for them?

Mr. NOOTER. These trucks are turned over to the Ministry for the Development of the Ethnic Minorities, which uses them to transport supplies, goods, and commodities, needed in carrying out its programs.

Mr. PASSMAN. How much does it cost to train them to operate and maintain these trucks or vehicles?

Mr. NOOTER. The trucks themselves would be operated by the Ministry personnel who transport the goods and supplies and so on to the ethnic minority peoples up in the highlands.

Mr. PASSMAN. Is this a new project?

Mr. NOOTER. The project itself is not new, no, sir.

EXCESS PROPERTY FROM DEPARTMENT OF DEFENSE SURPLUS

Mr. PASSMAN. Is this excess property obtained from the Department of Defense surplus?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Why do you have to pay them, then?

Mr. NOOTER. The costs represent transportation and rehabilitation. Some of these would not necessarily come from Vietnam. They might come from surplus stocks in Japan or other locations.

Mr. PASSMAN. I believe that the MAP has money in this for rehabilitation of vehicles; do they not?

Mr. NOOTER. When we obtain this equipment under the AID program we reimburse the Defense Department for those costs.

Mr. PASSMAN. Even though it is excess?

Mr. NOOTER. But for the costs which are in addition to the value of the trucks themselves.

Mr. PASSMAN. How many trucks involved in this $39,000?

Mr. NOOTER. I don't know. I am sorry that I don't have that break down here but we can obtain it for the record.

Mr. PASSMAN. This is just another guess, in all probability?

Mr. WESTWOOD. On the costs?

Mr. PASSMAN. No.

Mr. WESTWOOD. No. Under excess we pay normally 25 percent of acquisition costs.

Mr. PASSMAN. If you don't know how many trucks?

Mr. WESTWOOD. The number of trucks—I am sorry.

Mr. PASSMAN. You wouldn't know the cost if you don't know the number.

Mr. NOOTER. I am sure that figure is in our records where these cost figures were built up.

Mr. PASSMAN. You are asking this committee to provide the money and these omissions are too numerous to please me.

Mr. NOOTER. We will be glad to supply it for the record.

Mr. PASSMAN. We are going to have a lot in the record supplied this year, I will say this.

Mr. WESTWOOD. Thirteen trucks.

Mr. PASSMAN. I am not as much in love with this program as some of the other members. I am not too sure a lot of other people are not falling out of love with it anyway. If you are taking those people too far, too fast, and getting into every program conceived by the mind of man—you are spoiling those people.

Mr. SHRIVER. Would you yield?

Where did you purchase the trucks?

Mr. WESTWOOD. It depends on where they are available from Department of Defense stocks. There are many stocks available now from Japan. Some come from Japan. In the past we have purchased excess stocks from Germany.

Mr. SHRIVER. You don't mean we are buying trucks from some other country?

Mr. WESTWOOD. No, sir. We are securing them from the Department of Defense, used trucks, surplus to the needs of the Department of Defense.

Mr. SHRIVER. All those trucks originally were built in the United States?

Mr. WESTWOOD. Yes, sir.

Mr. COHELAN. Are you talking about deadlined trucks by our standard of use?

Mr. WESTWOOD. We try not to accept ones that are truly-deadlined. We try to accept trucks that are used but can be fixed up with some modest rehabilitation.

Mr. PASSMAN. How many trucks did you say?

Mr. WESTWOOD. Thirteen, sir.

Mr. PASSMAN. Let us see how much that is—$39,000. How much is that per truck?

Mr. NOOTER. $3,000 apiece.

Mr. PASSMAN. The trucks come from excess properties?

Mr. WESTWOOD. Yes, sir.

Mr. PASSMAN. Isn't that made available free?

Mr. WESTWOOD. No, sir; the Vietnam program normally pays 25 percent of the original acquisition cost to the AID excess property revolving fund, plus transportation.

Mr. PASSMAN. You know it is the policy of the military to make all types of excess military equipment available free to any AID country. All they pay is the rehabilitation cost and transportation; there is no

charge. What kind of arrangement is this? Because Vietnam would be eligible, would they not, for excess stocks free out of the military?

Mr. NOOTER. This would represent——

Mr. PASSMAN. Isn't that a statement of fact? How about it, Colonel? The excess stocks are made available completely free to the military assistance countries. All they pay is the rehabilitation costs and transportation, isn't that right?

Mr. WESTWOOD. Mr. Chairman, I see the problem. I believe they are made——

Mr. PASSMAN. Just a minute. If you are going to answer in the affirmative, good. Is that right?

Mr. NOOTER. The answer is "Yes."

Mr. PASSMAN. The answer to the question is "Yes"?

Mr. NOOTER. That is correct.

Mr. PASSMAN. We straightened the record out. The record is going to show you paid 25 percent.

Mr. WESTWOOD. For the military assistance program you are entirely correct. For the AID program the Vietnam program has to pay 25 percent to the AID excess property revolving fund.

Mr. PASSMAN. But the facts are, gentlemen, that you are procuring these trucks for Vietnam, are you not?

Mr. WESTWOOD. Yes, sir.

Mr. PASSMAN. And Vietnam is a military recipient country, is it not? And I can tell you that all excess stocks are made available free to military equipment countries.

All they pay is the rehabilitation cost and the transportation, isn't that correct?

Mr. WESTWOOD. That is correct for military assistance.

Mr. PASSMAN. This comes out of military. You say so here.

(Discussion off the record.)

Mr. PASSMAN. I am going to make this as a statement of fact, repeating myself if I may. The military assistance countries, may, upon request and justification, obtain from the Defense Department any excess stocks they may have completely without cost. The only thing they have to pay is the rehabilitation cost and the transportation. Now, these 13 trucks are coming from the Department of Defense, are they not, some branch somewhere?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Then why would you people be called upon to pay 25 percent of the acquisition cost because the recipient country is already eligible to receive this equipment completely free of charge?

Mr. NOOTER. My understanding is that when these are provided under an AID program, we do pay a fee of 25 percent to AID's revolving fund to cover the overhead costs in connection with running the program, which includes rehabilitation and storage. May I furnish a complete statement for the record.

Mr. COHELAN. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mr. COHELAN. Can you explain what the cost effectiveness analysis would be, at $3,000 per copy on a rehab override, in relation to the price of the new truck and the life of the asset? Can you do something about it, because you see it is a real question. I don't know how long they are going to last. Why not buy a new truck?

Mr. PASSMAN. I respect the gentleman's views on that, but if we own them, they have already been bought and paid for. I would certainly enforce a program to utilize whatever life is left in them rather than just push them off into the ocean.

Mr. COHELAN. But you see by our standards they are rejections so we rehab them, and then there is a question as to what the meaningful life of the asset is going to be, in relation to the cost of the new truck. It may be cheaper to buy a new truck.

Mr. PASSMAN. Some of this stuff still has the price list on the windshield. We are talking about excess.

Mr. NOOTER. These are excess.

Mr. PASSMAN. Some still have the price on the windshield. You know that. We make available so much of this that is brand new.

Mr. COHELAN. Let's determine that clearly. Mr. Chairman, you were very insistent. Let's be sure of that. As I heard you, you tried not to talk about deadlines, but you were talking about a surveyed piece of equipment, isn't that correct?

Mr. PASSMAN. I said excess.

Mr. COHELAN. I am talking to him, Mr. Chairman. Please help me. I want to know if there are any brand new trucks included in that surveyed equipment?

Mr. WESTWOOD. Not to my knowledge.

Mr. COHELAN. That isn't what we are talking about. We are talking about surveyed equipment whose life has ended as far as our purposes and standards of usage is concerned?

Mr. PASSMAN. If the gentleman will allow me to continue?

Mr. COHELAN. I thought I was helping you, Mr. Chairman.

Mr. PASSMAN. I happen to be an old Navy officer and it was my responsibility to do surveying. Very few people knew what we were talking about.

Mr. COHELAN. They just said they are old trucks.

Mr. PASSMAN. That is not right. Nowhere did I say old trucks.

Mr. COHELAN. I am with you. What do you want me to say?

Mr. PASSMAN. I am very grateful. I am fussing about this game being played between AID and the Defense Department with these dollars.

Mr. COHELAN. That is what I am trying to find out.

Mr. PASSMAN. Here is what it said and I used it. It is to acquire trucks from excess property. Now excess property doesn't mean that it has been surveyed and it has no value, isn't that right? Excess in many instances calls for brand new equipment, but here is what is confusing to me. Here is a list of the excess stock for one country, you understand. We have listed here 1,872 trucks. I want you to look at this. This is at absolutely no cost whatsoever. You are dealing with the military assistance. You are in the area of the military. You say they make this available. My only point is that all of this equipment is available to Vietnam completely free of charge, with the exception of the rehabilitation cost and transportation. Now, why you people should be called upon to pay 25 percent of the excess cost, it is still taxpayers' dollars, is it not?

Mr. NOOTER. Yes, it is.

Mr. PASSMAN. What you are actually doing is permitting the military, you understand, to get a little windfall here that is never ac-

counted for I wouldn't think anywhere else. They charge you 25 percent of the acquisition cost, whereas this country is eligible for those trucks absolutely free of charge, other than the rehabilitation cost and the transportation, and I stand on that as a statement of fact, because I have been handling this for years. I just wish we had time to go into a lot of other programs. I don't know who is at fault, you or the military, but it is still the taxpayers' dollars.

Mr. NOOTER. If this were provided in connection with a military assistance project——

Mr. PASSMAN. They can use these trucks to haul watermelons, go out on a hayride or anything else. Who is going to police the use of these trucks? It is a part of the system over there, so why belabor it. It looks to me like a game of paying 25 percent in dollars between AID and Defense, whereas the American taxpayers have already paid for this equipment one time, and this is a windfall for the military, which I guess goes into the general revenues of their treasury. I wouldn't know. I wish you would check on that.

Mr. NOOTER. Yes, sir, I believe it represents an attempt to distribute the cost of handling the excess property program.

Mr. PASSMAN. Why don't you do the same thing then on all of the other excess stocks.

(The following information was subsequently submitted for the record.)

INFORMATION ON PAYMENT FOR U.S. GOVERNMENT-OWNED EXCESS PROPERTY

Pursuant to the Foreign Assistance Act of 1961, as amended, the policy of AID is to promote the optimum utilization of U.S. Government-owned excess property in the implementation of AID programs and projects.

Section 608 of the Foreign Assistance Act of 1961, as amended, authorizes a revolving fund of $5 million to administer AID's primary excess property program—the advance acquisiton program. From this fund, AID defrays personnel costs and the expenses which it incurs in transporting excess property, acquired in advance of known requirements, from owning agencies to AID marshaling sites and in rehabilitating and storing the property at such sites. All property rehabilitated and stored by AID under this program carries a service charge to AID missions, development loan borrowers, and section 607(a) eligible recipients (friendly countries, international organizations, the American Red Cross, and registered voluntary agencies) of 25 percent (formerly 15 percent) of the original acquisition cost of the property as reimbursement of the revolving fund to maintain its solvency. Additional charges, covering packing and crating, inland transportation, port handling, and ocean transportation, range from 3 percent to 17 percent of the original acquisition cost of the property, depending on the location of the property (domestic or foreign) and the method of ocean transportation (miltary sea transportation service or commercial).

All U.S. Government-owned domestic or foreign excess personal property is transferred between Federal agencies without charge as to the value of the property itself. All such excess property is acquired on an "as is-where is" basis; accordingly, the acquiring agency must bear the cost of any packing and crating, inland transportation, rehabilitation, storage, port handling, and ocean transportation services which are entailed in transferring the property from the point of origin to the point of use.

AID's programs for the acquisition of available excess property to meet AID material requirements are administered by the Office of Government Property Resources through its Logistics Service Center, New Cumberland, Pa., and seven AID field offices.

(Discussion off the record.)

MY THUAN BRIDGE PROJECT

Mr. PASSMAN. I notice under the Post Hostility tab you have one project called the My Thuan bridge project on page 81. Last year under the same tab you proposed two projects which don't appear this year. Does this bridge project proposed this year replace the two you were thinking about last year?

Mr. NOOTER. In fiscal year 1971 we do not anticipate going ahead with the two projects mentioned last year. That is why they do not appear here. In the case of the My Thuan bridge this is also considered a standby type project. It is conceivable that it could, in the event peace is restored, be desirable to go forward with it, but we have not requested specific funds for it in view of the fact that the security situation is as it now is, and the funding situation is very tight.

(Discussion off the record.)

Mr. PASSMAN. It is my understanding, and it hasn't been refuted that we have 4,408 projects or subprojects in 99 nations of the world. Previously we moved this program into 123 nations and seven territories of the world, so I should think that you would understand it is almost impossible for this committee to examine 4,408 projects, would you agree to that?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. So if I should ask you similar questions about similar projects in your area, I would get similar answers to those that I did get on projects we have examined on.

Mr. NOOTER. I would say that is a fair statement.

Mr. PASSMAN. Thank you.

Gentlemen, we are working to meet a deadline on marking up the bill and reporting it to the full committee and shortly thereafter the House. Would you please, at the conclusion of the hearings, which I certainly hope will come at a very early date, arrange to have those responsible for making the insertions and straightening out the transcript do so immediately and get it back to the committee, so that we may find out how much of what you do delete we are going to have to put back. They are past masters at taking out of the record anything that would be helpful in bringing this thing under control. I guess that is the reason he looked over here and smiled. He is one of the deleters. But we might insert deletions, so look it over and get it back as quickly as you can.

Mr. NOOTER. We will do that as rapidly as possible.

(Discussion off the record.)

Mr. NOOTER. I would like to comment that the CIP requirement is going to be higher than the——

Mr. PASSMAN. You are talking about the aid program as such because you have flexibility, do you not, in this aid program, to transfer in and out?

Mr. NOOTER. Yes, that is correct.

Mr. PASSMAN. You are referring to the overall program as being a tight program?

Mr. NOOTER. That is correct.

Mr. PASSMAN. May I say this, Mr. Director? You are one of the nicest fellows I have ever met. Why a man like you would accept a job like this, I don't know. I have been in the Congress 24 years, and I have handled 16 of these tight budgets, and we took out about an average of

$1 billion out of these tight budgets and still left them overfunded every year, so I can see that you have been properly indoctrinated, but I want to thank you anyway for your enthusiasm. We will possibly establish for you that it is not quite so tight as you thought it was, but you have a right to make that statement. That is completely standard with AID people and that same statement will be made by every witness who comes before this committee, and I am going back 16 years. I am going to mail you the list showing the budget request and the tightness of it. Then in addition to that, to show you how much the committee cut out, and I might as well tell you now, from 1956 to 1970, I think that is 15 years, the aggregate request for foreign assistance, one spigot, $57,673,361,250, just as tight as a balloon. Then we appropriated $45,590,532,750, but during the several stages during these same years there was a reduction of $12,082,828,500, for an average reduction of 20.95, and without exception we left the overall program overfunded in every one of those years. I want to give you a copy of this with my compliments, and you study it. Then you will know that I am just as familiar with these tight budgets as you are. Take this along. You will enjoy reading it. All right, did you verify the correctness of what I said?

MILITARY EXCESS PROPERTIES

Colonel PATRICK. Under the MAP program, military excess properties are given to recipient military forces without charge to the MAP appropriation, other than transportation and rehabilitation costs, if required.

Mr. PASSMAN. Country to country you mean, is that correct?

Colonel PATRICK. Yes, sir.

Mr. PASSMAN. Country to country, do you buy that?

Colonel PATRICK. Yes, sir, under the military assistance program. If there is another U.S. Government agency involved, then do we charge for actual costs incurred by DOD, for rehabilitation, packing, transportation or whatever is required.

Mr. PASSMAN. The facts are though, any excess stocks, whether it be trucks, jeeps, bicycles, shotguns or pistols, if it is excess it can be made available to the military of an aid military recipient country, can it not?

Colonel PATRICK. Yes, sir, to the military.

Mr. PASSMAN. I said through the military.

Colonel PATRICK. Yes, sir.

Mr. PASSMAN. You could just as easily go through the military as you could go through this exercise of paying 25 percent, you understand, because it has already been paid for one time. Does this 25 percent you people pay go back to the United States Treasury?

Mr. NOOTER. It represents a transfer within AID.

Mr. PASSMAN. You know and I know that in many instances, Colonel, that in these countries building roads, streets, waterworks, jails, is considered a part of the military, is it not?

Colonel PATRICK. Yes, sir.

Mr. PASSMAN. Farm to market roads in many instances, that is considered military, is it not?

Colonel PATRICK. Not farm to market, sir.

Mr. PASSMAN. Let me make a statement of fact that it is and you know it is and you refute it with law. They are building roads, streets, farm to markets, markets to farms, or wherever they can employ the military personnel. That is known as civic action programs, and it would take 10 pages to list all of them that you have going on, wouldn't it, Mr. Director?

Mr. NOOTER. Not 10 pages, but we do have some civic action programs.

Mr. PASSMAN. How do you know it wouldn't be 10 pages? You have got this aid program going in to 99 nations. It could be more than 10 pages, couldn't it?

Mr. NOOTER. I don't think so, sir.

Mr. PASSMAN. You don't think so but you don't know so, do you, because you haven't done the research, have you?

Mr. NOOTER. No, sir.

Mr. PASSMAN. But I did make a statement of fact that all of these things can be done under the civic action program, and it is considered military, is that correct? That is correct, isn't it, the civic action programs are considered military, and they do what I have said they do.

Colonel CONSTANT. Yes, they have.

Mr. PASSMAN. Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

SAIGON WATER AND SEWAGE PROGRAM

I don't intend to go into specific projects too much, but I would like to check on one that I have asked about on a number of occasions in the past. That has to do with the Saigon water and sewage program on page 62. It says there that in their fiscal 1971 program, three U.S. direct-hire technicians will provide supervision of on-going contracts funded in prior years for $120,000.

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. That means you intend to have three people from the United States getting $120,000.

Mr. NOOTER. That is correct.

Mr. SHRIVER. Which would be $40,000 apiece?

Mr. NOOTER. That is correct.

Mr. SHRIVER. Back in the 1969 hearings, in part II of Economic Assistance, I asked Mr. Poats about this same water distribution system, and he supplied information later which reads as follows: "AID has financed two types of training contracts connected with this project. One is concerned with the training of operations and maintenance personnel and the other for the training of management personnel. Mr. Poats in his testimony of management last year"—that was the prior year, for 1968—"was addressing only the operations and maintenance contract. Training of operational personnel was completed ahead of schedule and the facility is now operationally independent. A limited amount of technical assistance will be continued for approximately 1 year to advise maintenance personnel and to provide training for the replacement of the operational personnel which were lost to general mobilization and competition from private industries. The management training contract is also on schedule and calls for completion in August of 1969."

That is page 1192 of the 1969 hearings. Here for 1971 you are still asking for three people to run that waterworks, is that right?

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. Each year, I have asked this question about this particular project for a number of years. The answer is always sometime in the future you are not going to have to have the U.S. technicians. What is the answer this year?

Mr. NOOTER. It is true that we hoped to terminate the project in 1970. When we reassessed the project in 1970, we decided it had to be continued.

Mr. SHIVER. That has been true every year. I asked this question before 1969, but you keep continuing it with American technicians at about $40,000 a year each. Something is wrong.

Mr. NOOTER. In that year, we did extend our termination date by 2 years, and we are still holding to that schedule. We do now plan to terminate the project in 1971, as we planned last year.

Mr. SHRIVER. You intend?

Mr. NOOTER. I recognize that it represents a 2-year extension over the original termination schedule.

Mr. SHRIVER. I think we can go back to the prior years when I asked this same question a long time ago and I got the same answer. But we still have the U.S. technicians there, and I think we are probably going to have to continue to operate that rather complex and complicated Saigon water and sewage project for some time to come.

Mr. NOOTER. Our mission still is planning to terminate this in 1971.

TOP ADMINISTRATORS OF AID

Mr. SHRIVER. Mr. Flinner, would you furnish for the record the names and positions and salaries of the top administrators in AID? That would include the Administrator, Deputy Administrator, Administrator of each region, Deputy Administrators for each region, general counsel and yourself.

Mr. FLINNER. Yes, sir.

(The information follows:)

Agency for International Development, senior executive positions in Washington

Name and position	*Salary*
John A. Hannah, Administrator	$42,500
Rutherford M. Poats, Deputy Administrator	40,000
Robert T. Wray, General Counsel	36,000
Edward F. Tennant, Auditor General	36,000
Ernest Stern, Assistant Administrator for Program and Policy Coordination	38,000
Lloyd Jones, Jr., Deputy Assistant Administrator for Program and Policy Coordination	35,505
Joel Bernstein, Assistant Administrator for Technical Assistance	38,000
Ervin L. Peterson, Deputy Assistant Administrator for Technical Assistance	35,505
Herbert Salzman, Assistant Administrator for Private Resources	38,000
W. Gilbert Carter, Deputy Assistant Administrator for Private Resources	35,505
Samuel C. Adams, Assistant Administrator for Africa	38,000
Philip Birnbaum, Deputy Assistant Administrator for Africa	35,505
Roderic L. O'Conor, Assistant Administrator for East Asia	38,000
Willard H. Meinecke, Deputy Assistant Administrator for East Asia	35,505
Maurice J. Williams, Assistant Administrator for Near East and South Asia	38,000
Curtis Farrar, Deputy Assistant Administrator for Near East and South Asia	35,505

Robert H. Nooter, Assistant Administrator for Vietnam	38,000
John E. Arthur, Deputy Assistant Administrator for Vietnam	35,505
James R. Fowler, Deputy U.S. Coordinator, Alliance for Progress	35,505
Bert M. Tollefson, Assistant Administrator for Legislative and Public Affairs	38,000
Lane Dwinell, Assistant Administrator for Administration	38,000
James M. Kearns, Deputy Assistant Administrator for Administration	35,505
Charles F. Flinner, Controller	35,505

ADDITIONAL FUNDS FOR VIETNAMIZATION

Mr. SHRIVER. Mr. Nooter, using the figure of 150,000 troops to be withdrawn by next spring as announced by President Nixon this week, what would be the effect in dollar loss to South Vietnam from the lower U.S. purchase of piasters?

Mr. NOOTER. An approximate calculation would be about $50 million in foreign exchange earnings resulting from the withdrawal of those troops, assuming that they are mainly or entirely combat force. We figure that the loss in earnings will be somewhat higher than that as the troops stationed in base areas are withdrawn, because the expenditures in the local economy associated with those troops is somewhat higher.

Mr. SHRIVER. When do you expect the decision to be reached on the amount of the additional funds request for the Vietnamization program?

Mr. NOOTER. We have under constant review the need or possible need for the $100 million supplemental request which we referred to. We are attempting to——

Mr. SHRIVER. You referred to that in your statement on page 5.

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. I am wondering when there might be such a request.

Mr. NOOTER. We have not made a firm determination on that yet. We are going to attempt to obtain the requirements, to the maximum extent that we can, from within our present budget request. But there are uncertainties about that.

Mr. SHRIVER. You received an extra $100 million in conference over last year's House version, did you not?

Mr. NOOTER. The conference figure represented some cut from the original AID request.

Mr. SHRIVER. You got about how much then last year for supporting assistance.

Mr. NOOTER. In 1970 for the Vietnam program——

Mr. SHRIVER. That is what we are talking about.

Mr. NOOTER. We have $365 million of supporting assistance funds.

Mr. SHRIVER. And you may need $100 million more.

Mr. NOOTER. No, sir, we are not figuring that we will need any more for fiscal year 1970. The possible supplemental request would be in fiscal year 1971.

Mr. SHRIVER. How much is your request for supporting assistance for fiscal year 1971?

Mr. NOOTER. The basic request we are presenting today is for $366 million or about the same as the 1970 level, but the $100 million supplemental, if it went forward, would be in addition to that.

Mr. SHRIVER. Will you explain the need for this large sum?

Mr. NOOTER. Yes, sir. The additional requirement is based principally on the fact that the Vietnamese are increasing their armed forces and we are decreasing ours. As I said, the decrease of our troops will result in a loss of foreign exchange earnings to Vietnam of about $50 million, and the increase in their troops strength, which will be in the order of 100,000 to 150,000 men during that same period will result in increased costs to them. Their costs will go up in addition to their $50 million decrease in foreign exchange earnings.

Let me say, however, that to the extent that the Vietnamese are able to raise additional revenues from taxes, they can offset some of those costs themselves. To the extent that that turns out not to be possible, and they are in a difficult situation over there now, the result will be a need for some more commodity support on our part.

Mr. SHRIVER. I consider this quite important, turning over to the government of South Vietnam the full responsibility for the war as the President and the Secretary of Defense have outlined. We need to have sufficient funds for the Vietnamization program.

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. I want to be sure that you have sufficient argument in the record this year in support of this rather large expenditure for supporting assistance.

Mr. NOOTER. We certainly agree that it is important that the Vietnamese be able to have the resources and support they need to take over the fighting. They are also moving reasonably well on the economic front. They inaugurated some additional import duties last October, which they call the austerity taxes and which help them offset some of these costs. But their increased military expenditures will cause the need for economic assistance to go up rather than down during 1971, and perhaps in the years beyond that.

NEED FOR INCREASED TAXES IN SOUTH VIETNAM

Mr. SHRIVER. On page 7 of your statement you point out the need for the South Vietnamese government to increase tax revenues, both as a method to pay for their increased role in the war and to lower inflationary pressures which will come as a result of these war expenditures. Would you comment on the GVN's political ability to substantially increase taxes at this time, and on AID's efforts to encourage them to go ahead and do it?

Mr. NOOTER. Obviously raising taxes is always hard in any country in war or peace. It has been even more difficult in Vietnam with a large part of the country disrupted by war, with large numbers of refugees, with programs in the countryside which attempt to give the villages and hamlets some resources to work with in terms of self-development projects and so on. All of these things add to their budget burdens.

Obviously the commercial import program has been a big help to them. It has given them another revenue source through customs duties which are levied on these additional imports. Their ability to expand their domestic taxes is limited, although there is some ability to do that, especially as things become more stable and as the economy begins to return to more nearly normal operation, which is the situation at the present time. There is a value judgment involved here. I don't know

how to give it to you other than in general terms as to how far they will be able to go in increasing revenues. Their rates of inflation in the last several years have been about 30-percent increase in price per year. This has been quite a good record for wartime, considering what is going on in the country. It will be less tolerable and less satisfactory as the economy returns to normal. In economic terms, this then requires closing the gap, if I may use that term, in terms of the increased money supply, which is one of the results of budget deficits. All of these things point to the need for a combination of better efforts on their part, better tax collections and so forth, along with continued support from us. The situation certainly calls for them to do the maximum which is reasonable for them to do, and calls on us to provide a level of support which will help the situation to remain reasonably stable.

TECHNICIANS FROM REPUBLIC OF CHINA AND KOREA

Mr. SHRIVER. On page 10 of your statement you say that the Republics of China and Korea will furnish 13 medical teams to South Vietnam under AID contracts. These two countries, especially the Republic of China, should be able to finance these medical teams from their own resources. Why must we finance them?

Mr. NOOTER. The Republic of China has had a remarkable record in terms of economic growth, but it is still a country with a low per capita income.

Mr. SHRIVER. We are having our problems, too?

Mr. NOOTER. Yes, we do. However, in this case——

Mr. SHRIVER. I understand they have sent some technicians to Africa.

Mr. NOOTER. They do have a program of sending technicians to Africa.

Mr. SHRIVER. This is over in the area where they ought to be even supplying military personnel in this Asian war.

Mr. NOOTER. They do supply other kinds of technicians besides these medical people.

Mr. SHRIVER. How much money is involved?

Mr. WESTWOOD. In these two contracts, $800,000.

Mr. NOOTER. But in addition to that, they have a fairly large group of agricultural technicians. They have people working there consulting with Vietnamese on land reform.

Mr. SHRIVER. Are we paying for them too?

Mr. NOOTER. Part of these people are furnished under the same program under which they furnish people to Africa, which is what is called the Vanguard program, which is financed in part through the proceeds of a Public Law 480 sale of a couple of years ago and partly from their own budget.

Mr. COHELAN. The principal financing is from us, is it not?

Mr. NOOTER. About 75 percent comes from the counterpart from a Public Law 480 sale of several years ago.

Mr. SHRIVER. How much is that? Put it in the record.

(The information follows:)

COSTS OF REPUBLIC OF CHINA VANGUARD PROGRAM IN VIETNAM

Under the current Public Law 480 agreement with the Republic of China, up to three quarters of the proceeds of the Public Law 480 sales are authorized

to support the Chinese Vanguard program of assistance to other countries. In fiscal year 1969 a dollar equivalent of $137,622 was expended for this program in Vietnam. The budget for the fiscal year 1970 is the equivalent of $500,000 and continues assistance programs in agriculture, irrigation, rural electricity, education, and medicine in Vietnam.

VIETNAMESE NATIONAL POLICE

Mr. SHRIVER. Does service in the Vienamese National Police exempt those who serve from service in the Vietnamese armed forces?

Mr. NOOTER. Yes, sir.

Colonel CONSTANT. I believe it does, sir, but I would have to check that.

Mr. NOOTER. The government has even made some transfers from the military to the police in order to bring up police strengths to the desired levels.

LAND REFORM PROGRAM

Mr. SHRIVER. Regarding the "Land-to-the-Tiller" program adopted by South Vietnam, the figures on page 14 showing our contributions are not too clear to me. You first say we support this program at $40 million. Then you say you obligated $10 million for the program in fiscal 1969. You expect to release $10 million in fiscal 1970, and then anticipate obligating $15 million in each of the fiscal years 1971 and 1972. That adds up to $50 million, not $40 million. Would you explain that?

Mr. NOOTER. Yes, sir. The $10 million which we obligated in 1969 was subject to release only at such time as they actually made progress in implementing the bill. The second $10 million referred to here, to be released as the program gets underway, is the same $10 million which was obligated in 1969.

Mr. SHRIVER. On page 17 you say it is possible that the GVN might complete the program in less than 3 years. What are the variables involved in this possibility?

Mr. NOOTER. The biggest question is——

Mr. SHRIVER. To start putting up the money?

Mr. NOOTER. No, sir, not at all. It is the administrative workload involved in identifying land, making an assessment of the value of the land, writing titles, making payments to landlords and so on. There are 500,000 plots of land involved and it is a large administrative job. The pace will be set therefore——

Mr. COHELAN. How many plots?

Mr. NOOTER. Some 500,000. The pace will be set according to the time needed to carry out those administrative steps.

Mr. SHRIVER. What is that as a percentage of total arable land?

Mr. NOOTER. I believe this represents about 40 percent.

Mr. COHELAN. What would be the other 60 percent?

Mr. NOOTER. Thns would be land already owned now.

Mr. COHELAN. In small units, 2½ hectares?

Mr. NOOTER. Yes, sir.

Mr. COHELAN. What about the plantations? Are they still defined as industrial?

Mr. NOOTER. Yes.

Mr. SULLIVAN. These are rice lands. You are talking about rubber plantations.

Mr. COHELAN. I was trying to delineate between arable lands, and the old government order of 1946 or whenever, when the rubber plantations were excluded from the land confiscation.

Mr. SULLIVAN. They excluded the rubber and the tea plantations.

Mr. COHELAN. This was accomplished by defining it as industrial. It is arable land however, and therefore I want to get a percentage figure of what is involved in the land reform movement, and a figure indicating what land is not involved.

Mr. NOOTER. This particular bill refers to rice lands.

Mr. COHELAN. My question now is what is left of the arable land of the country? Is it held in fee? What is the ownership pattern? Do you understand what I am saying?

Mr. NOOTER. Yes, sir. What is the ownership condition of the non-rice lands.

Mr. COHELAN. In terms of the total arable land, what is the picture?

Mr. SULLIVAN. The land that is not affected by this bill, it is already being tilled by the owner. In other words, this is land that is being tilled by a tenant, and this is what this bill applies to.

Mr. COHELAN. But you still, Mr. Ambassador, have something left over. We haven't accounted for tea and rubber.

Mr. SULLIVAN. Yes, the tea and rubber plantations have not been affected by this.

Mr. COHELAN. What are we talking about quantitatively?

Mr. NOOTER. In acreage terms?

Mr. COHELAN. Please put it in the record.

(The information follows:)

USE OF ARABLE LAND

A census of arable land undertaken by the Ministry of Agriculture in 1965 shows that 2.3 million hectares (5.7 million acres) were planted in rice and about 635,000 hectares (1.9 million acres) in other crops.

A survey conducted by an AID contractor in 1968 revealed that about 600,000 hectares (1.5 million acres) had been lost to production. The remaining riceland totalled approximately 2 million hectares (5 million acres) and other crops covered an area of about 335,000 hectares or 837,000 acres.

The new land-to-the-tiller program covers approximately 900,000 hectares (2.2 million acres) of riceland, or about 40 percent of the total arable land. Of the remaining 60 percent (1.4 million hectares), 1.1 million hectares (2.7 million acres) is also in rice on land owned by small farmers and falling within the limits permitted by the new law.

Of the final 335,000 hectares, about 178,000 are in plantation crops such as rubber and tea while the remaining 157,000 is mainly in vegetables and fruits.

Mr. NOOTER. If I might say, the population there tends to live in the rice producing areas, and the bulk of the people are located in the Delta and in the narrow coast lands going up the coast where rice paddy land exists. Therefore, there are fairly large areas of land up in the highland which are very thinly populated. Therefore, the principal problem in relation to pacification and the social problems connected with the bulk of the people relate to the rice lands to which this bill is directed.

Mr. COHELAN. If the gentleman will yield just one step further, what about the Montagnards? Are they going to receive land in fee too?

Mr. NOOTER. Yes. The Montagnards have been told by the Government that they will have the lands they are now farming. The

process of identifying the lands and making the official transfer has begun. It is being handled separately from the new land-to-the-tiller program.

TERMINATION OF ELEMENTARY EDUCATION PROJECT

Mr. SHRIVER. I notice that the number of children in Vietnam in the 5 to 19 age group who are in school has gone up only 2 percent in the last year, but that you are discontinuing assistance for elementary education. I am wondering why?

Mr. NOOTER. The present percentage of the primary school age population in school now is in the neighborhood of 80 percent.

Mr. SHRIVER. But you are cutting back.

Mr. NOOTER. Yes, sir. Our calculation is that for all practical purposes this is such a substantial portion of the school population and the program itself is underway and under control of the Vietnamese Government that they no longer need major assistance from us in that area.

Mr. SHRIVER. That is good if true.

Mr. NOOTER. This is one we did terminate.

REDUCTION IN COST OF THIRD COUNTRY NATIONALS

Mr. SHRIVER. On page 9 of the justification it is indicated that after cutting back on expenditures for third country nationals in fiscal 1970, you are increasing the amount for those people in fiscal 1971. Why?

Mr. NOOTER. This represents a summation of those people requested and required for individual projects. The third country nationals have constituted a means to provide additional skilled manpower in Vietnam at considerably less cost than the cost of U.S. technicians. We think that this has been well worth doing.

Mr. SHRIVER. Mr. Chairman, that is all. Thank you very much.

Mr. COHELAN. Mr. Ambassador, I only have a few questions, but most of the are in the policy area. When are we going to get out of there?

Mr. SULLIVAN. I wish we could give you a categoric answer on that, Mr. Cohelan, but I am afraid we don't have any specific date. We have, of course, stated in Paris that if we could reach agreement with the other side, we could withdraw all of our forces at the end of 12 months. So in that circumstance, we do have a date, provided we reach agreement.

Mr. COHELAN. I regard you as one of the most knowledgeable people in that part of the world. I wonder if, on or off the record, you could tell us about what is happening in Cambodia and in Laos as it relates to the primary question.

NORTH VIETNAM ATTACKS ON LAOS

Mr. SULLIVAN. Yes. In Laos we have had, of course, this pattern every year of North Vietnamese attacks against the territory of the Royal Lao Government and against the armed forces of the Royal Lao Government. This year the attack is heavier than it has been in the past. The number of North Vietnamese troops that have been

employed in the attacking force is greater. We think that there are probably about three reasons that we could ascribe to Hanoi for this development. The first is the fact that we believe they wish to administer a sharp blow to the forces of the Second Military region of General Vang Pao which moved into the Plain of Jars last summer and which destroyed a great many of the weapons caches that the North Vietnamese had left there over the years. We believe that they wish to do this in a resounding way, so that they move into his headquaters area, Long Tieng and Sam Thong, and immobilize his forces for some period of time.

The second reason would be described as political in the Lao context: they wish to put pressure on the Lao Government in order to force a readjustment in the political pattern agreed under the old 1961–62 understanding for the coalition government. In other words, they want to obtain more Pathet Lao in the Cabinet directly amenable to the North Vietnamese and a greater representation for the Communist forces in the Government of Laos.

The third reason has to do with the public opinion in this country. The military fortunes of the North Vietnamese in South Vietnam have been rather adversely affected over the past year or so, and their ability to raise a military attack of the level of Tet 1968 or even Tet 1969 is questionable.

On the other hand, they can, without too great a cost to themselves, raise a military threat and attack successfully in Laos in a way that would alarm public opinion in this country, to cause people to suggest that perhaps Vietnamization was not going to be successful, and contest the Nixon doctrine. I think, therefore, that all these factors have been involved in the increased North Vietnamese activity that we have seen in the north and central portions of Laos this year.

CAMBODIA MILITARY AND POLITICAL SITUATION

As far as Cambodia is concerned, I would go back to what I said earlier about the adverse military fortunes that the North Vietnamese and the Vietnamese Communists have been suffering in South Vietnam. It seems quite clear that in looking at their military posture, they determined that they would devote 1970 to trying to restructure what they call their springboard. In other words, they would try to put back together their indigenous forces in South Vietnam that had been disrupted by the two military actions in 1968 and 1969. These are not what we would call the Vietcong infrastructure, because they are not the political ganglia of the Vietcong organization. They are such people as the guides, the porters, and the people who maintain the weapons caches and so forth. All of these were badly exposed and decimated by the two large military actions that they attempted in 1968 and 1969.

They have made quite clear in their pronouncements and in documents that we have captured, that their prime purpose for 1970 is to try to reconstitute this organization so that they can have a springboard for the ultimate movement of their forces against the cities.

On the other hand, they wish to preserve and protect their main force, so they drew them back into Cambodia, and so we had, ever since the late summer of last year, a situation in which the Vietnamese Communist forces took up more or less permanent occupancy of great

areas of Cambodian territory, areas which previously they had used for movement back and forth and for supply purposes and for recouperation, hospitalization and so forth. The Vietnamese Communists pulled back over 40,000 of their people, and set up permanent tenure in Cambodia to preserve those armed forces there until such time as two things happened: one, they got their springboard restructured in South Vietnam, and two, they felt that the withdrawal of the U.S. forces reached such a level that they were willing to use their main forces to come back and make an attack of the 1968 variety, and try to get that uprising that they didn't get in 1968.

However, they—and I might say that all observers, ourselves included—did not anticipate the degree of resistance, of friction and frustration that permanent residence of these large Communist forces on Cambodian soil would produce. They produced them not only among the average Cambodians, but obviously even among the leaders, including Prince Sihanouk. You will recall prior to the time that he was overthrown, Sihanouk was on his way to Moscow and Peking to try to protest and to persuade the Soviets and the Chinese to influence the North Vietnamese to take their forces out of Cambodia.

The overthrow of Sihanouk was totally unexpected. I don't think anyone thought that the combination of events—the general economic debilitation in the country, the dissatisfaction with Sihanouk, the fact that he had substituted oratory regularly for action and had not produced anything to satisfy the aspirations of the younger citizens of his country, plus their irritation of North Vietnamese and Vietnamese Communist forces on the territory of Cambodia—would have produced the violent reaction that it did. Now we can see that that reaction is a highly emotional one, that has dug into the ancient fears and prejudices and concerns of Cambodians against the Vietnamese.

We think that the current fighting that is going on in Cambodia, such as it is, is rather difficult to assess. There are the more pessimistic assessments, which would suggest that the Vietnamese Communits are attempting to take over all of the territory to the East of the Mekong River, and try to establish that entire area as a corridor down the Vietnamese border. The more conservative estimates would suggest that they are basically concentrating on protecting their weapons caches and food caches along the Vietnamese frontier, and that the units that are in rather far-flung places like the town of Saang are rather small units, basically distractions. Their purpose is to try to keep the Cambodian Armed Forces running in all directions, and dispersed rather than being able to concentrate in a way that would block the continued Vietnamese Communist use of Cambodian territory.

I think it is at this moment difficult to assess what the outcome will be in Cambodia, but in the first instance the situation is obviously giving more problems than benefits to Hanoi. They have forces that have been supplied out of Cambodia or through lines of communication that run across Cambodia, which have now been cut. Their ability to supply these forces from any other sources or through any other lines of communication is limited. Whether they will be able to reestablish their sources of supply and and maintain their forces intact is still in doubt.

Obviously, if the North Vietnamese were able to achieve a military victory in Cambodia in the crudest sense, and took over the country

and brought back Sihanouk or set up a puppet regime there, they would have a massive advantage as far as their ability to harrass South Vietnam, and to threaten the successful execution of Vietnamization is concerned.

If, on the other hand, their main force became dispersed and unable to supply themselves, and therefore had to be reduced, there is no question that the net result would be beneficial to our interests in South Vietnam and to a much more rapid execution of our Vietnamization program. The issue is very much in doubt in Cambodia at the current moment.

Our sources of information are not in the best in the world, because we have a very small mission there, only 11 or 12 people. The information that you read in the newspapers from the press reports is helpful, but it obviously is also somewhat dramatized in terms of these military battles. These are rather small engagements which look very much larger on the front page of the papers than they actually are, and don't give you a clear picture of current circumstances. I think it will be some weeks before we really see how that one is going to turn out.

Mr. COHELAN. Mr. Secretary, assuming the worst scenario, what is our role?

Mr. SULLIVAN. Our role in the events that led up to the overthrow of Sihanouk was absolutely none whatsoever. We have not been involved and the accusation of this being a CIA plot and so forth are totally without foundation.

Our current role is, of course, under assessment. As you know, the Cambodians have asked us for military equipment. Exactly what response we will make to that is not yet determined within the executive branch, and we have no position that I can offer you on that at this stage.

Mr. COHELAN. You are aware, of course, of the attitude of many of our colleagues that this could be a move toward widening the war rather than restricting it.

GENEVA CONFERENCE

Mr. Secretary, as the architect of the Geneva accord of 1962, and remembering what in important role Russia had to play, is there any prospect for some kind of a *modus vivendi* that would make possible another Geneva, for the whole bloody Indochinese situation, and I almost mean that literally?

Mr. SULLIVAN. We have been very interested, of course, in the statement that Mr. Malik made at the United Nations the other day. Mr. Malik is a very cautious professional diplomat who does not make statements casually. In the press conference which he was giving, more or less ad lib, when he was asked this particular question that led to his answer on Geneva Conference, he read the answer from a piece of paper and repeated it twice. So we assume that despite the fact that there has been some backing away from this in their public commentary, that the Soviets have some interest in the idea of a new Geneva Conference.

I think it is most significant that neither Hanoi nor Peking have made any response whatsoever to the proposal which came from the

French on April 1. The proposal was not a specific suggestion of a new Geneva Conference.

It merely talked in terms of the Indochina problem being indivisible and suggested that all nations concerned ought to negotiate about it. It does not specify the forum or anything of that sort.

SOVIET ATTITUDE TOWARD A NEW GENEVA CONFERENCE

It has only been in the Malik statement that there has been any specific suggestion that a new Geneva Conference was made. It is difficult for us to assess entirely the Soviet attitude at this time. In general we think that they don't see any great value to them in seeing warfare spread in Indochina, but as of now I think our Secretary of State has indicated, and the President indicated the other evening, that we are trying to find out more about what the Soviets may have in mind. We don't yet have an assessment from those explorations.

Mr. COHELAN. What is your personal feeling as to the whole trend of developments vis-a-vis Russia? Are you encouraged by it or do you think it is just another ploy?

Mr. SULLIVAN. It could another ploy. It could be an effort by the Soviets to achieve for themselves a position of some merit in the third nations of the world or in our country. For example, we have seen some of the Soviet correspondents in Vienna telling our correspondents this was a genuine Soviet offer to get a peace conference going, but it was sabotaged by the Chinese. That may be the fact. But even if it is not the fact, it would make the Soviets look much more peace-minded to us and make the Chinese the villians. That would serve Soviet interests not only with respect to us but with respect to a lot of other countries that the Soviets are concerned about. It is a very complex situation and it is very difficult for us to know what is going on in their minds.

Mr. COHELAN. Isn't it a matter of getting the parties to the Geneva Accords to get together?

Mr. SULLIVAN. If we start back in the 1954 agreements, it was the Big Five, United States, United Kingdom, Soviet Union, Chinese Communists, and the French. And then the Indochina parties themselves, the two Vietnamese parities, Cambodians and the Lao. Ultimately the three ICC members, Poland, Canada, and India became associated with the implementation of this agreement. In 1962 we added to that the Thai and the Burmese.

Mr. COHELAN. How would the present situation compare with the 1962 situation? Apparently it was in Russia's interest during that period to work out the Accords of 1962.

Mr. SULLIVAN. We have always assumed that in their look, sort of geopolitical look toward Southeast Asia—the Soviets would find it not to their overall advantage to see a region that was in such a state of chaos it could be rather easily dominated by the Chinese Communists. Therefore, something which involved the establishment of conditions which would permit the continuing existence of independent states probably was as much of interest to them as it was of interest to us for different reasons but nevertheless similar ultimate results.

I think in the current period one thing that has changed is quite significant. We now have the same 20 million North Vietnamese being led on by a Lao Dong Party leadership, but almost for the first time in the history of mainland Southeast Asia, you have about 60 million people whose leaders are prepared to resist them. You have the 17 million people of South Vietnam, the 7 million people of Cambodia, the 3 million people of Laos and the 33 million or 34 million people of Thailand. You have odds now in which the North Vietnamese, rather than being able to fight piecemeal and pick up individual pieces of territory against individually weakened countries, are now facing a more unified and more coherent resistance. It is odds of 20 million for them and 60 million against them. I do think that looking at this in terms of long-term advantage, an outside country such as the Soviet Union might think that the possibility of the North Vietnamese success in these circumstances in far from guaranteed. Any country looking at it might feel that the possibilities of successful resistance by 60 million people against 20 million is not too bad odds.

Mr. COHELAN. To what extent do you believe that the continuation of the war in relation to their support for Hanoi constitutes a drain on them, would they want to terminate this action?

Mr. SULLIVAN. It is clear that it constitutes a drain. The Soviets get nothing in return except the interparty political advantage of having Hanoi's Lao Dong Communist Party accord respect to the Soviet party rather than being a complete tool of the Peking party.

In terms of a material return, there is nothing that they get back for the rather extensive assistance that they are providing to the North Vietnamese.

Mr. COHELAN. Your answer is that it does constitute a drain. Could one assume that they would like to see this war liquidated?

Mr. SULLIVAN. They certainly say they would like to see it liquidated, and we have no reason to believe that that is not their ultimate feeling. I think they would like to see it liquidated in a way it is humiliating to us, obviously.

Mr. COHELAN. Why are they so devious about it? They didn't seem to have any problems in 1962 in coming to grips with it.

Mr. SULLIVAN. I think they suffered some problems as a results of their action in 1962. That was the period of Mr. Khrushchev, who was somewhat more volatile and somewhat more reckless, if I might say, than the current leaders of the Soviet Union, who are much more cautious by nature and by the fact they are a collective leadership.

There is no question that as a result of his actions in 1962 relations between Moscow and Hanoi deteriorated very, very badly. The North Vietnamese felt they had been shoved into an agreement against their interests, and from the end of 1962 until about 1965 they were very clearly aligned with the Chinese against the Soviets in the ideological scrap within the Communist world. It was only in 1965, when they began to have need for material assistance from the Soviets, that they mended their fences and the Soviets reestablished decent party relationships.

Mr. COHELAN. Do you feel there would be any relationship between this issue and the SALT talks?

Mr. SULLIVAN. The Soviets don't usually do business that way. I don't know enough about the issues involved in the SALT talks to know.

Mr. COHELAN. Weapons control?

Mr. SULLIVAN. I don't know enough of the specific issues involved to see how this would fit into it. I don't think they normally mix up their issues this way.

Mr. COHELAN. Thank you, Mr. Secretary.

One other question on that general review. What about the ICC; what is the status now, and what is its future?

ICC IN VIETNAM, CAMBODIA, AND LAOS

Mr. SULLIVAN. On the ICC, there are two separate agreements which set up three different ICC's. The ICC's set up in Vietnam and Cambodia were the result of the 1954 agreements. A similar but somewhat different ICC was set up in Laos as a result of the 1962 agreement. The Cambodian one has been suspended for over a year now, so the ICC is not even physically present in the country. The one in Vietnam is still extant, but functioning really only as a transportation link between Hanoi and Saigon. In Laos the ICC is still there, and still able to function. The Lao Prime Minister has been asking for consultations among the signatories to try to get it back into action again. He has suggested a cease-fire throughout the country with the undestanding that the ICC in Laos could police that cease-fire in all territories, including those now held by the Communists.

The Lon Nol Government in Cambodia has proposed that the ICC there be reactivated. The North Vietnamese have openly said that they would consider such a reactivation to be an unfriendly act to Hanoi. We support the reactivation of the ICC both in Laos and in Cambodia. So does the British cochairman. There are discussions still going on between the British and Soviet cochairmen on this matter, but there are no great hopes of this being fruitful at the moment.

ASSESSMENT OF PATHET LAO BY FRENCH JOURNALIST

Mr. COHELAN. Mr. Secretary, with many other Congressmen I sat in on a briefing by a French journalist who has spent some time with the Pathet Lao.

Mr. SULLIVAN. Jacques de Cornoy.

Mr. COHELAN. Yes. His report was not encouraging. He indicated that our actions in bombing Laos, operations that have been going on for sometime, have been counterproductive. What would you say on that?

Mr. SULLIVAN. I also met with De Cornoy when he was here. I have seen him in Laos and known him over the years. I questioned him very closely on this because he seemed to feel genuinely that the Pathet Lao that he saw up in Sam Nua had some real foundation in zeal and some real civil and military capabilities. I must say that he is the first observer who has said this with that ringing degree of conviction. His statements are totally contrary to the statements of North Vietnamese defectors who worked with the Pathet Lao over the years and who have told how disgusted they were with the incapacity of the Pathet Lao.

The record would indicate that the Pathet Lao, when not sustained by North Vietnamese military forces, are a travesty in military terms

and not able to keep their positions intact. We have no indications from people who have been in villages that have been occupied by Pathet Lao forces for years and have come out as refugees or been recaptured or regained by government forces, that there was any civic benefit that derived from their control and occupation by the Pathet Lao. Just the contrary, they seemed to be quite willing to get out from under them because life under the Pathet Lao was not rewarding.

As I say, De Cornoy seems to hold this view with considerable zeal and he is a very intense person, as you know. However, his exposure was limited to a few days with the Pathet Lao. He is the only person that I know who has brought back that sort of conclusion.

Since he has been an eyewitness in their territory, and I have not, except during a brief peried in 1962, I cannot give a direct value judgment on his assessment. I would say it is unique.

ASSESSMENT OF GENERAL VANG PAO BY FRENCH JOURNALIST

Mr. COHELAN. What of his assessment that General Vang Pao is an American stooge and not congenial to the Royal Laotian forces, that there is little cross-communication and cooperation?

Mr. SULLIVAN. That I would say is a view that is shared by more than just De Cornoy. However, that appears to be a view held predominantly by French observers. Vang Pao is a Meo ethnically. The Meo, traditionally, have not been too well treated by either the French, when they were in control, or by the ethnic Lao. Therefore, among the Meo people there is a degree of resistance to the closest sort of cheek-by-jowl living with the ethnic Lao.

On the other hand, Vang Pao is the first of the Meo leaders who has made a conscious effort to bring his Meo tribe into the political and social community of Laos. He has made a very great effort to demonstrate his personal fealty and loyalty to the King and the King has reciprocated. His promotions up to 3-star rank are very largely the result of the King's own feeling of his sense of satisfaction with the Vang Pao system. Vang Pao has, for example, seen to it that there were schools established among the Meo in which the Meo are taught the Laotian language and not their own language. He has arranged for Meo students to be sent down for secondary education, to be sent down to Vientaine to get into the Lao services schools and so on. He has made sure that Meo get commissioned in the Lao Armed Forces, so he has done more to integrate the Meo into the Lao community than I suppose any of his predecessors or the French did during their entire colonial period there.

The fact that he is called by some an American stooge I think may represent the fact that he is quite bitter in his own personal experience against the French and has excluded them from his territory. He obviously has worked more closely with the Americans than any other general, partly because he is the one who fights most actively.

Mr. COHELAN. He has not been successful lately, or is that a fair judgment?

Mr. SULLIVAN. He has been up against harder odds lately than he has ever been before. It is true that his relationships with a great many of the other generals or other senior officers in the Lao Army

are not all that congenial. He has 2 or 3 very close friends among the Lao senior officers. I would say that the characteristic which distinguishes them from the others is that they are more inclined to be the fighters.

I would like to go off the record.

(Discussion off the record.)

ECONOMY IN VIETNAM

Mr. COHELAN. Let us get back to the housekeeping items, your assumptions in the backup book, Mr. Director, you are talking about the economy. You say a period of relative price stability began and continued during 1969 and then you were talking with the chairman about a 30 percent increase. Why is this so? Why can't we have a controlled economy in Vietnam?

Mr. NOOTER. The economists seem to agree these days generally that price rises are the result of increases in money supply. In a country like Vietnam, that usually means increases in government expenditures over revenues. They are supporting an army which is now approaching the level of one million men for a country of $17.9 million. This is more than most countries can support without outside assistance.

MANPOWER MANAGEMENT

Mr. COHELAN. I know all about manpower management. Why can't we do something? Everybody around this table, no matter their general view, are fed up with the corruption. I don't see any sacrifices out there which would come to grips with this kind of problem of eliminating the distortions that have resulted in that economy, much of what we have created.

Mr. NOOTER. You are no doubt aware of the elaborate procedures we have set up on the control of AID commodities and I won't go into all that because that is not the thrust of the question.

Mr. COHELAN. And the port controls.

Mr. NOOTER. That has been greatly improved. It is true that when a country has an influx of imported goods at the level they have had, considering the size of their economy, this creates an abnormal situation. It is one to which we resorted only because it was the best way to keep prices under control.

COMMODITY IMPORTS

Mr. COHELAN. I don't want to belabor this issue because we made a very full record here on that last year. I would ask you now to bring these data up to date, if you would, in connection with commodity import lists.

Mr. NOOTER. Yes, sir.

(The information follows:)

CIP LICENSING BY COMMODITY CODE FISCAL YEARS 1964 THROUGH 1970

[In thousands of dollars]

SBN	Commodity description	1964	1965	1966	1967	1968	1969	1970 [1]
	Total	$118,206	$144,329	$344,239	$154,756	$88,906	$204,462	$82,001
022	Dairy products	932	607	3,507				
042	Rice			29,839				
048	Infants dietary supplement	[2]	[2]	[2]	127	731		
061	Sugar, raw and refined			7,394	4,403	5,768	16,197	1,235
271	Crude fertilizer						959	
276	Nonmetallic mineral products	[3] 1,687	[3] 5,813	[3] 12,162	3,040	460		
292	Gums and resins	65	75	423	430			
321	Coal and related products	495	718	2,966	5			
332	Petroleum fuels	7,888	15,420	19,075	9,686	20,319	35,405	671
332	Petroleum nonfuels	4,360	2,134	5,780	7,051	2,120		
341	Natural and manufactured gas						659	
51	Chemicals	7,947	7,700	26,611	13,977	5,977	9,625	6,284
53	Dyestuff, pigments, and paints	[4]	[4]	[4]	[4]	[4]	1,789	2,337
541	Pharmaceuticals	9,037	13,216	21,636	9,650	1,019		
55	Essential oils and cleansing preparations	1				96	558	658
561	Manufactured fertilizer	15,895	6,938	5,810	1,466	988	28,993	17,433
581	Raw materials for plastics	4,942	2,841	7,014	6,328	6,231	17,541	6,322
599	Chemical materials, n.e.c.						413	329
621	Unvulcanized rubber products	941	249	473	476	69	122	62
629	Finished rubber manufactures	1,905	4,473	3,755	612	1,447	3,840	1,184
641	Newsprint	1,697	1,417	2,426	1,615	1,066	6	
641–2	Paper and pulp	3,205	1,540	10,449	9,486			
651	Yarns and threads	3,415	3,806	6,920	7,279	2,096	4,350	8,016
655	Textile fabrics, and products	558		2,053	349	2,296	1,172	1,198
661	Cement	[3] 8,116	[3] 5,408	[3] 4,559	5,834	6,920	522	
663	Nonmetallic mineral manufactures							11
664	Glass products							112
67–69	Iron and steel mill products	18,546	36,319	64,934	22,021	19,045	42,911	21,296
682	Cooper, brass, and bronze	370	2,075	4,548	2,505			
684	Aluminum	3,076	2,395	4,203	989			
685	Lead	30	242	117	173			
684–5	Miscellaneous nonferrous metals	1,441	21	503	[3] [5] 503			
686	Zinc			446	329			
687	Tin				4			
698	Miscellaneous metal manufactures	1,728	2,554	7,227	1,881			
711	Power generating machinery	6,296	8,952	14,223	2,714	1,591	14,711	3,853
712	Agricultural equipment	477	535	1,972	1,467	1,395	311	793
714	Office machines	[5]	[5]	[5]	[5]	[5]	365	472
715	Metalworking machinery	156	991	3,075	916		154	69
717	Textile and leather machinery	753	580	2,916	4,105	252	5,957	689
718	Machinery for special industry.	1,087	1,394	4,520	2,393	1,488	493	97
719	Industrial machinery and parts.	2,828	5,164	22,398	9,131	1,834	3,266	2,802
722	Electrical machinery apparatus and appliances.	814	1,350	6,428	1,627	913	4,724	2,227
723	Insulating wire, cable, and fittings.						136	199
729	Electrical apparatus	1,749	3,815	9,144	3,510	1,964	2,621	1,618
731	Railroad transportation eq	7	4					
732	Motor vehicles and parts	5,137	4,574	20,786	17,223	1,936	5,679	2,024
733	Miscellaneous vehicles and engines.	256	284	579	131	728		10
734	Aircraft parts and accessories			8	[3] [5] 8		759	
861	Scientific and professional instruments.	313	648	1,372	849	50	224	
899	Miscellaneous commodities	47	45	209	351	61		
	Technical services				18	2		
	Ocean transportation	9	32	1,779	1,116	44		

[1] 1st half fiscal year 1970.
[2] Reported under "Dairy products" prior to fiscal year 1967.
[3] Revised.
[4] Reported under "Chemicals" prior to fiscal year 1969.
[5] Reported under "Industrial machinery and equipment" prior to fiscal year 1969.

Note: Conversion of fiscal year 1964–68 data to schedule B from AID commodity codes is as precise as possible.

Mr. COHELAN. What is the real state of the manpower condition in Vietnam? We went into the record at great length on this last year. I read your backup paper on this this time and you apparently are doing something. Tell me what has been done since last year.

I am talking about manpower mobilization and utilization, manpower statistics, so we know what we are talking about.

Citing the record, Mr. Director, last year on page 656 you presented data which showed there are 1,100,000 persons in Vietnam of Chinese descent. I will refer you to the record about the problems of assimilation, of which you undoubtedly are aware. The record that was made last year, it seems to me, revealed that there are problems. What I would like you to do, is bring us up to date for this year's record.

Mr. NOOTER. We will do that.

Mr. COHELAN. No one will be more pleased than I if something is being done.

Can you verbalize a little bit on it now? What is happening?

Mr. NOOTER. You are referring to the Chinese?

Mr. COHELAN. Manpower, the whole manpower situation. The Chinese are only one portion of it. They reveal a very difficult and awkward part of the problem. Last year it was admitted that the assimilation problem was awkward and difficult. They had not assimilated as well as they have in Thailand. There were only 23 Chinese in the officer corps. The idea being that we are trying to find out what kind of patriots these people are. Who is making sacrifices and how are they being made?

Mr. NOOTER. I don't know that we really have data that will answer that question fully. But we have had——

Mr. COHELAN. You feel manpower is important. The whole gist of the hearings last year had to do with studies made while I was out there. In fact, the Labor Department was making these studies. The simple fact was that we were making economic assumptions and contriving data for which we had no basis.

Now you are going forward, I understand it, with public administration techniques and trying to do this very thing. What are you doing?

Mr. NOOTER. We are doing several things. We have had a contract from Stanford Research Institute out there during the last few months. They made one preliminary study on this, and that in turn will be the basis for doing some additional work during the coming year. As I say, I don't presume this is a complete answer to your question but we are also working with the Vietnamese on their statistical manpower problems.

Mr. COHELAN. What is the current state of unemployment in Vietnam? Do we have any economic indicators at all?

Mr. NOOTER. We do have some.

Mr. COHELAN. Please put them in the record.

Is there any manpower data about unemployment? What is the size of the manpower pool? Does the government, the Ministry of Labor, levy on that and fully utilize its manpower?

Mr. NOOTER. I will have to see what we have for the record. The government there is aware of the fact that they do have a great manpower shortage and they weigh this very carefully when they are con-

sidering increases in the military or police forces and so on. Whether there is accurate data on this, I will have to check. One of the things that——

Mr. COHELAN. I suggest there has not been.

Mr. NOOTER. The labor pool is made up of a mixture of men and women in a way we are not used to. I know when I was out there recently, one sees a great deal of the rice production being undertaken by women. It is commonly known out there that manpower is in great demand. As the U.S. troops are withdrawn there will be a release of some manpower, some of the local Vietnamese who have been employed by us will be needed to support the Vietnamese military and some won't. The principal objective of the first part of the Stanford Research study was to analyze how to fill the urgent needs of placing people who have had some training—which a number of these people have had while working with our military.

Mr. COHELAN. I hope that you understand what I am saying. I wish you would review this record. I hope you will make some effort to respond to it by way of giving a current status report. Is it worse, better, about the same?

Mr. NOOTER. Yes, sir.

(The information follows:)

MANPOWER IN VIETNAM

The USG and GVN are jointly taking a number of steps to analyze the manpower situation and make adjustments where possible. The labor market is still characterized by an intense shortage of all types of skilled labor caused by the mobilization of over 1 million men into the armed forces.

The immediate GVN objective has been to prevent this mobilization from depriving the civilian ministries and critical private sector firms of key skilled personnel. A deferment system has been set up within the Ministry of Defense and it appears to be working reasonably well. In many cases key personnel have been granted deferments and in other cases individuals have been returned to their civilian posts after basic training but in a military capacity.

A second problem area has been the displacement of local employment caused by the phase down of the U.S. troop level in Vietnam. This was recently the subject of an investigation by a high-level American team, and a program is being developed to evaluate the numbers of people involved at each location and in each skill category and to seek alternative job opportunities in locations where reemployment potential is low. Up to the present time, reductions in U.S. employment of Vietnamese have not caused any noticeable unemployment simply because the manpower shortage is so acute. Problems are anticipated in some local areas next year, but it is believed they can be resolved without major difficulties.

The GVN has established two, high-level committees on manpower: one for immediate problems and one for post-war aspects. The first committee is called the National Manpower Distribution Committee and it is located in the Prime Minister's office. The second is called the Manpower Coordinating Committee, an interministerial group chaired by the Minister of Labor.

For the longer term, United States and GVN efforts are concentrated on education at all levels since the manpower problem in Vietnam is essentially a skills problem rather than simply one of aggregate numbers. Within the U.S. sector, extensive skills training has been provided especially by the Department of Defense. The USAID mission currently has underway an evaluation to determine the capabilities of all training schools in the U.S. sector.

The United States also sponsored a research program by the Development & Research Corp. on manpower and skills training. The D. & R. report dated October 1969, entitled, "Labor, Employment, and Skills" provides a broad view of the situation.

Lack of basic demographic data is still a handicap in manpower planning in Vietnam. The AID mission is continuing its support of the National Institute

of Statistics, training technical people, and engaging in some limited demographic studies. The NIS lacks capability to carry out a full-scale census, and none is planned until greater security is reestablished countrywide.

"Unemployment", as the term is understood in the United States, is difficult to measure in Vietnam. From all appearances, there is no significant unemployment of adults, either men or women. Some underemployment may still exist in forms typical of underdeveloped countries; that is, people are doing jobs that are not very productive because they are afraid they could not obtain other work. However, the fact that very large numbers of women, together with very old and very young people are now in the active work force, argues that such underemployment is no longer a dominant characteristic of the situation. In fact, the present situation can be termed "over full employment" and this is likely to continue as long as the GVN maintains Armed Forces of over 1 million men.

The work force to date has demonstrated a capability to expand and contract with great adaptability. This is probably due to the continuing rural character of Vietnam and to the extended family system. Large numbers of women in particular enter the work force when jobs are available and return to the family when it is not. This cushioning effect should counter and therefore ameliorate most hardships involved in U.S. troop withdrawal.

Mr. COHELAN. There is a large group of underemployed people there and there has been no effort made to levy on them in some way that is involved in what would normally be a war effort, World War II style.

Mr. NOOTER. We will supply something for the record.

I can say in general terms that they are much more fully mobilized now than they were. Their military strength levels have gone up considerably.

Mr. COHELAN. I would like to believe that what you are doing here is a reflection of that. What you are doing in the backup book on manpower and data and statistics and all that development work in statistics is kind of a reaction to the problem of trying to get some Government data.

What do they do about the census? Do you have an accurate census?

Mr. NOOTER. No, they don't.

Mr. SHARPE. The last census with any degree of completeness was taken in 1960. We don't have good population demographic data.

Could I say a couple more things?

I think we certainly don't agree that there are a lot of underemployed people there. On the contrary, we think they really scrape the bottom on manpower. They have gone up into their military force level in the last couple of years from something like 600,000 to just around 1 million now. They expect to peak out at roughly 1,100,000 and we think that that is as far as the economy can support in terms of replacements.

Mr. COHELAN. How does the other side do it?

Mr. SHARPE. The other side is not putting up that many people. The other side has a larger population. The North Vietnamese figures are not as familiar to me but they have a population of roughly 20 million as against 17 million in South Vietnam. Not all of the population of South Vietnam is under Government control. We like to think something like 80 or 90 percent is, as far as the draft is concerned.

Mr. COHELAN. From what you are saying, they are really making a determined effort to get full utilization of manpower. Is that a fair statement?

Mr. NOOTER. Yes, it is. It is to the point now where it is very difficult for them to recruit, mobilize additional people.

Mr. COHELAN. I just have one or two things left. One is the effort in education. I heard the Ambassador and the Secretary say that the Meos were doing some instruction in Lao. I was amused that we were distributing books in French when I was in Laos some time ago. I found it interesting that we were not doing quite as much in Lao as they were doing in French. It was very clear this was a French culture. This is the background for my question. What is the thrust of medical education in Vietnam? Is it American or is it French?

Mr. NOOTER. Traditionally it has been French, but our role there has caused a transition in that process. With the American people we have had there we have introduced substantial amounts of U.S.-type medical training. One of the projects which we may go forward with, if the funds are available and peace returns, is a medical teaching hospital which the Vietnamese would like very much. This would provide a better place for U.S.-type instruction.

Mr. COHELAN. I thought we were going to have one. I thought we were going to get a similar one in Vietnam.

Mr. NOOTER. There are plans in process for that. There is still some planning and background work to be done before than can go forward.

Mr. COHELAN. You understand what I am talking about. The general overview of the medical practitioner, how he looks at his patient, a different cultural situation.

Mr. NOOTER. Yes, sir.

Mr. COHELAN. I would hope we can leave something along those lines. How about education generally; are we training them along French lines or are we bringing to bear our techniques and methodology in education as opposed to the lycee and the French system of education?

Mr. NOOTER. There again, as you point out, their traditional background was based on the French system. We have had a major involvement in all phases of their educational program. We phased out the elementary program, as we said, but nevertheless our people have worked with them revising their system, introducing the idea of a comprehensive high school, vocational training school, and other things which we would characterize as more typical of an American-type educational system.

Mr. COHELAN. Would that apply to nursing education as well?

Mr. NOOTER. Yes, sir.

Mr. COHELAN. How about higher education; is that on the pattern of European universities or American universities?

Mr. NOOTER. I think we would find a mixture of some things rooted in the French tradition, and others which because of contacts with U.S. educators and U.S. universities are moving more toward the U.S. pattern.

Mr. COHELAN. What is the thrust of higher education as far as business administration and public administration are concerned? Are they doing anything along those lines or is it restricted to the French professional approach?

Mr. NOOTER. We have had a substantial involvement for some years in setting up a public administration training institute.

Mr. COHELAN. That is non-university?

Mr. NOOTER. This is non-university education, that is correct. This has been the principal training ground for many of their public administrators. We still have an active program there and it is the kind of practical training which would be considered typically American, I would say.

Mr. COHELAN. Are there any prospects for educational reform in Vietnam as a result of our efforts at all levels?

Mr. NOOTER. We think their system has gone through a tremendous reform, if you want to use that word, over the last several years. We are their principal advisers, and technicians and from the United States are now the principal source of their advice and counsel in educational matters.

GROWTH RATE

Mr. COHELAN. Mr. Director, my last question has to do with the annual growth rate. It is 2.6 percent, as shown here. How do you know these figures are accurate?

Mr. NOOTER. Admittedly this is merely an estimate.

Mr. COHELAN. Is that really a working figure?

Mr. NOOTER. That is right. I certainly would not represent that as based on very good data.

Mr. COHELAN. Have we done any demographic studies to know what the actual rate is?

Mr. SHARPE. We have done some what you might call partial studies and urban studies and some localized studies. Our 2.6 figure I think is based, first of all, on comparing other countries in that part of the world, most of which average around 2.8 or 3. It is a very rough guess, but we estimate that the war, separation of families, et cetera, has cut it a bit.

Mr. COHELAN. Mrs. Reid, any questions?

POPULAR SUPPORT OF THIEU-KY GOVERNMENT

Mrs. REID. Thank you, Mr. Chairman. How much popular support does the Thieu-Ky Government have among the Vietnamese public?

Mr. SULLIVAN. It is always difficult to measure with any precision the amount of popular support a government enjoys, particularly in a country like South Vietnam where modern polling and other opinion-sampling procedures are limited. However, we do know that such programs as restoring security and economic prosperity, building local self-government, and instituting land reforms have significantly increased support for the government in the countryside in particular. The government's decision to arm the militia-type People's Self-Defense Force on a wide scale, and the performance of this force so far, indicate considerable mutual trust and confidence between the government and the people. The government's ability to mobilize and maintain armed forces of some 1 million men seems another indication of rather wide popular support.

It is true that the government has had problems recently, for example with student and veteran groups and with the economic situation. However, government leaders have taken steps to cope with these problems, such as introducing new veterans benefit legislation, acceding to some student demands, and seeking Assembly approval of new tax measures.

Our general impression, therefore, is that while the Vietnamese Government still faces political problems, it continues to enjoy rather wide popular acceptance by virtue of its efforts to build further support in many important areas and to respond to legitimate criticism in others.

RELATIONS BETWEEN CAMBODIA AND SOUTH VIETNAM

Mrs. Reid. According to a recent newspaper article, South Vietnam's Government has offered to repatriate Vietnamese citizens living in Cambodia. Do you have any information on this matter as well as the prospect of closer cooperation between Cambodia and South Vietnam in dealing with the Vietcong and North Vietnamese troops which have used the border areas of Cambodia as a sanctuary for attacks against Vietnam?

Mr. Nooter. The Government of Vietnam has indicated its willingness to receive any of the estimated 400,000 ethnic Vietnamese who reside in Cambodia and to assist in their repatriation, without discrimination as to their origin or political leanings. An official Government of Vietnam delegation headed by the Minister of Social Welfare and including representatives of the Ministries of Foreign Affairs, Public Works and Information and the Vietnamese Red Cross has gone to Phnom Penh to discuss the question of repatriation with appropriate officials of the Cambodian Government.

It would seem to be in the interest of the Governments of Vietnam and Cambodia to cooperate in dealing with the North Vietnamese and Vietcong troops who have for years utilized the eastern and southern border areas of Cambodia as sanctuaries for attacks against Vietnam. However, I have no specific knowledge of any cooperative efforts which may have been undertaken so far, nor could I venture to estimate the prospects for cooperation in the future.

LAND REFORM

Mrs. Reid. I recently noted a column by Robert S. Allen and John A. Goldsmith describing the great success in Vietnamization and land reform in the Mekong Delta hamlet of Bien Hung. The land reform in this area apparently was accomplishd through the land-to-the-tiller program. Is there any other concrete evidence which indicates this program is suceeding?

Mr. Nooter. The land reform activity described by Allen and Goldsmith in their syndicated column of April 10, 1970, was carried out under a law which was a forerunner to the land-to-the-tiller bill. The procedure for accelerated land distribution worked out for the earlier law will be followed under the land-to-the-tiller program. These new procedures have improved the Government's capacity to administer land reform as evidenced by the sharp increase of land distribution that has occurred in the past 18 months. If land distribution performance continues to increase as it has in the past few months, the prospects for rapid implementation of the land-to-the-tiller program are very good.

One of my staff members, while traveling in Vietnam last December, witnessed the current land reform efforts while visiting recently pacified areas in Ba Xuyen Province, close to the Mekong River, and in

Kien Tuong Province on the borders of Cambodia. In the former village the Government, 90 days after pacification, was distributing land titles to 200 villagers. The favorable response to this action was most impressive. In the latter case, discussions were held with the Village Commissioner of Land Reform and Agriculture. It was discovered that he was most anxious to have the Land-to-the-Tiller bill promulgated. He stated that he had 100 farmers who had been informed of this new law who were anxiously awaiting the opportunity to own their own land. Both of these communities, having been under the control of the VC for several years, were quite depressed economically. Pacification has resulted in greatly improved conditions, and the prospect of land ownership is a windfall which they never really expected to occur during their lifetime.

RECRUITING AID PERSONNEL FOR VIETNAM

Mrs. REID. Does the recruitment of qualified personnel for AID operations in Vietnam present difficulties?

Mr. NOOTER. Our situation is much the same as when Mr. Mendenhall testified last year except that our requirements have been greatly reduced through Operation Reduction (OPRED), the Presidential directive to reduce civilian staffing overseas. In Vietnam, we will have reduced our strength by 15 percent or more than 300 people during fiscal year 1970. At the same time, reductions in other overseas missions make it possible for us to obtain a greater number of experienced AID employees to fill most of our key vacancies as they occur. We also have a new agreement with the Department of State to maintain a level of 150 Foreign Service officers for Vietnam. This includes 50 FSOs' who will be in training to flll our junior positions as assistant area development officers.

Overall, we are doing very well in meeting our manpower requirements for Vietnam except for the chronic problem associated with a few highly specialized skills such as qualified medical technicians, which are also in short supply on the American labor market. For these, it is still necessary to conduct some recruiting and to work through professional organizations to find suitable candidates.

VIETNAMESE PERSONNEL INVOLVED IN PACIFICATION

Mrs. REID. Approximately how many personnel does the South Vietnamese Government have in the pacification program now as compared to a year ago?

Mr. NOOTER. There are approximately 2,538,000 Vietnamese officials and civilians involved in some phase of pacification at the present time. This compares to approximately 695,000 last year. This includes both military personnel and civilians; however, not all of the military forces in South Vietnam take part in pacification.

The large increase over last year is accounted for by the rapid growth of the program called peoples self-defense forces (PSDF)—hamlet and village citizens who provide hometown defense. There are approximately 1,897,000 PSDF trained and organized. Last year PSDF were not considered part of GVN pacification manpower, but during 1969 the role of the PSDF changed from informal status to a more formalized and better organized quasimilitary organization which is now

considered an integral part of pacification. If the PSDF were excluded from the current 2,538,000 total figure, there would be approximately 641,000 persons engaged in pacification at the present time. This figure could be compared to the 695,000 figure for last year. The drop this year is primarily attributable to the fact that no Vietnamese Army battalions are now engaged in pacification work.

Vietnamese paramilitary forces, such as the revolutionary development cadre, census grievance cadre, Province reconnaissance Units, Intelligence elements, and police field forces are included in this number, as are civilian personnel such as village and hamlet chiefs, their deputies, and other local Government officials.

ECONOMIC RESOURCES FLOWING INTO SOUTH VIETNAM

Mrs. REID. In total economic resources—from the United States and otherwise—are there more dollars coming into South Vietnam this year than last year—or is the figure going down?

Mr. NOOTER. The dollars and other forms of external resources coming into South Vietnam this year are in the same order of magnitude as last year.

FOREIGN ECONOMIC RESOURCES FOR VIETNAM

[In millions of dollars]

U.S. sources	1969	1970 estimate
Commercial import program (actual arrivals)	177.2	185-200
Public Law 480 (actual arrivals)	112.8	130
Project commodities (obligations)	85.0	43
U.S. piaster purchases	346.6	345
Subtotal	721.6	703-718
Third country aid	10.0	10
Total	731.6	713-728

LEVEL OF ASSISTANCE

Mrs. REID. What level of assistance do you anticipate will be required for Vietnam over the next 5 to 10 years?

Mr. NOOTER. A rough estimate of foreign economic assistance requirements for the first 10 years after the cessation of hostilities has been developed by a group of Vietnamese and American economists. Their estimate was $2.5 billion. AID believes the amount required may be closer to $3 billion. This assistance would be needed to fund the foreign exchange costs of numerous public works and private industrial and agricultural undertakings. It would include also the cost of technical and advisory services.

It is anticipated that this assistance will be forthcoming from a wide group of friendly industrialized nations in Europe and Asia as well as the United States. In all probability such international institutions as the Asian Development Bank and the International Bank for Reconstruction and Development (IBRD) will offer assistance.

I cannot project specific AID assistance over the period. The timing of the end of hostilities, the manner in which the war ends or deescalates, the extent to which others offer assistance—all these will be important determinants of the U.S. aid level. During the early years of a postwar decade, with extensive needs for both rehabilita-

tion and development, it is quite conceivable that demands on U.S. economic and technical assistance may increase. Hopefully, as the period draws to a close, we will be able to reduce our aid as we have in other countries which have arrived at a position of self-support.

Mrs. REID. As we run across the board from education to medical assistance program—are we increasing or decreasing our aid? In what areas, if any, are the South Vietnamese making enough progress so that we can anticipate further de-Americanizing in the near future?

Mr. NOOTER. Our project program is declining. We obligated $224 million in fiscal year 1968, $163 million in fiscal year 1969 and expect to obligate $132 million this fiscal year 1970. Our request for the coming fiscal year, 1971, is for $133 million. However, this includes $15 million to offset the inflationary costs of land reform, so the comparison should be between $132 million in fiscal year 1970 and $116 million in fiscal year 1971. In dollar terms, our projects in the coming fiscal year will be about half what they were in 1968.

Primary education is one good example here. AID made a concerted effort beginning some years ago to see that children had an opportunity for schooling despite the tumult of the war. The number of children in school rose steadily and now stands at over 80 percent of all those in the primary school ages. We are bringing our elementary education project to a close at the end of this fiscal year. This does not mean any loss of our interest in elementary schooling. We will continue to support teacher training through our higher education project. It does mean that we believe that Vietnam no longer requires major U.S. assistance in the field of elementary schools.

The number of refugees has declined, as I have noted elsewhere. We expect to reduce our funding for refugee care from about $9 million this fiscal year to $7.5 million in fiscal year 1971. It may be less. Much depends, in the field of refugees as in care for civilian casualties, on the level of military hostilities.

On a broad level, by this coming June we will have about 15 percent fewer Americans on AID's rolls in Vietnam than there were a year ago. We expect to make a further reduction in fiscal year 1971, although the magnitude is not yet settled. Across the board, we will need and will have fewer Americans helping Vietnamese.

As I have noted earlier, the burdens of Vietnamization are increasing our requirements for our commercial import program.

VOLUNTARY AGENCIES

Mrs. REID. How are voluntary agencies participating in distributing commodities to refugees in Vietnam? Would you supply for the record a list and description of the activities of those voluntary agencies which are now actively participating?

Mr. NOOTER. Voluntary agencies distribute about 45 percent of the total Public Law 480, title II, comodities. However, most voluntary agency programs emphasize other social welfare groups such as orphans, widows, school lunches, and refugees only to a lesser extent.

ESTIMATED NUMBER OF RECIPIENTS—FISCAL YEAR 1970

Agency	Refugees	Other social welfare groups
Catholic Relief Services	15,000	735,000
Vietnam Christian Service	10,000	87,000
World Relief Commission	43,500	38,000

In addition to the above agencies, International Rescue Committee, CARE, and World Vision International have more recently begun to participate in commodity distribution.

The Government of Vietnam administers the distribution of the other 55 percent of the total title II commodities. Under the GVN program, refugees are the largest group of recipients. About 1 million refugees received commodities in fiscal year 1970.

There are, of course, many other voluntary agencies, both American and international with active programs of their own in Vietnam.

Mrs. REID. That's all I have, thank you.

Mr. COHELAN. Thank you Mrs. Reid. Mr. Director, Mr. Secretary, and gentlemen, I want to express my personal thanks for your candor and for your attendance here this afternoon. By this time you are familiar with the pattern of this committee. It is only once in a great while that I get the opportunity for extended questioning. I want to express my gratitude on the record for that.

Mr. NOOTER. It is our pleasure.

Mr. COHELAN. If there is nothing further, the committee is adjourned until 1 o'clock tomorrow afternoon.

EAST ASIA

WITNESSES

RODERIC L. O'CONNOR, ASSISTANT ADMINISTRATOR, BUREAU FOR EAST ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

HON. MARSHALL GREEN, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

WILLIAM W. THOMAS, JR., SPECIAL ASSISTANT ECONOMIC AFFAIRS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

CHARLES H. BREECHER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR EAST ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

HERBERT W. DODGE, CHIEF, PROGRAM DIVISION, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR EAST ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AND PUBLIC AFFAIRS

CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

COL. FRANK E. BURDELL, JR., OFFICE OF SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.

We shall continue this afternoon our examination on one part of

title I of the foreign aid program. We will question on the budget request for East Asia this afternoon. We have as witnesses the Honorable Marshall Green, Assistant Secretary of State for Bureau of East Asian and Pacific Affairs, and also the Honorable Roderic L. O'Connor, Assistant Administrator, East Asia.

I should think, gentlemen, each of you would like to make a statement to the committee, you, Mr. Secretary and you, Mr. Director.

STATEMENT OF THE ASSISTANT ADMINISTRATOR

Mr. O'CONNOR. Mr. Chairman: I appreciate this opportunity to present to you and the members of this subcommittee the program proposed for east Asia for fiscal year 1971.

For fiscal year 1971 we plan bilateral programs with five east Asia countries (Indonesia, Korea, Laos, Philippines, and Thailand) and a multinational regional program. These programs address two major U.S. objectives in east Asia: The general economic and social development of the area, and the security of those countries threatened by armed Communist infiltration and aggression. Our programs aimed at these objectives are mutually reinforcing. A reasonable degree of security is essential for development and successful development serves in turn to enhance the prospects of resistance to security threats.

Similarly, a reasonable degree of economic and monetary stability must underlie both developmental and security efforts if they are to be effective. Accordingly, we are supporting a multinational stabilization program in Indonesia to provide a base for developmental progress. In Laos, we support such a stabilization program to help the country defend itself.

Communist infiltration continues to pose a threat to the internal security of Korea, Laos, and Thailand. These countries need support for their efforts to improve police effectiveness and to carry out development programs to strengthen national allegiance and unity. Our proposed program for fiscal year 1971 contains support for both these activities.

The economic progress attained by countries in east Asia over the recent past has been remarkable. Japan first and Taiwan somewhat later became independent of the need for economic aid. Now, Japan's burgeoning economy permits her to be a large scale aid donor to the area. The Korean economy has grown at a rate of almost 12 percent a year for the past 5 years and concessional foreign loans may no longer be required by the mid-seventies. From economic chaos in 1966, Indonesia has gained monetary stability and has laid the base for economic growth. Annual growth rates in the Philippines and Thailand are encouraging: An average of 6 percent for the Philippines and 8 percent for Thailand during the past 5 years.

Assistance from the United States has played a significant role in the progress achieved by these Asian nations and it is important that we continue to support those countries whose efforts have gained success.

BUDGET

Our fiscal year 1971 budget proposal totals $218.1 million. The proposal reflects an increasing reliance on development lending and reductions in supporting assistance. While the proposed program is

$36.5 million higher than expected obligations in fiscal year 1970, the entire increase is in development loan funds, principally for Indonesia.

We are requesting development loan funds of $115.8 million for fiscal year 1971. This represents an increase of $42.3 million over expected fiscal year 1970 obligations. While a small part of this increase ($2.9 million) is accounted for by an expansion of family planning grants, financed with development loan funds, under title X of the Foreign Assistance Act, the balance of $39.4 million reflects the importance we attach to continued economic progress in Indonesia which has approximately one-half of the area and population of all of Southeast Asia. $81.4 million of the $115.8 million in development loan funds is programed for Indonesia. Indonesia's achievements in stabilizing its economy mean that a larger proportion of its requirements for foreign assistance is for loans for capital projects rather than for commodity imports. This marks a start on the long road to Indonesian economic self-sufficiency.

Our fiscal year 1971 budget proposal includes $61.6 million in supporting assistance, all for Laos and Thailand, counting $200,000 in the regional program to improve Mekong River port and cargo handling facilities between the two countries. This total of $61.6 million compares with obligations of $94.9 million in fiscal year 1969 (including $8 million for family planning) and estimated obligations of $68.8 million is fiscal year 1970. Assuming no major change in the security situation we expect that no supporting assistance will be required for Korea for fiscal year 1971.

Technical assistance funds of $43.8 million were obligated for east Asia in fiscal year 1969 and obligations of $39.2 million are expected for fiscal year 1970. We are proposing $40.7 million for fiscal year 1971.

Attachment A summarizes our budget proposal as compared with the 2 preceding fiscal years.

PERSONNEL

Following the substantial reductions which have been made from our July 1, 1968 strength of 1,339 Americans, we expect the staffing requirements to stabilize at about 1,000. Of this total, we expect that about 700 will be AID direct-hire employees; 100 will be personnel from participating U.S. agencies; and about 200 will be contractor personnel.

AID COORDINATION

A number of other countries and international organizations are providing assistance to east Asia. Attachment B breaks down the total economic assistance provided to AID recipient countries in east Asia from calendar year 1966 through calendar year 1969. In order to provide the needed coordination, several mechanisms have been developed.

The Inter-Governmental Group on Indonesia (IGGI), a 10-nation group chaired by the Dutch, has been the most successful. The group works very closely with the IMF and the IBRD, both of which have resident representatives in Indonesia. A similar consultative group, chaired by the IBRD, has been established for Korea. This group has endorsed Korea's Second 5-year plan and monitors and reviews Korean progress at periodic meetings. Stabilization aid to Laos has been suc-

cessfully channelled through the multilateral Foreign Exchange Operations Fund (FEOF) supported by France, Japan, Australia, the U.K. and the United States.

The problem of aid coordination in Thailand has been less pronounced and a coordinating group chaired by the IBRD has not been as active as the groups in Indonesia and Korea. However, a meeting of this group is planned for the summer of 1970 to review the Thai economic situation.

The recent short-term balance of payments crisis in the Philippines has been blunted through a plan developed by the Philippines with IMF help. The Philippines have also opened discussions with the World Bank on plans to establish a consultative group.

FAMILY PLANNING

In 1950, the population of the less-developed countries of east Asia (excluding Communist China) totaled 184 million people; in 1965 it was 273 million; by 1980 it will, if present growth rates continue, be 424 million. With populations growing by 2 percent to 3.5 percent a year, action must be taken now by these countries if widespread hunger and deprivation are to be avoided. While hunger might be banished for a time through increased food production, unchecked population growth would thwart much of the material and social benefits of hard-won economic growth. Too much of the growth will be consumed by the growing numbers of those who must be clothed, housed, and educated as well as fed. The lot of the individual will be no better.

There is a growing recognition by public and private leaders in East Asia that family planning provides an indispensable part of the answer. In Korea, Thailand, and Indonesia, national programs are underway. Facilities are being developed in Laos to extend family planning services and technical personnel are being trained. In the Philippines, which has the region's highest population growth rate, public and private sector recognition of the problem have increased rapidly as a result of our AID efforts; the Government has recently endorsed the farsighted policy recommendations of a national commission on population; and our current and projected population programs are the largest in the region.

AID cannot and does not require family planning programs by aid recipients. But we support such programs wherever we have been requested to do so, either directly or through grants channelled through the population council and the International Planned Parenthood Federation.

INDIVIDUAL COUNTRY PROGRAMS

With reference to the individual East Asian countries I will highlight here the chief features of our programs and some of the things we are trying to help these countries achieve.

INDONESIA

AID assistance to Indonesia supports both the immediate task of monetary stabilization and basic programs of economic rehabilitation and growth. In this effort, the United States has joined with nine other nations to provide coordinated assistance through the multi-

lateral framework of the Inter-Governmental Group on Indonesia (IGGI). In addition, two nonmembers, Canada and Denmark, provide aid to Indonesia through the IGGI framework.

The AID program proposed for Indonesia for fiscal year 1971 consists of $81.4 million in development loan funds, including $1.4 million for family planning programs, and $5.1 million in technical assistance. This represents a substantial increase over the expected fiscal year 1970 program of $50.1 million and reflects the growing capacity of Indonesia to use developmental assistance effectively.

In addition, a large Public Law 480, title I sales program, composed of cotton, rice and wheat products, is planned. The exact amount will depend upon Indonesian grain production and U.S. rice and wheat availabilities. Public Law 480 title II grants of about $7.5 million are also planned.

Our proposal for development loans for fiscal year 1971 includes $45 million for capital projects, $15 million for an agricultural sector loan, and $20 million for a program loan to finance imports of equipment, spare parts, and raw materials. The planned capital projects include: $5 million for water resources development in Java; $13 million for expansion and new electric power generation; $22 million for highway reconstruction; and a $5 million line of credit to increase the Indonesian development bank's lending to the private sector.

The Indonesian family planning program is emerging from the pilot demonstration stage. Our fiscal year 1971 budget proposal includes $1.4 million to support this program with training and commodities.

The proposed technical assistance program of $5.1 million will provide advisory and training services in agriculture, education and industrial development.

KOREA

Remarkable economic growth, averaging 11.7 percent a year in real terms over the past 5 years, has enabled Korea to finance an increasing share of its security and development requirements from its own resources and from foreign loans on nonconcessional terms. AID assistance has decreased accordingly, dropping from $114.7 million in fiscal year 1967 to an expected $34.7 million in fiscal year 1970. Our budget proposal for fiscal year 1971 of $29.3 million represents a further reduction.

In view of Korea's already heavy debt servicing burden, however, the country has not yet reached the stage where it can afford to borrow exclusively on the harder terms of international lending institutions. Thus, our program is necessary to provide a portion of the foreign resources needed to maintain economic growth.

The fiscal year 1971 total consists of $25.8 million in development loan funds, including $800,000 for family planning programs, and $3.5 million in technical assistance. In addition, Public Law 480 credit sales are expected to total $49.7 million in fiscal year 1971 and Public Law 480 grants, mainly for child feeding, $14.4 million.

Two sector loans of $10 million each are proposed for fiscal year 1971 to support Korean efforts to improve crops and increase agricultural production and to expand the educational system. The balance of the proposed development loan funds would be used for feasibility studies, urban development, and family planning activities.

For fiscal year 1971 we are requesting $800,000 to support the Korean effort to reduce its population growth rate from 3 percent in 1962 to 2 percent or less by the early 1970's. The major element in our fiscal year 1971 proposal is a research program whereby we and the Koreans hope to learn the motivations and attitudes of Koreans, men and women, toward family planning. We also want to determine how best to develop reliable vital statistics in Korea.

The proposed technical assistance program of $3.5 million will concentrate on agriculture and education with additional activities in public administration and public safety.

LAOS

As increasingly evidenced in the recent past, Laos continues to be the victim of Communist aggression. The Lao defensive effort has absorbed large amounts of limited manpower, has preoccupied the time and attention of the relatively few trained Government officials, and has cost far more than the primitive Lao economy can pay for. Thus, foreign assistance has been necessary to preserve Lao independence.

AID assistance helps the Government control inflation and carry out essential civic services and developmental activities to hold the support of the people, particularly those in the remote areas most exposed to agression.

Our proposed program for fiscal year 1971 totals $46.1 million, consisting of $35.1 million in supporting assistance, $10 million technical assistance, and grants of $900,000 from development loan funds for family planning programs. In addition, Public Law 480 grants of $835,000 are planned to provide food and clothing to Lao refugees.

The supporting assistance funds are divided into $17.8 million for the stabilization program and $17.3 million for project activities.

The project program includes emergency food and other essentials for war refugees, and assistance in their relocation and permanent resettlement is also designed to maintain, and expand where possible, the fabric of essential governmental services in education, agriculture, health, police, road maintenance, and industry.

The family planning program is designed to extend maternal and child health services to rural areas, improving clinical care, and providing channels for distribution of information on family planning.

PHILIPPINES

AID's assistance program in the last 4 years was a major factor in helping the Filipinos reach self-sufficiency in the production of rice after close to a century of recorded rice deficits. Overall agricultural production, however, continues to fall short of domestic requirements, particularly in supply of protein and related feed grains. Further, the extraordinarily high population growth rate of 3.5 percent a year will, if unchecked, double the population of the country in 20 years. Thus, the related problems of food supply and population growth require continued attention. AID assistance is provided to help the Filipinos in their efforts to reduce this gap and simultaneously improve the income levels of the farmers.

Our program proposal of $8.8 million is almost equally divided between family planning activities ($4.5 million) and technical as-

sistance ($4.3 million). The technical assistance activities are concentrated in agriculture and rural development, centering on crop diversification. Assistance is also being provided in malaria eradication and internal security programs.

AID has rapidly expanded its support of family planning programs in the Philippines as leading public and private figures have increasingly recognized the implications of the country's population growth rate. In 1969, President Marcos appointed a commission to study population problems and recommend national policies. Last December he publicly endorsed the far-reaching recommendations of that commission.

AID now assists the Government of the Philippines, its agencies, and cooperating public and private institutions to formulate policies, conduct research, train personnel, and develop necessary institutional and administrative structures. The proposed program for fiscal year 1971 expands this assistance.

THAILAND

A Communist-supported insurgency, centered in north and northeast Thailand, poses a threat to the security of the country. Defensive efforts require both a buildup of security forces in the affected areas and an attack on the underlying economic and social deprivations on which the insurgency feeds.

The highly centralized Thai Government is partly as a result of our program becoming more responsive to local rural needs. AID programs assist in strengthening the links between government officials and rural villagers and in improving the effectiveness of civil security forces. We are also working with the Government to increase the allocation of Thai resources to the security-sensitive areas.

The AID program proposed for Thailand for fiscal year 1971 totals $34.1 million, consisting of $26.3 million in supporting assistance, $6.1 million in technical assistance, and $1.7 million in development loan funds for family planning programs.

Over half of the total program is proposed for rural public safety programs ($8 million) and rural development projects ($10.1 million). Another $4.5 million is earmarked for priority development projects in the northeast. Education, health, and public administration programs of the Thai Government are also supported.

The formerly negative attitude of the Thai Government towards family planning programs is changing and the Ministry of Public Health is now implementing a project to extend family planning services to clinics to reach a capacity to serve over three million women. We are proposing $1.7 million in development loan funds to support this program in fiscal year 1971.

EAST ASIA REGIONAL PROGRAM

The benefits and economies of regional cooperation in meeting common needs and problems are gaining increasing recognition in east Asia. Our regional program supports Asian efforts in cooperative development programs and encourages the involvement of other developed countries and international organizations in such programs.

The AID regional program proposed for fiscal year 1971 totals $13.3 million, consisting of $11.6 million in technical assistance, $200,000 in

supporting assistance, and grants of $1.5 million from development loan funds for family planning programs.

Technical assistance programs include participation in: the development of the resources of the lower Mekong Basin; the establishment of regional education centers for advanced training and research; the conduct of feasibility studies for regional transportation and communications projects; and support of the International Rice Research Institute (IRRI) in the Philippines.

The $200,000 in supporting assistance funds are proposed to improve ports and cargo handling facilities on the Mekong River between Laos and Thailand. Initially planned for fiscal year 1970, implementation was deferred to reduce the scope of the project and concentrate it on those improvements considered most urgent.

The $1.5 million proposed for family planning programs is to support the efforts of international organizations to help develop and implement expanded individual country family planning activities in east Asia.

(Tables follow:)

ATTACHMENT A—EAST ASIA PROGRAM, FISCAL YEARS 1969–71

[In millions of dollars [1]]

	Fiscal year 1969 actual	Fiscal year 1970 estimate	Fiscal year 1971 proposed
East Asia total	212.3	181.6	218.1
Technical assistance	43.8	39.2	40.7
Supporting assistance	94.9	68.8	61.6
Development loans	70.3	73.5	115.8
Contingency fund	3.3		
Burma technical assistance	.2		
Indonesia	56.2	50.2	86.5
Technical assistance	4.4	4.1	5.1
Supporting assistance	1.5		
Development loans	50.3	46.1	81.4
Korea	45.4	34.7	29.3
Technical assistance	4.2	3.8	3.5
Supporting assistance	21.2	10.0	
Development loans	20.0	20.9	25.8
Laos	52.0	48.1	46.1
Technical assistance	9.4	8.7	10.0
Supporting assistance	42.1	38.4	35.1
Development loans		1.0	.9
Contingency fund	.5		
Philippines	5.6	7.2	8.8
Technical assistance	4.2	3.7	4.3
Development loans		3.5	4.5
Supporting assistance	1.4		
Thailand	35.5	28.0	34.1
Technical assistance	9.2	6.1	6.1
Supporting assistance	26.3	20.4	26.3
Development loans		1.5	1.7
Regional	17.3	13.4	13.3
Technical assistance	12.2	12.8	11.6
Supporting assistance	2.4		.2
Development loans		.6	1.5
Contingency fund	2.7		

[1] Totals may differ from components due to rounding.

TOTAL ECONOMIC ASSISTANCE TO AID—RECIPIENT COUNTRIES IN EAST ASIA (BURMA, INDONESIA, KOREA, LAOS, PHILIPPINES, THAILAND)

[Commitments in millions of dollars]

	Calendar year			
	1966	1967	1968	1969
Grand total	787.03	901.77	1,018.89	1,218.47
Multilateral	78.30	75.30	77.30	326.10
Bilateral, all DAC	708.73	826.47	941.59	892.37
United States	420.40	413.00	530.07	544.55
Japan	170.28	236.47	199.64	217.45
Others	118.05	177.00	211.88	130.37

Source: Calendar years 1966, 1967, and 1968, Development Assistance Committee annual reviews; lending, institution financial statements; UNDP reports; calendar year 1969, AID estimate, subject to revision.

Statement of the Assistant Secretary for East Asian and Pacific Affairs

Mr. Green. Mr. Chairman, I appreciate the opportunity to appear before this distinguished committee in support of President Nixon's request for economic and military assistance to east Asia under the Foreign Assistance Act. The President's report to the Congress on "U.S. Foreign Policy for the 1970's: A New Strategy for Peace" has given you the outlines of the foreign policy of which our aid program is a part.

Since my last statement to this committee in July 1969, we have had a number of developments in our foreign policy in east Asia of great consequence, which taken together, form a new approach to Asia by the United States.

In 1969 the United States developed a new approach for the seventies. We began with a simple inventory of the changes which had taken place in both Asia and America and which seemed to require policy adjustments.

The countries of east Asia, although they continued to seek our assistance and to need it, were better able to solve their own problems. Equally important, they were becoming increasingly anxious to take initiatives themselves and, in their own words, to find "Asian solutions for Asian problems."

Meanwhile, it was quite understandable that the American people should feel that other countries should assume a greater share of the burdens of military security and economic assistance abroad.

Moreover, there was a widespread feeling that our policies were becoming frozen in positions appropriate to a bygone era. What had once appeared to be a monolithic communist movement was rent by antagonistic ideological interpretations and divergent national interests, subject to a complicated range of influences both indigenous and alien. It was in particular affected by the interaction of four major powers, the United States, the Soviet Union, China and Japan.

It is against this background that a number of shifts occurred in 1969. The principal shifts could be identified as: (1) President Nixon's "Guam Doctrine", (2) the Vietnamization program, (3) a new approach on China, (4) the definition of a longer term relationship with Japan, and (5) a new style in diplomacy.

PRESIDENT NIXON'S "GUAM DOCTRINE"

At Guam in July, shortly after my last statement to this committee, President Nixon defined a new approach in our Asian policy. He stressed that the United States will remain a Pacific power, will continue to play a significant role in Asia and will honor its security commitments there. But he pointed out that Asian nations have a new sense of confidence and an improved capability and desire to assume a larger share of the burden of their own defense. The Asians can, therefore, be expected to handle internal security problems with their own human resources, though we may continue to provide material assistance if necessary. On the economic front, the President said that we will assist at levels appropriate to the new stage of Asian development, primarily with nations ready to use such help effectively.

VIETNAMIZATION

The Vietnamization program is based on a belief that the South Vietnamese can develop the indigenous strength to fight off aggression, and on a realization that a large American presence in South Vietnam might in the long run inhibit development of that indigenous strength. In implementing this program we do not overlook the harsh immediate realities posed by continued North Vietnamese intervention.

The program is anathema to Hanoi since it runs counter to the designs of the North Vietnamese and National Liberation Front. Vietnamization strengthens the long term capabilities of South Vietnam's Army and territorial forces, enhances the standing of the Government in Saigon and meets American opposition to prolonged massive U.S. military involvement in Vietnam. It was our hope then, and it still is, that Vietnamization would lead Hanoi to seek other short term alternatives through serious negotiations for rapid withdrawal of all external forces in South Vietnam. This may still happen—we simply do not know. If not, we shall continue to aim for a favorable long term solution through Vietnamization.

NEW APPROACH ON CHINA

Communist China has come to be increasingly out of step with the changing Asian and world environment. It must eventually adapt itself to these changes, but I cannot predict when or how. Although our ability to influence change in Peking's attitude is limited, we are seeking a less dangerous and more constructive relationship. In July we announced decisions regarding trade and travel that not only reduced inconveniences to American citizens but also clearly signified our interest in moving towards more normal communication with the mainland. The relaxation of restrictions involving trade with mainland China announced in December was a further step in this direction. Finally, arrangements were concluded for the resumption of direct ambassadorial talks in Warsaw. We will continue to seek ways of establishing bilateral relationships, without, however, damaging the security interests of the Republic of China.

RELATIONS WITH JAPAN

One of the most signifigant single developments in U.S. foreign policy in 1969 was the outcome of the meetings last November between President Nixon and Prime Minister Sato. The Nixon-Sato talks were designed to prepare for long-term cooperation, in particular by removing the last major political issue between our two countries, the Okinawa problem under terms which will not impair the usefulness of our bases there, nor their deterrent value. Japan and the United States also agreed to continue indefinitely their 1960 Treaty of Mutual Cooperation and Security.

Prime Minister Sato simultaneously pledged that Japan's great economic power would be used to promote modernization in other parts of Asia. He announced that Japan would take the lead in providing economic and technical assistance to the less developed nations of Asia.

Japan is entering a new era; the postwar period has come to an end. As Prime Minister Sato said last November, "Japan, in cooperation with the United States, will make its contribution to the peace and prosperity of the Asian-Pacific region and hence to the entire world." This new relationship will have a direct effect on our assistance to east Asia. Prime Minister Sato has recognized the value of a complementary burden-sharing with the United States. First, he said that "Since the United States plays the central role in preserving global peace and also holds great responsibility for the security of Asia, I believe it is Japan rather than the United States that should take the leading role in such fields as economic and technical assistance towards nation-building efforts of the Asian countries." In particular, he said that Japan would cooperate in the rehabilitation and development of the Indochinese peninsula.

A NEW STYLE IN DIPLOMACY

In diplomacy, style and method are fully as important as policy itself. The administration has felt that we should decrease our visibility, listen more and talk less, be more unassuming in our relations with others. We should get away from the rhetoric and vocabulary of the cold war. We should get others to do more of the burden-sharing under mutual-benefit relationships. Finally, we should help those who do the most to help themselves. These, Mr. Chairman, are among the principles we seek to apply in the conduct of our relations with Asian countries.

THE PROGRAM

Mr. O'Connor has fully covered the details of the east Asian program and Mr. Nooter will give you those of the Vietnam program. I would like to stress, however, the importance of each of the categories of aid to carrying out our policies in east Asia.

SUPPORTING ASSISTANCE

Supporting assistance is used in only three east Asian countries—Vietnam, Laos and Thailand. Supporting assistance is essentially emergency aid to meet budgetary and other economic needs occasioned by war or insurgency. We have requested no supporting assistance

for Korea for fiscal year 1971. Korea has progressed beyond the need for this type of assistance. We will continue to furnish stabilization assistance through Public Law 480. At present we furnish stabilization assistance to Vietnam and Laos, where the North Vietnamese inavsion has forced the governments to spend money on defense far beyond their meager resources. These two programs comprise all of the $427.6 million supporting assistance for east Asia except $26.3 million for Thailand and $.2 million for port construction on the Mekong between Laos and Thailand.

In Vietnam our requirement for supporting assistance is $366 million, which is necessary to enable us to continue and expand our Vietnamization program. As the Vietnamese increase the size of their armed forces, their budgetary expenditures will increase inflationary pressures faster than the GVN can collect new revenues. Due to the war in Vietnam, our project program is also financed from supporting assistance funds. The $35.1 million for Laos is to enable that country to maintain its independence from North Vietnam and to provide economic stability for the economy and security for the countryside friendly to the Government. The $26.3 million for Thailand is to assist the Thai to combat the insurgency in north and northeast Thailand. The improving security situation in northeast Thailand is evidence of the effectiveness of the Thai program but much remains to be done, particularly in the north.

DEVELOPMENT LOANS

We are furnishing development loans to only two countries in east Asia—Indonesia and Korea. We plan $81.4 million to contribute to the successful Indonesian stabilization program and to enable Korea to continue its remarkable economic growth and at the same time to maintain its own armed forces after the phasing out of supporting assistance.

This year we have used $8.6 million of development loan funds as grants for population programs in Laos, the Philippines, Thailand and in the regional program.

TECHNICAL ASSISTANCE

We have technical assistance programs in each of the countries we aid, except Vietnam, and it forms the largest share of the regional program. In all, it assists in the modernization of these countries. Even more than commodity or project assistance, I believe that the influence of our technical assistance program is pervasive and enduring. It is directed towards sectors of basic interest to the people, such as agriculture, education and public health. This last includes assistance to family planning and the strengthening of democratic institutions which are essential elements of the modernization process.

I observe the value of this kind of training at first hand in Indonesia. The outstanding economic team of President Suharto for the most part had pursued economic training programs in the United States under our participant training programs. They and thousands of other Asians with training provided by our aid program, both in the United States and in Asia, are the spearhead of the modernization of east Asia today.

We have in all of our programs emphasized the human element in the modernization equation. Our long range goal is not to try to solve Asian problems but to encourage and support Asian problem solvers. We no longer choose our programs solely according to what economic and social sectors seem to need our help, but according to which local modernizers can make the most of our help. For the same reason, we screen every request for technical advisers to see if such men may actually be replacing rather than stimulating local initiative.

SECURITY

Economic stabilization, modernization, and regional cooperation require external and internal security for the growth of self-confidence which must precede economic development. General Warren has already testified to you on the Military assistance program under the Foreign Assistance Act. We feel that this program has been significant in contributing not only to security in the sense of defense, but also to economic and social security which growth requires.

This assistance plus President Nixon's pledge to meet the basic defense commitments of the United States have contributed immeasurably to the ability of the East Asian nations to develop in the face of aggressive attitudes of the Asian Communists.

In spite of the of the fact that progress in many countries of East Asia has been most encouraging, East Asia is still confronted with many serious problems such as Communist expansionism which, together with the presence of divided countries, makes East Asia an area of particular tension in world affairs. And yet, despite all these difficulties, there has been growing self-confidence in East Asia. Self-confidence in the region sharply contrasts with the apprehension of a few years ago. The free countries of Asia are better off today than their Communist neighbors—in terms of leadership, management, modern technical skills, democratic institutions, and cooperation with their neighbors. Our aid plays a supporting but still an essential role.

It continues to be in our short and long-term enlightened self-interest that we, with the increasing participation of other developing countries and international organizations, and with the increasing efforts of the less developed countries themselves, continue to extend a helping hand to East Asia.

Mr. PASSMAN. Thank you very much, gentlemen, for your statements. We will have some questions to ask you on your statements. Before getting into the questioning, we would like to ask the Controller, do you have any statistics available for us today dealing with requests previously made?

Mr. FLINNER. The total country list table that we are preparing, I checked this before I came up, will be ready either tomorrow afternoon or Friday morning, which includes through 1970 the list of total obligations and loan authorizations.

Mr. PASSMAN. Through when?

Mr. FLINNER. They will be through 1970.

Mr. PASSMAN. I thought you said to 1970. I thought you were backing up.

Mr. FLINNER. No, through 1970.

Mr. PASSMAN. Did you put the interest rate in the record yesterday afternoon?

Mr. FLINNER. Yes.
Mr. PASSMAN. Did you give the clerk a copy of it?
Mr. FLINNER. Yes.
Mr. PASSMAN. Thank you.
Mr. O'Connor, you say you are new in government?
Mr. O'CONNOR. New in this particular decade. I spent 10 years in the government in the 1950's.

BIOGRAPHY

Mr. PASSMAN. Would you like to place in the record at this point a biographical sketch?
Mr. O'CONNOR. I believe they have been distributed. I would be happy to.
Mr. PASSMAN. I will say this, sir, you have had a lot of jobs.
Mr. O'CONNOR. Yes, sir.
Mr. PASSMAN. And you certainly have been getting around a lot, to be a young man.
(The biography follows:)

Full name: Roderic L. O'Connor.
Present position: Assistant Administrator for East Asia.
Voting residence: New Jersey.
Home address: 6216 Kennedy Drive, Kenwood, Maryland.
Date and place of birth: August 10, 1921; New York City, N.Y.
Military career 1943–1945: Army Air Force—enlisted in Army Reserve Corps. 1942—Commissioned 2nd Lt.—Navigator—completed 50 bombing missions with 15th Air Force with rank of 1st Lt.
Professional job experience from 1959 to August 1969: Vice President, CIBA Corporation, Summit, New Jersey (chemicals and pharmaceuticals) and member of Board of Directors and Management Committee.
From 1957 to 1958: Administrator, Bureau of Security and Consular Affairs with rank of Assistant Secretary of State.
From 1956 to 1957: Deputy Assistant Secretary of State for Congressional Relations.
From 1956 to 1960: Co-Chairman, Caribbean Commission.
From 1953 to 1955: Special Assistant to Secretary of State.
From 1950 to 1952: Intelligence and legal work, Federal Government.
1949: Legislative Assistant to Senator John Foster Dulles.
From 1947 to 1949: Associate—Kelley, Drye, Newhall & Maginnes—New York law firm.
Education: Yale College, B.A. 1943 (Class of 1944) Yale University, LL.B 1947.
Personal data: Married Ingrid Hjordis Brita Ellgar. Children, Michael J. (11), Christina A. (9).
Miscellaneous Civic Activities: Vice Chairman, New Jersey Chemical Industry Council; Member Board of New Jersey Taxyayers Association; Member Board Morristown Memorial Hospital; President of New Jersey Association for Mental Health for 3 yrs.; Member Board of Directors, National Association for Mental Health; Member State Board of Community Mental Health; Vice President, U.S. Committee for Refugees; Vice Chairman, New Jersey Republican Finance Committee; Chairman, New Jersey Key Man Committee, 1966–68; Member, Task Force on Foreign Relations of Republican Coordinating Committee, 1967–68.
Hobbies: Golf, Tennis and Skiing.

Mr. PASSMAN. I shall address you as Mr. Director. That may be just as understandable as any of the other titles we apply. If you think of something more sophisticated, suggest it and that is what we will address you by.
Mr. O'CONNOR. That seems to have served well up to now.

PROPOSED PROGRAM FOR 1971

Mr. PASSMAN. Mr. Director, it is my understanding that your budget request for fiscal 1971 is $218,120,000, sir.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. This is $36,540,000 above the 1970 program, is it not?

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. As Dr. Hannah would say, there is always an asking price and a taking price, and we understand perfectly well that the $218,120,000 isyour asking price, is that right?

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal year 1969 program, the fiscal year 1970 program and the proposed program for fiscal 1971 for each country in your area?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

EAST ASIA PROGRAM, FISCAL YEARS 1969–71

[In millions of dollars [1]]

	1969 actual	1970 estimate	1971 proposed
East Asia total	212.3	181.6	218.1
Technical assistance	43.8	39.2	40.7
Supporting assistance	94.9	68.8	61.6
Development loans	70.3	73.5	115.8
Contingency fund	3.3		
Burma: Technical assistance	.2		
Indonesia	56.2	50.2	86.5
Technical assistance	4.4	4.1	5.1
Supporting assistance	1.5		
Development loans	50.3	46.1	81.4
Korea	45.4	34.7	29.3
Technical assistance	4.2	3.8	3.5
Supporting assistance	21.2	10.0	
Development loans	20.0	20.9	25.8
Laos	52.0	48.1	46.1
Technical assistance	9.4	8.7	10.0
Supporting assistance	42.1	38.4	35.1
Development loans		1.0	.9
Contingency fund	.5		
Philippines	5.6	7.2	8.8
Technical assistance	4.2	3.7	4.3
Development loans		3.5	4.5
Supporting assistance	1.4		
Thailand	35.5	28.0	34.1
Technical assistance	9.2	6.1	6.1
Supporting assistance	26.3	20.4	26.3
Development loans		1.5	1.7
Regional	17.3	13.4	13.3
Technical assistance	12.2	12.8	11.6
Supporting assistance	2.4		.2
Development loans		.6	1.5
Contingency fund	2.7		

[1] Totals may differ from components due to rounding.

UNEXPENDED BALANCE AS OF JUNE 30, 1970

Mr. PASSMAN. What is the present estimate of the unexpended balance as of June 30, 1970, for your area?

Mr. O'CONNOR. For the purely AID side of the House?

Mr. PASSMAN. No; all spigots—last year you had 22 spigots, this year it is up to 27 so let's have it all.

Mr. O'CONNOR. I have is all, sir.

Mr. PASSMAN. All spigots of aid?

Mr. O'CONNOR. $792.8 million.

Mr. PASSMAN. That covers all spigots including the military assistance program, Public Law 480.

Mr. O'CONNOR. Yes, sir; it does.

Mr. PASSMAN. All inclusive?

Mr. O'CONNOR. Yes.

TOTAL AID SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. That is a good answer. What has been the total aid given to your area since the inception of the foreign aid program, all spigots?

Mr. O'CONNOR. $23,919 million through 1969, sir.

Mr. PASSMAN. I believe the Controller is approaching the point that he can furnish us with fiscal 1970.

Mr. O'CONNOR. Yes. I can give you our 1970 estimate at any rate, which would be another $694 million.

Mr. PASSMAN. For a grand total of what?

Mr. O'CONNOR. $24,614 million.

Mr. PASSMAN. Almost $25 billion. How many nations would that cover?

Mr. O'CONNOR. Ten at the present time.

Mr. PASSMAN. It is my understanding and, of course, the record backs me up, that we have had to borrow this money, so to get the actual cost of the foreign aid program, all segments for this period, we would have to add, of course, the interest that we paid on the money we borrowed to make available, wouldn't we? To get the grand total?

Mr. O'CONNOR. I guess to the extent it was borrowed, not to the extent it came from the taxpayer.

Mr. PASSMAN. I am talking about to the extent it was borrowed. Even between 1960 and 1970 with our terrific intake, we increased the public debt by $41 billion. I think this was just about the amount of aid that we made available during that period. Would you like to go back and review the period? It is most interesting, Mr. Director, to look at the record of the public debt that we owed when we started this program. You said that you are new in this position as Assistant Administrator of AID.

Mr. O'CONNOR. Eight months; yes, sir.

Mr. PASSMAN. Let me say this, and I believe you will appreciate hearing this story, Mr. Director. This is my 24th year here and I have especially been trying to understand foreign aid. I still know very little about it. It is so complicated, I am sometimes embarrassed about how little I do know about it. We have one staff member. You people

have literally thousands thinking up ways to spend money and justify it with highfaluting names, different programs, and your imagination as to the good they are doing.

If we go back to 1947, when this program started, only the older members, well fortified with seniority would walk into the well of the House and address the chairman: "We are now embarking on a program that could conservatively take us into 17 foreign nations of the world, and it may require 5 years to finish this program, and it may cost $15 billion." You could hear a pin drop. It was just fantastic. We had just concluded an expensive war, and we had people that were thinking about committing our Nation to $15 billion, but the bill passed nevertheless.

The point is, contrast $15 billion to $190 billion. Contrast 17 nations to 121 nations. We finally moved this aid program into 121 nations and seven territories. Contrast 5 years with 24 years, and it is still going strong. It is bigger than ever. It takes the most astute Members of Congress and the analyst to locate it all. Last year we had 22 spigots under which we had foreign aid and assistance, the good, the bad, and the indifferent. I am not criticizing all of it because some of it could conceivably bring us a nice profit, especially the Export-Import Bank but we must make it all inclusive. Last year we had 22 spigots, and $10,528 million. This year we thought sure it would be substantially lower, but when we plowed through the budget, we found that we now have 27 spigots, and the total cost is $12,133,525,000, and you have some strangers in the deck. All I want you to do is read it, and then you will understand why I try very hard to keep these statistics before the people, not in a critical nature, necessarily, but so that they will understand that when you fragmentize, you take it out of title I, and it makes it appear lower, but it is buried somewhere else. I ran into one just the other day. It was rather amusing. Let's take Overseas Private Investment Corporation, previously carried in AID, title I. Now they have broken that off and carry it as a little agency completely aside from AID as presented in the budget. I make that observation for your consideration because this is what we are confronted with. You look like the type of fellow that if I had an hour with you, you would quit your job and come over on this side of the table. We need men who have had the experience that you have had.

Mr. O'CONNOR. I was at one time on that side of the table, sir.

Mr. PASSMAN. I wish you had stayed here. If I had anything to do with it, I would have kept you on this side.

The $25 billion figure that you gave us a moment ago, would that include the regional programs, too?

Mr. O'CONNOR. That includes our regional programs.

BURMA

Mr. PASSMAN. On page 145 you indicate that there would be no unliquidated obligations for Burma, as of June 30, 1970, is that correct, sir?

Mr. O'CONNOR. I will want to get that figure. That is correct, sir.

Mr. PASSMAN. It would appear that the expenditures are less than the obligations. In view of this situation, how could you end up with no unliquidated balance?

Mr. O'CONNOR. There have been, I understand, some deobligations.

Mr. PASSMAN. I believe that the Controller is looking at the same book. I wonder if he could do a little mathematical operation over there and see whether or not it tallies out.

Mr. O'CONNOR. ———.

Mr. PASSMAN. How about ———. Public Law 480?

Mr. O'CONNOR. Mr. Chairman, I would like to check my answer. I am not absolutely certain that is accurate.

(The information follows:)

Estimated unliquidated obligations in Burma projects, June 30, 1970

Expansion of Teak production, phase II	$699,000
Rangoon sewage system	210,000

Mr. PASSMAN. Let's hear from the silent witness.

Mr. BREECHER. There is no request on the AID side, Mr. Chairman,

Mr. PASSMAN. You are talking about AID now. AID covers the waterfront. You are talking about just this one title that you are testifying on today. You couldn't testify for the other 26 spigots.

Mr. O'CONNOR. I didn't mean to imply that there was a request before this committee. There is not.

Mr. PASSMAN. I think earlier something was said about Burma.

Mr. GREEN. There is no military assistance under consideration for Burma.

Mr. PASSMAN. ———.

(Discussion off the record.)

Mr. PASSMAN. ———.

Colonel BURDELL. ———.

Mr. PASSMAN. Have a look at it and we will move on now, but this is a nation that wanted to be independent. They came to us and we asked them to let us provide some aid. They said, "No, we don't want any aid," but finally they said "Okay, we will [———.] They agreed to that.

Mr. BREECHER. I know what you have said, Mr. Chairman, is a statement of fact. It is perfectly correct.

Mr. PASSMAN. ———.

Colonel BURDELL. ———.

Mr. PASSMAN. ———.

Will you do that, sir? And how much of Burma's currency we own.

(The information follows:)

PRESENT U.S. HOLDINGS OF BURMESE KYATS

According to the U.S. Treasury, the United States held approximately $10.8 million equivalent in kyats as of December 31, 1969. Of this total, $1.6 million equivalent were kyats having a public law 480 character, hence subject to possible use under public law 480 legislation. This $1.6 million represent Burmese repayments since April 1966 on kyat loans made with funds originally generated by public law 480. The remaining $9.2 million equivalent are kyats accumulated from proceeds of military sales, repayments (interest and principal) on dollar loans, et cetera.

Mr. PASSMAN. Have we been able to reconcile those two sets of figures as to unobligated balances?

Mr. FLINNER. Mr. Chairman, I think the total estimated cost figure should have been reduced by the amount that the region plans to deobligate this year.

Mr. PASSMAN. You say this year. Are you talking about fiscal 1970? All right, now, the 99 nations that will get some assistance in fiscal 1971, [———.]

Mr. FLINNER. Yes, sir.

NEW PROJECTS AND DEOBLIGATED PROJECTS

Mr. PASSMAN. Mr. Director, would you furnish for the record a list of projects by country which you propose to initiate in fiscal 1971, showing the name of the project in fiscal 1971, the cost and the estimated cost to complete the project, and the final year of obligation, then projected completion date. Please also furnish for the record a table by country showing the projects which have had funds deobligated from them, and the amount deobligated through your latest available accounting, and your best estimate as of June 30, 1970.

Mr. O'CONNOR. We will do that, sir.

(The information follows:)

NEW EAST ASIA PROJECTS IN FISCAL YEAR 1971

[Dollar amounts in thousands]

	Proposed fiscal year 1971	Estimated total cost to complete	Scheduled fiscal year to be completed
Indonesia:			
Agricultural research	$40	$1,200	1975
Private investment center	220	850	1973
Development banking assistance	75	700	1973
Korea:			
Advanced management training	100	500	1975
Social and Economic Development Institute	465	1,675	1975
Private enterprise development	91	490	1975
Thailand: Fiscal management	100	400	1974

PROJECT DEOBLIGATIONS FOR FISCAL YEAR 1970 AT MAR. 31, 1970

[In thousands of dollars]

Country	Amount	Fund
Burma (1 project): Land/water resources development	$29	SA
Indonesia (5 projects):		
Technical support	6	CF
	4	TC
General participant training	5	CF
	78	TC
Civic action	3	TC
Development and use of education material	50	TC
Agricultural higher education	106	TC
Total	252	
Korea (15 projects):		
Urban development	3	TC
Technical support	66	TC
Economic planning	48	TC
Rural policy plan and survey	44	TC
Industrial extension	3	TC
Coal resources development	34	TC
Prod. and man of ferrous and non ferrous	1	TC
Public safety	18	TC
	84	SA
Health and family planning	234	SA
Education policy and planning	10	TC
Reven. admin. improv	3	TC
Public administration	30	TC
Investment promotion	1	TC
Industrial development	3	TC
Water resources planning	16	TC
Total	598	
Laos (10 projects):		
Lao national roads	172	SA
Development of rural economy	488	SA
Relief	23	SA
Education development	237	TC
Agriculture development	80	TC
	63	SA
Public health development	3	SA
Military technical support	44	SA
Civil police administration	30	SA
Public administration	14	TC
Industry development	24	TC
Total	1,178	
Philippines (21 projects):		
Agricultural services	35	TC
Malaria eradication	10	TC
Medical education improvement	1	TC
Nutrition support	11	TC
Population planning	23	TC
Textbook production	4	TC
Project execution system	9	TC
Customs administration improvement	3	TC
Atomic energy	1	TC
Water resources development	54	TC
Provincial development	77	TC
Technical support	3	TC
Urban planning	16	TC
Equipment pool improvement	2	TC
Fiscal and financial coordination	7	TC
Special participant training	19	TC
Rural health	28	TC
	13	SA
Mobile medical teams	245	SA
Protein food development	19	TC

Country	Amount	Fund
Philippines—Con.		
Agricultural development	7	TC
Saraburi Highway	6	TC
Malaria eradication	16	TC
Mobile development units	1	SA
Chiengmai Medical School	7	TC
Civil service	1	TC
Fishery development	23	SA
Agricultural credit	1	SA
Agricultural research	14	TC
Amphur farmer groups	28	SA
Agricultural economics	7	SA
Soil and water development	15	TC
	37	SA
Agricultural extension	10	SA
Village radio	157	SA
Potable water project	95	SA
Village security forces	38	SA
Public personnel administration	1	TC
College of forestry	8	TC
Civil aviation assistance	4	TC
Internal security	81	TC
Police improvement	4	TC
Tax collection improvement	69	TC
Total	423	TC
Thailand (38 projects):		
Technical support	43	TC
Research activities	3	TC
Aeronautical ground service	6	TC
Civil police administration	55	CF
	619	SA
Remote area security	36	SA
Statistical services	16	TC
Community development	20	SA
Local government administration	4	SA
Local government in-service training	20	SA
Educational planning	18	TC
Management improvement	5	TC
Rural training	13	TC
	62	SA
Accelerated rural development	65	SA
Techncial training for accelerated development	3	SA
IRBD vocational education	20	TC
Labor department administration	11	TC
Military construction support	18	TC
Family health	5	SA
Total	1,829	
Regional (4 projects):		
Mekong Pa Mong survey	1	TC[1]
	3	CF
Regional technical advisory services	168	TC
Regional education development	29	TC
Regional transportation communication	28	TC
Total	229	
AID/W (nonproject) [1]	7	TC
	130	SA
Total	137	
Loans:		
Indonesia	475	DL
Korea	752	DL
Grand total (94 projects)	5,902	

[1] Statistics available as of Dec. 31, 1969 only.

Note: Total TC, 1817; total SA, 2,789; total CF, 69; total DL, 1,227.

Estimate of project deobligations in fiscal year 1970 as of June 30, 1970

TC	$3,300,000
SA	5,000,000
CF	800,000
DL	3,500,000

PROJECTS TO BE TERMINATED IN 1971

Mr. PASSMAN. If you will please furnish for the record a table by countries showing the projects which will be terminated in 1971, either through cancellation or completion.

(The information follows:)

EAST ASIA PROJECTS TERMINATING IN FISCAL YEAR 1971

INDONESIA

497-11-690-184—Civic action training.

KOREA

489-15-230-606—Industrial development.
489-11-250-609—Water resources development.
489-11-710-644—Public safety.
489-11-720-587—Economic planning.
489-11-740-589—Technical assistance to ROK activities.

PHILIPPINES

492-11-830-214—Urban planning.
492-11-995-166—Equipment pool improvement.

THAILAND

493-11-370-103—Aeronautical ground services.
493-11-995-187—Water Development Mun and Chi River Basins..
493-11-460-195—Labor Department Administration.
493-11-120-206—Labor Intensive Public Works.

REGIONAL DEVELOPMENT

498-11-995-133—Pa Mong Feasibility Study.
498-11-995-210—Transportation/communication feasibility studies and transport survey.
498-11-180-214—Southeast Asia fisheries development centers.

AVERAGE COSTS PER PARTICIPANT

Mr. PASSMAN. Would you provide a table showing the average costs for participants in your area for fiscal 1966 through 1971?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

Average cost of East Asia participants—Fiscal years 1966–71

[Dollars in thousands]

Actual, 1966	$2.8
Actual, 1967	2.9
Actual, 1968	3.0
Actual, 1969	3.8
Estimated, 1970	3.3
Estimated, 1971	3.3

U.S. AND THIRD-COUNTRY PARTICIPANTS

Mr. PASSMAN. Mr. Director, of the 2,356 participants you have programed for fiscal 1971, how many will be going to a third country?

Mr. O'CONNOR. Which year did you want, Mr. Chairman? I am afraid we don't have it for 1971 with us. We have it for previous years.

Mr. PASSMAN. Please place in the record the spread for 1969 and also furnish the number that will be going into third country in fiscal 1971, and of course the number that will be coming to the United States.

(The information follows:)

EAST ASIA, UNITED STATES, AND 3D COUNTRY PARTICIPANTS, FISCAL YEARS 1969-71

Country	Fiscal year 1969		Estimated fiscal year 1970		Proposed fiscal year 1971	
	United States	3d country	United States	3d country	United States	3d country
Burma	2					
Indonesia	288	15	340	35	312	70
Korea	15	189	9	174	17	189
Laos	21	397	36	464	42	477
Philippines	77	11	112	21	108	33
Thailand	448	389	480	508	528	552
Regional development	3		7	8	13	15
Total	854	1,001	984	1,210	1,020	1,336

PARTICIPANTS TRAINED IN COUNTRY OF ORIGIN

Mr. PASSMAN. Do you have such a thing as a participant trained in the country of origin?

Mr. CONNOR. I don't know the answer to that. We will have to furnish that for the record, sir. I suspect the number, if there are any, is quite small.

Mr. PASSMAN. Try to find it, because I think you do. I think you have some that are being paid to train in their own country.

(The information follows:)

EAST ASIA PARTICIPANTS TRAINED IN THEIR OWN COUNTRY

There are no East Asia participants being paid to train in their own country.

LOANS AUTHORIZED IN 1970

Mr. PASSMAN. On page 2, Mr. Director, I believe you proposed a 1971 development loan program of $115,825,000, is that correct?

Mr. O'CONNOR. Page 2 of my statement?

Mr. PASSMAN. Of the justifications.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I believe that this program in your area is the same as in other areas, in that the concessionary terms and interest rates represent a 46 percent subsidy right from the beginning, isn't it?

Mr. O'CONNOR. I think that is the calculation that has been made, yes, sir.

Mr. PASSMAN. That moves it out of the loan category, but since the record is made we won't argue about that.

Would you furnish for the record a list of loans authorized by country in fiscal 1970?

Mr. O'CONNOR. Yes, sir, we will.

(The information follows:)

EAST ASIA LOANS AUTHORIZED IN FISCAL YEAR 1970

Korea: Fifth program loan, $10 million.

PROPOSED PROGRAM AND SECTOR LOANS FOR 1971

Mr. PASSMAN. Also provide for the record a table by country showing the project, program, and sector loans planned for authorization in fiscal 1970, and an estimate of the same type of loans by country for fiscal 1971?

Mr. O'CONNOR. We will.

(The information follows:)

EAST ASIA LOANS PROGRAMED FISCAL YEARS 1970 AND 1971

[In millions]

Fiscal year 1970	
Indonesia:	
Central Java electric power	$16.8
Pusri fertilizer plant	25.0
Djakarta-Bogor roads engineering	1.0
Medan electric power rehabilitation (phase I)	2.8
Total	45.6
Korea:	
5th program loan	10.0
Agricultural development loan	10.0
Total	20.0
Total, fiscal year 1970	65.6
Fiscal year 1971	
Indonesia:	
Program loan	20.0
Djakarta-Bogor construction loan	15.0
Medan power expansion (phase II)	13.0
Agricultural sector loan	15.0
Water resources development	5.0
BAPINDO—Indonesian State Development Bank	5.0
Highway improvement loan	7.0
Total	80.0
Korea:	
Feasibility loan No. 2	1.0
National water and sewerage project	4.0
Educational sector loan	10.0
Agriculture sector loan	10.0
Total	25.0
Total, fiscal year 1971	105.0

DELINQUENT LOANS IN 1970

Mr. PASSMAN. Mr. Director, have you rolled over any of the loans in your area during the current year?

Mr. O'CONNOR. We have got some figures on that, sir.

Mr. PASSMAN. By "rolled over," I simply mean a delinquent account that has been brought up to date through a mutual agreement rather than carry the loan in a delinquent status. Is that your understanding of the term?

Mr. O'CONNOR. That is my understanding.

Mr. PASSMAN. Put it in the record if you will.

Mr. O'CONNOR. I will.

(The information follows:)

"ROLLED-OVER" LOANS IN FISCAL YEAR 1970 IN EAST ASIA

In fiscal year 1970, AID, together with other U.S. Government agencies and other western creditors (including France, Germany, Italy, Japan, the United Kingdom and Netherlands), rescheduled Indonesia debts which were due in calendar year 1969. Similar reschedulings of the so-called "Sukarno debt" took place in 1967 and 1968.

The outstanding balances of the AID loans rescheduled and the amounts of principal and interest rescheduled were as follows:

AID loan No.	Outstanding balance (as of Dec. 31, 31, 1969)	Amount rescheduled in fiscal year 1970		Total rescheduled
		Principal	Interest	
497-K-013	$16,473,616	$1,851,214	$291,566	$2,142,780
497-B-001	8,832,175	950,000	121,250	1,071,250
Total	25,305,791	2,801,214	412,816	3,214,030

PROPOSED DEVELOPMENT LOANS FOR 1971

Mr. PASSMAN. Would you furnish for the record a list of proposed development loans by country that formed the basis for your fiscal 1971 development loan estimate of $115,825,000?

(The information follows:)

East Asia proposed development loans, fiscal year 1971

[In millions]

Indonesia:	
Program loan	$20.0
Djakarta-Bogor construction loan	15.0
Medan power expansion (phase II)	13.0
Agriculture sector loan	15.0
Water resources development	5.0
BAPINDO—Indonesian State Development Bank	5.0
Highway improvement loan	7.0
Total	80.0
Korea:	
Feasibility Loan No. 2	1.0
National water and sewerage project	4.0
Educational sector loan	10.0
Agriculture sector loan	10.0
Total	25.0
Total, fiscal year 1971	[1] 105.0

[1] Excludes $10,825,000 for population growth.

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How many of the five countries now in your area have a family planning program?

Mr. O'CONNOR. We actually have programs in all five of the countries. Four of the five governments have already come out openly for the program.

Mr. PASSMAN. How is it being received, Mr. Director?

Mr. O'CONNOR. Three of those countries have had government policies supporting the program for some time and most recently the Philippines has appointed a commission, which has made a report which the President has supported on family planning. It is a very encouraging development, we believe.

Mr. PASSMAN. At the present time we are not financing any family planning program in the Philippines?

Mr. O'CONNOR. Yes, sir, we are. We have been financing a substantial amount of activities, primarily among voluntary groups there.

Mr. PASSMAN. You used the words "four out of five". Which one is not cooperating?

Mr. O'CONNOR. I didn't make that clear, sir. Four countries in the area are now officially backing family planning policies and programs. Of these the Philippines just recently, toward the end of last year, endorsed a commission report supporting family planning. Thailand has not yet adopted family planning as official policy, but does not object to it.

Mr. PASSMAN. This is mainly a bilateral program, isn't it, the family planning, for your area?

Mr. O'CONNOR. Yes, it is, although a good deal of our funds go through voluntary groups, like the Planned Parenthood Foundation.

U.N. FAMILY PLANNING PROGRAMS IN EAST ASIA

Mr. PASSMAN. Wouldn't that take it out of the category of bilateral?

Mr. O'CONNOR. No, we fund such organizations in our East Asia bilateral program. Some of these organizations also have programs that are funded centrally in the agency.

Mr. PASSMAN. How about the U.N.? Do they have a family planning program?

Mr. O'CONNOR. I believe they do.

Mr. PASSMAN. Is it funded out of your area?

Mr. O'CONNOR. It wouldn't be funded out of our East Asia program.

Mr. PASSMAN. Are they active in your area? Does the U.N. make allocations to the five nations in your area?

Mr. O'CONNOR. I am sure they are active. How active, I don't know. I will have to supply that for the record, but I believe they do have some activities in the area.

(The information follows:)

U.N. POPULATION ACTIVITIES IN EAST ASIA

AID has contributed worldwide $4 million to the U.N. population/family planning activities in fiscal year 1970. The United Nations is providing population/family planning assistance to countries throughout the developing world.

In East Asia two U.N. population officers are now stationed in the region—one in Djakarta and one in Bangkok. These officers are supported by backup staff at

the U.N. Headquarters and are assisting East Asia countries in identifying and preparing action projects for submission to the U.N. and other external sources of financing.

The U.N. Regional Economic Commission (ECAFE), has established a population office in Bangok and is currently building a staff to carry out an active population program in research, training, information, and advisory services to assist countries throughout the region. Eight professional staff members have been recruited and the goal is to have 20 professionals operational by 1971.

U.N. missions have been sent Indonesia, the Philippines, and Thailand to advise those governments on population policies and population program directions. A UNDP/IBRD team has recently completed a comprehensive survey of the Indonesian family planning situation.

Also, UNICEF is providing supplies to maternal/child health programs in a number of East Asian countries.

Mr. PASSMAN. You know, we should coordinate this thing, and get it under one agency. I don't know whether it is jealousy, or that people are overly ambitious, but I have never known of a program that was started that everybody, that is giving away funds, didn't want to get in on. It looks like competition is rather keen as to who can get in first, and make the greatest impression.

ECONOMIC ASSISTANCE FUNDED BY DEPARTMENT OF DEFENSE

Is the Department of Defense appropriation furnishing any economic assistance in your area in 1971, Mr. Director?

Mr. O'CONNOR. Not to my knowledge, except to some extent in Laos.

(Discussion off the record.)

Mr. PASSMAN. Mr. Director, under our fragmentation program, and I guess it is a program to hide aid from the American taxpayers, a part of it has ended up in the Defense Department. I think if you have a look at your aid program, the military assistance aid program in Thailand, Laos, and Vietnam previously carried under this title is now in the Defense Department, and along with that they moved over a part of economic aid. We found in the budget this year $117 million of economic aid that will be financed through the Defense Department. Would you have one of your reseachers ascertain what part of the $117 million is used in your five countries?

Mr. O'CONNOR. I will, sir.

(The information follows:)

Of the $117 million of economic aid in the Defense budget ——— million is for use in East Asia.

Mr. PASSMAN. I might read from last year's record. It will give you a little insight as to where to start looking. Page 731:

"Items Formerly Funded by the AID East Asia Program now Financed by the Department of Defense.

"The only item in the Department of Defense fiscal year 1970 budget for economic assistance which is for countries in AID's East Asia Bureau is $9.8 million for subsistence consumables and associated air transport costs in Laos. This item was financed by AID prior to fiscal year 1969, when it was transferred to DOD as a more appropriate funding source. It is part of a total of $76.6 million of activities transferred from AID financing to the DOD budget." This year it has jumped up to $117 million.

NUMBER OF CONTRACT PARTICIPANTS

I notice on page 2 that your plans call for tripling the number of contract participants you have programed for fiscal 1971, is that correct?

Mr. O'CONNOR. Page 2 of what document?

Mr. PASSMAN. Of the justifications.

Mr. O'CONNOR. The figures estimated for 1970 are 28, sir, under contract, and 89 for 1971.

Mr. PASSMAN. I think it has about tripled then.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You wouldn't mind me saying for the record, would you, that this program gets wilder every year. I just can't comprehend the need for such expansion. It looks like the people who give away this money seem to think that it grows on trees, and that all we have to do is to find some way to spend it. It causes me great concern, because this thing cuts both ways. When you take these people out of the free enterprise system, put them on the Federal payrolls, it just doubles the effect on our economy. Instead of contributing to the economy through employment in the free enterprise sector, they are drawing out of the free enterprise sector because the government is not a producer of anything, but finds way to spend money. There is no program in government that I know of that doesn't spend money that the other fellow earns. I wish you people would have a closer look before you continue building this program up because after it gets started it is almost impossible to stop it.

INDONESIA

In Indonesia, I believe your fiscal 1971 estimate is $86,516,000, is that correct?

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. This is $36,350,000 above the current program, is that correct?

Mr. O'CONNOR. That is right, sir.

INDONESIAN DEBT TO THE SOVIET UNION

Mr. PASSMAN. Quite a few months ago the Washington Post had an article explaining the problems Indonesia was then having with the Soviet Union concerning the repayment of $700 million in loans. The article further stated that Indonesia owes about $2 billion, and some type of a report recommended that repayments start in 2 or 3 years. Would you provide for the record a table showing the amount owed by Indonesia to the Soviet Union and what arrangements they have made for repaying the loan?

Mr. O'CONNOR. I can, sir.

Mr. PASSMAN. Mr. Secretary, I know you would like to get in on that. Give us some information on that.

(The information follows:)

INDONESIAN DEBT TO THE SOVIET UNION

Loans secured by Sukarno from the Soviet Union and other East European countries were used mostly to purchase military hardware. A total of about $1.3

billion is owed to Communist nations. Of this amount, we understand that about $865 million (principle and interest) is owned to the Soviet Union.

The interest rate and repayment terms of the Sukarno debts vary from country to country. The Russians reportedly granted 12 year loans at 2½ percent interest. The Soviet and most East European debts were rescheduled in 1963, 1965 and 1968, mostly prior to Sukarno's downfall, to provide a grace period ending in 1970 with repayments lasting through 1982. Indonesia's indebtedness and related matters were the subject of further discussions by Soviet and Indonesian negotiators in Djakarta and Moscow during 1969 and 1970. There is still no announcement indicating agreement has been reached.

NET AID TO INDONESIA SINCE PROGRAM BEGAN

Mr. PASSMAN. What has been our net aid to Indonesia since the inception of the program?

Mr. O'CONNOR. A total, sir, through 1969 of $908 million.

Mr. PASSMAN. $908 million? If you can, in each instance when I ask that, make it through 1970, inclusive. Do your mathematics, and put the figure in the record, will you?

Mr. O'CONNOR. I can give it to you right now, sir.

Mr. PASSMAN. This lagging behind a year just doesn't tell the story.

(The information follows:)

AID TO INDONESIA THROUGH FISCAL YEAR 1970

Total U.S. aid to Indonesia through fiscal year 1970 is now estimated at $1,126.5 million.

Mr. PASSMAN. Of course some people are encouraged about Indonesia possibly developing into a strong pro-Western ally. Is that the direction in which they are moving, Mr. Secretary, in your opinion?

Mr. GREEN. They are turning into a good friend and a constructive element in Southeast Asia of which they make up one-half in area and population.

Mr. PASSMAN. Of course I have always contended that we will never know what nations are really our friends until you cut off the aid. You are never going to fall out with Santa Claus as long as he brings presents. You just stop giving presents and watch your children cry. I don't think you will ever know just how much they support our philosophy until they are on their own. It is distressing day in and day out, year in and year out, to watch the nations who are turning to Russia for barter agreements, short term loans, and if at all possible some type of aid. When I look at India, with the three MIG plants and a naval base it is pretty hard for me to figure out who is friend and who is foe. I just hope that these people actually think as we do about letting the underprivileged have some freedoms, and that they feel as we would like to have them feel when we are giving them all these hundreds of millions of dollars in aid.

DEVELOPMENT LOANS TO INDONESIA

Are the loans that we are making to Indonesia on the same basis as the loans we are making to some of the other developed countries, or do you have some special terms for them?

Mr. O'CONNOR. Our development loans are the standard aid development loans, sir.

Mr. PASSMAN. What is the grace period?

Mr. O'CONNOR. The grace period is 10 years.

Mr. PASSMAN. What rate of interest during the grace period?

Mr. O'CONNOR. Two percent.

Mr. PASSMAN. And after the grace period what rate?

Mr. O'CONNOR. Thirty years at 3 percent, sir.

Mr. PASSMAN. I believe we are borrowing this money at an average of 6.75 percent.

Mr. O'CONNOR. To the extent we are borrowing it.

Mr. PASSMAN. We are borrowing all of it, Mr. Secretary, I can assure you. I will wager, at least 3 months' salary that your budget deficit this year will be just about what your foreign aid is. It is not our responsibility to be supporting 99 nations of the world in fiscal 1971. Certainly your own household comes ahead of your neighbor. Wouldn't you think so? It is your first obligation to feed and clothe your family. Then if you have any left over, give it to your neighbor, and if you don't have it, go to the bank and borrow it. You borrow it for your neighbor, not for support of your family. Let's be realistic about this thing. Sure we have borrowed this money we are giving away. Look at the public debt when we started and look at your public debt today.

WEST IRIAN

Last year I notice you excluded West Irian from your population figures on the divider sheet, and this year it is included. Tell the committee the reason for deleting it last year.

Mr. O'CONNOR. West Irian? Yes, sir.

(The information follows:)

WEST IRAN POPULATION COUNTED IN INDONESIA (ON DIVIDER SHEET)

After the U.N. endorsement of the West Irian "Act of Free Choice" in late 1969 removed all question of Indonesian sovereignty over it, West Irian population figures were included in the totals for Indonesia. Prior to this "Act of Free Choice," the status of West Irian was not clearly defined, so the population figures were listed separately from Indonesia.

DECREASE IN RATE OF INFLATION IN INDONESIA

I see by your justifications that the rate of inflation has been decreasing since the large 6.39-percent rate in 1966. To what extent has it decreased?

Mr. O'CONNOR. It came down the first 6 months, Mr. Chairman, of 1969 to zero percent. I think it ended up that year at not quite 10 percent for the year.

Mr. PASSMAN. What is the latest estimate for fiscal 1970?

Mr. O'CONNOR. I think it is somplace between 5 and 10 percent. I will have to supply that.

(The information follows:)

RATE OF INFLATION IN INDONESIA

So far, the rate of inflation for this calendar year is about 9 percent.

Mr. PASSMAN. That is less than in our country then?

Mr. O'CONNOR. I understand that to be the case.

Mr. PASSMAN. If you straighten them out, maybe they can come over and help us straighten our businsss out. I hadn't thought of that before.

Mr. O'CONNOR. The thought had occurred to me, sir.

PROPOSED AID TO INDONESIA FROM ALL SOURCES

Mr. PASSMAN. Would you please place in the record the total proposed fiscal 1971 U.S. assistance program to Indonesia?

Mr. O'CONNOR. We will.

Mr. PASSMAN. What the total proposed for fiscal 1971 assistance will be to Indonesia from all spigots, grants loans, Public Law 480, et cetera, indicating the amount for each type. There are 27 of them now, 22 last year, five more spigots have been added.

(The information follows:)

Proposed economic and military assistance to Indonesia in fiscal year 1971

Economic assistance (AID)	$86,516,000
Public Law 480	163,500,000
Peace Corps	----------
Total economic assistance	250,016,000
Miltary assistance: Grants	3*m* [ ]
Total economic and military	3*m* [ ]

PUSRI PROJECT IN INDONESIA

Mr. PASSMAN. I note on page 8 you plan to provide a $25 million project loan in fiscal 1970 to expand the urea production capacity, is that right, sir?

Mr. O'CONNOR. Yes, sir. That is the Pusri project.

Mr. PASSMAN. The amount is correct though; $25 million.

Mr. O'CONNOR. We are doing this in conjunction with the World Bank, the Asian Development Bank and the Japanese.

Mr. PASSMAN. Out of this appropriation are you planning $25 million?

Mr. O'CONNOR. No, sir, this is 1970.

Mr. PASSMAN. I mean 1970. It is a $25 million project though bilaterally.

Mr. O'CONNOR. That is right.

Mr. PASSMAN. And some of the other international organizations you have mentioned, we are the largest contributors to them, are we not?

Mr. O'CONNOR. We are the largest contributor to the World Bank, yes, sir.

Mr. PASSMAN. Do you know of any organization on the face of the earth that has one of these give-away programs that we are not the largest contributor?

Mr. O'CONNOR. I don't have that information.

Mr. PASSMAN. I don't think you could find one if you wanted to try.

(Discussion off the record.)

Mr. PASSMAN. Mr. Director, in December 1969, the Committee on Government Operations issued a report concerning the $25 million loan to Indonesia for expansion of the state-owned Pusri fertilizer plant. In this report it was recommended that the United States withdraw from consideration of the loan until steps were taken to attract

private investments and improve Indonesia marketing, distribution, and credit systems in providing fertilizers to farmers. Is this report referring to the same loan mentioned in the justifications?

Mr. O'CONNOR. Yes, it is.

Mr. PASSMAN. What progress has been made, if any, on the report?

Mr. O'CONNOR. I discussed that together with some of my colleagues, with Congressman Moss just before he went out to Indonesia. We gave him some evidence of some changes in the circumstances there, particularly as regards the availability of natural gas at the other site.

Mr. PASSMAN. I know it must have been very informative, but how about the committee? This committee is interested in what it is all about, not what Mr. Moss got.

Mr. O'CONNOR. I would be very happy to make available to you for the record that whole story or I can outline it to you here?

Mr. PASSMAN. What progress has been made? Has the allocation been made?

Mr. O'CONNOR. We are in the process of negotiating it right now, sir. I think that our portion will probably be down to——

Mr. PASSMAN. Have you carried it as an obligation against your 1970 appropriation?

Mr. O'CONNOR. It is not obligated yet.

Mr. PASSMAN. Has it been allocated? Is it over in the unobligated category, or in the obligated category?

Mr. O'CONNOR. It is unobligated, sir.

UNOBLIGATED DEVELOPMENT LOAN FUNDS

Mr. PASSMAN. What at this time do you have in your unobligated balance for the development loan program?

Mr. O'CONNOR. I am not sure I understand that question, Mr. Chairman. I am sorry.

Mr. PASSMAN. You have certain unobligated funds.

Mr. O'CONNOR. Yes.

Mr. PASSMAN. On which you have applications pending that would absorb some of them. What are your unobligated funds?

Mr. O'CONNOR. Mr. Chairman, we have not at this point obligated any of our development loans for projects.

Mr. PASSMAN. All of your development loan funds for your area for 1970 are unobligated as of this time.

Mr. O'CONNOR. Let me make a correction on that, sir. $65.6 of the $73.5 is in the category of loans. The rest of it is family planning coming out of development loans.

DEVELOPMENT LOAN GRANTS FOR FAMILY PLANNING

Mr. PASSMAN. Family planning coming out of development loans? As a loan?

Mr. O'CONNOR. No, sir: that is a grant.

Mr. PASSMAN. Out of development loan?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. What percentage of the total development loans goes as a grant?

Mr. O'CONNOR. That is the only category that goes as a grant, sir.

Mr. PASSMAN. I know one thing, gentlemen, if this isn't an awful mess. You come along and you have every known type of program already. Then some guy runs into the boss and says. "I have thought up a new scheme to get some more money to give away. Let's get the legislation amended so we can tap the development loan fund for a little grant aid."

Gentlemen, this thing is so complicated it could drive a man crazy. There is nothing personal about this, but with all the different spigots you have, all the different grant aid, support and assistance, technical aid, and more brands than you could think of in 30 minutes, we now have some guy who no doubt gets a promotion by saying, "They don't know any better on the Hill. They are a bunch of gullible people. Slip in a little language so we can take part of the development loan and give it away as grant aid." You don't like to run a show like that. A man like you ought to straighten this out. It just means that there is no such thing as getting on top of this. The very idea of all the money you have, trying to find some way to give it away. Some guy thought up another scheme, and that is going to, what we referred to as, development loans, and the overburdened American taxpayers think it is actually a loan. You people have come up with a gimmick so that you can even give some of that away. Let's take a brief recess.

(Short recess.)

Mr. PASSMAN. The committee will come to order.

When did the Congress amend the authorization bill permitting a percentage of or a fixed amount of development loan to be handled as grant aid?

Mr. FURMAN. Title X was put in the Foreign Assistance Act in 1967, sir.

Mr. PASSMAN. You are talking about calendar year?

Mr. FURMAN. Yes, sir. This authorized aid to use any funds appropriated under part 1 of the Foreign Assistance Act.

Mr. PASSMAN. It is applicable to the development loan fund for up to $100 million, is it not?

Mr. FURMAN. For fiscal year 1971, that is right.

Mr. PASSMAN. For fiscal 1971. How much has been used out of the development loan fund for grant aid since the legislation was amended?

Mr. FLINNER. Mr. Chairman, 1968 was the first year.

Mr. PASSMAN. 1968?

Mr. FLINNER. Was the first year that development loans were used for population programs on a grant basis. $12,874,900 was used in 1968.

Mr. PASSMAN. And in 1969?

Mr. FLINNER. $13,316,000 of development loans were used in fiscal year 1969.

Mr. PASSMAN. What do you propose to use out of the development loan for grant aid in fiscal year 1970?

Mr. FLINNER. $60 million.

Mr. PASSMAN. How much is proposed for fiscal year 1971?

Mr. FLINNER. $96,280,000 is planned for use in 1971.

Mr. PASSMAN. They are trying to make this development loan fund a kind of a Santa Claus or Christmas tree fund, are they not? I believe that under the amended legislation that a percentage of this could

be transferred out to international organizations, could it not? Such as IDA?

Mr. FURMAN. Yes, sir. It could except for the restriction under section 121 of the Appropriation Act.

Mr. PASSMAN. You could except for the restriction imposed by an amendment in this committee, which we are going to do again. This is a terrible way to run a show, as though you don't have every type of a grant aid, when it is scattered throughout the budget, your so-called technical aid, supporting assistance, and now you have to come along and get into this thing.

I want the clerk to make a note. We are going to try to put a restriction in the bill, and it will be a limitation. I do not believe it will be subject to a point of order, inasmuch as this is entitled "Development Loan" we want to keep it on a loan basis. Remind me to get a ruling from the Parliamentarian. We are going to keep you from destroying yourself.

Mr. FURMAN. The problem, sir, if I may make a point——

Mr. PASSMAN. What is the problem?

Mr. FURMAN. With the earmarking that has been inserted by Congress of $75 million for fiscal year 1970, and $100 million for 1971, we would have a very, very difficult time, in funding that earmarking for population programs.

Mr. PASSMAN. What earmarking for what?

Mr. FURMAN. For population purposes. We won't be able to start any new——

Mr. PASSMAN. You are talking about family planning?

Mr. FURMAN. Right, sir.

Mr. PASSMAN. You people asked for it, didn't you?

Mr. FURMAN. We asked for $50 million.

Mr. PASSMAN. In other words, what you want to do is to avoid acts by one part of the Congress against another. Why don't you increase your grant aid if you need it. Don't come along and amend your legislation taking it out of the development loan. I want to instruct the clerk to be sure that we place such a restriction. We have go to keep you from destroying yourselves. As far as you people are concerned, it always creates a problem if we do anything that you don't like. That is par for the course. Anything we do that you don't like, by somebody's interpretation downtown it wrecks the program, and it prevents you fellows from wheeling and dealing loosely. That is what it does. You wouldn't be in any trouble if you didn't get a dime this year. It's possible that some of you would be transferred back to the free enterprise sector.

SECTOR LOAN FOR FERTILIZER

Mr. Director, I notice you plan to make a $15 million sector loan for fiscal 1971 for fertilizer and for other areas. Do you plan to delay this proposal until the Indonesia market and credit direction system in providing credit to farmers is improved as recommended in the Government Operations report referred to earlier?

Mr. O'CONNOR. Sir, that recommendation was made specifically in connection with the Pusri investment.

Mr. PASSMAN. Do you intend to apply that same formula on this $15 million item?

Mr. O'CONNOR. We plan to make this loan, sir, but while it is being made, studies are going on in the field.

Mr. PASSMAN. You mean you are going to make it before the studies are completed?

Mr. O'CONNOR. I don't know exactly what the time will be. I suppose it will be obligated perhaps a year from now.

Mr. PASSMAN. It will be what?

Mr. O'CONNOR. I think it will be obligated presumably a year from now. I believe the preliminary studies are in process now.

Mr. PASSMAN. Don't you think it would be much better, inasmuch as we are having to borrow this money as you have observed in some of the legislation now moving into and out of the Congress, and since we have waited 181 years to start this, to wait for the report? Don't you think the recipients would appreciate it more, if we would come up with a firm policy, and then submit it to the Congress? Wouldn't it be a much better program? You are losing friends every day. I understand this week one of your heretofore enthusiastic supporters, Senator Church—I haven't read his remarks in the Record—it looks like he is seeing the handwriting on the wall. You know in this country with projects you have to establish a favorable benefit/cost ratio. It has to be extremely firm before any money is approved.

STUDY ON LOAN FOR PUSRI PROJECT

Mr. O'CONNOR. Mr. Chairman, could I comment on your question? I think there is a misunderstanding here. The study that is being done about the marketing and distribution is in the context of expanded production in the Pusri plant. We know and have figures for the estimated amount of fertilizer that the Indonesians are going to need in terms of import until that plant comes on stream.

Mr. PASSMAN. If you don't have any way of marketing and distributing it, then what good does the fertilizer do?

Mr. O'CONNOR. I think, sir, indeed they have marketing and distribution for this limited amount because we know where it is needed and we know how it can be moved.

Mr. PASSMAN. And what is the preliminary investigation you just mentioned? It is under study, is it not?

Mr. O'CONNOR. Yes, sir; but what is under study is a marketing and distribution system.

Mr. PASSMAN. Without the marketing and distribution system——

Mr. O'CONNOR. When the plant, sir, which is going to make it there, is expanded, there will be four times as much fertilizer as they are making now. That is what the study is needed for.

Mr. PASSMAN. I guess you people are going to do it the way you want to anyway. Let's have a look at the actual recommendations to the committee.

Recommendation: 1. The United States should withdraw consideration of this loan without prejudice until, A. An all-out effort is made by Indonesia and the United States to attract construction of a new industrial facility by the private sector, whether it be American or foreign; B. Steps are taken to complete a full-scale conservation program at Pusri by eliminating the flaring, and thereby preventing the depletion of natural gas reserves; C. Substantial progress is made to improve Indonesia's marketing, distribution and credit system as it applies to providing fertilizer to farmers.

REVISED ESTIMATE OF "OTHER COSTS"

These are the recommendations and I hope they are followed. Page 10, you estimate $703,000 to be programed in 1970 for "other costs." Last year you estimated $55,000 would be programed for this same purpose. It is so distressing to run into these discrepancies. What is the answer to this inflated allocation, if any?

Mr. O'CONNOR. Excuse me, Mr. Chairman. Could you give me those figures again, sir?

Mr. PASSMAN. On page 10, I notice you estimate $703,000 will be programed in 1970 for "other costs," and last year you estimated $55,000 would be programed for this same purpose and period.

Mr. O'CONNOR. The difference, sir, is primarily because of $550,000 for feasibility studies.

Mr. PASSMAN. Who made it?

Mr. O'CONNOR. I think it was made by several organizations, or is to be made.

Mr. PASSMAN. Who made it? What organizations will get this juicy piece of dessert? It is a fine program, isn't it?

Mr. O'CONNOR. I had the list but I don't have it here. I will have to furnish it.

Mr. PASSMAN. Do you want to tear it up?

Mr. O'CONNOR. I can tell you, however, what the studies are going to be for. I do not have the list of contractors.

Mr. PASSMAN. Wait a minute, you are trying to cross the river before you get to it. Some of your supporting witnesses can give us the names of the people who are going to receive this.

Mr. O'CONNOR. I don't think we have actually let the contracts yet, so we don't know what the names of the contractors are.

Mr. PASSMAN. Last year you estimated the cost would be $55,000, is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. What was the $55,000 for last year in "other costs"?

Mr. O'CONNOR. The $55,000 last year represented a group of feasibility studies or miscellaneous costs, $15,000 was in the project entitled, "Assistance to Agriculture," $20,000, and these were listed as other costs was in the higher agricultural education project, $15,000 was under the development and use of educational materials project. That was the $55,000.

Mr. PASSMAN. Now to cover this same group that you have just enumerated it is going to require $703,000, is that right?

Mr. O'CONNOR. Yes. I mentioned that of that $703,000, $550,000 is for feasibility studies.

Mr. PASSMAN. The other is for feasibility studies?

Mr. O'CONNOR. That is right, sir. They were actually for incidental costs.

Mr. PASSMAN. In other words, is this feasibility study to study the other feasibility studies?

Mr. O'CONNOR. Excuse me, sir. The $55,000 from last year was not for feasibility studies financed out of the technical support project. It was for other costs under the projects I mentioned.

Mr. PASSMAN. That is what it is for this year, "other costs." Isn't that the same caption? It is the same can of worms.

Mr. O'CONNOR. Mr. Chairman, on the $55,000 from last year we will have to give you a breakdown as to exactly what that meant.

Mr. PASSMAN. You just read it into the record. Is this feasibility study, this amount, to be used to study the other feasibility studies?

Mr. O'CONNOR. No, sir, it is not. Of this $703,000, $550,000 is planned to be used for feasibility studies that I can read out.

Mr. PASSMAN. But feasibility studies for what?

Mr. O'CONNOR. One is for Medan power, a feasibility study with the Harza Engineering Co., for a development loan.

Mr. PASSMAN. A feasibility study for a development loan?

Mr. BREECHER. Preparatory to the development loan.

Mr. PASSMAN. In other words, you are going to study the application for a loan.

Mr. BREECHER. We make a feasibility study first.

Mr. PASSMAN. What a mess this thing is in.

Mr. O'CONNOR. Sir, as you know this is the standard method of proceeding, to get a feasibility study completed before you go to detailed engineering.

Mr. PASSMAN. To me there is some difference between $550,000 and $703,000.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I want to know what firms are going to get this juicy piece of dessert.

Mr. O'CONNOR. I will continue to read the list, sir.

The firm of Consolidated Purchasing and Designing Inc., is reviewing rehabilitating a tin dredge.

Mr. PASSMAN. A what?

Mr. O'CONNOR. A tin dredge.

Mr. PASSMAN. A tin dredge?

Mr. O'CONNOR. A dredge for tin.

Mr. PASSMAN. It is for rehabilitating this dredge?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Are you talking about a piece of machinery or a hole in the ground?

Mr. O'CONNOR. A piece of machinery.

Mr. PASSMAN. And what are they going to do, a feasibility study, or are they going to reconstruct, or evaluate it and how much are they going to get for doing what?

Mr. O'CONNOR. Evaluate the rehabilitation but I am not specifically familiar with the details.

Mr. PASSMAN. Don't try to be, Mr. Secretary. There is nothing personal about this. You are not the only one that doesn't know anything about this program so don't let that worry you one bit. This is par for the course. If your learn too much about it, they would move you, so just take it easy and we will move along. Put something in the record.

Mr. O'CONNOR. Can I give you the rest of that, sir?

Mr. PASSMAN. Put it in the record.

(The information follows:)

"OTHER COSTS" IN INDONESIA TECHNICAL SUPPORT PROJECT, 1970–1971

The fiscal year 1970 congressional presentation estimated technical support "other costs" for fiscal year 1970 at $55,000, while the 1971 presentation estimated these costs at $703,000. The estimated $648,000 increase in "other costs"

is attributed to the following: (1) the inclusion of shared administrative support ($116,000) under technical support rather than, as was shown in last year's presentation, under program support by the Department of State; (2) the inclusion of feasibility and other studies under "other costs" rather than "technicians (the $195,000 formerly shown for "technicians" was reduced in this year's presentation to $40,000.

The current $550,000 estimated for feasibility and other studies in fiscal year 1970 is broken down as follows:

1. Feasibility study of the Medan electrical power and generation systems (loan proposed for fiscal year 1970): Harza Engineering Co.—$15,000, in addition to $100,000 obligated for this study in fiscal year 1969.
2. Load and energy study for the long-range central Java electric power requirements: Charles T. Main, Inc.—$250,000.
3. Rehabilitation of the tin dredge "Riau": Consolidated Purchasing & Design Inc.—$70,000 for inspection and determination of rehabilitation needs, followed by design, planning, monitoring and assembling of the dredge.
4. Assistance to the GOI Capital Investment Technical Committee to update their investment regulations and assist on investment promotion: Donald S. Hoagland—$9,000.
5. Rice Storage, Marketing and Handling Study: Contractor not yet selected—approximately $126,000.
6. Proposed feasibility study on water resources: No contractor yet designated—$60,000.
7. Proposed feasibility study on telecommunications: No contractor yet designated—$20,000.

Mr. PASSMAN. If you are going to do a feasibility study on a dredge, and I will bet that is going to be interesting, just put it in the record, because it is no more confusing than anything else.

ASSISTANCE TO AGRICULTURAL PROJECT

Now, in connection with the assistance to agricultural projects, I see where you plan to complete the project 1 year earlier, and reduce the total estimated cost by $2,580,000 to $867,000. Of course I am delighted to see the reduction, but I just wonder if the original valuation was computed, or is it one of these guesses and this time you guessed the other way?

Mr. O'CONNOR. No, sir. I think what happened here was that we took a very careful look at, you might say, the priority needs of Indonesian agriculture. We also found that other donors had some interest in funding some portions of what we had planned.

Mr. PASSMAN. In other words, you had appropriated this $2,580,000 but when you got around to actually finding out what it was all about, you found that part of it had already been funded from other sources, and maybe other countries, is that correct?

Mr. O'CONNOR. It hadn't been funded but we found there was some interest in doing the funding.

Mr. PASSMAN. Wait just a minute. You say some interest. How far had that interest gone?

Mr. O'CONNOR. During the course of the year we found that other international agencies or countries were interested in funding some of these items.

Mr. PASSMAN. So actually it may be coming out of some other spigot, is that right?

Mr. O'CONNOR. I don't think a U.S. spigot, sir.

Mr. PASSMAN. There are no spigots that are not United States in the greatest majority, Mr. Director. If you can find me a spigot that the United States is not in on, I wish you would bring it to my atten-

tion. What I am trying to find out, and you have answered the question, is whether the cost of the project originally estimated at $2,580,000 will be the same project in the same amount, but part of the funds, you found after you got into it, had been committed from other sources. Is that correct?

Mr. O'Connor. Mr. Chairman, in the first place, sir, I am not sure where you get the $2 million.

Mr. Passman. Right out of the justifications.

Mr. O'Connor. This is assistance to agriculture, sir; page 11?

Mr. Passman. The assistance to agriculture project. We are looking at page 11 of last year's justifications and we see $3,447,000. Then we are looking at page 11 of this year's justification. It would appear that it is down $2,580,000, and by asking some questions we find it is down to $867,000, is that correct?

Mr. Breecher. That is in our presentation, yes; Mr. Chairman, $867,000.

Mr. Passman. Did I read those other figures correctly?

Mr. Breecher. You read them correctly, Mr. Chairman.

Mr. Passman. You find it is down not because the project is going to cost less, but because it is being funded from other sources, is that correct?

Mr. O'Connor. For two reasons, sir.

Mr. Passman. I didn't ask you the reason. I want to know if I am accurate in my statement that it is not that the costs of the project are being reduced, but it is being funded in part by other sources, is that right?

Mr. O'Connor. It is being in part funded by other donors, yes, sir.

Mr. Passman. Other donors could be an international organization of which we are contributors?

Mr. O'Connor. Yes, I don't have a breakdown but I can supply for the record.

(The information follows:)

Reduction of Total Cost: Assistance to Agriculture Project in Indonesia

The estimated total cost of the assistance to agriculture project has been reduced to $927,000 from the $3,447,000 figure shown in last year's presentation. This is the result both of a reappraisal of AID priorities and of the development of related projects in the agricultural sector by other countries and multilateral agencies.

After careful appraisal over the last year, USAID/Djakarta has concluded that problems of distribution, of fertilizer and fertilizer inputs, marketing and price incentives are more serious impediments to Indonesia's agricultural development than are deficiencies in the extension service. We are therefore cutting back our advisory activities in the later field. Also, we will limit our efforts under this project to help improve input distribution since we are contemplating a fiscal year 1971 agricultural sector loan which will include technical assistance in this area.

A number of other countries, as well as the IBRD, ADB, and the privately financed Harvard Development Advisory Service are providing loans and technical assistance in the fields of agricultural extension, seed development, and input distribution. These include assistance in distribution of fertilizer and insecticides to farmers (West Germany), a fertilizer trial and demonstration program (France), studies of rice processing (United Kingdom and FAO), training of seed inspectors and training mechanics (Japan), study of relationship of input costs to farmer price incentives (Harvard Development Advisory Services), studies of soil fertility and fertilizer application (ADB), fertilizer demonstration programs (FAO), and irrigation development loans (ADB and IBRD).

Mr. PASSMAN. I thought that was the answer. Thank you very much. Maybe if you will just delay this another year, you will save the $867,000. We decreased it all the way from $3,447,000 down to $867,000. If you just take your time on it, maybe you won't need that.

Let me put this in to show you how muddled up this thing can get. In fiscal year 1969 you estimated the total cost at the project would be $4.4 million. Then you come in and say it is going to be $3.4 million. Now you come in and say it is going to be $867,000. The facts are you don't know what it is going to cost. I am reading this right out of your book.

Mr. BREECHER. I beg your pardon, Mr. Chairman, last year we said it was going to cost $3 million——

Mr. PASSMAN. Go back to the year before that. You ought to have it. I am telling you it was $4.4 million. Then you dropped it to $3,447,000. Now you are down to $867,000.

GEOLOGICAL SURVEY ASSISTANCE PROJECT IN INDONESIA

I note you have increased the estimated total cost of the geological survey assistance project by $365,000 over last year's figure of $950,000, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. Mr. Director, you are new on the job, aren't you?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Put a little muscle in this thing, will you, and straighten these people out. They are nice folks. They are dedicated to giving this money away and in all probability they don't realize what the impact is. Put a little muscle in this program, because you know we really have 4,408 projects and subprojects in 99 nations of the world. When we run into all of this overfunding and the crude estimates we get 1 year, with the amendments the following year, it is really frustrating. There is nothing personal about this. This program really needs some muscle put into it.

Do you consider this to be one of the very important programs, the one I just mentioned?

Mr. O'CONNOR. I do, sir.

Mr. PASSMAN. Where you increased it $365,000 over last year.

Mr. O'CONNOR. I do. I think the main resources that Indonesia has may very well be, almost certainly is, it is geological——

Mr. PASSMAN. I am talking about this geological survey. If it is all that good, why don't you find out who missed this estimated cost so far last year? That is why I asked the question, because if it is as important as you feel, then why don't we have something firm, rather than moving along, and in just 1 year increase it by 50 percent.

Now, the next question: How much have you obligated to this project altogether?

Mr. O'CONNOR. $215,000.

Mr. PASSMAN. That is all that you have allocated? You asked last year for what?

Mr. O'CONNOR. $250,000 and we have obligated $215,000.

Mr. PASSMAN. What has been your total allocation to the project since it was brought into account?

Mr. O'CONNOR. According to my figures just last year, sir.

Mr. PASSMAN. What have the expenditures been?

Mr. O'CONNOR. By obligations——

Mr. PASSMAN. No, no, expenditures.

Mr. O'CONNOR. I am sorry, $93,000.

Mr. PASSMAN. So here you have the project, last year you said you wanted, I believe $250,000, you have only expended $93,000. Yet you are upping it by $365,000; is that right?

Mr. O'CONNOR. Through 1974, sir.

Mr. PASSMAN. What is the total estimated cost to complete this project?

Mr. O'CONNOR. It is $1,315,000 scheduled for obligation through 1974.

Mr. PASSMAN. So we are up just $365,000 in 1 year. In what year do you feel that you will bring this project to completion.

Mr. O'CONNOR. 1974, sir.

HIGHER AGRICULTURAL EDUCATION PROJECT IN INDONESIA

Mr. PASSMAN. I see that you are increasing the higher agricultural education project estimated total cost by $1,920,000 over last, is that correct?

Mr. O'CONNOR. Yes, Mr. Chairman, that is correct.

Mr. PASSMAN. I also notice last year you proposed $785,000 for fiscal 1970, but this year it is indicated no obligations are made in the current fiscal year, is that correct?

Mr. O'CONNOR. That is, sir, we didn't sign the contract until the fall of 1969.

Mr. PASSMAN. What date did you obligate the funds? On what date did you enter the obligation?

Mr. BREECHER. We obligated it on the 26th of June 1969.

Mr. PASSMAN. I believe that is 4 days before the end of the fiscal year.

Mr. BREECHER. That is correct, Mr. Chairman.

Mr. PASSMAN. And what did you obligate the previous year?

Mr. BREECHER. That was the first obligation.

Mr. PASSMAN. The very fact that the fiscal year was running out didn't have anything to do with it, I am sure, did it? It was the worthiness of the project that caused all of these things to fall in the last few hours of the fiscal year, I guess.

Mr. BREECHER. We have had some late obligations.

Mr. PASSMAN. I have observed that through the years, and I notice some of them remain unobligated and unexpended for many, many years. This is what is called hiding it in little pockets, because we have to respect it as obligated.

GENERAL PARTICIPANT TRAINING PROJECT IN INDONESIA

Last year you indicated the general participant training project would be terminated in 1971 and cost a total of $6 million. This year you have changed both estimates to undetermined. Now isn't that a problem for all of us? When did you first obligate funds to this project?

Mr. O'CONNOR. It was initially obligated in fiscal year 1967. Through June 30, 1969, we had obligated $3,984,000.

Mr. PASSMAN. I believe you said it would terminate in 1971, did you not?

Mr. O'CONNOR. Yes, sir; that had been our plan.

Mr. PASSMAN. How much have you expended, checks drawn, paid out?

Mr. O'CONNOR. We have paid out through June 30, 1970, $3,677,000.

Mr. PASSMAN. If you were sitting on this side of the table, and I was sitting over there, how much money would you give me on a project that has been handled like this one? You used the word "undetermined." That could go on indefinitely, couldn't it, under this terminology, this definition? We want you to give us a termination date. We are not going to buy too much of this, I will tell you that now. What we would rather do would be to place a limitation on some of these programs until such time as you people are a little bit more positive as to what they are going to cost, and when you are going to start them and when you are going to terminate them. You just don't do business like this, Mr. Secretary.

Mr. O'CONNOR. Mr. Chairman, could I comment on that?

Mr. PASSMAN. Certainly you may comment.

Mr. O'CONNOR. We have Indonesia, sir, as the only country in the area in which we have almost all of our participants listed in one project. In the other areas we have them listed under several different projects. I think that the best investment we have made in Indonesia has been this.

NUMBER OF PARTICIPANTS WORLDWIDE

Mr. PASSMAN. You have the right to feel that way.

How many participants do we have in the worldwide program, Mr. Flinner?

Mr. FLINNER. Actually in December of 1969 we had 11,000.

Mr. PASSMAN. Eleven thousand in the worldwide program, is that correct, sir?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. How many in your area?

Mr. O'CONNOR. Fiscal year 1970, sir, there were 2,190.

Mr. PASSMAN. Do you consider this worldwide participant program good?

Mr. O'CONNOR. Yes, sir, I do.

Mr. PASSMAN. Do you realize in all other areas so far as I know, they give an estimate of when they think a project would terminate. Is that correct, Mr. Flinner?

Mr. FLINNER. Mr. Chairman, if they are included in individual projects, I believe they do.

Mr. PASSMAN. Certainly they do. When I say "you people" there is nothing personal about this, but just like this development loan fund, you people know that you can get anything that you want in this legislation. Whatever you write downtown they are going to put in, and I don't believe there are two members of this committee that realize all the different spigots you have for grant aid, for example, your technical aid program, and of course your supporting assistance.

DEVELOPMENT LOAN GRANTS FOR FAMILY PLANNING

You have legislation, I think it was enacted two years ago, which allows you to use part of the development loan fund for grant aid, so you eased into it a little at a time. At first you only gave away $13 million. Last year I believe you stepped it up to $65 million. If we are not careful, this year you will increase it to $100 million. That is what the legislation permits, isn't it?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. Wouldn't it be better to keep it on a business basis, and if you could make a case for more grant aid, do so, but take it out of the grant aid spigot. Don't leave tired Members of Congress under the impression that the development loan fund is a loan fund after a fashion, and then start eating into it, with legislation, as though it were a grant fund. It just makes it too hard for people who live with this to keep up with it. Let's get away from this word undetermined, and get some of our researchers to follow the regular procedures that we have followed in the past. Give us an estimate, and give us, as near as possible, a termination date, instead of moving from a fixed date to an undetermined date. That could just go on, and on, and on. Will you try to help us on that, Mr. Secretary?

Mr. O'CONNOR. We certainly will, sir.

Mr. PASSMAN. Thank you very much.

TECHNICAL SUPPORT PROJECT IN INDONESIA

Now, under the technical support project, I notice last year you proposed a program for fiscal 1970 of $1,205,000, is that correct?

Mr. O'CONNOR. That is correct, yes, sir.

Mr. PASSMAN. Even under a reduced program overall you moved your allocation up to $1,796,000, is that correct?

Mr. O'CONNOR. That is correct sir.

Mr. PASSMAN. Gentlemen, you ought to withhold these programs until you know more about them. I believe you answered that in the affirmative, did you not? I want to move along.

Mr. O'CONNOR. I did, sir.

KOREA

Mr. PASSMAN. It would appear in Korea that your 1971 estimate is $29,300,000, is that correct, sir? The 1971 program.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Let me assure you, Mr. Secretary, and you, Mr. Director, that there is not a thing in the world personal about this. I am frustrated that something has grown up in our country known as foreign aid which is going to engulf us. It is going to swallow us. It is going to destroy our world markets. It is going to wreck our committee, and if we are not very careful, we are going to isolate ourselves, because we can't compete, and the most frustrating thing is we can't find the friends that this is supposed to win for us. It is just a brand new concept. It used to be the policy of the United States to utilize as I read the record, trade and firmness toward nations. Today we have substi-

tuted for these, aid and appeasement. This thing is just engulfing us. It is completely out from under control, and the Members of Congress are too busy to go into all of the ramifications of all of these 4,408 projects and subprojects. It doesn't seem that any witness who ever appears before this committee actually knows what any of these projects will cost. It will fluctuate from year to year, the date, and the cost and it is simply because it is loose, illustrative, and open at both ends. You people and your allocaters can do anything you want to with this program. You don't have any more control over it than you do over what I am going to have for dinner this evening. It is an illustrative program and brother, when you say that, you say a lot. It has been brought out before that under this program the justifiers could testify for money for hospitals in Brazil, and use that same money for some resort in Morocco, and be within the law. That has been answered to "Yes" time and time again, because it meets the criteria. A resort meets the criteria. Hospitals meet the criteria. So being illustrative, it is just that wild. You just look like the men to put some sense in it.

PRIVATE INVESTMENT CENTER PROJECT

Mr. PASSMAN. In connection with the new Private Investment Center project, which is proposed to be created to give advice and information to private investors on potential areas of investment, why, Mr. Secretary, does the United States plan to provide aid for this, when OPIC was just formed to provide the same sort of service.

Mr. O'CONNOR. My understanding is that OPIC does not plan to have any overseas staff for at least a year or two. The carrying out of OPIC functions abroad will fall on the rest of AID.

Mr. PASSMAN. Are you going to use OPIC's appropriation to do this?

Mr. O'CONNOR. No, sir; I don't believe so.

Mr. PASSMAN. So you are going to perform OPIC's duties overseas out of your appropriation, not out of OPIC's appropriation; is that correct?

Mr. O'CONNOR. I stand corrected, sir. This project, and I was aware of that, was really primarily to encourage Korean investment. OPIC is really primarily to encourage United States investment. Nevertheless I do think that there isn't planned to be——

Mr. PASSMAN. Now the purpose in setting up an organization known as the Private Investment Center, similar to OPIC, is to tell other nations who they should provide studies for, is that correct, is that what we are doing? We are setting up an agency in Korea to tell them how they should inform or instruct businessmen to make investments. I don't think as fast as you do. Is that correct?

Mr. O'CONNOR. I don't know about that question?

Mr. PASSMAN. Let's get the answer. Just take it easy now. Let's get the answer. Under this brand of OPIC for Korea, you will set this private investment center project up to train or instruct the Koreans in what countries they should make their investments, is that correct?

Mr. O'CONNOR. It is primarily oriented toward Korea itself.

Mr. PASSMAN. I know, that is what I said. In other words, this OPIC we have is to tell American business people where they can find investments that will help them, is that right?

Mr. O'CONNOR. Yes, I think that was one of the functions, Mr. Chairman.

Mr. PASSMAN. This is a Korean OPIC, where we will train the Koreans to be smart, like we are, and know where to send their businessmen to make investments, is that it?

Mr. O'CONNOR. Sir, this goes a little bit——

Mr. PASSMAN. Further than that, I guess.

Mr. O'CONNOR. No, perhaps not quite that far. What it is really concerned on is——

Mr. PASSMAN. In other words, we send these smart Americans out, bless their lovable hearts, who helped us get so messed up financially that we can't straighten our business out, now we are going to send them to Korea and I guess part of the program would be to train the Koreans how to invest their money in Korea, is that right?

Mr. O'CONNOR. Sir, the main thrust of this——

Mr. PASSMAN. Let me get an answer. Is that right?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. He says yes and you say no.

Mr. BREECHER. The purpose is to teach the Koreans how to invest their money in Korea, have a capital market in Korea.

Mr. PASSMAN. That is what this is?

Mr. BREECHER. That is correct.

Mr. PASSMAN. Isn't that a beautiful program, if it succeeds, then bring that same group home.

Mr. O'CONNOR. Mr. Chairman, if we can succeed here to develop a capital market, it will mean that Korea will not have to have so much foreign investment, and they will be a great deal better off. That is the purpose of it.

Mr. PASSMAN. It is a new program, isn't it?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Gracious alive, how you people are getting this country involved.

(Discussion off the record.)

PRIVATE INVESTMENT CENTER PROJECT IN INDONESIA

Mr. PASSMAN. I believe you have a similar project in Indonesia, do you not?

Mr. O'CONNOR. I believe we do.

Mr. PASSMAN. And that too would be a new project, wouldn't it?

Mr. O'CONNOR. Let me check that please, Mr. Chairman. That is a new project. It is scheduled for 2 years duration, sir.

Mr. PASSMAN. It is a new project. You are going to have it in Indonesia too, aren't you?

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. When you train them as to where they should invest the money, are you going to make the capital available to them to invest?

Mr. O'CONNOR. In Korea we will not be.

Mr. PASSMAN. In Indonesia after you train them are you going to give them the money to invest?

Mr. O'CONNOR. I think the answer to that presumably is only in the form of infrastructure development loans.

Mr. PASSMAN. Gentlemen, please stop this. Every year new and unheard of programs pop up. You are getting our country so involved we are never going to get out of these entanglements. Why don't you people, Mr. Director, come up with a few hard and firm programs, see them through to a conclusion. You would make a good impression. You would leave with a good image, and you could help those people. But you people cover the waterfront. I bet that every imaginable project that has ever been started, or thought of in America, you people have started it overseas and you have gone abroad and started some that were never heard of in America. It isn't serving the best interests of our country regardless of what you may think. This money has to be——

Mr. O'CONNOR. Could I comment?

Mr. PASSMAN. Certainly.

Mr. O'CONNOR. These two projects try to build up private industry. As a man who has been in business 10 years, and I know you have a business background, I think you would agree we have to get the private economies going in these countries to support them and once they get going we can get out of the business.

Mr. PASSMAN. These countries were in business and making some progress even before America was created. Mr. Secretary, if we go back 181 years ago to the adoption of our Constitution we had, I think, 3 million Americans. We were a primitive nation, a new nation, completely underdeveloped. We became great only because our forefathers gave us a great political document and incentive to develop initiative. We didn't have that outside help. While we were underdeveloped, some of these nations that you are testifying for funds for were underdeveloped by their standards. They are old civilizations, isn't that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. So what happened? They were developed and we were underdeveloped, so while we were developing they became underdeveloped. Now we are again becoming underdeveloped, helping them develop. I wonder if after they are developed and we are again underdeveloped the developed countries would come to the rescue of the underdeveloped Americans and help us get back on top? What a can of worms this is. We pay no attention to history, and how long these civilizations have been going——

(Discussion off the record.)

PER CAPITA GNP FOR KOREA

Mr. PASSMAN. On this program for Korea, on the divider sheet, it is noted that per capital GNP increased from 188 in 1968 to 212 in 1969. That is quite an increase, isn't it?

Mr. O'CONNOR. It is.

Mr. PASSMAN. Was that increase brought about through inflation, or is that an actual increase in the GNP?

Mr. O'CONNOR. No; this figure is after inflation. This is real increase.

Mr. PASSMAN. All right, sir. And I believe without exception we have to always associate GNP with something, do we not? It is relative?

Mr. O'CONNOR. I am not quite certain of your question.

Mr. PASSMAN. I say you have to associate GNP with something. It is a relative matter.

Mr. O'CONNOR. Yes, it is relative to other statistical figures.

Mr. PASSMAN. Let's take the United States. If this shirt costs $12 wholesale, it moves into our wholsale GNP at $12, does it not?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. And if in Korea and Hong Kong and other countries, where they have a thriving textile industry, you could buy this shirt wholesale for $2, it would move into their GNP at $2, would it not?

Mr. O'CONNOR. I think that is correct, sir.

Mr. PASSMAN. So what we actually have to do is to look at all factors in the country to determine what a person may be able to buy with the GNP or with the per capita income, would you not?

Mr. O'CONNOR. There is a relationship, yes.

Mr. PASSMAN. I think it is completely related. I may go into a country where the per capita income is $500 and live better than I can in this country where it is $3,000. It all depends on what you can buy with that money, doesn't it?

Mr. O'CONNOR. Yes, it does.

Mr. PASSMAN. Thank you. Let's just be sure that the record is clear on that, because so many people always yell "GNP." They talk about our GNP. If we will look at our GNP in 1940, and look at our GNP in 1970, instead of our GNP being $960 billion a year, if you take out inflation, it would be $469 billion, so most of our GNP has not been unit product, it has been inflation. We have larger figures, and we have had some increase but not one corresponding to the terrific increase in our GNP. It has been brought about through inflation.

Mr. O'CONNOR. I think we agreed, however, that Korea has made very substantial economic progress and the GNP is only one indicator thereof.

CUMULATIVE TOTAL OF AID TO KOREA

Mr. PASSMAN. Who wouldn't make some economic progress? What has been our contribution in total? Let's look at it.

Mr. O'CONNOR. We have that figure. It is $8,104,200,000.

Mr. PASSMAN. This figure is not even up to date, is it?

Mr. O'CONNOR. The figure I have, sir, is through 1970.

Mr. PASSMAN. What do you show?

Mr. O'CONNOR. $8.1042 billion.

Mr. PASSMAN. $8 billion, that is a lot of money, isn't it?

Mr. O'CONNOR. That is since 1946.

Mr. PASSMAN. What is the population of that country, about 31 million?

(Discussion off the record.)

PROPOSED TOTAL U.S. AID TO KOREA

Mr. PASSMAN. Would you place in the record a table showing the total proposed United States economic aid to Korea for 1971 from all spigots, indicating the type of aid and where the aid is provided, and the terms of any loans that you may make.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

ECONOMIC AID TO KOREA

The total proposed U.S. economic aid to Korea for fiscal year 1971 is $95,904,000. Of this total, $25 million is loans. All of the loans are proposed to be made on terms of 40 years; 10 years grace with interest at 2 percent, and 30 years to pay with interest at 3 percent.

Mr. PASSMAN. And separate the different types of aid, if you will.

Mr. O'CONNER. By category?

AID FROM THE WORLD BANK CONSULTATIVE GROUP

Mr. PASSMAN. Page 29 indicates the free world assistance to Korea is coordinated through a World Bank consultative group, is that correct, sir?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. I believe that we are one of the large contributors to the World Bank. are we not?

Mr. O'CONNOR. We are, sir.

Mr. PASSMAN. And also to IDA, which is the giveaway window of the World Bank.

Mr. O'CONNOR. The soft loans, yes, sir.

Mr. PASSMAN. Would you furnish a table for the record showing the amount of assistance extended by the various members of the above-referred-to group, whether it is on a loan or a grant basis, and indicate the terms of the assistance. Will you do that, sir?

Mr. O'CONNOR. We will, Mr. Chairman.

Mr. PASSMAN. You may also indicate the grace period if any, and the interest rates.

Mr. O'CONNOR. We will do that.

(The information follows:)

ASSISTANCE FROM KOREA CONSULTATIVE GROUP

The consultative group for Korea was formed in Paris in December 1966. The last full year of assistance by consultative group members for which amounts of aid disbursements are available is calendar year 1968:

[Dollars in millions]

Consultative group member	Grants	Loans	Total
IBRD/IDA		12.3	12.3
IMF			
UN Technical assistance	4.2		4.2
Australia	.4	.4	.8
Belgium (less than $50,000)			
Canada	.1	.4	.5
Nationalist China			
France			
West Germany	1.7	1.2	2.9
Italy	.1	1.8	1.9
Japan	.7	43.3	44.0
United States	11.9	184.1	196.0
United Kingdom	.1	.1	.2
Total	19.2	243.6	262.8

Loan terms vary from case to case. This is indicated by a sampling of official loans made in 1969: Japan $5 million highway loan, 20 years (including 7 years grace period) at 3.5 percent per annum; U.S. $10 million commodity program loan, 40 years (including 10 years grace period) at 3 percent per annum; IBRD $45 million all-weather farming loan, 30 years (including 7 years grace period) at 6.5 percent per annum; IDA $14.8 million vocational education credit, 50 years (including 10 years grace period) at no interest—0.75 percent per annum of service charge.

Mr. PASSMAN. I believe that under the World Bank their interest rates are pretty much fixed at the going rate, are they not? They are not concessionary?

Mr. O'CONNOR. 6⅞ percent.

Mr. PASSMAN. That is on a business basis. It is not a concessionary rate. It is the going rate. But if you move into the give-away window of the World Bank, IDA, they will go up to 50 years at no interest, isn't that correct, sir?

Mr. BEECHER. That is correct.

Mr. PASSMAN. Three quarters of 1 percent service charge.

Mr. O'CONNOR. Right.

FAMILY PLANNING PROGRAM

Mr. PASSMAN. Do you have a family planning program in Korea?

Mr. O'CONNOR. We do, sir.

Mr. PASSMAN. Would you term it a success, Mr. Director?

Mr. O'CONNOR. I think it has had some success, sir, over the last 5 years. I am speaking from memory. I have the figures here. In the period 1963 to 1969, Mr. Chairman, the birth rate there has been reduced from 3 percent to about 2.4 percent.

Mr. PASSMAN. How about the economic growth?

Mr. O'CONNOR. The economic growth at the same time was averaging about 10 percent a year.

Mr. PASSMAN. Of course we understand it is primarily from U.S. aid, $8 billon in a little country like that, and that does not include the billions of dollars spent there by our military personnel; isn't that correct?

Mr. BEECHER. That is right.

MILITARY EXPENDITURES

Mr. PASSMAN. If there is any estimate on what our military force spent in the Korean economy during that period?

Mr. O'CONNOR. We have some estimates on that.

(Discussion off the record.)

Mr. O'CONNOR. Shall I read this or would it be easier if we submitted it for the record.

Mr. PASSMAN. You can tell us and then put it in the record.

Mr. O'CONNOR. From the years 1967 to 1970, the expenditures of the U.S. defense in Korea averaged—I am doing this in my head—about $275 million a year. We will put the exact figures in the record.

(The information follows:)

U.S. defense expenditures averaged approximately $270 million per calendar year for the period 1966 to 1970. The amounts for each calender year in millions of dollars are:

Calendar year:	Amount
1966	$159
1967	241
1968	303
1969 (preliminary)	375
Total	1,078

Mr. PASSMAN. When did we go in there, 1950?

Mr. O'CONNOR. 1950 is when the war started; yes, sir.

Mr. PASSMAN. Now, let's go through 20 years.

Mr. O'CONNOR. The average I gave was for the last 4 years.

Mr. PASSMAN. I am trying to average it out, and you can put the correct figures in. Let me get a figure in myself. I want you to be sure that you look at it. That would be about $4 billion then, wouldn't it, in round figures, is that right, if that average is correct?

Mr. BREECHER. That average is correct, Mr. Chairman, for the last 4 years.

Mr. PASSMAN. I am saying if it is correct for the 20-year period, because we have had a terrific program going for 20 years, military, is that right, sir?

Mr. BREECHER. It would be correct but I can cite you one specific loner figure.

Mr. PASSMAN. I want you to put it in the record correctly. I want to be sure that you look at the record. That is why I am saying if it averaged $200 million a year as you indicated for a certain period, that averaged for 20 years would be $4 billion. I would guess that when you correct that figure it is going to be even more than that.

Mr. BREECHER. Our estimate, Mr. Chairman, is that it would be considerably less because I have one figure for 1965——

Mr. PASSMAN. Let's put the correct figures in the record.

Mr. BREECHER. It was $83 million.

Mr. PASSMAN. Let's put the correct figures in the record; will you do that?

Mr. BREECHER. If we can get them from the Department of Defense, yes, sir.

Mr. PASSMAN. Take your time. It is a long time until Christmas. Let's get them. After all, we know that that added very substantially to the Korean economy, because these boys are spending their money. For that matter, Uncle Sam is not very stingy.

(The information follows:)

U.S. defense expenditures entering the international balance of payments in Korea

[In millions of dollars]

Calendar year:	
1953	$62
1954	44
1955	62
1956	36
1957	58
1958	88
1959	94
1960	94
1961	115
1962	105
1963	88
1964	94
1965	100
1966	159
1967	241
1968	303
1969 (preliminary)	375
Total	2,118
Average (rounded)	125

These statistics are not available for the years 1950, 1951, and 1952.

Mr. PASSMAN. Do you have some grandchildren, Mr. Director?

Mr. O'CONNOR. My children are relatively young, sir. I don't have any.

Mr. PASSMAN. You have some children.

Mr. O'CONNOR. 11 and 9.

Mr. PASSMAN. Two children.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I will bet they are healthy and some day they are going to marry and have children so what I am doing is helping your children. You don't have to be too smart to know we have to stop it.

INCREASE IN NUMBER OF PARTICIPANTS

Last year you proposed a 1970 program calling for 117 noncontract participants. This year your estimate for fiscal 1970, the same year, has increased to 165 noncontract, and 18 contract; is that correct?

Mr. O'CONNOR. The figures are 129, sir, in 1970.

Mr. PASSMAN. In 1970 you proposed 117 and 12 contract participants.

Mr. O'CONNOR. Right.

Mr. PASSMAN. However, you updated your record, and you show that for the same year you will have 165 noncontract and 18 contract. You have increased one category from 12 to 18, and you have increased the other category by 48.

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. This is par for the course. I don't know that there is a thing in the world I can do about it except say that it is not right, not to be any firmer on these programs than you are.

RURAL POLICY PLANNING AND DEVELOPMENT PROJECT

Mr. Director, in connection with the Rural Policy Planning and Development project, again it would appear that your estimated total cost has increased by $777,000 to a staggering total of $10,983,000; is that correct?

Mr. O'CONNOR. That is correct.

WATER RESOURCES DEVELOPMENT PROJECT

Mr. PASSMAN. I notice on page 34 again you plan to increase the estimated total cost of the Water Resources Development project by $119,000. This would bring this project cost up to $1,601,000; is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. I don't know why I should comment any further. This is par for the course. Of course, you people don't know what any of these projects cost, because we give you the money on an illustrative basis. You come in with a lot of rough guesses, fill up space. We give you the money, and a lot of late allocations fall in the guess category. I find sometimes it is 3 or 4 years before we actually know what some of these projects are costing, and many times they are 200, 300, 400 times the amount of the original estimate.

HEALTH AND FAMILY PLANNING PROJECT

In regard to the Health and Family Planning project on page 36, I notice you have reduced the program level over the last several years. We are glad to see this, if it is genuine. Could it be that the Korean Government is now providing more funds for this program, or did you have an overestimate originally?

Mr. O'CONNOR. I think, Mr. Chairman, that the Korean Government is providing more funds. I also think that there are other funds coming in. I have those figures on the Korean Government.

Mr. PASSMAN. If you do, put it in the record.

(The information follows:)

FAMILY PLANNING PROJECT IN KOREA

Over the last 3 years, the Korean Government has been providing increasing amounts of funds to the family planning program.

Fiscal year:	*ROKG contribution*
1968	$1,111,000
1969	2,095,000
1970	2,341,000

Mr. PASSMAN. Do you have funds from other sources?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. World Bank?

Mr. O'CONNOR. No. there are funds, however, from a number of voluntary agencies that are being funded, coming into Korea, independent of our program. The Swedish International Development Agency——

Mr. PASSMAN. What they are actually doing then is performing some of the functions that you had previously intended to fund under this appropriation.

Mr. O'CONNOR. Some of these and some other ones of their own; yes, sir.

Mr. PASSMAN. I mean is that a statement of fact?

Mr. O'CONNOR. Yes, sir.

TECHNICAL ASSISTANCE TO ROKG ACTIVITIES

Mr. PASSMAN. On page 39 you indicate that you increased the estimate of the total cost of the Technical Assistance to ROKG Activities projects by $214,000 over last year's estimate of $2,805,000; is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Did you justify last year the $80,000 that you have allocated this year under contract participants for fiscal 1970?

Mr. O'CONNOR. We will have to get last year's book to check that.

Mr. PASSMAN. Let somebody get it for you, Mr. Director. Here it comes right now.

Mr. O'CONNOR. Apparently we did not present last year——

Mr. PASSMAN. Had we been operating on a line item bill, providing the amount of money that you asked for by project, you couldn't have done this, could you?

Mr. BREECHER. This is correct, Mr. Chairman, if the money had been broken down to contract participants.

Mr. PASSMAN. That is what I mean, line item. You ended up with some money and you had to find some way to spend it.

NEW PROJECTS

I notice that all of the new projects you plan to start this year, three, are estimated to terminate in 1975, is that correct?

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. Can we take some encouragement from this, that unless Congress in its wisdom terminates this give-away program prior to 1975, is this possibly the date that you plan to cut off all

economic assistance to Korea? Is that what you have, a termination date? Let me in on the secret, if it is.

Mr. O'CONNOR. Sir, as you know, this is our last year, unless conditions change, of supporting assistance. We hope in 2 or 3 years we will be out of development loans entirely. But for technical assistance we have no plans at this moment to terminate in the near future in Korea.

Mr. PASSMAN. We will try to help you work out some, Mr. Director.

Mr. O'CONNOR. All right, sir.

TWO- AND THREE-STEP LOANS

Mr. PASSMAN. You will find us very cooperative. Now I believe many of the loans in Korea are what we define as two-step loans, is that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. How about describing for the record at this point your understanding of a two-step loan?

Mr. O'CONNOR. Basically, sir, we loan the money to the Government on our terms, and the Government reloans it to an industry or a Government corporation.

Mr. PASSMAN. The facts are then, and that is the way I understand it, you do actually have in some instances a three-step loan, do you not?

Mr. O'CONNOR. I think that would be true where we loan to a Government bank. Where we would loan to the Government——

Mr. PASSMAN. Where you would loan to the Government, they in turn would make the loan to the development bank. The bank in turn would make it to their former customers.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. So it would be very easy to have a three-step loan, I certainly wouldn't be quarreling with that, because that is really what makes the economy grow in this country. I would say at each point there is a profit made, that if we make these loans available to Korea at 2 percent, they make them available to the banks, we will say, at 6 percent and the bank charges 8 percent. Then there is actually two profits made after it leaves the hands of the Government, in which the people who borrow the money make a profit, pay income taxes back to the Government, is that right?

Mr. O'CONNOR. I think it would work that way in many cases, yes, sir.

(Discussion off the record.)

Mr. PASSMAN. Under these two- and three-step loans, do we have anything to do with fixing the interest rate? If it is a development loan to the Government, and we know that it is for development banks, do we have anything to do with the interest rate they may charge after it takes the second and third steps, or is that fixed by the boards of directors of these institutions?

Mr. BREECHER. The agreements we make with the Government, Mr. Chairman, call for consultations with our mission, and for agreement of our mission to the terms of the second- and third-step loans.

Mr. PASSMAN. They have the right to have the final say. I mean the final decision, so far as their internal policy is concerned, is left up to the policy backers of the institution involved, is it not?

Mr. O'CONNOR. I think in some cases we might have a veto power, but that would be within the individual contract. I am sure it is a question of negotiation.

Mr. PASSMAN. Generally speaking this deals with their internal matters, and as long as it is not prohibitive, you people never object to or protest the rate.

Mr. O'CONNOR. I would have to check that for the record, because I think some of our agreements specify that we have a veto power on the rates.

Mr. PASSMAN. I wish you would.

(The information follows:)

INTEREST RATES ON TWO-STEP LOANS

The loan agreement negotiated between AID and the borrower establishes the terms (both repayment period and interest) to be followed. The loan agreement sets forth both the primary repayment terms between AID and the host government and the second-step terms between the Government and the revenue producing entity, including such entities as development banks and private borrowers. In the case of development banks, the loan agreement specifies the range of terms to be used between the bank and its borrowers.

Mr. PASSMAN. I note one of the latest loans authorized was for $5 million loaned by the United States to Korea for 40 years at 3 percent, with a 10-year grace period at 2 percent. The Korean Government is allowed to relend that money to the Chungju Fertilizer Corp. for 18 years with a 3-year grace period at 8¾ percent, is that correct?

Mr. O'CONNOR. I am sorry, Mr. Chairman, are you on the——

Mr. PASSMAN. On Chungju.

Mr. O'CONNOR. The ammonia-urea plant.

Mr. PASSMAN. It is page 65.

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. There is one thing that is very strange about this. I am thoroughly convinced and I don't know of any evidence that could be submitted that would prompt me to change my mind, that this is wrong, to make the government a 40-year loan, and they in turn lend it out for 18 years, they get all their money back. Why shouldn't they repay that loan in 18 years? Why do you want to give them 40 years?

Mr. O'CONNOR. Very often I think they are in a position of reloaning it, sir.

Mr. PASSMAN. Couldn't they negotiate a new contact? If we make them a loan for 40 years at 2 percent or 3 percent as the case may be, they relend this money for 18 years at 8¾ percent, I am not quarreling with that, but what I am quarreling with, and I think I have a good point, is that when they pay that money back in 18 years, the Korean Government should pay that money back to the United States. You don't know whether they would need to relend that money at the end of 18 years. Certainly that would be the time to negotiate an extension of the loan beyond that period, because you know and I know when you enter into an agreement to make this loan for a 40-year period, regardless of how wealthy they may become, how strong an economy they may generate, they still don't have to pay that back under 40 years, do they? Those are the terms of it.

Mr. O'CONNOR. They will be paying it back——

Mr. PASSMAN. I am using the term "maximum," in each instance, 18 and 40. Couldn't you have an understanding with them that if you are going to make a loan now for 18 years at 8¾, that gives you an extremely handsome return, since we are only charging you 2 percent, you have an extremely nice profit, but when this company pays this money back to you, we want you to pay us back. Then if there is any need to negotiate a new loan, we will do so. But you know and I know, Mr. Secretary, regardless of how strong an economy they may develop or how wealthy they may become, common sense tells you that they are not going to pay a loan back that is not due, when they can continue using that money and making a big fat profit.

Mr. O'CONNER. Mr. Chairman, I think you have got an interesting point.

Mr. PASSMAN. It ought to be more than interesting to you. These are the cold blooded facts of life, and I wish you would have a look at it.

Mr. O'CONNOR. I will sir. Could I just add one point if I may?

Mr. PASSMAN. Please do.

Mr. O'CONNOR. It is a question of the foreign exchange and foreign currency reserves, because they have got it in won or the local currency and would not necessarily be able to pay it in dollars.

Mr. PASSMAN. You are only guessing. That could be settled at the end of 18 years.

Mr. O'CONNOR. It could.

Mr. PASSMAN. It could be that the won would be worth more than the dollars.

Mr. O'CONNOR. Right, and I think it is worth taking a hard look at it.

Mr. BREECHER. Could I comment, Mr. Chairman?

CONVERTIBILITY OF CURRENCY

Mr. PASSMAN. Yes, provided you let me get this is the record. There is no currency on the face of the earth that does not have a conversion rate, is there? All currencies have a conversion rate.

Mr. BREECHER. Most of them do, sir.

Mr. PASSMAN. Tell me one that doesn't. You asked for it. Tell me one that doesn't, that you can't convert?

Mr. O'CONNOR. At some level you can convert.

Mr. PASSMAN. Wait a minute now. We are getting all muddled up. Name me a currency on the face of the earth that does not have an exchange rate, that you can't convert, at some rate.

Mr. BREECHER. Indian rupees you cannot legally convert, Mr. Chairman.

Mr. PASSMAN. There is a conversion rate on Indian rupees.

Mr. BREECHER. I have a sister who lives in India. She can't get any dollars for Indian rupees unless——

Mr. PASSMAN. Maybe not in India.

Mr. BREECHER. Yes, in India.

Mr. PASSMAN. You go down to the Treasury tomorrow. Go anywhere and get 100 Indian rupees, and I will bet you $3 to $1, that you can take them down and convert them at whatever the rate is.

Mr. BREECHER. Where, sir?

Mr. PASSMAN. Certainly you can do it.

Mr. BREECHER. You have to get the rupees out of the country first.

Mr. PASSMAN. She lives in the country?

Mr. BREECHER. It is illegal in India to take rupees out.

Mr. PASSMAN. There is no such thing as an inconvertible currency.

Mr. BREECHER. I am saying that there are a number of countries, and I have cited one of them, where you cannot legally convert.

Mr. PASSMAN. You are talking about a citizen within the country.

Mr. BREECHER. That is right.

Mr. PASSMAN. But it still has a conversion rate. Now, you have certain stipulations applicable to a citizen. In the United Kingdom citizens going out of the country can only take a certain amount of currency.

Mr. BREECHER. Exactly.

Mr. PASSMAN. But that doesn't modify what I said, that there is a conversion rate on all currencies.

Mr. BREECHER. Conversion rate so understood, legally or not you are right.

Mr. PASSMAN. Thank you. You knew all the time I knew it and you knew you were going to agree. I have always referred to you as a solid witness. I hate to have you confess that I am right.

Have a look at that, Mr. Director. You might wind up as Secretary of State if you can put it over, if you want the job.

Mr. O'CONNOR. I would appreciate it, sir.

Mr. PASSMAN. You would? I will tell you one thing, if this is right, I am without the intelligence to comprehend. This just doesn't make sense.

LAOS

Now, in Laos, you are requesting for fiscal 1971, $46,098,000, is that correct? Is this all spigots, or does this deal only with title I?

Mr. O'CONNOR. Excuse me, the figure you mentioned was?

Mr. PASSMAN. $46,098,000.

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. Is this all spigots or title I?

Mr. O'CONNOR. Title I, sir.

Mr. PASSMAN. Make it all-inclusive. Gentlemen, do you have the all-inclusive figure?

AID FROM ALL SOURCES FOR LAOS

Mr. O'CONNOR. Through 1970, sir, which is the figure I think you wanted.

Mr. PASSMAN. Would you make the total aid figure all-inclusive, all spigots that they are eligible to draw out of?

Mr. FLINNER. They are eligible for certain things, but I don't believe there is any other economic aid planned for Laos, except maybe in small amounts.

(Discussion off the record.)

Mr. PASSMAN. It used to be a piece of title I.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Just because it has been fragmentized doesn't mean we are not going to pick it up and get the grand total. I am not talking about the Defense Department appropriation. I am talking about military assistance being administered by the Defense Department.

Mr. O'CONNOR. We have that here, sir, on a classified basis, the Defense Department program, ———.

Mr. PASSMAN. What else do you have? How much of that is economic aid?

Mr. O'CONNOR. In addition, sir, to the $46.1 million that we are requesting on title I, there is consideration of Public Law 480 of $800,000.

Mr. PASSMAN. Would you mind putting all those pieces together?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. And if it is classified, which I doubt it would be, this committee is not smart enough to find all these different hidden pieces. I don't know how the Laotians will. If they do, they are too smart to be getting aid, so try to put all the pieces together and also find out how much economic aid is going to Laos from the military.

(The information follows:)

Proposed assistance to Laos in fiscal year 1971

Economic assistance (AID)	$46,098,000
Public Law 480	835,000
Peace Corps	————
Total economic assistance	46,933,000
Amounts in Defense budget:	
Economic assistance	
Military assistance	
Total in Defense budget	

CLAIMS AGAINST LAOTIAN GOVERNMENT

Mr. PASSMAN. I believe this is a friendly little country.

Do you have about the same leaders at the Cabinet level in Laos that you had when we started this program back many years ago?

Mr. O'CONNOR. I would have to ask some of my colleagues in the State Department.

Mr. GREEN. You would have the same Prime Minister and maybe one or two others.

Mr. PASSMAN. Have we trained these people? At one time, bless their lovable hearts, they didn't know how to do business and about 45 percent of all of the exports into Laos were being accepted back in Thailand and other countries and never did cross the border into Laos. They know that that is not right now, don't they?

Mr. O'CONNOR. As we did——

Mr. PASSMAN. We taught them that that is not right; haven't we? If you are shipping something to Laos it should go into Laos and not be accepted before it gets there and channeled to black markets? They know better than that now; don't they?

Mr. O'CONNOR. We have an audit system——

Mr. PASSMAN. Don't they know that that is not right now?

Mr. O'CONNOR. Whether everybody in the country knows it, I cannot answer.

Mr. PASSMAN. Some people do?

Mr. O'CONNOR I think so.

Mr. PASSMAN. I am talking about the Laotians. I wonder if they have learned that it is not right to bill used merchandise at the price of new merchandise. I wonder if we corrected that little mistake. I don't know whether they have or not, but have they admitted that that was part of the skulduggery that they practiced and they agreed to reimburse us? I direct this question to the Controller. Did they ever reimburse us for that money?

Mr. FLINNER. Yes, sir. The money was refunded.

Mr. PASSMAN. When did they reach that agreement? At the time of reform or at the time we caught them? During the reformation period or when? I might make this record read better but I wanted you to know I knew all about this. They confessed to their sins and agreed to pay off?

Mr. O'CONNOR. As you know, there is this account in the bank against which we draw.

Mr. PASSMAN. I wanted to find out first——

Mr. O'CONNOR. $317,000——

Mr. PASSMAN. Did they reimburse for these shenanigans?

Mr. O'CONNOR. Yes, sir; $317,329.58.

Mr. PASSMAN. Is that on those used sewing machines?

Mr. O'CONNOR. It was payment for refund claims.

Mr. PASSMAN. How much did they pay? Everything we claimed or just part of it?

Mr. O'CONNOR. We have some pending claims.

Mr. PASSMAN. What are they? How much?

Mr. O'CONNOR. In the amount of $79,000. We have some claims that are under investigation that we have not certified yet as being valid for $37,000.

Mr. PASSMAN. Put them in the record, if you will.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

UNPAID CLAIMS AGAINST LAOS

Bills for collection on all outstanding claims have been issued, and the Laos Government has agreed to pay refunds to the U.S. Government, as follows:

1. Overpricing (mainly vehicles)	$72,029.85
2. Fraudulent transactions	7,251.00
Total	79,280.85

These claims will in turn be issued by the Government of Laos against the offending importers.

There are additional possible claims still under investigation amounting to some $37,000. These include:

1. Nonutilization	$2,685.00
2. Possible diversion	25,000.00
Total	37,685.00

Mr. O'CONNOR. Mr. Chairman, one of the things we did was cut way back in our commodity import program so the degree to which we didn't have control was sharply reduced.

Mr. PASSMAN. Let me say for the record that this country is somewhat smaller than our country.

Mr. O'CONNOR. Substantially.

Mr. PASSMAN. What do they have, about 3 million people?

Mr. O'CONNOR. About 3 million.

Mr. PASSMAN. They were happy-go-lucky people until we got them involved in this eating high on the hog.

In a recent Washington Post article it was stated that a large amount of aid going to Laos had been diverted to a New York bank account, one of the biggest black-market currency operations in Southeast Asia. This article specifically mentioned the Foreign Exchange Operations Fund. Are you familiar with that?

Mr. O'CONNOR. Yes, sir, I am.

Mr. PASSMAN. What is the story on that?

Mr. O'CONNOR. Our Office of Investigations and Inspections has been through this transaction. There was no net loss to the FEOF at all. They found that what had been happening was, this check was made out and cabled to this account at the Manufacturers Trust and that the FEOF people had no idea of what the account represented nor did they have any responsibility to find it out. It was simply a payee on a check. Our office concluded that there was nothing illegal in the transaction. That does not mean it was desirable, but the check was made out to a payee in New York.

Mr. PASSMAN. A lot of things not illegal are very undesirable, would you say?

Mr. O'CONNOR. It is almost impossible for any bank to pass on checks.

CORRUPTION IN EAST ASIA

Mr. PASSMAN. I am not criticizing the bank. I am just criticizing you. They don't trust themselves. We know it. It is a condition and we have to live with it.

For instance, Mr. Secretary, it may interest you to hear this story. This committee was over in Thailand a few years ago and we were told some rather startling things, frightening stories. I think it was a prime minister out there who promoted himself to general and I think he was riding a bicycle just a year or two prior to that, living in a grass-top hut. All at once he began to make money and he had about 39 businesses and all of the purchases that he made for the Army had to be directed through one of his enterprises. We brought that story back to Washington and the then powers in being didn't pay too much attention to that, I am afraid.

During another trip out there we learned that this great Christian leader had been called to the great land beyond and he had put together a little net worth of some $139 million. That was the first story.

After certain arrangements no doubt with other government people, they finally cut the $139 million down to perhaps $35 million, and then they finally settled with the heirs for almost $20 million and the rest reverted back to the Government.

This is just one of the stories out of the Far East that we had information on but we stopped bringing that information back home. People didn't seem to pay any attention to it. If you don't think in Thailand they are good operators, I want you to listen to this.

We have been so generous and so blind to so many of the facts of life that for the period 1950–68, inclusive, 19 years, our balance-of-

payments deficit has been $36.896 billion—that is using the conservative figure provided to us by the officials.

BORROWING FROM RECIPIENTS OF U.S. AID

Now, we have had only two small surpluses during all of that time, one in 1957 of only half a billion, and in 1968 we showed a small surplus of $93 million. What brought that about? We had our crew, known as the "black sachel crew," traveling all over the world finding nations that had accepted our aid, and had built up very substantial reserves in their foreign exchange and gold reserves. Thailand was one of them.

As we got the story, you may have been the negotiator, I don't know——

Mr. O'CONNOR. It was before my time, sir.

Mr. PASSMAN. This is pretty recent. We found out that during our foreign aid program we had given Thailand approximately $1 billion but during that same period Thailand had built up gold reserves of over $1 billion. We tried to borrow it.

Mr. O'CONNOR. Over $1 billion?

Mr. PASSMAN. Over $1 billion.

We gave them $1 billion in aid and during that same period that they built up their own reserves $1 billion in surplus. Our black-sachel men arrived there, and the first proposal was to borrow $250 million U.S. dollars.

They said no.

I think after long diplomatic wrangling and strong arguments and arm-twisting, Thailand reluctantly but firmly agreed to make the United States a dollar loan of $100 million. Terms, 4½ years at 6 percent interest.

This is a factual story. It shows you what kind of mess we are getting ourselves into. Those people are waxing fat. They don't need any aid any more than I need a dime at this minute.

It has been verified and is accurate, so we didn't have that little $93 million surplus by increasing our exports versus imports. It was simply by borrowing surpluses that former recipients had built up that they didn't need.

The sad part of the story is that this money that we borrowed during 1968 to try to show a balance-of-payments surplus is going to come due reasonably soon and we don't know what kind of arrangements we are going to make at that time. I wish that I had taken a course in diplomacy so I could get the statistics over to you with a smile without being sarcastic.

This is the mess we are getting ourselves into. President Nixon cut it off the first 8 days he was in office. We have people in the fourth grade that know better than to do this. He stopped it like that.

You know what happened? The whole story revealed itself. Last year we had about $7 billion deficit in our balance-of-payments situation. These statistics are accurate. I don't just put these things together. They are right. I was educated in the wrong school, I am afraid.

Have a look at this.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. I give Mr. Nixon credit. He stopped it quick.

Mr. O'CONNOR. Sir, on the question of Thailand, could I make a couple of points?

Mr. PASSMAN. Sure. A bookful, if you can make them.

Mr. O'CONNOR. It is quite true they have a billion dollars; I believe it is now in the $990 million range. At the same time, sir, they have $164 per capita GNP which compares to Korea's $212 and Philippine's $208.

Mr. PASSMAN. They are getting fat and living good?

Mr. O'CONNOR. Very few do.

Mr. PASSMAN. Mr. Secretary, I have been in Thailand and I have never been in a more prosperous country in my life. Let us stop kidding ourselves; those people, by their standards, are just as happy as they can be, well-fed, well-dressed, smiling.

I will have to ask you to yield to me. Let me put this in the record. I was out there 8 or 9 years ago with the clerk and we went to the AID people and they said, "We have wonderful news for you."

"What is it?"

"We are concluding our aid program here. These people are getting along nicely now and we have finished our program and everything is okay."

So we had a party that night toasting each other because of the fact we were getting out of Thailand and they were waxing fat by their standards. There would be no more aid. If you had heard the applause you would have thought possibly some great speaker had orated. We went back out a year later and I thought possibly they were going to have a funeral, things were so sad. I said, "What in the world is it?"

They said, "We will talk about it later."

We called our hearings and got around a table about this size, very formal, with pencils and pads.

I said, "Well, I want to again congratulate you on terminating the aid here and I just came back on a friendly visit."

"Well, I am afraid that we are going back into a new program."

"What is your new program?"

"Well, we have been instructed by Washington not to reveal any facts to you."

This AID director, mission director had gotten his crony in the AID agency to wire him out there not to give us this information.

I said, "This is a heck of a note, a legal committee out here on a regular inspection tour and you have been instructed not to impart this information to us?"

"That is right."

Well, to make brief a long story, some heads rolled, but you cannot tell me anything about Thailand; 100 years from now they will still be living like they are now, happy by their standards and smiling and dressed well. You will see those surpluses continuing to build. No one can tell me that it is right to go out to Mr. and Mrs. America and borrow their money to pay for commodities that we are going to give to Thailand, permitting them to build up a billion-dollar surplus in their own foreign exchange account and gold reserves and then we have to borrow it from them so as to increase our balance-of-payments and pay them a high rate of interest. It does not make sense. You

have to relate GNP with something. You have people down in my district, I rather think, whose GNP may be $100 a year, but they have one of the finest gardens that you ever looked at. They have a deep-freeze just loaded with fresh meat and a smokehouse loaded with cured meats. They have a cow which provides them with plenty of milk and butter. They don't have much money, but they have things to live on.

I brought this story back and they didn't pay any attention. I recite this for the record.

There are a lot of other stories we brought back and if they listened to them we wouldn't be in some of the entanglements that we are in.

ASSISTANCE TO LAOS FROM OTHER COUNTRIES

Briefly list for the record the amounts, by countries and type of assistance, other countries are contributing to Laos.

Put that in the record.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

OTHER DONORS IN LAOS CURRENT YEAR 1969

[In millions of dollars]

Country	Technical assistance	Foreign exchange operations fund	Total
Australia	0.6	0.72	1.32
France	5.8	1.70	7.50
Japan	.54	1.70	2.24
United Kingdom	1.3	1.695	2.995
Total	8.24	5.815	14.055

In the years 1964 through 1968 the donors above contributed $23.5 million to the foreign exchange operations fund. Other donors including Canada, West Germany, Israel, and others contributed varied assistance totaling approximately $15.5 million over the same period.

CONTINGENCY FUND IN LAOS

Mr. PASSMAN. Would you please explain what was financed out of the contingency fund in fiscal year 1969 at the level of $545,000?

Put that in the record.

Mr. O'CONNOR. We will. It was, in fact, for refugees. One of the peculiarities of Laos is whenever there is an advance or retreat, we end up with more refugees. There is no way we can control those costs but you have an obligation to take care of those people.

(The information follows:)

CONTINGENCY FUND FINANCING IN FISCAL YEAR 1969

The $545,000 contingency fund financing in the fiscal year 1969 Laos program was used for emergency refugee relief requirements resulting from the increased military activity there from February 1969 onward.

Mr. PASSMAN. Who said so? Who said we had an obligation?

Mr. O'CONNOR. These people have been suffering for quite a long time. We have——

Mr. PASSMAN. They have as much to eat as when we started, haven't they?

Mr. O'CONNOR. Some of the costs are in providing them with food.

Mr. PASSMAN. Last year you did not indicate any financing of this fund for fiscal year 1969, did you?

Mr. O'CONNOR. No. It was a contingency over which we have no control. It is almost impossible to estimate since we don't know what is going to happen in the military situation there.

Mr. PASSMAN. It has been just about the same in this small area for many, many years. I can remember, it is a very small country and you had, I believe, two half-brothers and a first cousin running it?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. They sliced this pie up and he played bad and he played good and they said "we will divide it up." Are we slicing that thing up now or are we directing it to the one brother?

Mr. O'CONNOR. Our AID program is going to the single government of Souvanah Phouma.

Mr. PASSMAN. Still on cordial relationships with his relatives?

Mr. O'CONNOR. I think that I might pass——

Mr. GREEN. Not on cordial relationships with the Red prince, his half-brother.

Mr. PASSMAN. Cordial?

Mr. GREEN. No; not cordial relationships.

Mr. PASSMAN. Any relationships?

Mr. GREEN. They are cordial relationships between—good working relationships between the neutralists led by Souvanah, and the rightists.

Mr. PASSMAN. There are good working relationships between the half-brothers?

Mr. GREEN. No. The half-brother you are referring to is the Red prince. He is in charge of the Communist Pathet Lao in Laos.

Mr. PASSMAN. Always has been?

Mr. GREEN. Right.

Mr. PASSMAN. He used to slice this melon, didn't he?

Mr. GREEN. I don't know. That goes way,way back.

Mr. PASSMAN. It does not go that far back. They no longer do that?

Mr. GREEN. No.

Mr. PASSMAN. Thank you.

NONCONTRACT TECHNICIANS IN LAOS

Last year you estimated that 455 noncontract participants would be programed in fiscal year 1970, and this year you have increased that estimate to 682 noncontract participants for the same year, same period. Is that correct?

Mr. O'CONNOR. I am sorry, Mr. Chairman. Page 72 of the project data book has a typographical error. The 682 participant figure is wrong. It should be 500.

Mr. PASSMAN. It would please this committee very much if you people would operate reasonably close to what you tell us you are going to do. Give us a breakdown for the record of the 500 noncontract participants.

Mr. O'CONNOR. Yes, sir.

NONCONTRACT PARTICIPANTS IN LAOS—FISCAL YEAR 1970

[Dollars in thousands]

Project	Projects with participant training					
	Fiscal year 1970 per fiscal year 1970 congressional presentation			Fiscal year 1970 per fiscal year 1971 congressional presentation		
	Project total	Participants cost	Numbers	Project total	Participants cost	Numbers
Agriculture	$4,363	$143	107	$2,147	$170	119
Industry	350	21	18	370	38	17
Roads	2,000	16	18	2,286	28	32
Public health	2,110	59	47	3,051	53	12
Maternity/child health	447	7	10	950	10	12
Education	1,920	165	165	1,449	214	142
Civil police	630	46	44	566	70	59
Rural economy	4,000	5	15	3,827	17	18
Refugee relief	1,000	4	6	3,436	6	10
Public administration	400	60	25	441	76	79
Totals	17,220	526	455	18,573	682	500

Mr. PASSMAN. If this were a line-item bill and you had a positive limitation on the amount of money with which you could fund noncontract participants, then you would have had to live with the sum and you would have held the number of participants to 455, would you not?

Mr. O'CONNOR. We would have followed the law, sir.

Mr. PASSMAN. Too bad we didn't have a law for you to follow. It is not your fault.

EXPRESS TRANSPORTATION ORGANIZATION

Last year we had quite a discussion of the Express Transportation Organization which provides transportation of goods across Thailand to Laos. We established for the record last year that this outfit was owned by the Thai Government. Is that correct?

Mr. O'CONNOR. That is correct, yes. It is a Thai state corporation.

Mr. PASSMAN. Are we furnishing any money to this outfit?

Mr. O'CONNOR. We have a contract with them, sir, for transporting AID project commodities.

Mr. PASSMAN. At what cost?

Mr. O'CONNOR. The estimated total cost in fiscal year 1970 is $589,000.

Mr. PASSMAN. It transports AID commodities within Thailand mainly?

Mr. O'CONNOR. It transits Thailand to Laos.

Mr. PASSMAN. What percentage of the cost of this transportation is to transport goods within the country of Thailand?

Mr. O'CONNOR. None. It is all in transit, sir. The entire amount represents transit costs for commodities to Laos.

Mr. PASSMAN. Would you have another look at that? I believe you may find that some part of the commodities are dropped off at some of the other depots. Have a look at your reports on that.

Mr. O'CONNOR. I will, sir. It does not show up here. We will take a look at that.

Mr. PASSMAN. Give us a report on that.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I think that you will find there are several stations at which these commodities are dropped off. That is why we were inquisitive about this last year. We would like to know the division. I think that you will find that we are subdizing, in all probability, double subsidy, giving them the commodity and paying the transportation. Check into that and put it in the record.

Mr. O'CONNOR. We will.

(The information follows:)

GOODS TRANSPORTED IN THAILAND BY THE EXPRESS TRANSPORTATION ORGANIZATION

The USAID Mission in Laos contracts with the Express Transportation Organization to transport project commodities funded under the Laos AID program from the port of Bankok to Laos. These commodities are exclusively for use in the Laos program; none are delivered within Thailand. Costs of transportation within Thailand of AID commodities funded under the AID program for Thailand are financed by the Government of Thailand.

Mr. PASSMAN. Please place in the record a list of the amount allocated to this transportation company since its inception, including the estimate for 1971.

Mr. O'CONNOR. That is, the contract price paid to it?

Mr. PASSMAN. Yes. The amount of subsidy to the Express Transportation Company, by year.

Mr. O'CONNOR. All right.

Mr. PASSMAN. From the beginning through fiscal 1971.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

Amounts paid to the express transportation organization in Thailand for transportation of USAID/Laos project commodities from Bangkok to Laos

Fiscal year 1968[1]	$260,314.84
Fiscal year 1969	242,383.43
Fiscal year 1970 (estimate)	290,000.00
Fiscal year 1971 (estimate)	440,000.00

[1] Payment records prior to fiscal year 1968 were destroyed in a warehouse fire in 1969.

THIRD-COUNTRY NATIONALS

Mr. PASSMAN. Mr. Director, I also note in most of these projects AID hires third-country employees. Is that correct?

Mr. O'CONNOR. In Laos we do hire quite a number of third-country employees: Filipinos, primarily, I believe.

Mr. PASSMAN. What do they know about this? What are they employed to do in this effort? Mainly in what projects, what endeavors?

Mr. O'CONNOR. One specifically that I remember having seen there is in the so-called Operation Brotherhood; that is, Philippine doctors and nurses manage I think four or five different hospitals.

Mr. PASSMAN. That is just one. What are some of the other projects?

Mr. O'CONNOR. There are actually, I believe, four or five different installations that hire Filipinos and they are doctors and nurses.

Mr. PASSMAN. They are technical aid people?

Mr. O'CONNOR. They are third-country nationals.

Mr. PASSMAN. To carry out technical assistance projects mainly?

Mr. O'CONNOR. Yes. They are good and they are able and they do well in the area.

Mr. PASSMAN. It seems like you would leave them in their own country to train their people. If you get these people trained to the point that they are expert, it looks like we could pull out and let these experts stay in the country and train others to be experts.

Mr. O'CONNOR. That is going on. Actually there is a surplus of doctors in the Philippines, and nurses.

Mr. PASSMAN. You are talking about only one category. I am talking about several hundred people here, am I not? That is why I said technical aid.

Mr. O'CONNOR. I think we will have to give you a specific breakdown on the third-party technicians. The Philippines was the only one I was aware of. I understand that there are some Thais involved in education.

Mr. PASSMAN. That is right. We also have our technical aid people in Thailand and the Philippines, do we not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. The Philippines and Thailand have taken their technical aid experts and sent them to Laos to teach them what we taught them, is that the way it works?

Mr. O'CONNOR. That is partially the way it works.

Mr. PASSMAN. Why don't you leave them in that country?

Is this true worldwide, Mr. Director?

Is this worldwide? Have these people been able to learn quickly in other countries as they have in Thailand and the Philippines, Mr. Furman?

Mr. FURMAN. They are employed in various missions.

Mr. PASSMAN. We want to make a record. Did they become experts in technical aid? I wonder if they became expert only in Thailand and the Philippines, or have they been trained all over the world where we have technical assistance programs going?

Mr. FURMAN. I am sure the AID program has assisted in training a number of people in all of the countries we have been working in. The important thing to keep in mind here is the fact that we are talking about people from the region where they are working.

Mr. PASSMAN. You know and I know what we are talking about and you are being evasive.

Mr. FURMAN. No, sir.

Mr. PASSMAN. The Director says that these people that we are taking out of Thailand and the Philippines are in the technical aid field mainly and they are experts and we are sending those people over into Laos to train their people. I just want to know whether or not nationals in all of the other countries in the world where we have a technical aid program have been able to master these techniques as well as the Thais and people in the Philippines.

Mr. FURMAN. Yes, sir, they have.

Mr. PASSMAN. If they have, you ought to bring those people home because now you are admitting for the record for the first time that these people have experts. You are increasing the program every year, you know that and I know that.

Mr. FURMAN. Every year we have completed projects—because the recipient government is able to carry on without our assistance——

TOTAL NUMBER OF PEOPLE IN TECHNICAL AID

Mr. PASSMAN. What is the grand total for your technical assistance people in fiscal year 1971? Direct hire and local. This man is too evasive. He does not want to face it head on.

Mr. O'CONNOR. For our area?

Mr. PASSMAN. No, worldwide.

Mr. O'CONNOR. I have to turn to Mr. Flinner.

Mr. FLINNER. Total third-country nationals?

Mr. PASSMAN. No, I am talking about the total people we have in technical aid. Number of individuals.

Mr. FLINNER. Direct-hire technicians?

Mr. PASSMAN. All brands and categories, Mr. Controller. Some of these people are long overdue in getting out of these countries.

Mr. FLINNER. We have to add these three figures for you. Estimated June 30, 1970, direct-hire technicians, are 11,952.

Mr. PASSMAN. The others?

Mr. FLINNER. Other participating agencies, U.S. other agencies, 929. And U.S. contract technicians, 2,349.

Mr. PASSMAN. What is the grand total?

Mr. FLINNER. 15,230.

Mr. PASSMAN. At what cost?

Mr. FLINNER. These are technicians.

Mr. PASSMAN. At what cost?

Mr. FLINNER. I have to get that. I don't have the costs. Those are the numbers of technicians. It is in the various programs.

Mr. PASSMAN. Average cost? We will arrive at a figure here and see what it is, how this thing works out.

Mr. FLINNER. The average cost of these U.S.——

Mr. PASSMAN. How much do you have for technical assistance in fiscal 1971? That is the best way to arrive at it.

Mr. FLINNER. The proposed 1971 program for technical assistance is $198 million, other than Latin America. Latin America's program——

Mr. PASSMAN. Other figures are all-inclusive. Make this all-inclusive, too.

Mr. FLINNER. $96 million. It is approximately $294 million.

Mr. PASSMAN. Let us go back to fiscal 1965. How many of all categories did you have and what was the appropriation?

Mr. FLINNER. I don't have the numbers of people in 1965.

Mr. PASSMAN. How much money?

Mr. FLINNER. The program in 1965 for technical assistance, actual program, was $219 million, plus 86—about $305 million.

Mr. PASSMAN. Let us go back and put all the pieces in that other figure, too, because this is all-inclusive. Aren't you doing that?

Mr. FLINNER. No. This was the two technical assistance programs, worldwide, and Latin America in 1965, and the actual program was $305 million and that comparable program we are proposing for this year, $294 million in 1971.

Mr. PASSMAN. You have transferred some of the functions from this program to the U.N. and other agencies, haven't you?

Mr. FLINNER. I believe in 1965 we had the UNDP program operating separately.

Mr. PASSMAN. In round figures the appropriation is about the same? There is only $11 million difference in 1965 and what is proposed for 1970. Is that correct?

Mr. FLINNER. Yes.

Mr. PASSMAN. It is about the same? When are you going to finish? The point I am trying to make is that, according to my good friend over there, that we pinned down, we trained the people in all of these nations so well in their respective categories that they can go into third nations and teach the people these trades. That being true, it is time to greatly reduce this technical aid program. I have known that all along.

We have gone into countries and they inform us that they have now reached the point that they have experts themselves qualified to impart these techniques, that we say, this money trained them to do. At least the point is made. Let the people read the record and make up their minds themselves whether or not the record is clear.

THIRD-COUNTRY NATIONALS

Mr. O'CONNOR. Mr. Chairman, could I make one comment on this Laotian situation?

Mr. PASSMAN. Sure.

Mr. O'CONNOR. One of the prime reasons for using third-country nationals is that they can speak the language and communicate with the people a lot better than Americans can.

Mr. PASSMAN. I am not arguing that it is not good to send them. I am only making the point that you have trained people in all of these nations of the world so that they now are experts and they are able to impart the knowledge that we taught them, so it is time to bring our people home. Yet, year in and year out, the appropriation remains at about the same level.

Mr. O'CONNOR. There is certainly no surfeit of technicians in a variety of skills in any of these countries.

Mr. PASSMAN. It is not surplus anywhere you are spending money. You will always find requests because these people are smart enough to know that you don't have to give them direct aid for them to benefit. You turn all of these people loose in these countries and they spend their money. It helps the economy of these countries like the Peace Corps. They ask for it because you know and I know that they spend money in the countries. They travel and have fun and it helps the economy. It is a brand of tourism and they recognize that.

Mr. Director, upon what basis do you pay the technicians going to third countries? Do you pay them according to their standard in their own country or is it based upon the same level that we pay our own technicians?

Mr. O'CONNOR. I am sure that it is not the latter. The specifics of that, how these salary scales are arrived at, I will submit that for the record.

(The information follows:)

THIRD-COUNTRY NATIONAL SALARY SCALES

AID Missions employing third country nationals develop salary scales for such employees on the basis of the prevailing wage rates and compensation practices for corresponding types of positions in the local economy. Compensation plans take into account basic salaries, fringe benefits, premium compensation, severance payments, and contributions to host country social insurance or private insurance plans. Generally, all compensation plans are developed and administered by AID jointly with other U.S. Government agencies in the area.

When there are no similar positions in the local economy, the salary scale for third country nationals provides compensation commensurate with that obtainable by them in other countries in the immediate geographic region. For example, Laos has no market rate for doctors, so the Thai scale is used by USAID Laos for third country doctors.

Third country nationals are not authorized housing or housing allowances, shipments of vehicles and household effects, home leave, rest and recuperation travel, salary differentials, and cost of living allowances. Normally dependents are authorized to accompany third country nationals but AID policy in Laos prohibits such travel.

LAOS NATIONAL ROAD PROJECT

Mr. PASSMAN. There may be some merit to employing these technicians in third countries if you pay them the wages according to the standards in their country, the standards where they are going to serve. I notice that you increased the fiscal 1970 program level by $286,000 above what was justified last year for the development of Laos National Road project. Is that correct?

Mr. O'CONNOR. We had estimated it at $2 million and now estimate it at $2,286,000.

Mr. PASSMAN. It is an increase of $286,000?

Mr. O'CONNOR. Yes, sir.

LAOTIAN EMBASSIES

Mr. PASSMAN. Even under a reduced program you were able to increase the allocation. If I read the record correctly, Laos is a little country of 3 million and until 2 or 3 years ago they maintained no embassies anywhere in the world. Is that correct?

Mr. O'CONNOR. No. I don't think that that is correct.

Mr. GREEN. When?

Mr. PASSMAN. About 5 years ago.

Mr. GREEN. More than that.

Mr. THOMAS. Until the late fifties.

Mr. PASSMAN. Put that in the record. They had maintained no embassies anywhere, is that correct?

I think, so as to give them a little prestige, we decided to open up or permit them to open and finance a few embassies for them around the world. Is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. In how many places has the Laotian Government opened embassies?

Mr. O'CONNOR. First of all, let me say this is a matter of the past. The last support payment for this purpose was given in 1969.

Mr. PASSMAN. They are getting it indirectly. What is the number of embassies? They had no embassies until the AID program came

along and we wanted to add to their prestige, so we said, "Open up an embassy and we will pay the expense."

They started one, is that correct?

Mr. O'CONNOR. I can not answer that.

Mr. THOMAS. I think so.

Mr. PASSMAN. How many nations do they have embassies in now?

Mr. O'CONNOR. Ten, sir.

Mr. PASSMAN. Addressing this question to the State Department, is that the reason they did not maintain embassies, they could not support them out of their economy?

Mr. GREEN. That is right.

Mr. PASSMAN. They were only able to maintain these embassies after we started a very substantial aid program in Laos. Is that correct? This makes a good point. I am not trying to be ugly but trying to be completely factual. It was during the period of this increased aid program that they established these embassies, beginning with one, and there have been 10, but you can have a look at that.

COST OF LAOTIAN EMBASSIES

Mr. PASSMAN. What is their foreign exchange? What is their gross income from exports annually?

Mr. O'CONNOR. It is about $3 million, sir.

Mr. PASSMAN. What was it in 1961?

Mr. BREECHER. Less than $1 million.

Mr. PASSMAN. What does it cost to maintain a full staff in the Laotian Embassy in Washington?

Mr. O'CONNOR. I am sorry, sir, this is lumped together for the whole bag. I don't have it by embassy. All the embassies together were $750,000, so presumably that is $75,000 apiece. That probably varies somewhat, depending on the country.

Mr. PASSMAN. If that be true, it means, then, that about one-third of all their earnings from their exports would have to go to support these 10 embassies and personnel. Is that right?

Mr. O'CONNOR. Well, roughly speaking, that is right.

Mr. PASSMAN. On page 767 of last year hearings it was stated:

Mr. PASSMAN. Why do you gentlemen want to be evasive about furnishing direct information? We have messed these people up, helping them to set up embassies around the world so that if we had peace and tranquility and we stopped our aid program, Laos could not support them, could she?

Mr. NOOTER. They would have a very hard time supporting their embassies abroad.

Mr. PASSMAN. What do you mean, hard time? Laos couldn't support them, could she, out of her small earnings from her exports?

Mr. NOOTER. If they decided in their set of priorities that that is how they wanted to spend their foreign exchange they could do so, but this would be very difficult for them to do.

Mr. PASSMAN. If they did that, then, how could they support the Central Government?

Mr. NOOTER. I agree that——

And then he went off the record. If you stick with this you always have them agree you are absolutely right. You don't have to be very smart to get those answers, to be frank with you. I can get them in every instance if I just take the time. Of course, the only way in the world this little country can maintain her present standards is through

our subsidy. They were extremely contented. I am very familiar with those people out there. We thought it was a very important piece of real estate. We still think so. We didn't have to train those people to eat so high on the hog. Some of them now have become accustomed to caviar, filet, and pink champagne and they are just not going to be satisfied with anything less.

If you should wind up with peace in Vietnam and you cut off this stipend, this subsidy, in all probability they would kick up trouble for us. We are just completely unrealistic about going into these things. Those people would have been just as happy, without a doubt, without those darned embassies scattered all over the world. They have no use for them, any more than I have for a battleship on the Ouachita River which is only 130 feet wide.

MATERNAL AND CHILD HEALTH PROJECT

In connection with the maternal and child health project, last year you estimated the total cost would be $2,181,000 and this year I notice that you have now changed that to undetermined.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Last year you gave us an estimated cost of completion and the date of termination, didn't you?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Did you know what you were talking about last year, gentlemen?

Mr. O'CONNOR. I think so, sir.

Mr. PASSMAN. Then go ahead and correct the record.

Mr. O'CONNOR. I think the reasons——

Mr. PASSMAN. Put this in the proper category. I want the clerk to make another note, we are going to try not to fund any of these undetermined items because it wouldn't be fair to you, your children, grandchildren, or American taxpayers, to let you people start getting your money on the basis of undetermined estimates.

I would rather go back to the old Doug Dillon days, when he said it would take 50 years to do it rather than this. This could go on 100 years under this definition.

Mr. O'CONNOR. I don't think we would buy that, would we?

Mr. PASSMAN. You won't buy it from me. He is no longer here. Smart as he was, he worked himself out.

Mr. O'CONNOR. Mr. Chairman, the reason for the change is that this now includes and has been expanded because of family planning. I don't believe that any of us are in a position to determine the progress of family planning in terms of when you can get out.

Mr. PASSMAN. Yes, you could. You could fix a program and say as of 1973 we will have educated people in the country and they will assume the responsibility themselves.

Don't tell me it is going to be our responsibility to obligate the overburdened American taxpayer for an indefinite period. You are getting too far afield when you come up with undetermined programs. If it was undetermined this year it should have been undetermined last year. This is one of the new wrinkles. This thing could mushroom. We are going to have to watch it.

We will handle it for you if you don't handle it yourself. I trust that you will give us a letter stating the termination date. If not, we are

going to find this kind of language popping up throughout this bill on a lot of other items. You are either going to teach these people the advantages of family planning or, if you don't, or if they don't accept it, it is never going to be a success. If they accept the philosophy from the top down to the bottom, your problem is solved. If they don't accept it you will never solve it. This is no different than any other program that you have when you import the technician and you have trained the experts; if they don't have the desire to carry it out then it will never be a success.

Mr. O'CONNOR. Mr. Chairman, I agree with that. I think that is a very good statement of what needs to be done. All I am saying is that to present costs and years in which it could be done is very difficult to figure.

Mr. PASSMAN. My friend, everything we do is based on time in America. The number of years it takes to get a law degree, masters or bachelors or doctorate. When you get away from a fixed date on anything, believe me, you are getting into trouble. I just hope that you will do it, because this gives these people a license to just keep on begging. You ought to say this is a crash program. We are going to be through in 1972 or 1973. Then you can get those people to thinking that way. These people get these hearings and these justifications. And you know, when you list something as "undetermined," it just gives them a license to expect this thing to go on and on and on.

In addition to that, where is the incentive for these people to enter into a crash program if they are dealing with something undetermined? They will say, "Wait until after the next election, it might hurt me in my campaign." You are making it easy for them to delay indefinitely getting a firm program started.

Have a look at that.

Mr. O'CONNOR. You are making a good point, sir.

Mr. PASSMAN. Mr. Director, last year did you justify the amount listed this year in the fiscal year 1970 program for U.S. technicians and the amount of $48,000 under "Other costs"?

Mr. O'CONNOR. Which number is that?

Mr. PASSMAN. Page 76.

Mr. O'CONNOR. Sir, the answer is that we did not, and I can give you the breakdown on what the money is spent for.

Mr. PASSMAN. Put that in the record.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

U.S. PERSONNEL AND "OTHER COSTS," MATERNAL AND CHILD HEALTH PROJECT

The U.S. personnel to be assigned to the project in fiscal year 1970 include a nurse with specialized training in birth control and population planning, and a population officer with training in demography. These personnel will work closely with WHO and French medical staff connected with the Vientiane maternal and child health clinic, provide general supervision of U.S. commodity distribution, work with training programs for Laos medical personnel, and supervise local demographic data collection.

The $48,000 in direct AID "Other costs" in fiscal year 1970 cover two third-country national clerical assistants, international travel in connection with regional training and planning programs, delivery costs of medical commodities, costs of local employees who will conduct census/demographic surveys in selected areas of Laos, and costs of miscellaneous maintenance, repairs, and operations connected with U.S. activities under the project.

PUBLIC HEALTH DEVELOPMENT PROJECT

Mr. PASSMAN. Could this be a typographical error? I hope so. You increased by about $900,000 what you presented to the committee last year for the public health Development project. Is it actually an increase?

Mr. O'CONNOR. That is an increase. I can give you——

Mr. PASSMAN. If this had been a line-item bill, if we had given you what you asked for last year, then there wouldn't have been a $900,000 increase, would there?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. Thank you.

Mr. O'CONNOR. May I comment on that?

Mr. PASSMAN. Yes.

Mr. O'CONNOR. We had a very large increase in refugees and the medical services needed to support those refugees because of the military situation in Laos.

Mr. PASSMAN. Always will have. It follows if you had a line-item bill and we had discussed this factually across the table, we would have reached the conclusion that you were right and you should have had the $900,000 and given you that in the line-item bill, that is what you would have expected. Is that right? The original amount?

Mr. O'CONNOR. If we had not been able to expend that we would have had a lot of sick and wounded refugees not taken care of.

Mr. PASSMAN. Maybe they would have gotten this better care somewhere else.

Mr. O'CONNOR. That is possible.

Mr. PASSMAN. What was the original request?

Mr. O'CONNOR. $2,110,000.

Mr. PASSMAN. If you had gotten $2,110,000, that is all you would have spent. Is that right?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You are bringing in children and refugees but you have the same thing across the board. You have it in all these technical assistance programs. You have it on almost every page of the book we flip. This is not an exception. This is par for the course.

We are not trying to make it look good for you, I can assure you. We do want to make the record, whether it is in this area or some other area. Had we given you a line-item bill like we do in writing legislation for our own departments, that is what you would have spent, isn't it?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Thank you.

REFUGEE RELIEF AND RESETTLEMENT PROJECT

Under the refugee relief and resettlement project, if I read the record correctly, you increased the fiscal 1970 program allocation by $2,436,000 over the $1 million you requested last year. Is that correct?

Mr. O'CONNOR. That is correct. For exactly the same reason as the earlier project. The wartime situation in Laos makes it impossible to determine what these costs are going to be.

AIR TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. Let us see how many sick people are in this next item, then. The air technical support project on page 82. Did you justify the $109,000 for U.S. technicians in fiscal year 1970?

Mr. O'CONNOR. We did not, sir.

Mr. PASSMAN. Anybody sick in that group?

Mr. O'CONNOR. I didn't hear the question.

Mr. PASSMAN. Anybody sick in this group?

Mr. O'CONNOR. Sir, the main purpose of this group is in fact to direct the air transport of food to the refugees and to transport them out of, for example the Plain des Jarres when they needed to be evacuated. That is what these costs represent.

Mr. Chairman, in Laos you have a wartime situation.

Mr. PASSMAN. One little area. My dear Mr. Director, we have to examine this thing in 99 nations of the world and it is a stock answer. Sometimes it is kind of fringed up a little bit with a few sick people and refugees. I have known refugees with gold-headed walking canes, full purses, good clothes, and with suites in hotels. You know that. The word "refugee" could cover all types of people.

PHILIPPINES

Let us see about this one, this great ally of ours, the Philippines. I say this with some compassion for our former child that we married off even though we have continued to support them. I believe that they have pulled their little handful of men out of Vietnam, have they not?

Mr. O'CONNOR. Yes, sir; they have.

Mr. PASSMAN. Let us look at just how much we penalized them for that act. It would appear that your 1971 estimate is for $8,823,000 and that is for the one spigot. Is that right?

Mr. O'CONNOR. That is for economic assistance only.

Mr. PASSMAN. That is for one spigot of the aid package?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Isn't that an increase of $1,600,000 over the current 1970 program?

Mr. O'CONNOR. It is, sir; most of it in family planning.

Mr. PASSMAN. Sure, I knew it was for something, but it was not for refugees or anything like that?

Mr. O'CONNOR. No, sir; There is no war going on in the Philippines.

Mr. PASSMAN. Not there?

Mr. O'CONNOR. No. sir.

DAMAGE TO AMERICAN EMBASSY IN PHILIPPINES

Mr. PASSMAN. There is a war but a different kind of war. Didn't we have a little war in the American Embassy a little while ago?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Any casualties?

Mr. O'CONNOR. A disturbance.

Mr. PASSMAN. Any casualties?

Mr. GREEN. About $35,000, and they paid us for it.

Mr. PASSMAN. $35,000?

Mr. GREEN. Yes, sir.

Mr. O'CONNOR. Our figure is $7,000. That was to repair the damages done to the chancery annex.

Mr. GREEN. We had two. We will look into that and give you an answer. They have sent us a check covering the cost.

Mr. PASSMAN. $35,000?

Mr. GREEN. No; whatever the cost was.

Mr. PASSMAN. If it is $35,000, is it necessary?

Mr. GREEN. We have to check the record.

Mr. PASSMAN. OK. If it is $35,000, does that justify an increase of $1,600,000 over what you allocated last year to them?

Mr. GREEN. They have repaid us for these damages.

Mr. PASSMAN. The very fact they repaid us $35,000, if that is the figure, that justifies your giving them $1,600,000 for that little gesture?

Mr. O'CONNOR. Sir——

Mr. PASSMAN. That is what you are doing here. You are compensating them for pulling their troops out of Vietnam and by their damage to our Embassy. Why couldn't you people at least have kept this item the same amount you had last year?

Mr. O'CONNOR. Sir, as to the action on the Embassy, the Philippine Government did make a formal apology. They did promise to make full restitution. It is my knowledge those damages were $7,000.

FAMILY PLANNING PROGRAM FOR PHILIPPINES

Mr. PASSMAN. That reads good but you have not answered my question. The increase, of the $8,823,000 this year, is $1,600,000 over what you allocated last year. Is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Is that compensating them for pulling their handful of people out of South Vietnam and tearing up our Embassy, or is this for some other reason?

Mr. O'CONNOR. It is for increasing the family planning program which we think is a very worthwhile program.

Mr. PASSMAN. I guess that you do. It is money nevertheless, isn't it?

Mr. O'CONNOR. It is, sir.

Mr. PASSMAN. If that is the kind of love they have for us, we could do without it.

What is the 1970 family planning program for the Philippines?

Mr. O'CONNOR. $3.5 million, Mr. Chairman.

WATER RESOURCES DEVELOPMENT PROJECT

Mr. PASSMAN. I see you are increasing the estimated total cost of the water resources development project by $360,000. Last year what did you ask for, $240,000?

Mr. O'CONNOR. In 1970 in the congressional presentation we asked for $30,000, and our present estimate is that we will spend $30,000.

Mr. PASSMAN. You are way off base.

Mr. O'CONNOR. Excuse me.

Mr. PASSMAN. You asked for $240,000, didn't you?

Mr. FLINNER. That was the estimated cost to completion.

Mr. PASSMAN. The estimated cost for fiscal 1970 I believe you told us is $240,000.

Mr. O'CONNOR. I am sorry, Mr. Chairman, I misunderstood the question.

Mr. PASSMAN. Is that correct?

Mr. BREECHER. No, sir; the estimated cost for fiscal 1970 was $30,000. The total estimated cost we estimated last year was $240,000.

Mr. PASSMAN. That was my question, the estimated total cost submitted to this committee in 1970 is $240,000.

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. But for 1971 you indicate that the estimated total cost is $600,000.

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. I hope you know more about what you are doing this year than the people who testified on this item last year.

INCREASE IN NUMBER OF NONCONTRACT PARTICIPANTS

On page 92 you indicate 133 noncontract participants are presently programed for 1970. Last year you had 64 noncontract participants programed for the same period. Now with a reduced program how are you able to fund 69 more participants?

Mr. O'CONNOR. In the first place, the program did increase, and in the second place, we must be making it available from other sources, I mean within the program.

Mr. PASSMAN. Would this indicate that it is a bureaucratic scheme, that you had to find some place to obligate this money, or else come up with a fantastically high unobligated amount.

Mr. O'CONNOR. I sincerely don't think that is the case, sir, but I would like to supply further information for the record.

(The information follows:)

PHILIPPINE PARTICIPANTS FOR FISCAL YEAR 1970

[Cost figures in thousands of dollars]

Project	Fiscal year 1970 per fiscal year 1970 congressional presentation			Fiscal year 1970 per fiscal year 1971 congressional presentation		
	Project total cost	Participants		Project total cost	Participants	
		Cost	Number		Cost	Number
Water resources development	30	9	5	30	5	2
Fish productivity	120	40	4	120	40	4
Agriculture services	740	30	9	530	20	10
Malaria eradication	975	----	----	524	----	----
Family planning	2,300	75	20	3,500	275	97
Nutrition support	160	25	2	109	----	----
Internal security	700	40	10	608	25	6
Fiscal/financial coordination	25	----	----	25	----	----
Urban planning	60	10	2	60	10	2
Equipment pool improvement	200	----	----	181	----	----
Provincial development	580	10	2	537	10	2
General participant training	50	45	10	50	45	10
Technical support	735	----	----	949	----	----
Total	6,675	284	64	7,223	430	133

Mr. PASSMAN. This is par for the course. We run into this during these hearings for many, many weeks, and unfortunately there are too few members of Congress that actually get into this, and it would

appear that if you didn't operate on this basis, that you may end up with a very, very large percentage of the appropriation on hand unused and unneeded.

THAILAND

Back to Thailand. This is distressing for me to have to examine on this, when I know about the situation out there. For Thailand you are requesting $34,083,000 for fiscal 1971, is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Is that an increase of $6,045,000 above the 1970 program?

Mr. O'CONNOR. It is, sir.

TOTAL AID TO THAILAND FROM ALL SOURCES

Mr. PASSMAN. What has been the total amount of aid provided Thailand, from all spigots, since the inception of the program?

Mr. O'CONNOR. Through 1970, and this is the economic and Public Law 480 only, $1,160 million.

Mr. PASSMAN. That is only one spigot?

Mr. O'CONNOR. That is title I.

Mr. PASSMAN. Let's make it all-inclusive.

Mr. O'CONNOR. I am sorry, sir, it does not include MAP. It includes Public Law 480 but excludes what comes out of DOD.

Mr. PASSMAN. You are talking about the previous part of this. Will you put that in the record. I believe that Thailand now has close to $1 billion in their foreign exchange reserve account.

(The information follows:)

TOTAL U.S. OVERSEAS LOANS AND GRANTS TO THAILAND FISCAL YEAR 1946 THROUGH JUNE 30, 1970 (ESTIMATED)

Total U.S. overseas loans and grants to Thailand have been $1,488.8 million.

Mr. O'CONNOR. I think their present reserve is $985 million.

Mr. PASSMAN. $985 million?

Mr. O'CONNOR. Yes, sir; it dropped $36 million, I believe since last year.

U.S. LOAN FROM THAILAND

Mr. PASSMAN. I believe that in the latter part of 1968 we borrowed $100 million U.S. dollars from Thailand, did we not, to be repaid in 4½ years at a rate of interest of 6 percent?

Mr. O'CONNOR. In effect they rolled over short-term paper for long-term paper, sir.

Mr. PASSMAN. No, I am going to have a correct answer unless you want to refute what has been said by the Secretary of State. We borrowed and brought home $100 million from Thailand, did we not, in 1968?

Mr. O'CONNOR. We borrowed it, sir, but I would like to explain the transaction if I may.

Mr. PASSMAN. I don't need it explained; I just want to know if we borrowed it. I believe it is to be repaid in 4½ years, isn't it?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. What is the rate of interest?

Mr. O'CONNOR. Six percent.

Mr. PASSMAN. I have heard too many explanations for it already, because these people admitted it was wrong, and I don't want to make your record look any different. I will stick with what we have previously been told. I might say this is not the only country.

(Discussion off the record.)

AGRICULTURAL DEVELOPMENT PROJECT

Mr. PASSMAN. In connection with the agricultural development project on page 101, I note you plan to program $500,000 for a 1-year program with the University of Kentucky for 10 people, is that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. $500,000 for 10 people, is that correct?

Mr. O'CONNOR. The 10 I don't have in front of me. Oh, I see, yes, sir, that is right.

Mr. PASSMAN. I believe that is regardless of the fringes and the profit made, there will be only 10 people employed out of this allocation, is that right?

Mr. O'CONNOR. I assume there are substantial additional——

Mr. PASSMAN. I mean on the job when they finally get to turning wrenches or fanning themselves under a coconut tree there will be 10 actually performing is that right?

Mr. O'CONNOR. Mr. Chairman, I asked my own staff this question because the costs are high. We will have to go out to the field to get a full explanation.

Mr. PASSMAN. I don't care where you get them, they can be on the moon, Mr. Director, but I say let's don't get away from the facts of life. When they finally get out under the coconut trees or wherever they go, there are only going to be 10 performing, is that right, out of this appropriation of $500,000?

Mr. O'CONNOR. That is just the point we are not clear about, sir. That is what it says.

Mr. PASSMAN. The record says 10.

Mr. O'CONNOR. I have to agree with that.

Mr. PASSMAN. If that be true, that is $50,000 per man per year, isn't it?

Mr. O'CONNOR. That is the figure that I would like to get further information on.

Mr. PASSMAN. That is true if your justifications that we are examining on are correct, and I am quoting from the justifications?

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. If that is correct, that is $50,000 per year, isn't it?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Try not to let that bother you because you will have a heart attack. Last year we ran into at least one man that was getting $260 a day, I think about what the President of the Unied States is getting, and that was every day, Sunday and all, you understand, plus all other benefits, $260 a day. We found out that $200 was a real bargain for some of these people. Do you have any of these characters in your operation?

TECHNICIANS BEING PAID OVER $100 DAILY

Mr. O'CONNOR. We have a list, sir, that we can supply for the record of, I think, a relatively few people that are over the $100 level.

Mr. PASSMAN. They are really eating high on the hog.

Mr. O'CONNOR. Sir, having been in business, I know very well, and I am sure you do, that you cannot get topflight technicians in specialized areas at $100 a day.

(Discussion off the record.)

PRIVATE ENTERPRISE-PRIVATE SECTOR DEVELOPMENT PROJECT

Mr. PASSMAN. I notice you plan to extend the private enterprise-private sector development project for 1 year and increase the total estimate by a cost of $258,000.

Mr. O'CONNOR. I haven't done the arithmetic, but I think that is right, Mr. Chairman.

FAMILY PLANNING AND HEALTH PROJECT

Mr. PASSMAN. Under the family planning and health project, did you justify last year the $15,000 for U.S. contract technicians presently programed for fiscal 1970.

Mr. O'CONNOR. We did not, sir.

Mr. PASSMAN. If this had been a line-item bill limiting the amount you could spend according to your request, you couldn't have funded this project, could you?

Mr. O'CONNOR. No, sir.

Mr. BREECHER. We couldn't have funded that particular technician and——

Mr. PASSMAN. There is a lot of them you couldn't fund, is that right?

Mr. BREECHER. That is correct.

DEVELOPMENT OF VOCATIONAL EDUCATION PROJECT

Mr. PASSMAN. I notice on page 107 in connection with the development of vocational education project you plan to extend this project by 1 year and increase the total estimated cost by $403,000, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. We hope your plans do not materialize. We are going to try to see that they do not.

RURAL EDUCATION PROJECT IN THAILAND

Under the rural education project I note you are planning to program $500,000 for a new 1 year contract for eight technicians, is that correct?

Mr. O'CONNOR. I am sorry, would you repeat that?

Mr. PASSMAN. Under the rural education project I note you are planning to program $500,000 for a new 1-year contract for eight technicians, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. Isn't that about $62,000 per year per technician?

Mr. O'CONNOR. That actually, sir, is 18 months. There is forward funding because it is an institutional contract. It includes overhead and indirect costs.

Mr. PASSMAN. But when they get out under the coconut trees or wherever they do go you are still going to have only eight people fanning or doing whatever they do, is that correct?

Mr. O'CONNOR. That is right.

COST PER TECHNICIAN

Mr. PASSMAN. I know these people get quite an override on this. That is part of the game. What we are trying to do is to establish what they are costing per technician. Could you help us?

Mr. O'CONNOR. On an annual basis——

Mr. PASSMAN. Take it on an annual basis.

Mr. O'CONNOR. This is an 18-month figure.

Mr. PASSMAN. This is a 1-year extension. This is a 12-month contract, isn't that correct?

Mr. O'CONNOR. It is an 18-month contract.

Mr. PASSMAN. Than let's take two-thirds.

Mr. O'CONNOR. About $42,000, sir.

Mr. PASSMAN. Let's go to page 108. It says definitely here 1 year's funding of a new contract for eight technicians to provide technical assistance in teacher training, $500,000. Now am I right?

Mr. BREECHER. That is a mistake, Mr. Chairman.

Mr. PASSMAN. I say am I reading it correctly?

Mr. BREECHER. You are reading it correctly. It is just a mistake.

Mr. PASSMAN. You ran into a mistake a couple of pages back. Why are there so many mistakes?

Mr. BREECHER. We do make mistakes, Mr. Chairman.

Mr. PASSMAN. I know. It is all right to make a thousand or two, but it looks like you are making them more frequently this year. You are assuring this committee that this is actually going to fund——

Mr. BREECHER. For 18 months, yes, sir.

Mr. PASSMAN. Even so, that is about $48,000 per technician, isn't it?

Mr. BREECHER. $42,000, sir.

Mr. PASSMAN. $42,000.

Mr. BREECHER. Yes.

MOBILE DEVELOPMENT UNIT PLANNING, ENGINEERING AND CONSTRUCTION PROJECT

Mr. PASSMAN. Did you justify last year the $40,000 presently programmed in fiscal year 1970 for other U.S. agency technicians out of the mobile development unit planning, engineering and construction project?

Mr. O'CONNOR. We did not, Mr. Chairman.

Mr. PASSMAN. I have about 400 or 500 more questions about projects in your area. You would give about the same answers to the same questions on similar projects, if I should ask them, would you not?

Mr. O'CONNOR. I am not quite clear I understand the question.

Mr. PASSMAN. I said I have a number of questions to ask in your area, but if I should ask the same questions about similar projects, you would give about the same answers, wouldn't you?

Mr. O'CONNOR. We would give the answers from the facts.

(Discussion off the record.)

Mr. PASSMAN. In all probability, if I should continue my examination, dealing with these individual projects, it would require 2 more days for me to finish my questioning. There are 10 other members of this subcommittee, and inasmuch as we are trying if at all possible, without abbreviating the work too drastically, to finish our hearings. So on these many, many pages of questions that I have yet to ask, if I should ask similar questions about similar projects on which we have examined, would I get similar answers?

Mr. O'CONNOR. Yes, sir, that is correct.

Mr. BREECHER. Mr. Chairman, may I comment?

You are, of course, extremely good in going over these, Mr. Chairman, in very great detail and pointing out every time where we have changed.

Mr. PASSMAN. What do you expect me to do?

Mr. BREECHER. However, there are a good many cases where we have come down as well.

Mr. PASSMAN. I found a case like that. I started to get a special order to talk about it on the floor but it is so rare I didn't bring it up. I didn't think I would get anybody to believe it.

(Discussion off the record.)

EAST ASIAN REGIONAL PROGRAMS

Mr. PASSMAN. With respect to the east Asian regional programs, the fiscal year 1971 request is $13,300,000, is that correct?

Mr. O'CONNOR. $13.3 million, sir, that is correct.

Mr. PASSMAN. This would cover an area of 10 countries is that correct?

Mr. O'CONNOR. I believe that is correct.

Mr. PASSMAN. So to be able to pin down what each country is actually getting this $13.3 million would have to be, maybe not by equal division but by some mathematical application, added to the 10 countries to get the grand total, is that correct?

Mr. O'CONNOR. Yes, Mr. Chairman. Every dollar in the program eventually gets spent on somebody's turf.

Mr. PASSMAN. Yes, but if you look at the record, and it shows this country is getting $8 billion, that may not be the grand total. You would have to somehow find out how much they received out of the regional program to get the grand total, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. Mr. Director, I think without a doubt that the worst operation that we have in operation, is this Asian Development Bank. I have never yet had any experience with any segment of the AID agency that had a record which compares with this outfit for wasting funds. I am going to instruct the clerk of the committee to place in the record at this point the tables covering the expense accounts, because we found that the representation allowance was the most frightening thing that we ever had to deal with. The President of this Bank told our U.S. member of the Asian Development Bank that the amount of loans that they made to Americans was none of his business, and he wouldn't even give it to them. Let's get that and read it into the record at this point. I have never in my life had anything to do with an operation that was headed by a president that would not tell the U.S. representative what was going on and they had money running out of both ears. I will read from this year's testimony on the Asian Development Bank.

Mr. PASSMAN. You do not know how many loans were made to, how many employees, and in what amount. It is secret information specifically for the President of the Bank, is that right?

Mr. ZAGORIN. Yes, sir.

That is a bad situation when he can't even find out the amount of loans that the President is making to the employees, and this is commendable compared to some of this stuff you are going to see when you finally get around to reading how they have dissipated the savings, that is the earnings of that Bank, beginning with even the first year of its operation. I think you will find that on a per capita basis that it takes about four or five times as much for them to administer their capital as the Export-Import Bank. It is extremely mismanaged. They are taking us for a ride, and we should do something about it.

(The information follows:)

ASIAN DEVELOPMENT BANK

ADMINISTRATIVE EXPENSES

	Nov. 24, 1966, to Dec. 31, 1967	1968	1969
Board of Governors	$17,417	$35,599	$64,892
Board of Directors	531,672	577,030	724,949
Staff	1,550,894	2,357,177	3,993,031
Other	309,972	595,386	896,725
Total administrative expenses	2,409,955	3,565,192	5,652,598
Representation expenses	20,213	24,754	44,849

LOANS

	Principal amount	
	1968	1969
Ceylon:		
Tea industry	$2,000,000	
Walawe development project		$885,000
China, Republic of:		
North-South Freeway Study	400,000	
Chinese Petroleum Corp	10,200,000	
Deep-sea fisheries		10,000,000
Taiwan Aluminum Corp		2,670,000
Taiwan Metal Mining Corp		1,150,000
Hualien Port		990,000
Korea, Republic of:		
Seoul-Inchon Expressway	6,800,000	
Korea Cold Storage Co		7,000,000
Korea Express Co		7,500,000
Medium Industry Bank		10,000,000
Malaysia:		
Penang State Water Supply Project	7,200,000	
Palm Oil Mills		2,800,000
Kuching Port Expansion		5,000,000
Sarawak Electricity Supply		3,100,000
Pakistan: Industrial Development Bank of Pakistan	10,000,000	
Philippines: Private Development Corp. of the Philippines		5,000,000
Singapore: Development Bank of Singapore, Ltd		10,000,000
Thailand:		
Industrial Finance Corp. of Thailand	5,000,000	
Do		10,000,000
Total	41,600,000	76,095,000

TOTAL AID TO THE ASIAN DEVELOPMENT BANK

Mr. PASSMAN. What has been the total aid that you have given to the Asian Development Bank out of our technical assistance program?

Mr. O'CONNOR. In June 1967, sir?

Mr. PASSMAN. Just give me the total amount.

Mr. O'CONNOR. $250,000, sir, in June 1967 in technical assistance.

Mr. PASSMAN. How about the grand total?

Mr. O'CONNOR. In May 1969 an additional $1 million to help finance a regional transport survey. No disbursements were made from that grant.

Mr. PASSMAN. But you have allocated to them?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. So it is $1,250,000.

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Mr. Director, will you have a look at their financial statement? Those people have millions of dollars in surplus, unexpended. During the hearings on the Bank before this committee it was discussed that the Bank had so many funds on hand that it invested about $100 million in the United States. Did you know that?

Mr. O'CONNOR. I have read that, sir.

Mr. PASSMAN. If that be true, undoubtedly it was a mistake for you, for this agency to give them $1,250,000, wouldn't you agree?

Mr. O'CONNOR. $1 million thereof was given for a specific task which we contracted with them to do.

Mr. PASSMAN. Yes, they have so much money that they don't need, that they can take $100 million of it and invest it in U.S. securities, and they have tremendous sums in their interest account, not from

loans they made to underdeveloped nations, but from making investments in foreign governments, millions of dollars in unused earnings from these investments abroad. If that is true, then do you think there was a necessity for us to give them $1,250,000? They can use that money for anything they want to, technical aid or capital loans, representation allowance. They can make loans to their employees. I will be frank with you. This is the pay off. They just went wild with this representation allowance and this travel. It was the fuzziest thing I have ever looked at, all of the money they have in unused earnings is not from repayment of loans in underdeveloped countries, but they were smart. They started investing their money in the securities of other nations. They found there was a quicker and bigger profit. Please look at that record, Mr. Director. You ought to have those people return that money. Do you know what I am told? That they are getting ready to come in and ask for a supplemental to the Asian Development Bank.

Mr. O'Connor. I think the authorization legislation is already up here, sir.

(Discussion off the record.)

Mr. O'Connor. I will take a look at that record. As you know we don't have responsibility for representation at the Bank.

Mr. Passman. You have the responsibility of giving them this $1,250,000.

Mr. O'Connor. We do, sir.

Mr. Passman. Sure you do.

It is inconceivable that with those people with so much money, hundreds of millions of dollars, a lot of it in profits, Mr. Secretary, and a lot of it that they have no callers for, and they have been buying U.S. securities, $100 million in one lump, are in for a supplemental to their giveaway counter, and now you people have got to get in on the play and allocate some money to them.

Thank you. Mr. Shriver?

NEW DIRECTION IN FOREIGN AID

Mr. Shriver. Mr. Green, on page 4 of your statement you say: "On the economic front the President said that we will assist at levels appropriate to the new stage of Asian development primarily with nations ready to use such help effectively."

In terms of the program requested for fiscal 1971, what changes or reductions in country programs have been made based on this new direction?

Mr. O'Connor. The Korean program has been reduced, and in the future is going to continue to be reduced. We are getting out of supporting assistance. We plan to be out of development loans barring some unforeseen change in circumstances there in another 2 or 3 years, so that the Korean program, other than perhaps——

Mr. Shriver. This was in the wind last year as I remember, when you were testifying before the committee. This isn't anything new.

Mr. O'Connor. It was, but I think this new policy has been in effect since last year.

Mr. GREEN. This is the continued direction. The Indonesian program is up. The reason for that, of course, is that Indochina was completely out of the aid business at the end of the Sukarno period, and when we came back in 1966 or 1967, the economy was in a shambles, and we could only give as much money as they could properly absorb. They have made good use of that money, so that Indonesia has been in a reverse direction from what I understand the other programs for the most part have been. I don't have the figures in front of me, but I think probably they would bear out that the other countries have been going down, haven't they, in the amounts of aid, except for Indonesia?

Mr. O'CONNOR. Yes: Thailand has come down more or less regularly, though we are asking for more this year than we got last year. The regional program is another exception. It had originally been going up, though the last 2 years it has come down.

One of the programs here, of course, is that three of our major countries are receiving supporting assistance basically in a security program affected by a war situation.

EFFECT OF AGREEMENT WITH JAPAN ON OKINAWA BASE

Mr. SHRIVER. Mr. Green, one page 6 you say: "The new agreement with Japan concerning Okinawa will not impair the usefulness of our bases there, nor their deterrent value."

News reports regarding that agreement indicate that our bases would come under the same conditions which exist in Japan itself now, which are reportedly more strict as to our operations in that area. Would you explain more fully what you mean?

Mr. GREEN. That in the communique that was signed between Sato and Nixon last November, the Japanese stated how they viewed the situation in general in East Asia specifically with regard to Korea, the Taiwan area, and Southeast Asia. They made it clear that they viewed the security of Korea as being very important to the security of Japan, and that the criteria that they would apply at the time when we would ask them for use of our base, say in connection with Korea, would be about the same as ours. We feel reasonably sure that Japan's criteria with regard to allowing us to use the base, because we would have to consult with them in connection with the use of the base, would be roughly the same as ours, and that we are reasonably sure that the Japanese would not interpose, therefore, any objections to the use of our base, should the balloon go up in Korea or in the Taiwan Straits or even in Southeast Asia.

ROLE OF JAPAN IN ECONOMIC AND TECHNICAL ASSISTANCE

Mr. SHRIVER. The quote of Prime Minister Sato which appears on page 7 of your statement should be emphasized in the record. He said: "Since the United States plays the central role in preserving global peace and also holds great responsibility for the security of Asia, I believe it is Japan rather than the United States that should take the leading role in such fields as economic and technical assistance toward nation building."

Mr. GREEN. That is right. What Sato has said and what Foreign Minister Aichi has said on different occasions, though not on this particular occasion, was that Japan would pledge 1 percent of its gross national product to aid. Since most of that aid would be earmarked for East Asian countries, and since Japan's economy is doubling every 7 years, currently $170 billion, it stands to reason that Japan, within a short range of time, would be the principal donor of aid in East Asia. That brings you to the question of what is aid. There is a problem there, because Japan has regarded certain things as aid that we would consider as being normal commercial-type loans or investments, and therefore, we are urging the Japanese to be far more concessional in their aid and what they describe as aid. Therefore, if Japan does allocate the amounts that they say they are going to, 1 percent of their gross national product to assistance, and if that assistance is true assistance, then it will be a very important factor in the development of East Asian countries.

Mr. PASSMAN. An excellent statement, Mr. Secretary.

Mr. O'CONNOR. Of course that is a goal they have set really over a period of some years. They don't expect to get there in a year or two.

Mr. SHRIVER. Would you estimate the amount of Japanese economic and technical assistance planned during fiscal 1971 in East Asia?

Mr. GREEN. That is correct, they have said this. This is their goal. It doesn't mean necessarily they will reach this next year or the year after, but they have nevertheless announced this as being their goal. I am sorry, sir, what was your question?

JAPANESE ECONOMIC AND TECHNICAL ASSISTANCE

Mr. SHRIVER. Could you estimate the amount of Japanese economic and technical assistance?

Mr. O'CONNOR. We have some figures here, sir. These are total official bilateral commitments. In 1966 there was $170 million. In 1967 it was $236 million, in 1968, $199 million, in 1969 with a big asterisk, tentative estimate subject to revision, $217 million Japanese official bilateral commitment.

Mr. PASSMAN. Is that loans or grants?

Mr. SHRIVER. What is that?

Mr. O'CONNOR. Let me make two comments, Mr. Chairman. This is only to the five countries that we are working in.

Mr. GREEN. Could we supply for the record Japan's assistance program, because it is rather diffuse, and also they contribute a great deal to multilateral agencies.

Mr. SHRIVER. You would have to include that, too.

Mr. GREEN. We would have to include that, too.

Mr. SHRIVER. But it doesn't approach 1 percent of their gross national product.

Mr. GREEN. It does not, no, sir.

Mr. SHRIVER. Sometime in the future they have that as a goal?

Mr. GREEN. We would hope as soon as possible.

Mr. PASSMAN. Separate the loans from the grant aid.

Mr. O'CONNOR. We will try to do that. I am not certain how accurate we have the figures on that, sir.

(The information follows:)

TOTAL OFFICIAL DEVELOPMENT ASSISTANCE BY JAPAN

[Net disbursements in millions of dollars]

	1967	1968	1969 (preliminary)
1. Grants	176.8	163.9	(1)
(a) Multilateral	38.4	46.9	(1)
(b) Technical assistance (bilateral)	11.0	13.7	(1)
(c) Other bilateral	127.4	103.3	(1)
2. Loans	207.5	191.3	(1)
(a) Multilateral	6.3	1.9	(1)
(b) Bilateral	201.2	189.4	(1)
3. Total "official development assistance"	384.3	355.2	380

[1] Not applicable.

Note: Japanese flows of "official development assistance" may reach $450,000,000 in fiscal year 1971, based on past trends and recent official statements. Of this, more than 60 percent is likely to go under bilateral programs to east Asia.

COMPARISON BETWEEN TECHNICAL AND COMMODITY ASSISTANCE

Mr. SHRIVER. There is another statement on the bottom of page 10 which should receive special notice. You say: "Even more than commodity or project assistance I believe that the influence of our technical assistance program is pervasive and enduring." How much are you requesting for east Asia in commodity or project assistance, and how much for technical assistance?

Mr. O'CONNOR. Technical assistance for east Asia, sir, the request is $40.7 million. In terms of commodity assistance, sir, that would be Public Law 480, if that is what you had in mind; actually we haven't really settled that in terms for all those that have to be negotiated out during the course of the year. I think we have some estimates though. Our estimates would be about $255 million, of which $225 million would be sales agreements under title I.

Mr. GREEN. Mr. Shriver, may I say one more thing to explain what I meant by pervasive. It is the educational factor involved in the technical assistance program that has an enduring impact, as opposed to just a project itself. Technical assistance does train people, so that they can carry on the job and train others. That is what I meant by the phrase.

Mr. SHRIVER. You said "pervasive." That is enduring.

Mr. GREEN. Yes.

REDUCTION IN DOMESTIC CAPITAL CONSTRUCTION

Mr. SHRIVER. Mr. O'Connor, you are requesting $68.5 million for Indonesia, an increase of more than $36 million over 1970.

Mr. O'CONNOR. That is right.

Mr. SHRIVER. Most of which is to be used for capital projects.

Mr. O'CONNOR. Yes, sir; out of the DL. There is a program loan, but the majority of it is in capital projects.

Mr. SHRIVER. You are aware of the fact that we have been eliminating, postponing, or cutting back on most of the needed capital projects here in our own country including hospitals and schools because

of pressing fiscal and monetary problems. In fact, that was one of the big debates we had on the floor yesterday. The administration has requested a cutback on capital projects such as the building of schools by our Government.

Mr. O'CONNOR. I thought the building restriction had been lifted.

Mr. SHRIVER. No; not in the request that came to the Appropriations Committee. We have eliminated, for instance, practically all of the Federal Government's hospital program. The Hill-Burton program was cut back greatly.

Mr. PASSMAN. If the gentleman will yield, I might also add that badly needed post office buildings have been cut back, where the Government has already arranged for the land. They just had to suspend construction.

Mr. SHRIVER. My question is, How can we, as Members of Congress, justify this 72-percent increase in such projects in Indonesia if it is for highways or something like that when we are cutting back in our own country.

Mr. O'CONNOR. Well, sir, that is a judgment you will have to make.

Mr. SHRIVER. That is right.

Mr. O'CONNOR. But I would like to say this. I think all of us feel, and I think the Congress has felt, that the continued movement forward of Indonesia from the precipice and difficult situation they were in 5 years ago is an extremely important factor in the whole development of Southeast Asia. One of the early determinations made in the context of nine other nations, including ourselves, the World Bank, the Fund, was that rapid investment was needed to build up the infrastructure of Indonesia, so that their economy could start to really move forward. They have just arrived at that stage. What has been done up to the last 3 years has been basically stabilization. We are just arriving at some of these projects to rebuild the infrastructure.

Mr. SHRIVER. I would think we would be more interested in such programs as technical assistance that would be pervasive and enduring.

CAPITAL CONSTRUCTION IN INDONESIA

Mr. O'CONNOR. One of the difficulties, sir, is that there is so little in terms of either power or agriculture or water resources that is really operating as a result of the war, and then the Sukarno neglect, virtually their whole infrastructure is in very bad disrepair or indeed broken down, so to get the very basics they need they have got to get some of this rebuilding done.

Mr. SHRIVER. And it is our responsibility when we are cutting back on hospitals, schools and so forth in this country?

Mr. O'CONNOR. We are one of a good many partners there, sir. In terms of this kind of funding we are sharing it one-third with the Japanese and another third with mostly European nations plus Australia. We have undertaken to be in this group. We felt it was extremely important, and we have thus far given the support that has been required. I must say I think in view of the whole situation in Southeast Asia, I think this would be a very difficult time to reverse that process.

Mr. SHRIVER. You have just started it.

Mr. O'CONNOR. No, sir.

Mr. SHRIVER. You weren't giving aid to Indonesia until a year or two ago. You just came back into this picture.

Mr. O'CONNOR. In 1966.

Mr. GREEN. But the place was going down the drain at that point.

Mr. SHRIVER. What difference would it make to this country?

Mr. GREEN. I think it makes a lot of difference.

Mr. SHRIVER. You tell me.

Mr. GREEN. First of all, Indonesia is a large slice of geography. It is the fifth most populous country in the world. Indonesia also relates to Australia and New Zealand. Indonesia came very close to going communist in 1965. Today there is a tremendous change, probably the most remarkable "switch-aroo" in modern history. It is a country that is friendly and making progress.

Mr. SHRIVER. Did that switch take place because of our aid?

Mr. GREEN. No, but let me explain. That if we had not come in, we and the other countries, and mind you we are doing one-third and the other countries are doing two-thirds, if we hadn't come in 1966 and 1967, responsive to the request of the Indonesian Government, I think that the economic chaos, and mind you that at that time the inflationary rate was 640 percent per year, I think the whole country could have gone down the drain, regardless of Communists. This was simply a question of collapse of economy, the need for some outside assistance to stabilize that economy. The Government has made proper use of those stabilization funds that we and other countries have extended. Now, they are getting the country back into shape, and it is playing a useful, constructive role in the whole area.

I would say it was one of the most remarkable success stories that we can see anywhere on the map in the last 20 or 30 years.

Mr. SHRIVER. Because of aid?

Mr. GREEN. I think aid has played a very important role, and I think another thing about the aid in Indonesia too is that it has strengthened the hand of the modernizing group. They have had to handle their economy in a certain responsible fashion, allocating the resources to those projects and needs that were greatest, as determined not only by the Indonesian Government, but also with the approval of the IMF, the World Bank, and the donor group itself. All aid that is going to Indonesia now does go through this mechanism. We still keep control over our money through the international donors group, but it does mean that there is a mechanism to insure that all aid that is given to Indonesia goes for the purposes of meeting top priority needs as determined by the Indonesian Government, the IMF and the World Bank, and not for the purposes of selling Hondas or any other self-interest project on the part of the donor country. I believe that the donor arrangements for Indonesia are a model of a sort, and of the type that should be pursued in as many other situations as possible.

Mr. SHRIVER. Do I understand then that the money that you are requesting here for Indonesia for capital improvements goes through the World Bank?

Mr. O'CONNOR. No, it doesn't. It doesn't go through any other hands. It remains entirely in our hands. It does mean that the planning is done together, in a cooperative basis, that the determination of where these funds should be expended is done on a cooperative basis, but

as far as the actual handling of the funds, we do it directly with the Indonesians.

Mr. PASSMAN. Would the gentleman yield briefly?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Of course they changed governments before we started back with an aid program, did they not?

Mr. GREEN. That is right. There was an overthrow of Sukarno.

Mr. PASSMAN. The record is going to read that we just have to get in on everything. Why didn't we let these people and the World Bank and McNamara go the other way and leave us out of it, inasmuch as they had reversed the trend, and the other people were getting in. You admit for the record that we are dancing to their music, that they are working out the plans and we are merely implementing those plans with our aid, isn't that right?

Mr. GREEN. Let me say this: If we had not gone in with our aid, Mr. Chairman, I can assure you that the Japanese and others would not have come in.

Mr. PASSMAN. You are just assuming that. You don't know whether that is true or not, and I respect you, sir. You are making a statement that we have gotten ourselves into such a mess that anywhere on the face of the earth where there is going to be aid that no other nation is going to go in unless we agree to go in.

Mr. GREEN. On the contrary, Mr. Chairman, it seems to me we walked into this thing the right way. Rather than going in and taking on the burden ourselves we have gone——

Mr. PASSMAN. Of course that is your view and that is our right, but I think that Indonesia in all probability would have been getting along very well without this aid. It appears to me that the World Bank and the others whom you say are putting up two-thirds worked out the plans after they had overthrown Sukarno and we just had to get into at least one-third. At least some day you ought to let some program start and go on its own without our having to get in.

Thank you, Mr. Shriver.

INDONESIAN FAMILY PLANNING PROGRAM

Mr. SHRIVER. Page 6 you say the Indonesian family-planning program is emerging from the pilot demonstration stage. What have we learned about the prospects of population control in Indonesia from that pilot demonstration?

Mr. O'CONNOR. Actually, Mr. Congressman, the Indonesian Government has quite recently re-shifted the responsibility for family planning. They had a coordinating group that did not function as effectively as it should have, and the shift has now been made to put it into the public health sector. I am not sure that is the exact name of it.

Mr. SHRIVER. So nothing was learned.

Mr. O'CONNOR. Yes, sir, I think a good deal was learned. In Indonesia you have a number of voluntary agencies that had been working in these areas. What they needed was some infrastructure in terms of hospitals and clinics. That will now be hooked into the program and that is the reason we believe the increase is justified, because we believe a great deal more progress can now be made more rapidly than has been made in the past.

KOREAN DEBT SERVICE

Mr. SHRIVER. On page 70 you mention the burden of Korea's heavy debt service. How much does this amount to?

Mr. O'CONNOR. The greatest problem is not only its size, but its short-term character.

Mr. SHRIVER. Their gold and foreign exchange reserves have been growing. They were estimated at $552 million in calendar year 1969.

Mr. O'CONNOR. Their debt as of September, 1969—I am surprised we don't have a more recent figure, was $2,247,000,000, loans, between 1 and 3 years, and $736 million in loans from official sources, and $1,250,000 in loans from commercial sources, most of the latter short-term.

LAOTIAN SUPPORT COSTS ASSUMED BY DEPARTMENT OF DEFENSE

Mr. SHRIVER. [Deleted.]
Mr. O'CONNOR. [Deleted.]
Mr. SHRIVER. [Deleted.]
Mr. O'CONNOR. [Deleted.]

ASIAN DEVELOPMENT BANK

Mr. SHRIVER. The United States is participating in the Asian Development Bank at an ever-increasing level. Yet your request for bilateral assistance in the East Asia Regional Programs is not being reduced accordingly. We are increasing the Asian Development Bank and we are continuing to go upward on bilateral assistance to regional programs.

Mr. O'CONNOR. Sir, on the Asian Development Bank, we have been contributing $20 million for the last 4 years as our paid-in capital subscription, and another $20 million due this year.

Mr. SHRIVER. But you are not reducing our bilateral aid accordingly.

Mr. O'CONNOR. No, sir.

Mr. SHRIVER. We are not lowering our profile over there at all.

Mr. O'CONNOR. In terms of profile, I think the most significant factor is our personnel figures.

Mr. SHRIVER. What is that?

Mr. O'CONNOR. They have gone down very substantially. I will have the figures in a moment. We have absorbed two cuts of 10 and 15 percent over the last 2 years. We are absorbing another cut of roughly 10 percent this year. I can give you the exact figures in just a moment. This only goes back to 1969, and the total number of direct hires or if you prefer the total number, the full totals were 1136 as of June 30, 1969. At the end of this year we estimate there will be 1,010, and frankly our estimates as of the end of 1971 do not have the new 10-percent reduction in them, so these aren't very accurate figures, but it will presumably bring them down by another 100 more or less.

MULTILATERAL VERSUS BILATERAL ASSISTANCE

Mr. SHRIVER. The table on attachment B of your statement shows that while multilateral assistance to East Asia has increased significantly in recent years, other donor country bilateral contributions have decreased accordingly. However, bilateral assistance from the United States has increased just as significantly.

Mr. O'CONNOR. I think the primary reason for that, sir, relates to the fact that three of our programs are again security related, and by and large are not getting very large shares of funds from other sources. That would be Laos, Thailand, and of course Korea.

Mr. SHRIVER. So it is war.

Mr. O'CONNOR. I think that is the main reason, sir. I haven't analyzed it but I would be almost certain that is the case.

Mr. SHRIVER. At page 804 of last year's hearings Mr. Barnett gave me a rather extensive breakdown of our defense commitments to countries in East Asia. Have any of these commitments or the interpretations of them changed during the past year?

Mr. GREEN. No, sir.

DECREASE IN NUMBER OF OVERSEAS PERSONNEL

Mr. SHRIVER. Mr. Nooter told me last year that overseas personnel would be reduced in East Asia in response to President Nixon's directive to that effect. Page 2 of the project book shows these personnel overseas were reduced in fiscal 1970 by about 10 percent. You just pointed that out a moment ago. But you are requesting an increase for fiscal 1971.

Mr. O'CONNOR. You mean in overall appropriations requested?

Mr. SHRIVER. Yes.

Mr. O'CONNOR. Or do you mean in terms of people?

Mr. SHRIVER. Either.

Mr. O'CONNOR. We are requesting 218.1 million this year in the total as against 181.6 that we estimate will have been obligated for 1970. In terms of people on board, we are certainly under specific directions to continue to cut in the coming year, so we are going to be managing these projects simply with less people.

Mr. SHRIVER. Thank you very much.

Mr. O'CONNOR. Thank you, sir.

Mr. PASSMAN. Thank you Mr. Shriver. Mrs. Reid?

PRIVATE INVESTMENTS

Mrs. REID. Thank you Mr. Chairman. What encouragement are the countries in this area, particularly the Philippines, giving to foreign private investments?

Mr. O'CONNOR. All the countries of the East Asia Region (except Burma and Cambodia) have enacted legislation to promote new private investment, including foreign investment. They provide a variety of incentives, such as import duty exemption on foreign components of new industrial plants and tax exemptions during a starting-up

period. The Marcos Government has an announced policy favorable to foreign investment in the Philippines. The Government favors developmental industries bringing in new technology and industries with export potential. A law enacted 2 years ago limits foreign investors to a maximum of 40 percent of the equity in any extractive industry.

THAI BORDER PATROL POLICE

Mrs. REID. How much assistance is being given to the Thai Border Patrol Police? I have been told that they are doing a very good job in stopping Communist infiltrators, but that they are very poorly equipped in regard to helicopters, spare parts, and so forth. Would you comment?

Mr. O'CONNOR. Since fiscal year 1966, AID has provided over $20 million in support of the Border Patrol Police including advisory assistance, training, and commodities such as aircraft, small arms and ammunition, vehicles, communications equipment and medical equipment and supplies. The Border Patrol Police and the Provincial Police have been the two principal recipients of assistance under our program of support to the Thai National Police Department. This assistance has been programed on the basis of a joint Thai/U.S. assessment of current and projected needs. We feel that our support has been adequate and realistic in light of Border Patrol Police manpower levels and absorptive capacity.

Specifically with respect to aircraft, AID has provided 21 utility helicopters, 16 light helicopters and 4 STOL (Short Take-Off and Landing) aircraft to date. Eleven of the utility helicopters were delivered in Thailand over the past half year. Provision of aircraft has been matched to Thai maintenance capability and to pilot-training programs to assure that they can be utilized effectively. AID also provides contract support to assist in maintaining and repairing the aircraft and to develop Thai self-sufficiency in performing these functions.

PHILIPPINE LAND REFORM

Mrs. REID. The Philippines Land Reform Statute of 1963 was intended to hasten a shift from tenacy to ownership of the land. What progress has been made on this to date?

Mr. O'CONNOR. The actual transfer of land ownership has not yet progressed significantly. However, 142 land districts encompassing 180,600 farmers have been declared land-reform districts under the code. This is the first step to land reform. Considerable progress has also been made in areas closely related and essential to a successful land-reform program. These areas include farmers' cooperatives, rural credit, modern agriculture technology, agriculture extension workers, irrigation and agriculture diversification. Advances being made in all these areas are helping to make Philippine farmers, both landowners and tenants, more self-reliant, and independent producers.

REGIONAL VERSUS COUNTRY PROJECTS

Mrs. REID. It is my understanding that some officials believe that the United States gets far more for its money by supporting non-Communist regional projects on a modest basis than by ploughing vast

sums into a specific country such as the Philippines. Would you comment on this?

Mr. O'Connor. This year we are requesting $8.8 million for the Philippines.

We are convinced that both country and regional projects are very worthwhile. When we, with other donors, support regional organizations or programs that affect a group of countries, we are working for two kinds of benefits: to foster economic and social development in some area such as agriculture or transportation and at the same time to promote cooperation between the countries of the region in jointly working out solutions to their common development problems. In the long run, we feel that this will not only improve the lives of the people in the region, but will also promote regional interdependence, cooperation and strength. On the other hand, regionalism is not a "cure-all" for all of the very serious development problems of the individual countries. Each one of those countries is different and therefore has a whole set of problems which can't be solved regionally, but needs help on a country basis.

FAMILY PLANNING

Mrs. Reid. What is your general assessment of family-planning operations in East Asia, and what are the prospects for the future?

Mr. O'Connor. Population in East Asian countries has been growing considerably faster than 2 percent per year. Population of the less-developed countries of East Asia (excluding Communist China) totalled 184 million people in 1950; in 1965 it was 273 million; by 1980 it will, if present growth rates continue, be about 425 million.

In light of these high birth rates, there has been a growing recognition among public and private leaders in East Asia that family planning is an indispensable part of the development process. The region has some of the most successful family-planning programs. There are official Government family-planning programs in Malaysia, Singapore, South Korea, Taiwan, Indonesia, Hong Kong and Japan. A national program is being initiated in the Philippines and Thailand and Laos have introduced family health into their maternal and child-health programs. Birth rates in a few of these countries like Malaysia, Singapore, Taiwan and South Korea have declined significantly in recent years.

AID family planning assistance has ranged from $25,000 in fiscal year 1965 to $7.9 million programed for fiscal year 1970. AID is providing direct bi-lateral assistance to five countries: Indonesia, Korea, Laos, Thailand, and the Philippines.

While significant progress has been made, programs are not yet adequate to meet the current problem, as it has been estimated that less than 20 percent of the acceptor population practice family planning. Further, the most difficult challenge confronting family planning in East Asia is still to come. Births climbed substantially after World War II with the result that an exceptionally large number of young people will be reaching marriageable age within the next few years. This applies particularly to Taiwan, South Korea and Singapore.

Thus the developing nations in the East Asia regions will have to accelerate and expand present efforts. AID assistance will support such voluntary programs as requested by these governments.

MEASUREMENT OF ANTI-AMERICAN FEELING

Mrs. REID. Do you have any way of measuring the anti-American feeling in Vietnam and throughout the Asia-Pacific area? It is increasing or is it lessening as a result of the Vietnamization policy?

Mr. GREEN. We do not of course have any precise way of measuring anti-American feeling. On the basis of our considered judgment so far, we find that there has been no noticable increase in anti-American feeling either in Vietnam itself or in the Asia-Pacific area as a result of Vietnamization. On the contrary, there appears to be wide understanding and acceptance of the policy and a healthy attitude, on the part of Asian governments, of welcoming the opportunity to exercise greater initiative and responsibility in regard to their own security and development efforts. If we can continue to maintain a proper balance of encouraging greater self-reliance and providing adequate assistance in keeping with out basic commitments, we anticipate no increase in anti-Americanism and in fact look forward to even closer and more effective relations with these countries.

ANTI-CORRUPTION OFFICE

Mrs. REID. At one time it was suggested by top civilian advisers that there be established an anti-corruption office in the American Embassy in Saigon with a matching office in the Government of South Vietnam. Has anything been done along this line?

Mr. GREEN. There are no arrangements for "matching anti-corruption" offices in the Embassy and within the Government of Vietnam. Both have their own separate machinery to deal with problems within their areas of responsibility. Problems involving illegal activity by Americans are handled by the Mission's Irregular Practices Committee composed of representatives from all the principal U.S. agencies in Vietnam. Deputy Ambassador Berger recently assumed the chairmanship of the committee, and a senior official of the USAID mission serves as secretary and executive of the committee. In late 1969 a parallel organization was established in Washington: the Interdepartmental Action Task Group, which reports directly to the Secretaries of State, Defense, and Treasury and the Administrator of AID.

On the Vietnamese side, such matters are handled by the police, judicial, and regulatory authorities, as well as by the ministries of finance and economy. In addition, the Vietnamese Constitution of 1967 provides for an independent fourth branch of government—the Inspectorate—to deal with internal corruption. This body comprises 18 persons—the President, the National Assembly and the Supreme Court each designated six members—and has been in existence for about a year and a half. It is now known as the Censorate and has a small professional staff and several regional offices, in addition to its Saigon headquarters. The Censorate has begun to make its influence felt, particularly upon the performance of public officials and government corporations.

The principal work of coordination is carried out between the U.S. mission and the executive branch of the Vietnamese Government at an appropriately high level. Coordination in this area has been inten-

sified within the last few months and has begun to show results, particularly in the pooling of information and in the undertaking of parallel actions by the Vietnamese and American authorities concerned.

Mrs. REID. That is all that I have, thank you.

Mr. PASSMAN. Thank you Mrs. Reid.

Any questions Mr. Riegle?

INSURGENCY OPERATIONS IN LAOS

Mr. RIEGLE. Thank you Mr. Chairman. Is or is not AID involved in [counter] insurgency operations in Laos?

Mr. O'CONNOR. Much of AID's assistance is designed to strengthen the resistance of the rural populace to Communist propaganda and indoctrination. These programs are not counterinsurgency in the sense of being directed at active uprisings. In the government-held territories, where AID operates, there is rarely active resistance or rebellion. AID conducts programs to help maintain and promote public confidence in the Royal Lao Government. In particular, it supports the Government's efforts to provide essential services and facilities to rural areas and to lay the base for economic and social development. AID also supports a large relief program for refugees from war-torn areas.

The Lao Government is confronted with insurgency in the form of military action conducted by the Pathet Lao, supported by the North Vietnamese. To combat this, the Lao Government maintains a large military structure, while at the same time providing essential civilian services and undertaking developmental activities. By providing economic and technical assistance, AID lightens the burden on the Lao Government's limited financial resources and civilian skills. In this sense, AID helps the Government combat the insurgency.

INDOCHINA VERSUS SOUTH VIETNAMESE WAR

Mr. RIEGLE. Would you comment on the feeling in some quarters that we are now involved in an Indochina war rather than just a South Vietnamese war?

Mr. GREEN. The war has always involved factors going beyond the borders of South Vietnam itself. There has been a consistent pattern of North Vietnamese aggression in Indochina. During the past 8 years they have sent tens of thousands of troops into all three countries of the peninsula and across every common border. However, their primary objective still remains the takeover of South Vietnam by force, and we have therefore concentrated the bulk of our assistance—including all of our combat troops—there to meet this basic threat. We have taken steps to reduce significantly the number of our combat forces involved. Should the security of our remaining forces be jeopardized by increased enemy action, the President has indicated we will take strong and effective measures to deal with that situation.

APPLICATION OF VIETNAMIZATION CONCEPT

Mr. RIEGLE. Is Vietnamization only being implemented in South Vietnam or are we also applying the same concept to Laos, Cambodia, and Thailand?

Mr. GREEN. In the narrower sense "Vietnamization" can be implemented only in South Vietnam. On the other hand, the general principle behind Vietnamization is increasing reliance on Asian governments and armed forces to bear the brunt of their defense. This is a concept which we are applying in other countries not only in Southeast Asia but in the rest of the world. I feel that the concept behind Vietnamization, that of self-help, is basic to our foreign assistance policy.

AID EXPENDITURES FOR PUBLIC SAFETY

Mr. RIEGLE. Would you show for the record the amount of AID money being spent on public safety in the east Asian countries? To some extent doesn't this Communist deterrent effort hurt AID's image abroad? Furthermore, wouldn't it be better if DOD took over this function?

Mr. O'CONNOR. Estimated fiscal year 1970 obligations for public safety programs in East Asia total $9,170,000. We are proposing $9,676,000 for these programs in fiscal year 1971. I know of no instance in east Asia where a public safety program has hurt AID's image abroad. We believe that public safety activities are integral elements of economic and social development programs. General assurance of continuing internal security are as necessary to development as basic infrastructure requirements such as roads or schools.

While DOD would certainly have the capability to administer public safety programs, we believe that public safety activities must be closely related to other economic and social development programs and that a clear delineation between civilian police on the one hand and military forces on the other should be maintained. I therefore think that separate administration of military assistance and public safety programs is preferable.

SUCCESS OF AID PROGRAMS IN INDONESIA

Mr. RIEGLE. It is my understanding that we have had one of our most successful AID programs in Indonesia. Would you say that is because of the attention given to the indigenous human element? Why isn't this philosophy being applied to other East Asian countries?

Mr. O'CONNOR. I think our program in Indonesia has been successful because first, there is a real sharing on the part of many donors of financial and staffing obligations; second, the Indonesians have adopted sensible economic policies to which the various international organizations—particularly the World Bank and the International Monetary Fund—have contributed with advice and money along with the bilateral donors. All this has allowed us to follow a "low-profile" approach to aid on the U.S. side involving a relatively small American staff and a U.S. technical assistance program concentrated in a few key sectors.

While this approach has been successful in Indonesia and while we would like eventually to have this kind of organizational setup elsewhere in East Asia, I'm afraid that the immediate security threats and the existence of large-scale military operations in that part of the world require, at least for the time being, a more direct U.S. presence and involvement in our other substantial AID programs.

Mr. RIEGLE. In each of these east Asian countries, what has been the result of our efforts to transplant democratic institutions? Where are the points of stability and instability that relate to this effort?

Mr. GREEN. We have not tried to "transplant" democratic institutions to any of these countries. We have encouraged the development of democratic institutions where it is clear that they have been freely chosen by the people of these countries. In South Vietnam, for example, the present constitution was drafted by a popularly elected Consituent Assembly, and the President, Vice President, National Assembly, and village and hamlet officials have been chosen in elections in which a substantial majority of the adult population participated. The constitutional development process that began in 1966 (and is still continuing in many respects) has played a very significant role in helping assure political stability in South Vietnam since then.

Mr. RIEGLE. That concludes my examination, thank you.

Mr. PASSMAN. Thank you Mr. Riegle. This concludes this area. It has been nice meeting you, sir.

AFRICA

WITNESSES

SAMUEL C. ADAMS, JR., ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

DAVID D. NEWSOM, ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE

WILLIAM F. COURTNEY, DIRECTOR OF THE ECONOMIC POLICY STAFF, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE

DAVID SHEAR, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

EDWARD DONOGHUE, PROGRAMING DIVISION CHIEF, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

MRS. ALLISON B. HERRICK, CONGRESSIONAL AFFAIRS OFFICER, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AND PUBLIC AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

JAMES E. WILLIAMS, DEPUTY CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

PETER KNAUR, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the request for foreign assistance. The examination this afternoon will be built around one section of title I and we will examine in the African area.

We have as witnesses the Honorable Samuel C. Adams, Jr., Assistant Administrator of the Bureau of Africa, and the Honorable David D. Newsom, Assistant Secretary, Bureau of African Affairs.

(Discussion off the record.)

Mr. PASSMAN. I would assume each of you gentlemen would like to make a statement to the committee before we get into the detailed questioning.

Mr. NEWSOM. Yes, Mr. Chairman.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS

Mr. NEWSOM. Mr. Chairman and members of the committee, I am pleased to appear again before this committee in support of the AID request for appropriations for its programs in Africa. You may recall that I testified last summer shortly after assuming my new functions. Since that time I have made two trips to Africa, including a visit with the Secretary of State in February to 10 African countries. In all, since assuming these duties, I have had the opportunity to obtain first-hand impressions of what 15 African countries are doing to support their own development efforts. I have also been able to discuss our relations and programs in these African countries with our Ambassadors at a conference in Kinshasa in February.

As the result of my experiences in Africa and in this job, Mr. Chairman, I am deeply impressed by the important role of our economic assistance program in Africa. I have seen the men and the money at work in our interest, whether it be on a major capital development or a modest self-help project supported by the Peace Corps. These programs represent our key to the continent because they are responsive to the needs of the continent.

Against this background, Mr. Chairman, I support wholeheartedly the AID request for $161.3 million for assistance to Africa in fiscal year 1971. I believe that it is directed toward and concentrated on those aspects of Africa's development needs which are of highest priority to Africans and which represent sectors and activities where the particular contribution of the U.S. Government and American technical and professional skills can make the greatest contribution.

The economic significance to us of our relations with Africa is increasing each year. Our investment is currently rising at the rate of 14 percent per year and now approaches $3 billion, two-thirds of it in Central and North Africa. Our exports to all parts of the Africa are rising by 7 percent annually.

The energy and talent of the peoples of Africa represent a significant force in world development and world trade. It is a continent of impressive opportunities for future growth and development—one destined to play an increasingly important role in the world. Our Department of Commerce sees expanding opportunities for U.S. exports.

Africa is growing closer to the United States. Communications with Africa are rapidly developing, and communication links with other continents through Intelsat are now in operation and more African earth stations are being constructed. Two major American airlines serve the continent. Overflight rights are important to our commerce and to our scientific efforts. We have important communications facilities in both west and east Africa. Our space and scientific programs rely on the cooperation of the peoples and governments of Africa.

The resources of Africa are products which we purchase substantially in international trade: rubber, petroleum, bauxite, timber, coffee, cocoa, minerals, and precious stones, to name a few. They are important to the Africans as a primary source of their wealth. As other world sources of such minerals are used up, Africa's extensive resources become increasingly significant to all the developing nations.

The type of cooperation and opportunities we seek in Africa can only be obtained if we recognize and respond to Africa's needs for economic programs and development. This is the primary concern on the mind of nearly every African leader. A selected, well-directed U.S. program of economic assistance providing a distinctive American contribution supplementing what comes from other national and international sources is of great importance if we are to lay a sound basis for mutually beneficial relations with modern Africa. It is an investment we can and must make to further every other area of economic cooperation. The interest in what America produces declines when we show diminished interest in what Africa needs.

HELPING RESPOND TO AFRICA'S NEEDS

We wish to see African countries develop and take their rightful place in cooperative international efforts to resolve worldwide problems. The drive and determination to develop must come from the African countries themselves. But at this point in their development, when per capita annual incomes average about $135, most of these countries need substantial external assistance to achieve rates of progress responsive to the minimum aspirations of their more than 300 million people for a better life. Our principal concern, therefore, is how most effectively to make capital assistance and technical knowledge from the developed nations available to these developing nations.

Ever since the wave of independence swept through Africa in the late fifties and early sixties, Western European nations and multidonor organizations have provided 60 to 70 percent of economic assistance to Africa. Because of their strong traditional and historic links to Africa, we hope the European nations will continue to provide the bulk of foreign assistance to Africa. But the United States also has deep and special ties to Africa. We should do our fair share in support of the independence and growth of African nations.

The immediate postindependence period in Africa is passing. The nations of the continent have increased experience and a growing realism in their approach to development. There is a new appreciation of the need and of the limitation. One finds in the dialogue with most of the African countries today a matter of fact approach devoid of political emotion or unrealistic dreams. The development dollar goes further as a result.

Problems, of course, remain—in attitudes, in providing skilled people, and in finding administrative and managerial talents. But despite the magnitude of the task one finds in country after country impressive results from what the developed world has contributed in money, in skills, and in training.

The U.S. share, even taking account of assistance provided through Public Law 480 and the Peace Corps, has only been about 20 percent

of all external assistance to Africa. Assistance to Africa through AID has been less than half of this.

We nevertheless hope to continue to provide assistance in a small number of bilateral programs, as well as through regional projects and institutions. For fiscal year 1971, we propose to continue assistance to those 10 nations which have been given emphasis in the past. At the same time, mindful of needs throughout the continent—

We propose, to the extent permitted by legislation, also to provide limited assistance in other African countries to projects which contribute significantly to increased production and revenues.

We plan to continue to emphasize aid to regional programs and projects, giving special attention to innovative ways to make our efforts effective.

We intend to do more to strengthen African economic institutions including the U.N. Economic Commission for Africa, the African Development Bank, the OAU's Scientific Technical and Research Commission and subregional organizations.

We will concentrate our economic assistance in the fields of agriculture, education, health including demographic and family planning, transportation, and communications.

In conducting these programs, we shall work closely with other national donors and international organizations. We shall take initiatives where we can to encourage other donors. We currently participate in World Bank and International Monetary Fund consultative groups concerned with eight countries of Africa, as well as in projects elsewhere involving several donors. With limited total aid resources, we believe these mechanisms greatly increase the effectiveness of foreign aid.

An important portion of our assistance to Africa supports regional projects and regional institutions. Any serious appraisal of the development prospects in Africa makes clear the need for much greater regional cooperation. Many African nations are small their national boundaries frequently split natural economic regions. Most national markets are too small to support industry using modern technology. Africans have already demonstrated their recognition of the need for regional cooperation by establishing regional educational, technical and research institutes, economic communities, common markets, common financial arrangements, and even common currencies. We hope to remain in the forefront of cooperative efforts to foster regional cooperation in Africa.

We shall encourage the greater utilization of American citizens from the private sector to meet development needs in Africa, both as individuals and through organized groups. We shall also encourage American private investment, which as I noted earlier is substantial and has been growing at an impressive rate. We believe that private investment can and should play a growing role, above and beyond public assistance, in African development.

Mineral and petroleum development accounts for nearly three-fourths of the current $3 billion U.S. private investment in Africa. The industry is exceptionally able to seek out new sources and new opportunities to meet growing demands.

The same is not the case, however, for investments in manufacturing, agro-business and commerce. Thus, AID is already conducting certain programs to stimulate American private efforts in these fields.

We have an increasingly successful, albeit modest, effort at getting American investors to look at integrated, large-unit agricultural schemes in Africa. In the past 3 years, American companies have made 27 preliminary studies, leading to 10 indepth studies and four investment commitments. Several more are currently being negotiated.

We are also seeking to interest medium size American investors to look at opportunities to help contribute to African markets, that is, flour milling, bus transportation; and for meeting specialized markets which Africa could fill, such as plywood, shrimp fishing and food processing.

The new Overseas Private Investment Corporation is authorized to provide guaranties, local currency loans, and sound investment project advice to form the basis for a more efficient, flexible, and aggressive approach to the promotion of U.S. investment in developing nations. It will be an important element in stimulating further American private investment in Africa.

RECENT TRENDS IN AFRICA

Let me give a brief report on some critical African developments. Most African counries continued to make steady progress in their economic development programs. Some, like Congo (K) and Ghana have had remarkable success in arresting inflation and turning away from stagnation with the help of IMF-sponsored stabilization programs. But as would be expected on a continent where institutions of government are still mostly in their formative stages some new nations found the task of nation-building fraught with difficulty. Since I last appeared before this committee there were four irregular changes of government (Somalia, Libya, Dahomey, and Lesotho). Student unrest remains a persistent phenomenon in many countries. Pressure on foreign residents increased in some countries, indicating the difficulty of establishing regional cohesion, when tribal loyalties remain primary. Several governments (for example, Tanzania, Zambia, and Sierra Leone) undertook measures to acquire participating interests in foreign-owned enterprises on key sections of the economy. These measures were carried out in ways designed to reassure foreign investors that their continued presence was desired. Nevertheless, they reflected the widespread desire of new nations to assure themselves a voice in the management of key sectors of their economies, particularly in the extraction of natural resources. Despite growing economic nationalism, however, the propensity of Africans to look abroad for capital and technology needed for economic development remained unchanged. Communist countries continued to seek opportunities to extend their influence in Africa. Recognizing Africa's resistance to foreign ideology they continue to pursue a low key approach. Currently the Soviet Union is emphasizing military assistance to Mediterranean and Red Sea countries and is seeking to profit from economic military sales to Nigeria. Communist China is continuing its support for the projected Tanzanian-Zambian railroad. Now I would like to review briefly highlights in the subregions of Africa where we have extensive aid programs.

NORTH AFRICA

The United States has, since the independence of the north African countries, played an important role in this area. Together with France and the World Bank, we have been the largest contributors of economic assistance in recent years to Morocco and Tunisia. Two of the most successful World Bank consultative groups of donors operate with these countries. There are also substantial U.S. investments throughout the area.

Of longrun significance also are the steps being taken by the three countries of the Maghreb to improve their own mutual relations. In January, Morocco and Algeria signed a 20-year friendship treaty and quietly shelved their conflicting border claims. Algeria and Tunisia have also made progress in settling their outstanding problems, and Algeria was generous in providing relief to its flood-ravaged neighbor. This improvement in relations offers the Maghreb new prospects for reducing tensions, arms burdens and conflicting diplomatic alignments. The progress has been welcomed by this administration as a means to liberate the energies of all three countries for economic progress.

EAST AFRICA

America has for many years, and particularly during the last two decades, had closed links with the peoples and institutions of east Africa. More and more Americans are visiting as tourists. More and more are involved in educational activities in the region. The close personal links between the leaders and peoples of these nations and Americans are a significant part of our total relationship to the African continent.

Although diverse in both history and topography, the countries of eastern Africa face interconnected problems. Developments in Somalia are important to Ethiopia and Kenya, both of which have substantial numbers of ethnic Somalis within their borders. Kenya, Tanzania, and Uganda are partners in the east African community, one of Africa's most promising regional economic organizations. Other east African countries have indicated an interest in joining an enlarged community. Talks looking toward that end have been intiated. Zambia has turned to Tanzania for transportation routes to the sea that do not pass through countries unfriendly to it. AID is helping on the road link.

During the visit of Emperor Haile Selassie to the United States last July, and in the Secretary of State's visit to Ethiopia in February, the long-standing friendship between our two countries was reaffirmed and the interests of both countries were advanced. The Emperor spoke of plans for internal educational and economic development in his country. Some of these plans are beginning to take effect.

The détente among the countries of the Horn of Africa, fragile though it may be, continues. We welcome the détente policy and believe its continuation will free energies and resources for development in the area.

WEST AFRICA

We are encouraged by the return to civilian rule in Ghana, since last September. The present Government of Ghana inherited extremely troubling economic problems from the dictatorship, but is facing up to them through long-range development plans and continued austerity which will call for great sacrifices by its citizens in the transition to a new period of economic growth. U.S. private investment in Liberia and other countries continues to expand. The Senegal and Niger River Basin Commissions and the Entente Guaranty Fund provide regional bases for expanded economic cooperation of their members. We see increasing opportunities for the United States to contribute through these organizations to national and regional development.

NIGERIA

Nigeria has been a matter of very special concern. The U.S. Government has contributed $94.3 million in relief to this troubled nation, of which $47.3 million came from previous AID appropriations.

This is Africa's most populous nation, the ninth largest in the world. The tragic suffering of the people of this country has struck the conscience of the world and of our own nation. There has been an intense hope in the United States that we would do our share to relieve human suffering in Nigeria. Our foreign assistance program has made a substantial contribution possible.

With the end of the war the problem has changed from that of getting relief to both areas of the war zone to one of contributing effectively to a Nigerian program of national reconstruction. Nigeria has moved to bind its wounds by a clear policy of reconciliation and amnesty. We have considered it important to our relations with this nation, as well as Africa as a whole, that we respond to their requests for help in this effort.

The problems, both of relief and rehabilitation, remain. We hope, in the coming months, that the immediate priority of relief can give way to the longer term requirement of rehabilitation and reconstruction. We consider it important that we be ready to help not only with these immediate problems but with the longer range objective of assisting Nigeria to rebuild its economy and bring together again those who sought another destiny for themselves and those who responded to the call to preserve the unity of the country.

We are now exploring with the Federal Military Government ways in which the United States, in concert with other donors, can assist in the gigantic task of rehabilitation, reconstruction, and resumed economic development.

THE CONGO AND CENTRAL AFRICA

As the result of an extended period of internal peace and stability enjoyed by the Congo (Kinshasa) since 1967, and view of an encouraging degree of economic recovery, the United States and Congolese Governments agreed in 1969 that the focus of American aid should be changed from short-term supporting assistance to long-term development assistance. The World Bank is taking a major developmental

role in the Congo. The Congo has come back quickly from its early history of internal strife and is now poised for a major development effort. This will be an important element, not only for its own progress, but for that of the region.

Other smaller states in central Africa, such as Gabon and the Cameroon, are demonstrating stability and economic progress, while the Lake Chad Basin Commission is a promising channel of cooperation among several of these countries.

CONCLUSION

The many African leaders whom I have met are giving top priority to economic development efforts. They are well aware that opportunities for growth and progress are a political imperative for their new nations. Few African leaders are tempted by foreign adventure or the desire to meddle in the affairs of their neighbors. To an increasing degree, however, they are coming to realize the absolute necessity for economic cooperation with their neighbors.

The decade of the seventies, therefore, may well represent the turning point for African economic development. The first blush of independence is past. The hard realities of life are upon these nations and, to an increasing degree, they are turning to face this challenge.

This is thus the time when it is most important for all developed nations, including the United States, to participate in these economic development efforts. The Africans are helping themselves, and they recognize the need for outside assistance in order to hasten the job. We must not let them down. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Adams, would you like to make a statement?

Mr. ADAMS. Yes, sir.

STATEMENT OF SAMUEL C. ADAMS, JR., ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, AID

Mr. ADAMS. Mr. Chairman and distinguished members of this subcommittee, this is my first opportunity to appear before you on behalf of the Africa AID program. It is an honor. It is a privilege for me to be here.

As President Nixon has said: "We want to see an Africa free poverty and disease, and free too of economic or political dependence on any outside power. And we want Africans to build this future as they think best, because in that way both our help and their efforts will be most relevant to their needs." We must participate in this great effort. Economic development is the primary challenge facing Africa. It is the most immediate preoccupation of African peoples.

The report of Secretary of State Rogers on the United States and Africa in the seventies following his recent visit to 10 African countries, proposes that the United States, in concert with other, principally European donors, contribute a fair share to African development, with emphasis on maintaining a substantial contribution and hopefully a larger share.

We propose a program of $161.3 million in fiscal year 1971. Africans desire and need our support .U.S. interests are served by our contribution to the evolution of peaceful communities.

Technical Assistance funds of $69 million will improve agricultural production, education, and health. An additional $4 million in development loan funds are proposed to assist Africans in attacking problems created by rapidly expanding populations.

A variety of priority activities will be assisted: Livestock development programs will increase vital protein consumption. Cereals and soils research will increase crop yields and the incomes of rural people. Curriculum revision at the primary and secondary levels, and teacher training will improve the quality of education. University-level training programs in Africa and the United States will develop critically needed manpower. Further eradication of endemic diseases will improve health conditions. Advice will be given on child spacing, and governments will be assisted to carry out demographic research.

Development loan funds of $80 million are requested for program and sector loans. Critically needed imports will be financed to more fully utilize or expand agricultural sector production facilities. Project loans will develop intercountry transport and communications links and to reconstruct and expand infrastructure.

Supporting assistance of $8.3 million is proposed to aid Nigerian rehabilitation following the ending of its unfortunate civil war, and provide financing for refugee education at Nkumbi in Zambia.

For fiscal year 1971, consideration is being given to initiating bilateral assistance to Zambia. As presented illustratively in the project data book, assistance is contemplated to overcome the development obstacles of lagging agricultural productivity and a severe shortage of trained and experienced personnel.

We shall aim, Mr. Chairman, in our approach to Africa to be innovative and to concentrate on core development problems.

Our overall approach to Africa will involve emphasis on selected individual countries and on groupings of countries cooperating in regional projects. To us, all Africa's people are important. This is not to say Africa's tremendous diversity can be approached all in the same way, insofar as assistance is concerned. That would be impractical, if not impossible, given our limitations of funds and manpower. Moreover, it would not represent maximum efficiency in providing assistance, given the diversity of problems and resource patterns in Africa. We will, however, increase our emphasis on subregional development programs so that we can more effectively isolate and attack core problems; for example, falling food production and limited budgetary resources, shared by regional groupings of countries. Major development gains occurred in the 10 African countries where we concentrated our aid. Our regional approach must be made to reach and assist more effectively the approximately 100 million people in the smaller, poorer countries of, for example, central and west Africa, and east and southern Africa.

Over the past decade, AID assistance helped African states provide school places for nearly 1 million African children; undertake distribution of 3,500,000 textbooks; construct 13,000 classrooms; upgrade 80,000 teachers; and provide training in agriculture, education, and public administration for 14,000 African professionals. Assistance to intermediate credit institutions enabled indigenous African entrepreneurship in 500 firms to become more productive. Additional power facilities of 650,000 kilowatts were constructed, as were 8,500 miles of

connecting road links to ports and air terminals and between markets and production areas. U.S. private management expertise and technical know-how have been provided through private American investments in large-unit agriculture, tourism, engineering services, and banking. Furthermore, the 1960's saw Africa's major food deficits in certain critical countries begin to be successfully attacked.

Against great handicaps Africa accomplished much in the way of self-help in the few years since the majority of its nations achieved their independence. Despite the short time they have had to develop their institutions and economic base, Africa's leaders and people mobilized for the task they consider most important—economic development. Their dedication has borne fruit. Now, thousands more Africans participate in governments and businesses, use improved seeds and fertilizer, and work on new dams, roads, and railroads than could be observed yesterday. Africa's natural resources are increasingly being exploited for the primary benefit of the African people. African governments are increasingly taking the hard and sometimes unpopular decisions necessary to maintain monetary and fiscal stability and to keep foreign borrowing within reasonable limits. Foreign investment is welcomed.

Recognizing the need to collaborate on mutual problems, African states in a variety of regional institutions sacrificed a degree of their recently won political sovereignty to achieve greater economic benefits. The Congo (K) reversed its pattern of internal insecurity and successfully opted for development and stability. Ghana successfully made its transition from military rule to reestablishment of civilian government rule. The Nigerian civil war has ended.

The magnitude of African development problems, however, will become even larger in the 1970's. Larger numbers of Africans must become participants in their nations' progress, and a greater degree of hope must be developed amongst the more than 100 million inhabitants of Africa's numerous small and very poorly endowed states.

Changing trends in aid giving and receiving with greater emphasis on cost-benefit analysis, scarcity of aid resources now becoming apparent in the seventies, will inescapably have an impact. Accelerated technological changes have implications for what African peoples have to eat, the quality of their shelters, whether they will be sick, or what relevance the skills or the lack of skills may have in changing worlds.

The need is urgent for greater acceleration in Africa's advance. I feel there is the risk of a widening gap further separating the African from other developing countries. The peoples of Africa might become irreparably separated from those of the advanced, developed nations. I am concerned, Mr. Chairman, that the seventies not find us to be irrelevant in things we do or fail to do about economic development in Africa. I look for new ways to help these societies evolve more productively and equitably than before.

Since I undertook responsibility for the Africa Bureau on November 7, 1969, I have been asking myself what may we do to assist 300 million people become better equipped for the changes they will face in the seventies? I have read with interest and instruction the concerns of this committee. In seeking the support of the Congress for a creditable level of U.S. assistance to Africa, so that U.S. assistance can be a catalyst working with other donors and with African institutions, I

have undertaken measures for greater concentration of our financial and staff resources on those programs or activities permitting more rapid and effective development in the 1970's.

I have come to these tasks not as a stranger, Mr. Chairman. My 12 years in Africa, as an AID education adviser in Nigeria, AID Mission Director in Mali and Morocco, and U.S. Ambassador in Niger, gave me a deep sense of concern for Africa's 300 million people. I have witnessed firsthand the admiration for the people of the United States of many of Africa's little people, in villages distant from major capitals for our help to help them help themseleves. Their need to produce more, earn more, and share in the benefits of 20th century technology, bears directly upon our concern about the quality of relationships evolving among the peoples and nations of Africa and ourselves. I firmly believe the people of the United States and of Africa are inhabitants of the "village world" described in the Pearson Commission report. We are mutually interdependent, with responsibilities to assist each other according to our capabilities, and with benefits to be derived by each of us from the relationship. The U.S. technical and financial capabilities, in concert with others, must help and give higher priority for cooperation with Africa's goal of modernization.

Since assuming my new functions only 5 short months ago, I have undertaken a comprehensive review not only of what we do, but how we do it. In the course of this review, I have visited Africa twice. My colleagues and I have concluded that new development patterns of the seventies require an improved organizational approach, more responsive to the needs of the decade ahead. We are, for example, decentralizing our loan administration operations in order to put personnel at the site of the action in Africa and enable them to make more decisions in the field, thus both speeding and more carefully supervising implementation. In order more effectively to develop and administer our programs and to further African efforts at regional cooperation involving the smaller central and west African countries as well as those of east Africa, we are placing three area development offices in central and west Africa and reorienting the one in east Africa to focus better on African problems in the way that Africans themselves see them. Thus, each office will concentrate upon groupings of countries which have banded together to attack their common problems. This will be done, Mr. Chairman, without any increase in personnel in central and west Africa or in east Africa.

In order to render our assistance more effective, we are redesigning and focussing it on the decade ahead, undertaking new emphases and making new departures to achieve more effective transfer of resources and more immediate impact on urgent development problems. Major emphasis will be in the agriculture, education, and population sectors.

We will devote our greatest attention to agriculture, which is Africa's dominant occupation. About 80 percent of Africa's people live on the land. Urbanization and industrialization will only gradually change this pattern. African agriculture functions on two levels: A monetized segment produces export crops such as cocoa and vegetable oils, and limited amounts of domestic foodstuffs. Most Africans, however, are engaged in traditional, subsistence agriculture. The agricultural sector falls seriously short of its potential and must be vastly improved if African economies are to become viable and the benefits

of development widely distributed among the population. Population increases make the need for improvement in food production and distribution particularly urgent.

One immediate problem is to increase the efficiency of rice production, processing and marketing. Today, West Africa must spend more than $50 million annually on one food import simply in order to live. Their scarce foreign exchange will be urgently needed to import equipment, machinery, and tools to develop the industries and modern agriculture to increase production and augment revenues to sustain themselves in the future. We are convinced that this problem can be overcome. Local food requirements can be produced in substantially larger quantities in this area. Increased productivity will thus make long-range development more possible.

Associated with the equally vital problem of development of higher yielding varieties of food crops will be the necessity for research breakthrough for better soil and crop management systems to replace the land-consuming and inefficient bush-fallow system that has been practiced for generations in Africa.

Breakthroughs, or even improvements, in these areas will lead to greater production, which will not only help feed the growing African population, but will increase farmer income and, in turn, permit the expansion of budgetary resources to meet basic health, education, and other pressing requirements.

Thus, agriculture in Africa is the key to progress. We will, therefore, devote more than one-third of our program to help modernize and increase the output of this critical sector. Our program will involve both technical assistance, in support of such activities as soils research at the International Institute of Tropical Agriculture in Nigeria, cereals production in North, East, and West Africa, and, on an experimental basis in Ethiopia, an integrated approach to farming under which Ethiopian farmers, for the first time, will have available all of the inputs—seeds, tools, credit, etc.—necessary for successful production. Where possible, as for example, in the case of soils research at IITA, where the Ford and Rockefeller Foundations will play a major role, we will collaborate with other donors in order to make best use of both funds and technical skills.

In support of this effort, we plan to provide agriculture sector and project loans in such countries as Ethiopia, Tanzania, and Morocco. This will allow African governments, which now have better capability to plan and implement development activities, to allocate more effectively and concentrate their resources in support of their priority problems. From our standpoint, it will permit us to transfer resources to Africa more efficiently and to demonstrate our support for enlightened development policies.

Education and training will continue to be a major area of concern. Education today receives more than 20 percent of African budgetary allocations. Nevertheless, in terms of trained manpower, Africa is something of a paradox. On the one hand, many thousands of Africans have been trained, here in the United States, in Europe, Asia, and in Africa itself, to man the continent's businesses and governments. At the same time, the number of expatriates—Europeans and others—staffing these same businesses and governments, has actually increased since indepedence. This is due not to any significant brain drain, al-

though this phenomenon plays some role, but primarily to the fact that Africa's independent states began with such great deficiencies in trained human resources.

Although there are more than 40 universities in Africa, they are young. Most of them are new institutions. Their ability to handle the increasing numbers of eligible students desiring entrance to them and who must be prepared for Africa's development tasks, is severely limited. Faculties must be trained. Curricula must be improved and expanded. Physical facilities must be improved. Funds must be provided to defray the tuition of the majority of students too poor to support their education from their own resources. Moreover, help with educational reorientation of school systems is required at the primary and secondary levels. Courses are often geared more to European academic requirements than to African development needs. Equally important is the need for training in specific skills, such as mechanics, carpenters, and masons to meet need for middle level manpower.

The U.S. aid program in Africa will help specific African universities such as University College, Njala in Sierra Leone, Ahmadu Bello University in Nigeria, and Makerere University College in Uganda, to improve their capability to serve as regional education centers in such critical fields as agriculture and veterinary medicine. Until a sufficient number of qualified institutions can be developed, we will continue to provide scholarships to African students to undertake development-related training available at African universities outside their own countries or in the United States. We will, along with other donors, help to revise curricula in primary and secondary schools in East Africa and elsewhere, and help to improve the quality of their teachers. We will continue to assist African countries throughout the continent to adapt basic mathematics and science curricula relevant to their needs. In the field of skills training, we will help to adapt the highly successful self-help opportunities Industrialization Center approach to Nigeria and Ghana in what we hope will demonstrate possibilities of many similar ventures elsewhere.

Population growth is becoming a problem of major concern in Africa. More than 40 percent of Africa's population is under 15. Ever-greater outlays of scarce resources are required for the expansion of medical and social services, for new school facilities, for new jobs—at rates of increase few of the economies can meet. Resources are diverted from productive capital formation, and increasing pressure is put upon an already inefficient agriculture sector. In fiscal year 1971, we will double the size of our population program in Africa. Increasing the awareness of Africans of the relations between population growth, economic development, and the quality of life will come through provision of training in population matters for health workers, doctors, maternal and child care workers, and nutritionists whose wide contacts and influence in the villages give them the opportunity to provide basic family planning information to the people.

Africa's population problem is, in a sense psychologically tough and perhaps more subtle than in other parts of the world. Whereas African leaders are more and more recognizing the problem, the African peoples do not see or feel pressure on the land. Rather, traditionally, the effects of too many babies are primarily felt by the family—

the woman who mothers large numbers of children, the father who must support them, the children themselves who must vie for attention. Some success is being achieved in this area.

AID's role in Africa, relative to the Western European nations and multilateral organizations which provide the major share of assistance to the continent, is small. It is nevertheless, substantial enough to make a significant impact, selectively applied as a catalyst and when it results in better focus on core development problems. Thus our assistance aims at development in and of itself, and additionally we feel, successfully carries out the role of catalyst and innovator with significant meaning for the allocation of assistance by other donors. For example, in Tunisia, Morocco, Ghana, and Congo(K), we played a major role, together with international organizations in bringing about a comprehensive approach to solving basic economic problems. This success achieved further encouragement of coordination of other donor efforts, and helped to maintain substantial flows of assistance to Africa.

Mr. Chairman, we believe the fiscal year 1971 AID level proposed for Africa has a meaningfully significant potential for Africa's development.

FISCAL YEAR 1971 REQUEST

Mr. PASSMAN. Thank you very much, Mr. Secretary and Mr. Administrator. As I read the record your 1971 estimate is for $161,358,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. As Dr. Hannah would say, there is an asking price and a taking price. This is your asking price.

Mr. ADAMS. Hopefully both.

Mr. PASSMAN. The taking price will be reached later in the year in the way that we have handled it in the past. I think it is more obvious this year than previous years that this is really the asking price rather than the taking price because it would appear that your request is $9,669,000 above what we programed for fiscal 1970, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. That is a bit frightening when we take into account that in the last fiscal year, and for that matter this fiscal year, we had literally hundreds of projects closed down in the United States for lack of funds—crippled children's hospitals, Hill-Burton funds—we even bankrupted many small contractors in America because of the freeze order in calendar year 1968.

You remember the freeze order when we set aside literally hundreds of projects all over America but not one foreign aid program was affected by the freeze order. It looks like we have finally reached the point where you bureaucrats are so good with your voluminous information that you can sell the people in the Bureau of the Budget and the Director that foreign projects are more important than domestic projects. I kind of feel a bit ashamed that I have not been more successful in refuting some of the information that has been presented.

I believe that you are new in the program, are you not?

Mr. ADAMS. That is correct.

Mr. PASSMAN. Can you furnish us a biographical sketch for the record? I believe you come out of the banking industry.

Mr. ADAMS. No, sir; I have been with AID for the past 17 years.

Mr. PASSMAN. You have been with AID?

Mr. ADAMS. Yes sir; and its predecessor agencies.

Mr. PASSMAN. What was your background in civilian life? Were you a banker?

Mr. ADAMS. No, sir. I was in the research field.

Mr. PASSMAN. Research?

Mr. ADAMS. I also worked on problems of economic development in the rural South.

Mr. PASSMAN. You are getting in the banking business now.

Mr. ADAMS. I am concerned with economic development.

Mr. PASSMAN. These applications reach your desk for these hundreds of millions of dollars in disbursements.

Mr. ADAMS. Yes; they do.

Mr. PASSMAN. I would say you are very much in big banking if you approve applications of $161 million. Wouldn't you say that was getting into banking?

Mr. ADAMS. I would hope that the kinds of problems which you refer to on the domestic scene might have as high a priority.

BIOGRAPHY

Mr. PASSMAN. Mr. Adams, since this is your first appearance, we will place your biography in the record at this point.

(The biography follows:)

SAMUEL CLIFFORD ADAMS, JR.

Present Position: Assistant Administrator for Africa, Agency for International Development, Department of State, Washington, D.C.

Born: Waco, Tex.—August 15, 1920

Job Experience: U.S. Ambassador, Niamey, Republic of Niger, August 1968–November 1969; USAID Mission Director to Morocco, American Embassy, Rabat, 1965–1968; Director USAID Mission to Republic of Mali (Bamako) 1962–64; ICA Representative to Republic of Mali (Bamako) 1961–62; Chief Education Advisor, Office of ICA Representative, Lagos, Nigeria, 1958–1960; Chief Education and Community Development Divisions, U.S. Operations Mission to Cambodia, Phnom Penh 1955–57; Mass Education Advisor & Acting Chief Education Officer, U.S. Special Technical Economic Mission to Indo-China, Saigon, 1952–54; Social Science Research Assistant, Committee on Education, Training, Research in Race Relations, University of Chicago, 1950–51; Director, Marion Cooperative Center, The American Missionary Association, Lincoln School, Marion, Alabama, 1947–50; U.S. Army 1944–46, Pre-flight Aviation Cadet, and Chaplain's Assistant; Machinist Trainee, Department of Navy, Norfolk Navy Yard, 1942–44; Social Science Research Fellow, Fisk University 1946–47; Rural Field Studies Investigator, Fisk University, 1941–42; Assistant to Professor of Sociology, Fisk University, 1940–41.

Education: Fisk University, Nashville, Tennessee, B.A., 1940, M.A., 1947; University of Chicago, Ph. D. (Sociology) Dissertation "The Changing Organization of a Rural Negro Community and its Implications for Race Accommodation", 1952. Specialized Studies: University of London—London School of Economics and Political Science, and the School of Oriental and African Studies

(Special Program of Africa and Asia Studies of Areas & Economic Development Problems), 1957–58; The Maxwell School of Public Administration, Syracuse University (Seminar on the Public Executive) 1958; The Senior Seminar in Foreign Policy, Foreign Service Institute, Department of State, 1964–65.

Honors and Awards: Presidential appointment, Representative on U.S. Delegation to the Fifth Special Session, United Nations General Assembly, 1967; Arthur S. Flemming Award—Honoring Ten Outstanding Young Men in the Federal Government, 1957; U.S. Special Technical Economic Mission to Indo-China nomination—William A. Jump Memorial Award for performance in field of public administration and public service, 1954; John Hay Whitney Foundation "Opportunity Fellow", 1951–52; Freshman Scholarship, Fisk University, 1936; Henry Ford Trade School Scholarship (Summer Students), Ford Motor Company, Dearborn, Michigan, 1937–41.

Publications: Writings on problems of poverty, education and social change, and race and cultural relations; e.g., "The Private World and Public Impact of Poverty's People" in Transition (Foreign Service Institute Publication).

Married: Evelyn Sheppard Baker Adams of New York City. Received B.S. from New York City College, M.A., in Education and Social Development from Columbia University. Has worked as Foreign Service Officer in U.S. programs.

DEVELOPMENT LOANS

Mr. PASSMAN. You will have to consider many different areas. One in particular is what we refer to as development loans.

Mr. ADAMS. That is correct.

Mr. PASSMAN. That would be in the banking area, would it not?

Mr. ADAMS. One could refer to it as banking.

Mr. PASSMAN. What is your understanding of the concessionary or subsidy aspects of development loans? What part is actually subsidy? Are you familiar with that?

Mr. ADAMS. Let me try to explain it, sir. Money is made available at different rates of interest, and given the current cost of money, one could assume that when the amount that is asked as interest rates is less than the current bank rates, one could regard this as being concessionary. This is understood as being necessary given the needs of the borrowing country.

Mr. PASSMAN. You are talking about the merits of the program if it has any. I am talking about that part of the development loan that is a subsidy because of the concessionary nature of it.

(Discussion off the record.)

NUMBER OF NATIONS

Mr. PASSMAN. We would like to have you furnish for the record at this point the number of nations in your area.

Mr. ADAMS. Yes, sir, we will be glad to do so.

Mr. PASSMAN. The name of them, and the total amount that has been made available to these nations, those born last night and those perhaps as long as a year ago. All that you have in your area regardless of when they were brought in.

(The information follows:)

Total U.S. overseas loans and grants to Africa, fiscal year 1946 through fiscal year 1970 (estimated)

[In millions of dollars]

Algeria	186.3	Mali	27.9
Botswana	18.6	Mauritania	3.3
Burmundi	7.4	Mauritius	3.8
Cameroon	33.3	Morocco	710.8
Central African Republic	5.3	Niger	17.5
Chad	9.2	Nigeria	344.1
Congo (B)	1.9	Rwanda	7.6
Congo (K)	440.0	Senegal	40.0
Dahomey	12.6	Sierra Leone	42.6
Equatorial Guinea	.3	Somali Republic	80.0
Ethiopia	361.4	Southern Rhodesia	1.7
Gabon	7.5	Sudan	92.0
Gambia	2.6	Swaziland	1.4
Ghana	277.4	Tanzania	69.7
Guinea	115.2	Togo	15.9
Ivory Coast	68.9	Tunisia	646.5
Kenya	67.7	Uganda	39.1
Lesotho	10.4	Upper Volta	15.2
Liberia	226.0	Zambia	7.2
Libya	221.7		
Malagasy Republic	13.8	Total	4,279.8
Nalawi	26.0		

UNEXPENDED BALANCES

Mr. PASSMAN. If you will, insert in the record at this point the amount of unexpended funds, again the total, and then show the undisbursed funds by nation in your area.

(The information follows:)

Estimated June 30, 1970, unexpended balances of U.S. concessional economic assistance by country[1]

[In thousands of dollars]

Country or program		*Country or program*	
Africa (of which 274,953 is development loan funds)	326,619	Africa—Continued	
Africa Regional	54,544	Equatorial Guinea	20
East Africa Regional	5,115	Gabon	110
Kenya	3,357	Gambia	42
Tanzania	3,433	Guinea	354
Uganda	8,559	Ivory Coast	1,756
Congo (K)	26,041	Lesotho	50
Ethiopia	33,641	Malagasy Republic	3,012
Liberia	11,805	Malawi	7,503
Nigeria	54,415	Mali	2,673
Tunisia	31,884	Mauritania	-------
Ghana	32,654	Mauritius	40
Morocco	25,340	Niger	1,474
Somali Republic	12,247	Rwanda	40
Botswana	45	Senegal	1,000
Burundi	20	Sierra Leone	147
Cameroon	3,675	Swaziland	40
Central Africa Republic	80	Togo	85
Chad	40	Upper Volta	75
Dahomey	825	Zambia	478

[1] Includes AID, Public Law 480, Peace Corps; excludes Export-Import Bank.

PROJECTS TO BE INITIATED IN FISCAL YEAR 1971

Mr. PASSMAN. Please furnish for the record a list of projects by country which you propose to initiate in fiscal 1971 showing the name of the project, the cost for fiscal 1971, the total cost to complete, and the final year of obligation of each project.

Mr. ADAMS Yes, sir, we will provide that for 1971.

(The information follows:)

NEW PROJECTS PROPOSED FOR FISCAL YEAR 1971

[Dollar amounts in thousands]

Country/project	Costs		Final year of obligation
	Fiscal year 1971	To completion	
Africa regional:			
Livestock corridors—Lake Chad Basin Commission	$125	$1,550	1975
University center for health sciences	50	1,500	1976
University teaching of population dynamics	75	(1)	(1)
Population census and demographic studies	120	(1)	(1)
Maternal and child health extension	476	(1)	(1)
Family planning courses at health training institutions	154	(1)	(1)
Regional rapid vocational training	210	900	1975
South Africa Regional Center for Improvement in Instructional Materials	255	1,300	1976
African primary science program	200	(1)	(1)
Pan African Institute for Development	100	600	1975
Public safety training	50	(1)	(1)
South Africa regional statistics training	90	400	1974
Zambia key advisory personnel	180	1,900	1976
Regional organizations development central west Africa	225	(1)	(1)
Feasibility studies and project design: Technical assistance	1,000	(1)	(1)
Feasibility studies: Capital projects	700	(1)	(1)
Engineering design and minor construction	2,107	(1)	(1)
East Africa regional:			
Graduate university agriculture	470	2,979	1980
Regional cooperatives	145	565	1975
Regional range water development	500	2,385	1977
Port management	150	550	1975
Tutor training in East Africa	189	3,819	1977
East African universities specialization and shared services	231	(1)	(1)
Kenya:			
Agriculture credit	195	1,135	1980
Rural development	595	3,800	1980
Key supplemental personnel	235	1,900	1976
Tanzania:			
Agriculture research	250	2,400	1980
Agriculture marketing development	282	2,558	1978
Uganda:			
Livestock production	212	788	1975
Agricultural production and marketing research	470	1,568	1977
Primary teacher training college staff development	184	1,880	1976
Congo (K): Teacher training	476	3,976	1980
Ethiopia:			
Ada agricultural development	427	2,318	1980
Promotion of tourism	100	700	1974
Liberia: Telecommunications management	530	989	1972
Nigeria:			
Oil palm expansion	60	420	1975
Food crop production	181	914	1975
Groundnut production	112	540	1975
Nigeria small business support	125	2,300	1974
Advanced professional studies, University of Lagos, college education	210	1,086	1974
Higher education institutional staff development	300	904	(1)
Ghana: Feasibility studies	100	(1)	(1)

[1] Subject to annual review.

FISCAL YEAR 1970 DEOBLIGATIONS BY PROJECT

Mr. PASSMAN. Also furnish for the record a table by country showing the name of the project, the amount of funds deobligated from each project through your latest available accounting period, and also your best estimate as of June 30, 1970.

(The information follows:)

TABLE I.—NET TECHNICAL COOPERATION DEOBLIGATIONS BY PROJECT

[In thousands of dollars]

Country and project	Deobligations as of Mar. 31, 1970	Estimated deobligations Apr. 1 to June 30, 1970 [1]	Total
Morocco:			
Technical support	5		
Agricultural development sector	28		
Ind. mgnt. eng. training	4		
Industrial development	1		
Forage dev. for animal protection	1		
Assistance to promotion nationale	1		
Cereals production	4		
Livestock and rangeland improvement	5		
General training	26		
Population/family planning	22		
Special self-help development	1		
Upward adjustment	−4		
Total	94	31	125
Zambia:			
Teacher training	31		
Agricultural development	22		
Key personnel training	11		
Upward adjustment	−4		
Total	60	56	116
Malawi:			
Technical support	3		
Community development	2		
Statistical development	3		
Rural transportation development	3		
Mass communications	6		
Operation manpower development	4		
Special dev. activity authority	2		
Total	23	16	39
Nigeria:			
Technical support	49		
Agri. planning and advisory serv	5		
Pub. serv. trng. and staff support	134		
Fisheries development	1		
North Nigeria teacher educ	16		
East Nigeria housing home fin	18		
Investment promotion	157		
Independence gift to Nigeria	3		
Agri. ed res. and ext. east Nigeria	21		
Adv. Tchrs. Trng. Coll., Kano	29		
Engineering trng. programs	4		
Agri. educ. west Nigeria	1		
Educ. planning and adv. service	19		
Agri. educ.-future agri. leaders	67		
Agri. res. midwest Nigeria	1		
Agri. dev. studies and evaluation	19		
Ind. plng. and proj. appraisal	3		
Agri. res. and ext. west Nigeria	18		
Agri. engineering, west Nigeria	10		
Livestock dev., west Nigeria	12		
Agri. ext., north Nigeria	27		
Livestock dev., north Nigeria	103		
Emergency relief and rehabilitation	49		
Upward adjustment	−253		
Total	513	100	613
Ghana:			
Agri. extension and production	11		
Vocational agri. education	4		
National investment bank	99		
Human resources development	13		
Family plan and demog. data dev	9		
Total	136		136

TABLE 1.—NET TECHNICAL COOPERATION DEOBLIGATIONS BY PROJECT—Continued

[In thousands of dollars]

Country and project	Deobligations as of Mar. 31, 1970	Estimated deobligations Apr. 1 to June 30, 1970 [1]	Total
Somali Rep.:			
Technical support	80		
Water system development	1		
Chisimaio port	9		
Nat'l Teachers Educ. Center	1		
Civil aviation	15		
Communications media training	3		
Self-help school construction	6		
Upward adjustment	−31		
Total	84		84
Congo (K):			
Technical support	20		
Public safety	9		
Total	29	35	64
Ethiopia:			
Technical support	6		
Educ. program development	5		
Agric. educ. and research	5		
Gondar Public Health College	6		
Public health advisory service	3		
Eritrea nurses training	2		
Malaria eradication	3		
Public safety	3		
Civil aviation development	1		
Agri advisory services	7		
Regional livestock development	1		
Plant protection	14		
Information services	7		
Agri extension services	15		
Management and engineering training	12		
Comprehensive secondary school	22		
University College of Education	9		
Ministry administration	35		
University general support	5		
Education advisory service	3		
Customs administration	1		
Special self-help and development	3		
Upward Adjustment	−53		
Total	115	507	622
Tunisia:			
Technical support	36		
Watershed planning and management	2		
Consultative specialists	202		
Medjerda Valley development	1		
U.S. University education	1		
Agri prod. research and marketing	9		
Family planning	5		
Upward adjustment	−21		
Total	235	8	243
Liberia:			
Technical support	19		
Forestry	2		
Tech. trng. inst. dev. and support	12		
Public safety	17		
Higher educ. inst. development	41		
Educ. adv. services	2		
Gov. orgn. trng. and management	17		
Private investment prom	34		
Monrovia school sys. development	8		
Public works admin. trng	107		
Labor administration	4		
Air dev. and mgnt. training	11		
Educ. meas. testing development	1		
Agri. prod. adv. serv	21		
Customs administration	3		
Demographic survey	30		
Maternal child health training	26		
Tech. supp. pub. admin	1		
Tech. supp. public works	10		
Upward adjustment	−50		
Total	316	184	500

TABLE 1.—NET TECHNICAL COOPERATION DEOBLIGATIONS BY PROJECT—Continued

[In thousands of dollars]

Country and project	Deobligations as of Dec. 31, 1969 [1]	Estimated deobligations Jan. 1 to June 30, 1970 [2]	Total
OSARAC: Technical support	9		
Rwanda:			
Self-help development	10		
Public safety	1		
Upward adjustment	−8		
Total	3		3
Africa Reg'l.: Regional Tech Aids Ctr., Paris	16		
Tanzania:			
Community development	2		
Strengthening public service	6		
Educ. materials and adv. service	6		
Tan-Zam highway supply serv.	10		
Agri. investment program	4		
Upward adjustment	−15		
Total	13		13
Uganda:			
Technical support	7		
Agri. cooperatives	3		
Sec. girls school	2		
Agri. extension	15		
Livestock development	26		
Public service training	2		
Educ. development	6		
Agricultural Administration	4		
Self-Help Comm. Center	1		
Total	66		66
Kenya:			
Range development	5		
Crop and livestock extension	17		
Higher agri. education	1		
Vocational agri. educ.	52		
Training for public service	2		
National youth service	9		
Labor development	45		
Upward adjustment	−29		
Total	102		102
East Africa Regional:			
Public service training	1		
Wildlife conservation and mgnt.	1		
Univ. of East Africa support	12		
Institute of Mass Media	1		
Common Market consultants	2		
Diploma/cert. level agri. educ.	1		
Teacher educ. in East Africa	3		
Credit union development	4		
Technical support	6		
Upward adjustment	−1		
Total	30		30
Cameroon:			
Technical support	5		
Farm to market roads	12		
Highway development and training	3		
Secondary and technical education	1		
Agricultural extension and planning	1		
Total	22	47	69
Gambia: Asst. to agricultural service	1		
Total	1	34	35

TABLE 1.—NET TECHNICAL COOPERATION DEOBLIGATIONS BY PROJECT—Continued

[In thousands of dollars]

Country and project	Deobligations as of Dec. 31, 1969 [1]	Estimated deobligations Jan. 1 to June 30, 1970 [2]	Total
Chad:			
School health education	11		
Public safety	8		
Public Works Trng & Educ	7		
Asst to Rural Youth	9		
Measles Immunization	1		
Total	36	133	169
Congo (B): Vocational & Teacher Training	2		
Total	2		2
Dahomey: Improve Grain Storage Fac	3		
Total	3	42	45
Ivory Coast: Sugar Cane Research & Dev	2		
Total	2	57	59
Niger:			
Road Maint & Improvement	1		
Public Safety	2		
Agri Educ & Extension	5		
Agri Cr & Coop	2		
Vehicle Op & Maint	4		
Total	14	45	59
Senegal:			
Rural Extension Centers	4		
Agri Develop Casamance Region	2		
Total	6	27	33
Upper Volta:			
Rural Water Resource Dev	3		
Animal Husbandry	1		
Equip & Vehicle Maintenance	1		
Self-Help	32		
Total	37	25	62
Malagasy Rep:			
O & M of Road Bldg Equip	3		
Public Safety	2		
Imp Agri Extension Services	1		
Groundwater Dev-Village WA	2		
Technical & Feasibility Study	2		
Self-Help	1		
Total	11	92	103
Mali: Animal research and marketing	2		
Total	2	100	102
Togo:			
Rural development	2		
General participant training	3		
Measles and smallpox immunization	1		
Total	6	15	21
Regional USAID Africa: Technical support	129		
Total	129	158	287
Africa Regional American Council on Education	140		
Upward adjustment	−181		
Total	−41	595	554
Africa total	2,074	2,310	4,384

[1] Actual deobligation figures for these programs available only through Dec. 31, 1969.
[2] Estimates by country or program only available; not available by project at this time.

TABLE II.—*Fiscal year 1970 development loan deobligations/deauthorizations*

Country and project	*Deobligations/ deauthorizations as of March 31, 1970*
African regional:	
University College, Nairobi	$12,000
Development Corp. of west Africa	200,000
Total	212,000
Liberia:	
Mineral resources survey	132,000
Roberts International Airport	30,000
Total	162,000
Morocco: Lower Moulaya irrigation project I	36,000
Nigeria:	
Niger Dam	850,000
Telephone instruments	28,000
Total	878,000
Senegal: Regional vocational schools	1,300,000
Tanzania:	
Agricultural College	182,000
Dar es Salaam water supply system	3,000
Program loan	24,000
Total	209,000
Tunisia:	
Tunis-Carthage Airport fire/crash equipment	7,000
Water supply project	129,000
Program loan	90,000
Electricity distribution (STEG) I	1,000
Oued Nebaana Dam	100,000
El Aouina Airport construction	125,000
University of Tunis	5,000
Tunis-Carthage Airport terminal (engineering)	30,000
Total	487,000
Upward adjustment	−25,000
Grand total	3,259,000

NOTE.—It is estimated that an additional $6,541,000 of Development Loan funds will be deobligated by June 30, for a total of $9,800,000 of these funds deobligated in fiscal year 1970.

PROJECTS TO BE TERMINATED IN FISCAL YEAR 1971

Mr. PASSMAN. Would you also furnish for the record a table by country showing the projects that will be terminated in fiscal 1971?

Mr. ADAMS. Yes, sir, we will be glad to do so.

(The information follows:)

List of projects to be terminated in fiscal year 1971, by country

Country	*Project*
Africa Regional	Measles Control/Smallpox Eradication, Regional Education/Training, Regional Textbook Production Center, Promotion of Private Investment Opportunities, Feasibility Studies for Medium Sized Industries.
Kenya	Higher Agriculture Education, Scholarship Coordination.
Tanzania	Agriculture Investment.
Uganda	Population Census, Comprehensive Secondary Girls School.
Congo (K)	Labor Education.
Ethiopia	Agricultural Education and Research, In-Service Vocational Training, Comprehensive Secondary Schools.
Liberia	Public Safety, Public Administration Support.
Nigeria	Agricultural Research, Livestock Development, Indigenous Industry Development.
Tunisia	Police Training/Public Safety.
Ghana	Agricultural Development Bank, Volta Lake Technical Assistance.
Somali Republic	Chisimaio Port, Credit Development.
Senegal	Agricultural Development of the Casamance Region.

PARTICIPANT TRAINING

Mr. PASSMAN. Mr. Adams, what is the average cost per participant in your area for fiscal 1971?

Mr. ADAMS. The average is $6,000, sir, for a full 12 months of training.

Mr. PASSMAN. I believe when we speak in terms of a participant, we are referring to those individuals that we bring in under one or more of our educational training programs, but they do get a monthly subsistance.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. The check is issued each month as though they are on the payroll.

Mr. ADAMS. They receive subsistence.

Mr. PASSMAN. Monthly.

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. Of the total number of participants presently being considered for your area for fiscal 1971, how many will be going to a third country?

Mr. ADAMS. I will have to supply that for the record.

Mr. PASSMAN. All right.

Mr. ADAMS. May I mention at this point that quite a number of our participants are receiving training in African institutions of higher education and other vocationally oriented training programs which our aid efforts have developed over the years.

Mr. PASSMAN. I am familiar with that. In all probability that would come in the category of third countries.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. This is pretty much across the board. How many from your area are going to AUB, American University at Beirut? Furnish that for the record.

(The information follows:)

NUMBER OF PARTICIPANTS BEING TRAINED IN THIRD COUNTRIES OR AT THE AMERICAN UNIVERSITY OF BEIRUT

In fiscal year 1971, it is expected that 1,180 participants will be trained at facilities in third countries, excluding the American University of Beirut. The training for these participants will range from short, 2-to-3-month skills training, through year-long academic training. Another 34 participants will attend the University of Beirut during fiscal year 1971.

DEVELOPMENT LOAN AUTHORIZATIONS

Mr. PASSMAN. Page 9 of the justification indicates through December 31, 1969, you have authorized a net of $8,180,000 in development loans to the countries in your area. This is the 46 percent subsidized loans we are talking about, is it not?

Mr. ADAMS. Yes, this would be concessional terms.

Mr. PASSMAN. Is that figure correct?

Mr. ADAMS. Yes, it would be.

Mr. PASSMAN. Would you furnish for the record a list of loans authorized by country since that date?

Mr. ADAMS. We will be glad to do so, sir.

(The information follows:)

Loans authorized from December 31, 1969, to April 20, 1970

Loan	*Amount*
Agriculture sector loan (Ethiopia)	3, 500, 000
Agriculture sector loan (Morocco)	5, 000, 000
Transcameroon railroad II (amendment)	2, 000, 000
Program loan (Ghana)	15, 000, 000
Program loan (Tunisia)	5, 000, 000

LOANS OBLIGATED IN JUNE 1969

Mr. PASSMAN. Could you tell the committee the number of loans and the amount of loans obligated in the last five days of June of last year.

Mr. ADAMS. We will get this for you, sir.

(The information follows:)

LOANS AUTHORIZED IN THE LAST 5 DAYS OF JUNE 1969

Loan	Amount (thousands)	Date
Makerere University Construction (phase III)	$350	June 27, 1969
Malaria eradication (Ethiopia), amendment	3, 000	Do.
Civil aviation improvements (Ethiopia)	10, 000	Do.
Technical assistance (Liberia)	650	Do.
Calabar-Ikom Road (Nigeria)	2, 800	Do.
National Bank for Economic Development (Morocco)	3, 000	Do.
Primary teacher traininc colleges (construction) (Uganda)	3, 200	Do.
TanZam Highway, pahse III (construction)	7, 500	June 30, 1969

(Discussion off the record.)

Mr. ADAMS. Thirteen, sir.

Mr. PASSMAN. How many were authorized on June 30?

Mr. ADAMS. Only two or three, sir.

Mr. PASSMAN. Two or three. It has to be one or the other. How many?

Mr. SHEAR. It was only one, sir.

Mr. PASSMAN. There were 13 in the last 5 days of June, is that correct?

Mr. ADAMS. We will supply it for the record.

Mr. PASSMAN. Let us find it right now. I might want to ask some questions about it.

Of course, this is only money we are spending, borrowed money, we are not going to pay it back anyway. I do not know how we are going to pay it back the way we are throwing it away now.

Mr. ADAMS. There are examples of countries who have been meeting their obligations.

Mr. PASSMAN. We have a very good record on the performance of some of these people who pay us back.

I am looking at the net. While he is looking up that information, since we started this worldwide program, it has gone into 123 nations and seven territories of the world and the cost now is approaching $200 billion.

The actual disbursements or the actual cost, 1946 through 1970, not including the interest on what we borrowed to give away is now $131,530,600,000. Doctor, do you have that information?

Mr. ADAMS. We are getting it together for you, sir.

COUNTRY AND SECTOR LOANS AUTHORIZED TO DATE

Mr. PASSMAN. That is fine. While they are looking that up, we will move along. Will you also furnish a table by country of the program or sector loans authorized to date in fiscal 1970 and the estimated balance for fiscal 1970?

Mr. ADAMS. Yes, sir.

(The information follows:)

PROGRAM AND SECTOR LOANS

Country	Type of loan	Amount programmed for fiscal year 1970	Amount proposed for fiscal year 1971
Congo(K)	Transportation sector		$5,000,000
Ethiopia	Agriculture sector	$5,000,000	5,000,000
Ghana	Program	15,000,000	15,000,000
Morocco	Agriculture sector	5,000,000	6,000,000
Tanzania	Agriculture sector	1,000,000	1,500,000
Tunisia	Porgram	10,000,000	5,000,000
Central West Africa	Agriculture sector		2,000,000

(Discussion off the record.)

FISCAL YEAR 1971 LOANS BY COUNTRY

Mr. PASSMAN. What countries in your area are programed to receive either program or sector loans in fiscal 1971? Do you have them broken down? Put that in the record.

(Discussion off the record.)

Mr. PASSMAN. Provide for the record a list of the proposed development loans by country that form the basis for your fiscal 1971

development loan estimate of $84,045,000. Will you put that in the record?

(The information follows:)

Fiscal year 1971 proposed development loan program

Country	Amount
Regional	$16,000,000
Coffee diversification fund	2,500,000
Central-West Africa sector loan	2,000,000
Entente states telecommunications	2,000,000
Ahmadu Bello University (engineering and construction)	3,000,000
Botswana-Zambia Road	5,000,000
TanZam Highway	1,500,000
East Africa Regional	2,000,000
East African Community Center (Arusha)	2,000,000
Congo(K)	10,000,000
Transportation sector loan	5,000,000
Luluabourg-Mbuji-Mayi Road	2,700,000
Kikwit-Luluabourg (engineering)	2,300,000
Ethiopia	14,000,000
Malaria eradication	3,000,000
Agriculture sector loan	5,000,000
Haile Selassie I University	3,000,000
Livestock production	1,500,000
Borkenna Valley agriculture	1,500,000
Ghana	15,000,000
Program loan	15,000,000
Morocco	13,000,000
Sebou (management)	3,000,000
Kenitra-Rabat-Casablanca water supply	2,000,000
Agricultural sector loan	6,000,000
Grain storage	2,000,000
Nigeria	1,500,000
Western Avenue Agege Road (amendment)	1,500,000
Tanzania	2,500,000
Agricultural sector loan	1,500,000
Road maintenance equipment	1,000,000
Tunisia	5,000,000
Program loan	5,000,000
Uganda	1,000,000
Livestock	1,000,000
Total loans	80,000,000
Grants for population activities under Title X of the Foreign Assistance Act	4,045,000
Total allocation of loan funds	84,045,000

PASSMAN-CONTE-LONG AMENDMENT

Mr. PASSMAN. Have you reduced the economic assistance program in any country of your area due to the Passman-Conte-Long Amendment?

Mr. ADAMS. It was not required this year, sir.

Mr. PASSMAN. It would be required if they violate the amendment.

Mr. ADAMS. That is what I meant to suggest. They are not in violation of the amendment.

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How many of the countries in your area have family planning programs?

Put it in the record if you will please.

Mr. ADAMS. We will provide it.

(The information follows:)

SPONSORSHIP OF FAMILY PLANNING IN AFRICAN COUNTRIES

Four African countries have government-sponsored family planning programs: Kenya, Tunisia, Morocco, and Ghana.

Two additional governments, those of Uganda and Liberia, have signed bilateral agreements with the United States under which family planning will receive assistance.

Private voluntary family planning association programs are underway in a number of other African countries.

Mr. PASSMAN. Are you proposing to make any grants to American voluntary agencies for population programs in your area this year?

THE PATHFINDER FUND

Mr. ADAMS. Yes, the Pathfinder Fund, for example.

Mr. PASSMAN. What is the Pathfinder Fund?

Mr. ADAMS. A private organization.

Mr. PASSMAN. What was their specialty before they started in the family planning area?

Mr. ADAMS. They came into being concurrently with the development of growing public concern in this area. Their special interest has always been family planning.

Mr. PASSMAN. This is a new organization for that purpose, then?

Mr. ADAMS. I do not know when it was created, sir.

Mr. PASSMAN. It is for that purpose purely.

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. How much are we contributing to this Pathfinder Organization?

Mr. ADAMS. $100,000 in fiscal year 1971, sir.

Mr. PASSMAN. How much is the total amount contributed to Pathfinder since its inception?

Mr. ADAMS. $400,000 for the Africa program including the $100,000 for fiscal year 1971.

Mr. PASSMAN. $400,000.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Where are they domiciled?

Mr. ADAMS. Boston.

Mr. PASSMAN. Who are the principal officers?

Mr. ADAMS. I do not know, sir.

We will supply it for the record.

(Clerk's note. The information may be found below:)

Mr. PASSMAN. Is it a religious organization?

Mr. ADAMS. No, it is a private voluntary organization, nonsectarian.

Mr. PASSMAN. Are their officers wealthy people who serve without compensation or do they draw their subsistence out of the organization?

Mr. ADAMS. I do not know, sir.

Mr. PASSMAN. Thank you. Would you try to get us some information on it?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I think we have today 31,000 so-called tax-exempt organizations in America. These are only the ones we have a record on, your understand. There are a lot of them. I would like to know a little something about their organization because I throught that we had had very good programs through the World Health Organization and some of the old organized church organizations, as well as our bilateral Government to Government programs. You know from little acorns big trees grow. The first thing you know this will be a billion dollar operation if we do not watch it.

Mr. ADAMS. It is my understanding that the Pathfinder Organization does have a recognized competence in the family planning field.

Mr. PASSMAN. There is no bad AID program. It depends on who you are talking about. They are all good. They may be doing some good. I bet whoever runs it tells you they are doing good. That is where you get your information.

Mr. ADAMS. I observed their programs in the field.

(Discussion off the record.)

Mr. PASSMAN. Do they have any source of revenue other than that coming from the overburdened American taxpayers' pail? Do any of you know?

Mr. ADAMS. They do receive private contributions.

Mr. PASSMAN. From what sources?

Mr. ADAMS. From private contributors, sir.

Mr. PASSMAN. I know, but you are bound to know something about the source of the contributions. Is this recognized as a tax-exempt organization. Would you know, Mr. Secretary?

Mr. NEWSOM. I do not know, Mr. Chairman.

(Clerk's note. The following information was subsequently furnished for the record.)

(The information follows:)

THE PATHFINDER FUND

The Pathfinder Fund was founded by the late Dr. Clarence Gamble in 1929. It has concerned itself only with family planning. Its principal officers are as follows:

Mrs. Clarence Gamble, chairman of the Board
Dr. Jay Cerf, executive director
Dr. Roger Bernard, director of Research
Mr. John Alexander, director of International Programs
Mr. John Wood, director of Public Affairs
Mr. Gaines Turner, director of Management Services
Dr. Walter Mertens, director of Planning

Board members served without compensation and other principal officers are salaried.

Under present tax laws, The Pathfinder Fund is classified as a "private, nonprofit foundation." Efforts are underway to qualify it as a public, nonprofit foundation by (1) expanding its board of directors, and (2) diversifying its sources of private contributions. The Fund does have tax-exempt status.

The U.S. Government is currently contributing 60 percent of the Pathfinder Fund's budget. Private funding for calendar year 1968 and calendar year 1969 amounted to about $500,000 each year. Private contributions committed this year already exceed $500,000 and an estimated total exceeding $750,000 is anticipated. Contributions in past years have been from other foundations and concerned individuals, plus substantial contributions from the various members of the Gamble family. Private contributions in calendar year 1971 are expected to exceed $1 million.

LOANS OBLIGATED IN JUNE 1969

Mr. PASSMAN. Did you get those figures we were discussing earlier about the amount of loans obligated in June, 1969.

Mr. ADAMS. $34,500,000, sir.

Mr. PASSMAN. $34 million.

Mr. ADAMS. Eight loans.

Mr. PASSMAN. There are five more you are working on. You said there were 13 in the last 5 days of June.

Mr. ADAMS. There were eight, sir.

Mr. PASSMAN. You gave me 13 in the last 5 days now you have reduced that. I want to know about the full month of June.

Mr. ADAMS. Nine for all of June, sir.

Mr. PASSMAN. A while ago it was 13 for the last 5 days.

Mr. ADAMS. We made an error, sir.

COUNTRIES RECEIVING ASSISTANCE FROM RUSSIA OR CHINA

Mr. PASSMAN. Would you furnish for the record, a table showing the amount of assistance received by the countries in Africa who are receiving assistance from either Russia or China?

Mr. ADAMS. Yes, sir, we will be able to supply that.

(The information follows:)

KNOWN OFFICIAL DEVELOPMENT ASSISTANCE COMMITMENTS TO AFRICAN COUNTRIES ALSO RECEIVING ASSISTANCE FROM RUSSIA AND CHINA

[In millions of dollars]

Recipient	Donor[1]				
	Russia/China		Other free world, United States fiscal year 1968	United States	
	Calendar year 1968	Calendar year 1969		Fiscal year 1968	Fiscal year 1969
Chad	———	———	———	1.0	0.8
Guinea	———	———	———	4.2	8.5
Mali	———	———	———	1.0	3.4
Mauritius	———	———	———	.9	(2)
Upper Volta	———	———	———	1.4	.1

[1] Note: Periods reported are not strictly comparable.
[2] Less than $50,000.

PUBLIC LAW 480 ASSISTANCE IN 1969

Mr. PASSMAN. Please furnish for the record a table by country showing the amount of Public Law 480 commodities that were supplied to various countries in the African program last year.

Mr. ADAMS. Yes, sir.
(The information follows:)

FOOD FOR PEACE—PUBLIC LAW 480—ACTUAL FISCAL YEAR 1969

[Dollars in thousands]

	Title I sales agreements (military)				Title II donations			
	Initial payments	U.S. uses	Country uses	Total	TAs [1]	VolAgs [2]	Total	Total
Africa:								
Algeria						2,076	2,076	2,076
Botswana								
Burundi					61	15	76	76
Cameroon						169	169	169
Central African Republic					244		244	244
Chad					367	18	385	385
Congo			4,720	4,720	10	312	322	5,042
Dahomey					240	87	327	327
Ethiopia					714	250	964	964
Gabon						3	3	3
Gambia					444	333	777	777
Ghana	324	2,220	22,946	25,490	531	569	1,100	26,590
Guinea			7,500	7,500		21	21	7,521
Ivory Coast					798	62	860	860
Kenya						135	135	135
Lesotho					277	672	949	949
Liberia					175	200	375	375
Malagasy Republic					193	9	202	202
Malawi						82	82	82
Mali					3,802	23	3,825	3,825
Mauritius						56	56	56
Morocco	312		5,928	6,240	15,108	5,914	21,022	27,262
Niger					840		840	840
Nigeria					17,856	6,098	23,954	23,954
Rwanda						249	249	249
Senegal					428	2,214	2,642	2,642
Seychelles						29	29	29
Sierre Leone	17		323	340	129	781	910	1,250
Somali						17	17	17
Sudan						59	59	59
Swaziland						44	44	44
Tanzania					914	1,164	2,078	2,078
Togo					108	178	286	286
Tunisia	495	480	14,505	15,480	14,279	2,514	16,794	32,273
Upper Volta						647	647	647
Uganda								
Equatorial Guinea								
Zambia								
St. Helena								
Total	1,148	2,700	55,922	59,770	57,518	25,000	82,518	142,288

[1] Transfer authorization—includes emergency relief, economic development and world food program.
[2] Voluntary relief agencies.

SELF-HELP PROGRAMS

Mr. PASSMAN. I notice on page 1 you indicate there are approximately 25 countries that are programed to receive self-help funds ranging from $25,000 to $100,000 each for projects within their countries, is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. How do you describe a self-help program?

Mr. ADAMS. These are principally projects or small one-shot activities which the local people in a country desire to undertake. They are carrying them out mainly through their own resources and we provide a small amount to complement their own efforts.

Mr. PASSMAN. This is the type of program that has been in existence ever since the days of Adam and Eve. You always have self-help programs?

Mr. ADAMS. I think it is a thing to encourage.

Mr. PASSMAN. Do you always have self-help programs?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. They are helping themselves.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That means they initiate some program that may help themselves.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That has been going on from time immemorial in every tongue and civilization in history.

Mr. ADAMS. Yes, sir.

Mr. SHRIVER. Are these self-help countries like Chad and Guinea included in the total number of AID countries that Mr. Passman asked about earlier? Are they all part of the 99 countries receiving aid?

Mr. ADAMS. Yes, sir; they would be.

Mr. SHRIVER. That is all I want to know.

Mr. PASSMAN. But as to self-help—the amount they put up in their country—we do not list that as U.S. aid. When we are talking about 99 countries, we are talking about 99 countries that will be getting some kind of aid from the United States in fiscal 1971. Is that your understanding, gentlemen?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. That means the United States will be disbursing some of its funds in 99 countries of the world in fiscal 1971, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I know that surprises you and that is why I did not want to involve you, because this thing is pretty broad. Don't let that worry you, because we lost control of this and finally moved the program into 123 nations and seven territories of the world. In fiscal 1971 we will be disbursing some type of aid in 99 countries of the world.

There is no point in counting them twice. I know it is somewhat frustrating for you to learn in your new position that you do not have the only AID program. If you look at the few nations that are not getting aid, some of them have a population as low as 6,000—and they list the Vatican as a source which shows you how few places are not getting foreign aid.

I notice two new countries have become eligible for self-help projects, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. Put the names in the record.

Mr. ADAMS. Yes, sir.

(The information follows:)

COUNTRIES NEWLY ELIGIBLE FOR SELF-HELP

Mauritania and Senegal have been added to the fiscal year 1971 list of countries eligible for bilateral assistance only through the self-help fund. It should be noted, however, that Mauritania received a total of $121,000 in self-help assistance between fiscal year 1965 and fiscal year 1967, when diplomatic relations were severed.

In Senegal the regular bilateral-assistance program is being phased out.

Mr. PASSMAN. Did you ever hear the expression "From little acorns big trees grow?"

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. For some of these new self-help countries that are being brought in, the projects run from $25,000 to $100,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. Would you anticipate that this would lead to greater AID cost to us in future years?

Mr. ADAMS. I would hope we will be able to continue these activities in future years. It would assist countries to help themselves.

Mr. PASSMAN. That is wonderful. I never had an answer like that before. I hope you rest your case right there.

COUNTRIES PHASING OUT

On page 2 you state one additional country is receiving bilateral aid for planned phaseout activities. What country is that?

Mr. ADAMS. One additional country is Zambia, sir. Somali is a phaseout country.

Mr. PASSMAN. Don't phase them back in. We had this experience of phasing them out and then phasing them in again. When you are phasing them out your plan is not to phase them in again next year?

Mr. ADAMS. That is correct.

(Discussion off the record.)

MULTILATERAL AND BILATERAL AID

Mr. PASSMAN. On page 2 you state that in the 1970's more imaginative and effective means must be employed to provide AID resources via regional and multidonor support to the western and central African countries, and to the southern African area. You look like a very religious man.

Mr. ADAMS. I think so, sir.

Mr. PASSMAN. I bet you go to church.

Mr. ADAMS. I do.

Mr. PASSMAN. Do you make your contribution anonymously or put your name on the envelop?

Mr. ADAMS. I put it in anonymously.

Mr. PASSMAN. You do.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You are the first man I've known in my life that has done that. You are set apart from the people I meet. What do you do when the deacons come along and suggest that you have not given anything to the church at the end of the year?

Mr. ADAMS. I really don't worry about it.

Mr. PASSMAN. In my church they have a list of the donors, whoever contributes. They call some of us tithers. They come up with a budget and they have to know how much will be contributed by the members so they can plan the budget.

Mr. ADAMS. I appreciate that.

Mr. PASSMAN. Do you know anybody else who puts in the money anonymously?

Mr. ADAMS. Yes.

Mr. PASSMAN. I thought everybody advertised. That is so the preacher knows who is paying and who is not paying. You don't get

much credit with the board of directors if you don't know who is contributing. By anonymous, we mean nobody knows you are giving it. Let me ask you this, when you handle the AID program through multilateral organizations, you do know some of our arch enemies get their hands into this aid, don't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Do you think that is good or bad?

Mr. ADAMS. That is a reason for concern.

Mr. PASSMAN. It is a reason for much concern. You do know you have people who are trying to get the entire aid program into multilateral programs so it loses its identity when you start distributing it. I would assume unless you speak to the contrary that you endorse bilateral aid.

Mr. ADAMS. Yes, I do as one element of our attempt to help bring about economic development.

Mr. PASSMAN. Thank you very much. So do I. At least let the recipients know who is making these contributions. I think you would like to have this information. One of our very able witnesses previously appeared before this committee and said that under multilateral aid it all goes into one pot and it is stirred up, then when it is distributed it loses its identity. But we put in 40 percent of the funds and the other nations only put in 60 percent and many of these nations are recipients. When the distribution is made out of that fund it simply means that the American taxpayer is contributing indirectly to some communist countries.

Mr. ADAMS. I can understand how you could put it that way.

Mr. PASSMAN. You do not endorse that program?

Mr. ADAMS. I would endorse our participation in multilateral efforts as well.

Mr. PASSMAN. Now, if you will, I have a lot of imagination myself but I hope when we get into the area of imagination, we do not imagine this has to be increased rather than decreased.

Mr. ADAMS. We were aiming primarily to follow the line you have been urging by seeking greater effectiveness. This is what we meant by more imagination.

BEGINNING OF THE AID PROGRAM

Mr. PASSMAN. This may interest you, and I am going to say it again for the record because it is good reading. When we first started the AID program it required the older members, well fortified with seniority, to walk down into the well of the House and address the Chair. They said "We are now embarking on a program that could conceivably take us into 17 foreign nations of the world, and it may require 5 years to complete this program, and it could cost as much as $15 billion."

You could have heard a pin drop. The very idea of embarking on a $15 billion, 5-year program just after the expense of that great war.

Now contrast that, if you will, not to 5 years, but to 24 years and it is bigger than ever. Not 17 nations, but 123 nations of the world. Not $15 billion, but approaching $200 billion. We do not know where our friends are. The countries we helped the most are running us out the fastest.

(Discussion off the record.)

POTENTIAL OF POOR COUNTRIES

Mr. PASSMAN. I note on page 2 you state many of these countries are extremely poor with little potential as individual economies. That indicates to me that many of these smaller countries do not have a chance as independent entities. In this case why in the world are we providing aid to such countries?

Mr. ADAMS. The reason, sir, is that the smaller countries represent roughly one-third of the population of Africa and to the extent that the peoples within these small countries do not achieve some economic growth or advancement the evolution of peaceful communities abroad is affected. This is of interest to us.

Mr. PASSMAN. In today's world we have more modern conveniences. We are living at a higher level and a lot of people live without working.

As I look at the record, when this constitution was adopted, we were a poor underdeveloped country of 3 million people, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. So by being willing to work, following our constitution that furnished incentive and initiative, and by hard work we became the greatest, the freest, the strongest, and the wealthiest nation in recorded history. Nobody gave us anything. We did it through hard work. I am of the opinion that that is the way all nations will have to succeed, through hard work, on their own initiative. We all know from experience when you give an individual something they become complacent.

Mr. ADAMS. We are trying to set in motion the possibility for the African countries to do the kind of thing you have just described.

Mr. PASSMAN. Let me say this to you. While we were underdeveloped, 181 years ago, and you admit we were underdeveloped, you had many developed nations around the world, that had advanced civilizations. Many of the countries we are helping to develop today were developed. It looks like while we were developing they were becoming underdeveloped. Now we are going to become underdeveloped trying to help the previously developed countries to become developed again. And when we become underdeveloped, I wonder whether or not those nations are going to help us. That is one of my concerns.

Mr. ADAMS. I feel they will, sir.

REGIONAL APPROACH TO AID

Mr. PASSMAN. You and I will not be around to check it, will we? I gather from your statement that we are continuing to place emphasis on a regional aid approach to some of these countries.

Mr. ADAMS. Yes, we are trying to use the most effective means to approach the task of providing assistance to them.

Mr. PASSMAN. That is kind of like this anonymous contribution you make.

Mr. ADAMS. No, sir.

Mr. PASSMAN. You administer it by area and forget the grand total of any one nation. You have to take a slice of the regional aid and add it to the nation.

I am not arguing the merits of it. I am arguing the size of it. You people downtown are adding more each year into regional programs.

The regional programs may take care of five nations. That does not show up when you indicate the actual amount of aid provided to any one nation. You do not include that slice out of the regional program that they receive.

Mr. ADAMS. The individual countries are aware of the benefits they realize from the regional program and they realize that the assistance comes from the United States.

Mr. PASSMAN. Let me ask the comptroller, in making the spread sheet on the amount each country receives in aid, that does not include the amount they got under the regional program, does it?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. Thank you. This thing is getting bigger. It has now reached the point that there is $16,191,600,000 in the regional programs.

That is not included in the 123 nations listed here, but some of them, if not all of them, did receive a slice out of that regional program, is that correct?

Mr. WILLIAMS. Yes, sir. Dr. Adams was correct in that the total shown in that report does include the regional program.

Mr. PASSMAN. The what?

Mr. WILLIAMS. The total that is shown on there.

Mr. PASSMAN. It does not show what went to any one country?

Mr. WILLIAMS. No, sir.

Mr. PASSMAN. It is growing each year, is it not?

Mr. WILLIAMS. Yes, sir.

AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. On page 4 you state you are considering a loan to the African Development Bank to enable it to finance small capital projects at concessionary interest rates; is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. What would be the rates charged by the African Development Bank to finance these small capital projects?

Mr. ADAMS. It is in the neighborhood of 5 to 5½ percent.

Mr. PASSMAN. What is the going commercial rate in the average African country?

Mr. ADAMS. The rates are diverse. In some it is 7 to 8 percent, sir.

Mr. PASSMAN. We are making the money available to them at 2 percent for 10 years and 3 percent thereafter, is that correct?

Mr. ADAMS. Yes, sir, that is what we propose to do.

Mr. PASSMAN. Isn't that what we have been doing?

Mr. ADAMS. Yes sir, those have been the interest rates for our loans to African countries; if we make a loan to the African Development Bank we would hope to make it on the same terms.

Mr. PASSMAN. Thank you. I want the record to show that I am not quarreling with this, but it would appear to me——

Mr. ADAMS. Mr. Chairman, we have not made any loans to the African Development Bank as yet.

Mr. PASSMAN. You have not?

Mr. ADAMS. No, sir, we propose to do so.

Mr. PASSMAN. What will be the capital of the African Development Bank?

Mr. ADAMS. $218 million has been subscribed by African member countries.

Mr. PASSMAN. How much is it proposed that we subscribe to?

Mr. ADAMS. Subscription by non-African nations is precluded by the charter of the Bank. We are proposing, however, a $15 million contribution to the special fund of the bank, providing we are authorized to make a transfer to an international financial institution.

Mr. PASSMAN. How much?

Mr. ADAMS. Up to $15 million.

Mr. PASSMAN. As a development loan or as a grant?

Mr. ADAMS. As a development grant, sir.

Mr. PASSMAN. Development grant?

Mr. ADAMS. Yes, sir; a $15 million grant if the Congress gives us approval for a transfer of funds under special legislation.

Mr. PASSMAN. Transfer it from where?

Mr. ADAMS. From the general AID allotment. We are also considering, as an interim measure, a $5 million direct development loan to the African Development Bank.

Mr. PASSMAN. Where are you going to transfer it from?

Mr. ADAMS. From the general AID appropriation.

Mr. PASSMAN. I never heard of that before, there is no such a thing as a general AID appropriation.

(Discussion off the record.)

Mr. ADAMS. Sir, we require special legislation to enable the transfer of moneys——

Mr. PASSMAN. Transfer from where, though, Mr. Adams? I am confused as to where you are going to transfer it from. There is no such a thing as a general AID fund.

Every one of these fall into different categories: Either supporting assistance or technical assistance or development loan aid.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Is the Bank more or less copied after the Asian Development Bank and the Inter-American Development Bank? Mr. Secretary, I expect you are familiar with that?

Mr. NEWSOM. Yes, Mr. Chairman, the African Development Bank is in existence. It has been in existence for approximately 5 years.

Mr. PASSMAN. Yes, we were told that last year.

Mr. NEWSOM. The current situation in the Bank is that the President has just resigned, and they are in the process of changing the leadership. We have given one small grant to the Bank to assist——

Mr. PASSMAN. How much, Mr. Secretary?

Mr. NEWSOM. $400,000 to assist with studies of potential projects to be financed from the capital which the bank has already raised, $218 million. We have put nothing other than that into the Bank up to this point.

Mr. PASSMAN. That was a grant?

Mr. NEWSOM. That was a grant.

Mr. PASSMAN. Out of what fund?

Mr. NEWSOM. That was out of fiscal year——

Mr. PASSMAN. Out of what?

Mr. ADAMS. Out of Technical Assistance.

Mr. PASSMAN. Has the Bank had a profit or a loss during this operation?

Mr. NEWSOM. The Bank is in its early stages. It has made a number of loans. We have a list of the loans which the Bank has made. We

don't have a profit and loss statement from the Bank so far as I know, Mr. Chairman.

Mr. PASSMAN. Why do we have to get involved in that? We are getting into everything else on the face of the earth. It looks like we would leave them alone, since they are organized and obtained this capital I guess from their own resources—how many countries are involved?

Mr. ADAMS. Thirty-one countries.

Mr. NEWSOM. That have paid in capital to the Bank.

Mr. PASSMAN. Why do we have to get into it? So far we are not involved except for the $400,000.

Mr. NEWSOM. We have considered, Mr. Chairman, that if the Bank can get a substantial degree of European participation, this is a very good channel through which non-African capital can be funneled for projects in Africa. We are letting the European countries take the lead in seeing whether they can form a special development fund—Canada, the Scandinavian countries, and the Netherlands are trying to develop such a fund—but in order to encourage this greater effort on the part of the European donors, we have indicated our readiness to go along with it on a minority basis.

Mr. PASSMAN. Minority would be anything under 50 percent, wouldn't it?

Mr. NEWSOM. That is right, but we do not envisage such a large share.

Mr. PASSMAN. They are familiar with the type of arrangements we have. Most of these programs that the United States gets involved in, requires that we pay about 40 percent.

Mr. NEWSOM. Our share in many of them is indeed 40 percent, Mr. Chairman.

Mr. PASSMAN. I believe these European countries have been in business, some of them, for many years longer than the United States?

Mr. NEWSOM. Yes, sir.

Mr. PASSMAN. And they are pretty smart bankers, aren't they? I believe these African countries without exception are former colonies of these European nations, aren't they?

Mr. NEWSOM. Some American nations as well.

Mr. PASSMAN. I don't know of any colonies we have in Africa.

Mr. NEWSOM. Canada is taking the lead.

Mr. PASSMAN. Let them take the lead. Canada is no colony of ours. Canada, of course, is considered part of the British Empire, are they not?

Mr. NEWSOM. Part of the Commonwealth, yes, Mr. Chairman.

Mr. PASSMAN. These people were banking before we came into existence, isn't that about right? I am talking about these European countries.

Mr. NEWSOM. That is right, Mr. Chariman.

Mr. PASSMAN. I believe these people have very strong trade ties with their former colonies that are now independent States, don't they?

Mr. NEWSOM. Yes, Mr. Chairman.

Mr. PASSMAN. Why don't you let them run it? There is no law that says we have to get into the act. You and I know you are putting the big britches on the President. I have said often that he is making a

strong President. I am very fond of him. But he inherited some problems. I think the man came down with a solid budget, but everything that we look at reflects an increase over last year. If we don't slow this spending down, there will not be a chance to balance the budget this year or in the foreseeable future. There are always a lot of new programs. This is a new program which may require authorization permitting us to be a part of this African Development Bank, is it not?

Mr. NEWSOM. The presentation merely alerts the committee to the possibility that we might be asking. We are not asking at this time, Mr. Chairman.

Mr. PASSMAN. You are not asking at this time. Have you gone so far as to come up with an estimate as to what you would ask for?

Mr. NEWSOM. The estimate is in the presentation.

Mr. PASSMAN. How much?

Mr. NEWSOM. $15 million.

Mr. PASSMAN. And I think now you are supplementing your previous appropriation with a request for an additional $255,000 this year, aren't you?

Mr. ADAMS. Yes, technical assistance.

Mr. PASSMAN. When you say technical assistance, just what do you mean? It seems to me you are just helping a bank that has already been in business to come up with some programs, is that right, Mr. Secretary, to study programs?

Mr. NEWSOM. Yes, Mr. Chairman.

Mr. PASSMAN. Let me ask you specifically this question: I love this country very much, and I resent people taking advantage of us. I like Uncle Sam very much, but I am not sure we are going to be able to keep that stigma off the grand old Uncle. It will be Uncle Sap if we can't do this. I can't do it alone, Mr. Shriver can't do it alone. We are putting the big britches on Mr. Nixon, make no mistake about that. Don't you think they are going to exploit this thing this fall. It is not right, and I am going to take the other side even if I don't come back to Congress. Right is right and you can't make two wrongs into a right. It is time for you people, bless your hearts, you are patriots, but it is time to stop this. We are pricing ourselves out of the world market. I think you know that. We have now reached the point that we do not have a surplus in our trade. We have a deficit. The only way to show a surplus is to include a give-away as an export. Where can we get specific information about this so-called African Development Bank, why the President was fired or permitted to resign? What is the story behind that?

Mr. NEWSOM. We can insert a statement in the record.

Mr. PASSMAN. It was not health, was it?

Mr. NEWSOM. No, it was not, Mr. Chairman. It was a general decision on the part of the directors.

Mr. PASSMAN. I see, but he managed it for 5 years?

Mr. NEWSOM. The bank has not progressed as rapidly as many of the members of the board of governors would like to progress.

Mr. PASSMAN. But he was president for 5 years?

Mr. NEWSOM. That is right, Mr. Chairman.

(The following information was subsequently submitted by the agency.)

CHANGES IN MANAGEMENT OF AFRICAN DEVELOPMENT BANK

The term of the first President of the Bank, Mr. Mamoun Beheiry, expired in 1969. The Board of Governors of the Bank, after considerable discussion at their annual meeting in August 1969, recommended that the Bank's Executive Directors re-elect Mr. Beheiry. The latter body followed this recommendation late in 1969. Mr. Beheiry, however, for reasons never made public, subsequently submitted his resignation, which took effect in February 1970. The United States, not being a member of the Bank, is not informed about any discussions Mr. Beheiry may have had with his Board of Directors prior to his departure. We have been assured, however, by the interim President that the Bank does wish to continue to seek ways to extend cooperation with us and other donors. The Bank has also assured us of its intention to continue efforts to strengthen its administration.

Mr. PASSMAN. How much cash is on hand unencumbered at this time?

Mr. NEWSOM. The $218 million represents the amount subscribed, one-half of which $109 million, is to be paid in. So far $60 million has been paid in and slightly over $13 million has been committed in loan operations.

Mr. PASSMAN. What do you have on hand in the Bank unencumbered?

Mr. NEWSOM. $47 million.

Mr. PASSMAN. To be disbursed subsequently?

Mr. NEWSOM. That is right.

Mr. PASSMAN. Gentlemen, stay out of this area. We are in enough of these world banks now where we are putting up the capital, and we don't have the right of examination. We had the U.S. Director of the Asian Development Bank before the committee, a fine man. Something came up about this Bank making loans to the employees. To abbreviate a long story, finally he admitted that the president of the Bank wouldn't even let him know the amount of the loans that were being made. It is a terrible thing for my country to be putting up all of that money, hundreds of millions of dollars, and the President of the Bank wouldn't even let our board of directors know the amount of the loans he was making to American employees.

(Discussion off the record.)

MULTIDONOR FINANCING

Mr. PASSMAN. On page 4 you state that participation in multidonor financing of major capital projects is an important mechanism for extending aid not only for sizable projects but also for stimulating greater contributions from other donors. I think we established in the record a moment ago that most of the other European nations are the donors we are talking about mainly, is that correct?

Mr. NEWSOM. Yes, sir.

Mr. PASSMAN. Those people were good bankers many years ago and here we are a new nation assuming that it is our responsibility to go to these enlightened international bankers and European nations and tell them what they are supposed to give away. How foolish can we be? Let those people make up their own minds. The very idea of this country taking the position that it is our responsibility to go into other nations and prod them as to what part of their resources they should be giving away, when in all probability they don't give away any of it. They are a mile ahead of you. They may make certain types of concessionary loans, but they do so on the basis of these strong trade ties. It is time for you people to make up your minds that there is some-

thing more in life than dissipating the resources of this Nation, and pricing ourselves out of the world market by giving people what they would buy anyway if you would leave them alone. Had you ever thought about that, Dr. Adams?

Mr. ADAMS. Yes, I have thought about it.

Mr. PASSMAN. I appreciate that, because it is estimated that about 60 percent of what we give away they would buy if we didn't give it to them.

Mr. ADAMS. If they had the means to do it.

U.S. BORROWINGS FROM THAILAND

Mr. PASSMAN. They have the money. Let me cite an example. You have heard of Thailand, haven't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I believe that is a little Asiatic country in the Far East.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You have heard it is a very poor country, haven't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. They are waxing fat with wealth, according to their standards. Since the inception of this aid program we gave this country a little over $1 billion in foreign aid. We borrowed the money from the American people to give to them, to pay for the commodities and services. During that same period they created a surplus of about $1 billion in their foreign exchange and gold reserves. Do you know what happened in late 1968? We were out in Thailand, looking over their shoulders at their financial statement. We said, "Now, we have been good to you people. You have built up a surplus of $1 billion. We want to borrow a quarter of a billion dollars of it." After much arm twisting and diplomatic wrangling, Thailand said, "We will make you a loan of $100 million, providing you pay it back in 4½ years at 6 percent." What are you going to do when it comes due?

We have borrowed money from many nations of the world. That is pretty sad, when we borrow the money of the American people to give away. Then when we find ourselves in trouble with a negative balance of payments, we go out and borrow from other nations to bring the dollars home, to make it look like we are improving our position, whereas we are getting worse all the time. I want to give the present President credit. He stopped this 1 week after he was inaugurated President, put his foot down. You remember that. Look at the record. Give me a copy of that for the Doctor since he is so new. I want you to take this and read it.

MULTIDONOR PROJECTS

Mr. NEWSOM. There is another aspect of the multidonor projects and also of the African Development Bank. The European countries that go into it go into it with several motives one of which is to increase their trade to establish new patterns of procurement.

Mr. PASSMAN. And profit, wouldn't you think?

Mr. NEWSOM. And profit; new patterns of procurement are being established in connection with African development. We feel, in going into these projects, that this is also an interest of ours, to establish patterns of procurement that will be picked up in the private sector. Today we have $1.4 billion in exports to Africa, of which only 15 percent are AID financed. We want to increase that amount.

Mr. PASSMAN. Do you know what the average profit is for the average American businessman? If he is a good operator, if he is a terrific operator, 6 percent. Do you know 2 percent is the difference between failure and success in a business? If you can maintain a 6-percent profit, you stay in business and pay dividends. You lose 2 percent of that and get down to 4 percent and you are out of business, because your stock will go to the bottom. You talk about 15 percent. That is a lot of money. Let's look at what it is doing in our world markets, Mr. Secretary. You are talking about one area. I have to think about this worldwide. Let's take stainless steel, a very large consumer commodity in America. I think we patented that. We didn't patent it but we developed that process, did we not?

Mr. NEWSOM. I believe that is so, Mr. Chairman.

Mr. PASSMAN. Many nations, let's take Japan to single one out, can come over to this country, buy scrap iron, certain iron ores, go to other countries, buy iron ores, pay the freight all the way to Japan, process it, ship it back to America, pay the freight and duty and still deliver it in Kansas City at $285 a ton cheaper than Pittsburgh. Why, because have priced ourselves out of the world market.

The problem is that in the United States we raise taxes at the county, State, municipal, and Federal levels and all of that has got to be included into the cost of this commodity so when it finally arrives at the marketplace, all of the taxes, plus about a 6-percent profit for the stockholders is reflected in the price. Our extravagance at all levels has just about wrecked our foreign markets in many fields. We have got a lot of smart men in the Congress. Some of them have so many diplomas they can't find a place on the wall to hang them but they don't know anything about business. They just haven't studied economics. That was not what they specialized in. We have gotten ourselves into an awful mess, by giving away what we would normally sell. There hasn't been an AID man yet I have ever talked to who has ever made a case as to how much of the commodities we would sell and bring dollars home, if we didn't give it away.

As we sit here and talk today, there is $35 billion worth of short-term claims against the United States and we don't have anything to pay those claims with, so we just have to spend our time servicing, extending, and borrowing money to keep this thing going. It is just like an alcoholic. One more drink and I will quit.

Mr. ADAMS. I believe that most of the aid dollar stays at home.

EFFECT OF EXPORTING AID COMMODITIES

Mr. PASSMAN. Let's have a look at the record. When your ship goes to sea loaded with our commodities under normal conditions, you get something back, gold, dollars, or something for those shipments, do you not?

Mr. ADAMS. Yes.

Mr. PASSMAN. What happens under AID? Your ships pull to sea with these commodities. The invoices are not sent to an exporter, such as a New York bank, they are sent down to the U.S. Treasury to be paid for out of the taxpayers' till. They don't get anything back. It is just paid out of the U.S. Treasury. If shipping out our commodities free and drawing on the Treasury for payment is good, then we ought to triple the aid.

Mr. ADAMS. Over the short term, sir.

Mr. PASSMAN. Long term or short term, it makes no difference, when you ship it out and send the bill to the American taxpayers down at the U.S. Treasury, we are getting nothing back, gold, dollars, or anything else. Sure, it is spent in America, but we don't get anything for it other than inflation, and an increase in public debt, and it is just that simple.

(Discussion off the record.)

CONTRIBUTIONS BY DONORS TO AFRICAN NATIONS

Mr. PASSMAN. Would you provide for the record a table showing the amounts contributed by the various donors to the African nations for each of the past 5 years?

Mr. ADAMS. Yes, sir.

(The information follows:)

TOTAL OFFICIAL NET DISBURSEMENTS TO AFRICA BY DONOR (CURRENT YEARS), 1964–68

[In millions of dollars]

	1964	1965	1966	1967	1968
Australia		0.65	0.87	0.89	1.13
Austria	0.46	4.97	3.34	3.41	.27
Belgium	76.46	96.10	60.82	65.25	63.83
Canada	6.24	10.17	19.65	21.49	27.41
Denmark		1.65	2.54	3.56	7.68
France	607.90	414.80	471.90	414.00	505.80
Germany	65.95	92.85	113.93	105.48	103.60
Italy	33.89	46.06	27.75	98.01	73.06
Japan	.71	.52	.75	1.07	1.98
Netherlands		1.30	3.83	10.82	6.35
Norway	.83	1.14	1.92	2.42	9.44
Portugal	61.93	21.18	22.41	46.40	23.55
Sweden	4.74	4.05	9.93	12.44	20.23
Switzerland	1.48	1.91	2.21	2.17	5.69
United Kingdom	222.77	212.87	191.51	176.58	162.08
United States	480.00	449.09	437.00	308.00	275.00
Total	1,563.36	1,460.33	1,369.73	1,376.69	1,287.10

Source: DAC Statistical Annexes to the 1969 Annual Aid Reviews.

AVERAGE TERMS OF LOANS BY DONORS, 1964–68

Countries	Weighted average maturity periods (years) Moyenne pondérée des échéances (annees)					Weighted average interest rates (percentages) Moyenne pondérée des taux d'intérêt (pourcentages)				
	1964	1965	1966	1967	1968	1964	1965	1966	1967	1968
Australia	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Austria	[3]8.8	[3]7.7	[3]9.4	[3]14.6	[3]16.8	5.2	[3]5.5	[3]5.4	[3]5.2	[3]5.1
Belgium	20.0	16.2	13.9	18.2	21.9	3.0	3.0	2.9	3.2	3.2
Canada	25.1	32.9	34.3	30.9	36.9	4.7	3.4	2.4	3.4	2.3
Denmark	19.1	13.7	18.7	24.0	24.9	4.0	5.3	0	0	0
France	15.6	16.8	15.3	15.1	17.6	3.2	3.7	3.5	3.7	3.7
Germany	18.1	16.9	21.1	19.0	18.0	4.0	4.2	3.3	4.3	4.5
Italy	11.6	7.1	10.3	11.9	10.6	4.5	4.7	5.0	4.9	4.2
Japan	16.0	12.0	14.1	16.6	18.1	5.8	4.4	5.2	4.8	3.7
Netherlands	24.2	23.9	23.6	24.7	29.7	3.9	3.5	2.0	3.3	3.8
Norway	17.0	16.0	(2)	(2)	23.0	4.5	3.0	(1)	(1)	2.2
Portugal	16.3	[3]21.5	[3]25.4	[3]16.2	22.6	4.1	[3]3.8	[3]3.6	[3]4.8	5.6
Sweden	20.0	20.0	20.0	21.4	34.0	2.0	2.0	2.0	2.0	1.5
Switzerland	7.5	(18.1)	16.3	(1)	32.9	5.0	(4.5)	3.8	(1)	2.2
United Kingdom	24.0	22.2	23.9	24.1	24.0	4.1	3.3	1.0	1.1	1.0
United States	33.4	27.9	29.3	28.2	30.0	2.5	3.3	3.0	3.6	3.6
Total, DAC countries	28.6	22.6	25.1	24.0	26.0	3.1	3.6	3.1	3.8	3.6

[1] No loans.
[2] On a gross disbursement basis.
[3] Partly on a gross disbursement basis.

Source: Development Assistance Committee Statistical Tables for the 1969 Annual Aid Review, p. 71.

Mr. PASSMAN. If it was a loan, the terms and the interest rates.
Mr. ADAMS. Yes, sir.

FISCAL YEAR 1971 PROGRAMS BY CATEGORY

Mr. PASSMAN. Of the $161,358,000 proposed for the fiscal 1971 program, how much will be provided for agriculture, education, population and health, transportation and communications, and of the amount provided for population and health, how much will be allotted specifically for family programs by countries.
Mr. ADAMS. Yes, sir.
(The information follows:)

Proposed fiscal year 1971 program by major activity

Activity:	*Amount (thousands of dollars)*
Program support	$27,500
Agriculture	46,027
Industry	1,611
Transportation	19,925
Labor	1,554
Health and population	[1] 11,231
Family planning	(3,252)
Africa regional	(1,055)
Kenya	(500)
Liberia	(99)
Nigeria	(501)
Tunisia	(354)
Ghana	(433)
Morocco	(310)
Education	[2] 22,158
Public administration	5,672
Community development	2,000
Private enterprise	1,802
Communication	2,000
Support activities	18,178
Self-help	21,700
Total program	161,358

[1] Includes projects in fields of general health, maternal/child care, nutrition, demographic planning and statistical analysis and family planning.
[2] Excludes agriculture education.

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. In the African countries, how are they accepting the family planning program?
Mr. ADAMS. Considerable progress has been made in this regard, sir. There are a number of African leaders who are now becoming increasingly aware of the effect that an increase in population has on the kinds of gains that they would achieve in terms of economic development. Another thing which causes them to be aware of this and to feel it very keenly is the fact that perhaps as much as 40 percent of the African populations are under 15 years of age, and the African leaders and the African people themselves recognize that this has a bearing on the gains they want to make in terms of providing schooling, providing opportunities for being reasonably well housed, reasonably well clothed, and also in financing the kinds of training that their people need to be skilled in terms of the modern world.
Mr. PASSMAN. That is a good answer to a question I didn't ask. Let me ask the question over. You missed it altogeher.

Mr. ADAMS. I am sorry, sir.

Mr. PASSMAN. What progress specifically can you cite on the family-planning program in Africa? By that I mean birth control versus economic development?

Mr. ADAMS. There have been certain specific countries where family——

Mr. PASSMAN. What countries are there?

Mr. ADAMS. Kenya, sir.

Mr. PASSMAN. Put them in the record, those that you say have accepted family planning on a government-to-government level.

Mr. ADAMS. All right, sir.

Mr. PASSMAN. Would you know at this time how many?

Mr. ADAMS. I think about six, sir.

Mr. PASSMAN. Six out of 36 that have accepted family planning?

Mr. ADAMS. That doesn't mean there has not been progress in the others.

Mr. PASSMAN. I am talking about where they have initiated positive family-planning programs at the government level. You say there are six?

Mr. ADAMS. There are.

Mr. PASSMAN. Place in the record the amount of money that the six nations have made available out of their own resources.

Mr. ADAMS. Yes, sir.

(The information follows:)

COUNTRIES WITH GOVERNMENT-SPONSORED FAMILY-PLANNING PROGRAMS AND AMOUNTS

Kenya, Tunisia, Ghana, and Morocco have government-sponsored family-planning programs and Uganda and Liberia are providing support for bilateral aid projects in family planning.

These six African countries have together budgeted a total of $1,044,000 for this purpose in a 12-month period in 1969–70.

Mr. PASSMAN. Regarding the other 30, it is in the conversational stage at this time?

Mr. ADAMS. Also a considerable number of them without assistance from us have begun measures to have their populations understand the importance of family planning.

Mr. PASSMAN. I am talking about major programs. Only six nations actually have a family-planning program, that the Government admits they have initiated.

Mr. ADAMS. That is correct, sir.

REGIONAL PROGRAM

COFFEE DIVERSIFICATION PROGRAM

Mr. PASSMAN. On page 12 you state that AID proposes a program of $2.5 million for development loans to the coffee diversification fund. What is a coffee diversification fund?

Mr. ADAMS. It is a fund to assist the coffee producers in the developing countries to undertake diversification and reduce their dependency upon a single crop.

Mr. PASSMAN. Diversification of the coffee program. Do you mean reducing the number of acres that grow coffee and switching it to some other agricultural commodity?

Mr. ADAMS. Yes, sir, that is the idea.

Mr. PASSMAN. Isn't that the main money crop in several of the African countries, coffee?

Mr. ADAMS. Yes, sir; that is correct, but we find that the economies of the country are quite fragile if they have an overdependence upon a single crop.

Mr. PASSMAN. I thought that was one of the largest subsidized commodities, agricultural commodities, in the world, and that we are giving millions of dollars in subsidy to the coffee program. What is the annual earnings to the African countries from their coffee exports?

Mr. ADAMS. I will have to supply this for the record, sir.

(The information follows:)

ANNUAL EARNINGS TO AFRICAN COUNTRIES FROM COFFEE EXPORTS

In 1968, the last year for which complete figures are available, African countries earned approximately $670 million from coffee exports.

Mr. PASSMAN. I believe for some of these South American countries coffee is the main agricultural commodity, isn't it?

Mr. NEWSOM. Mr. Chairman, this diversification fund is part of the operation of the International Coffee Agreement, and we are in this agreement to stabilize the costs to the American consumer of coffee. There is currently a surplus of coffee over the longer range, and in order to bring about a worldwide stabilization of coffee prices, we have offered this fund, in order to provide alternative crops.

Mr. PASSMAN. So it isn't a question of it not being profitable?

Mr. NEWSOM. That is right.

Mr. PASSMAN. This is a commodity, an agricultural commodity, that has been very profitable to the African states?

Mr. NEWSOM. To a few of the African states.

Mr. PASSMAN. The African states that produce coffee?

Mr. NEWSOM. Yes, sir.

Mr. PASSMAN. In all probability when they switch over to another agricultural commodity, they will make less profit, and therefore we have to work out some kind of a subsidy.

Mr. NEWSOM. No; we are trying to provide them with an equally profitable substitute crop.

Mr. PASSMAN. That is a subsidy, isn't it?

Mr. NEWSOM. No; it is a loan to help us stabilize——

Mr. PASSMAN. You are taking them out of a very profitable agricultural commodity, moving them over into something they have had no experience with, and trying to help them develop the techniques of growing a new agricultural commodity, isn't that so?

Mr. NEWSOM. In some countries there are already crops which these farmers have grown before.

Mr. PASSMAN. But not in the diversification program. These are the ones, we are now trying to convert over to other commodities.

Mr. NEWSOM. It could be commodities which they have already grown.

Mr. PASSMAN. Why do you need $2.5 million? They either know it or don't know it. I am trying to establish for the record, Mr. Director, that you are moving them out of the coffee production, agriculturally speaking, into another commodity, and you need $2.5 million to do it.

Mr. NEWSOM. We feel that it is in the interest of our consumers to do it.

Mr. PASSMAN. I am not arguing that it is not in our best interest, but I am trying to establish for the record that you are taking them out of an agricultural commodity that some of them are familiar with, that is very profitable and putting them over into other fields, agriculturally speaking. To do this you need the money to help indoctrinate them in growing this new commodity, is that correct?

Mr. NEWSOM. That is right.

Mr. PASSMAN. Are you doing the same thing in Latin America?

Mr. NEWSOM. Yes, we are, Mr. Chairman. This is the African share of a worldwide diversification fund.

Mr. PASSMAN. Has anyone figured out whether or not this will be more, or less expensive, getting people out of the field of producing something they are familiar with, into a field producing something they don't know too much about?

Mr. ADAMS. Hopefully their economies will perform better because they would not be solely dependent upon a crop whose prices fluctuate drastically.

Mr. PASSMAN. Hope is one thing but I am talking about the facts of life. How long have they been producing coffee out in these African states?

Mr. NEWSOM. It would not mean they would stop producing coffee, sir. They would continue to produce coffee.

Mr. PASSMAN. I know you are producing it. We have made the record on that. What I am trying to figure out is what this is all about. I believe we were told earlier by the AID Director that subsidizing coffee is a form of foreign aid.

Mr. NEWSOM. He stated that it did benefit foreign producers but was not development assistance, I believe, Mr. Chairman.

Mr. PASSMAN. So far we haven't been able to get too much information on it. I just hope we know what we are doing.

PROJECTS WITH NO TERMINATION DATE

I notice in going through the project books that many of the new projects proposed for fiscal 1971 do not reflect any date for scheduled final obligation, nor do they estimate the total cost of the project. Gentlemen, this is something new. I want the clerk to make a note. We may have to line item this bill and delete all of these projects, until you furnish the committee with specifics as to the cost, and of course the termination date. We just do not intend to get started on a program where there is no date given for scheduled final obligation, nor where there is no estimated total cost of the project. Most of these are footnoted by saying "subject to annual review." We know that. We are going to review it as long as I stay here, but we want this information.

Under the Constitution the Congress is the first branch of the Government, isn't it?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. The smart people may be on your side of the table, but we are specifically, by oath, charged with the responsibility of doing just what I am doing, not giving you one dime until you justify it. We are the elected representatives of 204 million Americans. You people are appointed, so it is our constitutional and legal

responsibility to do what we are doing. You are going to have to at some time give us a separate letter on each project in this book. If not, we are going to have to deny funds by limitation and we have that right. I notice the Controller smiling. We have that right. We can't write legislation, but we can certainly place a limitation, and that is what we are going to do.

(Short recess.)

MAJOR CEREAL RESEARCH—WEST AFRICA PROJECT

Mr. PASSMAN. I notice on page 19, in connection with the "Major Cereal Research—West Africa Project," that you propose an increase of $575,000 in the total estimated cost of this project; is that correct?

Mr. ADAMS. Yes; that is correct.

Mr. PASSMAN. Under this same project I notice you plan to obligate in fiscal year 1970, $142,000 under direct aid which was not justified before the committee last year, is that correct?

Mr. ADAMS. The total cost in 1970 has increased.

Mr. PASSMAN. That isn't the question. I used a specific figure, and I quote again: Under the same project I notice you plan to obligate in fiscal 1970, $142,000 under direct aid which was not justified before this committee last year.

Mr. ADAMS. Yes, sir; that is correct.

AGRICULTURAL PRODUCTION PROJECT

Mr. PASSMAN. Last year you had a project on page 14 called "The Agricultural Production Project" in which you proposed to allocate for fiscal year 1970, $800,000; is that correct?

Mr. ADAMS. This is page 14, sir?

Mr. PASSMAN. Yes; last year.

Mr. ADAMS. I am sorry, sir. Yes; it was $800,000.

Mr. PASSMAN. I notice this year you list four separate projects in the project data book, and all of these projects refer back to this project proposed last year as the previous justification, is that correct?

Mr. ADAMS. Yes; that is correct.

Mr. PASSMAN. What did you obligate $800,000 for in 1970?

Mr. ADAMS. $540,000 of it, sir, was for the technicians.

Mr. PASSMAN. When did you obligate it?

Mr. ADAMS. It is within the total project, sir, the amounts that are obligated for grain stabilization——

Mr. PASSMAN. You went from one project to four projects. I am trying to find out when you obligated these funds. In other words, the one project went to four. In the future this will be listed as four separate projects, won't it?

Mr. ADAMS. That is correct.

Mr. PASSMAN. I want to know when you obligated the funds to the mother project, from which these four little projects were born.

(Discussion off the record.)

Mr. PASSMAN. Do you have that information?

Mr. ADAMS. We can supply it for the record, sir.

Mr. PASSMAN. But you don't have the information now.

Mr. ADAMS. No, sir; I don't have the information now.

Mr. PASSMAN. It could have been June 30, couldn't it?

Mr. ADAMS. I don't think it was June 30, sir. I do not have the records.

(The following information was subsequently furnished for the record.)

AGRICULTURE PRODUCTION PROJECT

As of April 1, 1970, no fiscal year 1970 funds budgeted for the four projects—west Africa regional poultry, central/west African livestock development and meat marketing, grain production, marketing and stabilization, and soil and crop management—had been obligated. An agreement with the Government of Nigeria for the soil and crop management project, which will support the Institute for Tropical Agriculture established by the Ford and Rockefeller Foundations, in the amount of $450,000, is expected to be signed. Agreements for the other three projects are also expected to be completed before the end of fiscal year 1970.

Mr. PASSMAN. It is the people's money we are giving away. It is not ours. We are only the spenders. The Government never earns a nickel. The Government only spends what other people earn, isn't that right?

Mr. NEWSOM. Yes, sir.

Mr. PASSMAN. And what a great job we are doing. We can go to the head of the class on that one, I will guarantee that.

Now, going back to these projects, I guess we refer to them as the west African regional project; the central west African livestock development and meat marketing project; the grain production, marketing and stabilization project, and the soil and crop management project, is that correct?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. These are the ones that were born out of the project I mentioned on page 14 earlier.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. In the future each one of these becomes a separate project requiring a separate allocation, is that correct?

Mr. ADAMS. No, sir, I don't think so, because in the——

(Discussion off the record.)

Mr. PASSMAN. In the future these four projects that were born out of the original project, will become separate projects and require a separate allocation?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. It is possible that each one of those could give birth to the same number of projects?

Mr. ADAMS. No, sir.

Mr. PASSMAN. It would still be within the meaning of the law, would it not?

Mr. ADAMS. We do not anticipate it would mean additional projects, sir.

RINDERPEST ERADICATION PROJECT

Mr. PASSMAN. Let's hope it doesn't turn out that way. In connection with the rinderpest eradication project on page 24, you propose $1,067,000 for the 1970 program, is that correct?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. Last year you proposed for fiscal 1970 only $100,000, is that correct?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. What a mess you people are getting this country into. Also in this project, I notice this year you are programing $450,000 for commodities that was not justified before the committee last year, is that correct?

Mr. ADAMS. That is correct, sir.

UNIVERSITY CENTER FOR HEALTH SCIENCE PROJECTS

Mr. PASSMAN. Under the University Center for Health Sciences projects on page 40, I notice that the UNDP is providing assistance in the planning and setting up of the Center and the World Health Organization has accepted responsibility for the overall planning of the institution, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Please provide for the record a table showing the amount contributed by each donor, if any, that will be provided to the University Center.

Mr. ADAMS. Yes, sir, we will.

(The information follows:)

UNIVERSITY CENTER FOR HEALTH/SCIENCE

A project proposal has been prepared by the World Health Organization for the health/science project. Financing details are not complete. Present estimates call for a 7-year program which will cost approximately $10 million. The Cameroon Government, UNDP, France, and Canada are expected to contribute financial support to the project in amounts yet to be fixed. Total U.S. assistance to provide technical expertise in the fields of maternal and child health and family planning is estimated at $1.5 million.

REGIONAL POPULATION ACTIVITIES

Mr. PASSMAN. Last year I notice you planned a project called regional population activities for which you propose for fiscal 1970 a program of $1,016,000, is that correct?

Mr. ADAMS. Would you mind repeating the question, sir?

Mr. PASSMAN. Last year I notice you planned a project called regional population activities for which you proposed a fiscal 1970 program of $1,016,000, is that correct?

Mr. ADAMS. $1,016,000 is correct, sir.

Mr. PASSMAN. Now looking at the record, it would appear that you are breaking this project out into three separate projects this year, is that correct?

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. They would be known then as the regional population support project, the regional population planning-Pathfinder Fund project, and the Regional Population Planning-Population Council project, is that correct?

Mr. ADAMS. Yes, sir; that is correct. It reflects the progress that we have made.

Mr. PASSMAN. I am only trying to point out what you people told us last year to get this thing started, and what you are doing this year. It looks to me like you got your allocation and all of these agencies started running to you wanting to get their hand in the pot. It looks like that is what happened. We gave you the money and now you are breaking them into different projects.

Here is why it is necessary to get into this. We now have 4,408 projects in 99 nations of the world, either prime projects or subprojects, and it is absolutely impossible for the some 59,000 people in AID to keep their fingers on that many different projects and subprojects. When I say 59,000, I am talking about all of the group that is paid a monthly check. Is that the correct figure? I think you were here when the Controller gave us that. Was it 59,000 or 60,000, the grand total including the Peace Corps? Put the correct figure in the record.

(The information follows:)

The total number of people referred to is 48,105 for economic and military assistance plus 11,749 for the Peace Corps, for an overall total of 59,854.

UNIVERSITY OF BOTSWANA, LESOTHO, AND SWAZILAND PROJECT

Mr. PASSMAN. I notice on page 67, in connection with the University of Botswana, Lesotho, and Swaziland project you propose to finance an additional year's contract for six teachers at a cost of $240,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. How much is that per teacher. Isn't that $40,000 a year? Is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Do you have an opening? If you do, I want to talk to you.

Mr. ADAMS. It includes travel and the cost of housing.

Mr. PASSMAN. Cost per teacher though, is that right?

Mr. AQAMS. Yes, sir; that is correct.

Mr. PASSMAN. It doesn't make any difference what it includes. That is the amount per teacher.

WEST AFRICAN EXAMINATION COUNCIL

I notice under the West African Examination Council project on page 69 that you propose to continue the service of five technicians at a cost of $250,000, is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. That averages out to $50,000 per technician doesn't it?

Mr. ADAMS. That is for 18 months funding, sir, rather than for 12 months.

AFRICAN DEVELOPMENT BANK PROJECT

Mr. PASSMAN. On page 80 again in connection with the African Development Bank project, I notice that we have a loan officer that has been detailed to the Bank since December 1968.

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. Do they let him have a key to the Bank?

Mr. ADAMS. They have made use of his services.

Mr. PASSMAN. Can he attend board meetings?

Mr. ADAMS. He advises the Bank staff, but I would think board meetings would be restricted to representatives of member countries.

Mr. PASSMAN. Does he attend board meetings and consider these loans?

Mr. ADAMS. He is an adviser to the Bank.

Mr. PASSMAN. You told me that but that isn't the question. I want to know whether or not he can sit in on these board meetings when they are discussing these loan applications.

Mr. ADAMS. No, sir; he does not.

Mr. PASSMAN. He does not?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Then he is just wasting time being there.

Mr. ADAMS. He assists with studies and project appraisals related to the Bank loan operations.

Mr. PASSMAN. I know, but if he doesn't sit in at the board meeting when they approve or disapprove these loans, then it looks to me like he is just dead weight.

PRIVATE INVESTMENT IN AFRICA

In connection with the Promotion of Private Investment Opportunity project, the Feasibility Studies for Medium Size Industry project and the Large Unit Agricultural Production project, deal in the general area of trying to encourage U.S. investment in Africa. This appears to be infringing on an area that should be covered by the newly created Overseas Private Investment Corporation, does it not?

Mr. ADAMS. As OPIC becomes fully operative we anticipate they will continue these programs that have been successful in Africa.

Mr. PASSMAN. But you are continuing until they can get their housekeeping in order, is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. I believe this OPIC is supposed to start its independent agency operation in 1971, is it not?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. I believe you are also requesting funds for this outfit you are operating in 1971, is that correct?

Mr. ADAMS. This is only for the transitional period.

Mr. PASSMAN. That is all I want to know. Sometimes this transitional period lasts 10 years in some of these agencies. The most permanent thing in government is a temporary bureau or agency. You know that, don't you?

Mr. ADAMS. I couldn't say, sir.

Mr. PASSMAN. We still have one outfit preserving saddles and bridles from the Civil War. That was concluded 105 years ago. It is a full-time job maintaining a warehouse containing saddles and bridles. They refuse to give it up. You understand that, don't you?

Mr. ADAMS. I understand what you are saying, sir.

Mr. PASSMAN. Check it, they have a regular crew.

EAST AFRICAN DEVELOPMENT CORPORATION DEVELOPMENT LOAN

On page 101 in connection with the development loan of the East African Development Corp., I notice this loan was authorized in December 1966, is that correct?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. That is 4 fiscal years ago, is that correct?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. What was the amount of this loan?

Mr. ADAMS. It was $500,000, sir.

Mr. PASSMAN. How much has been disbursed?

Mr. ADAMS. $150,000 of it, which was used to finance a subloan for a soft drink bottling plant. We have deobligated $350,000, the balance of it.

Mr. PASSMAN. Disbursements, I said.

Mr. ADAMS. We disbursed $150,000, sir, in March 1970.

Mr. PASSMAN. I want to say your justification says zero has been disbursed. Is that correct?

Mr. ADAMS. Yes, it does.

Mr. PASSMAN. This gentleman shook his head, which way?

Mr. SHEAR. Yes.

Mr. PASSMAN. Then I am correct, the justification shows no disbursements even though the thing is 4 years old, is that right?

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. This can cause you to have a nervous breakdown. When are you going to deobligate this thing?

Mr. ADAMS. It has already been done.

Mr. PASSMAN. But what date?

Mr. ADAMS. On April 8, 1970, sir.

Mr. PASSMAN. That is 12 days ago.

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. You sure kept that tucked in the gray area for a long time, didn't you?

This becomes new funds to be obligated.

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. If you were to carry it beyond June 30, you would have lost it, would you not?

Mr. ADAMS. No, sir. The authorization would still have been valid.

Mr. PASSMAN. Valid for what?

Mr. ADAMS. For the lending, sir.

Mr. PASSMAN. This never gets back into the Treasury, does it? I mean when you deobligate, it has not been withdrawn, but you do not request a reduction. Did you amend your request for funds by the fact you deobligated this?

Mr. ADAMS. We have additional requirements for loan moneys which go beyond the amounts which have been avaliable to us otherwise.

Mr. PASSMAN. You do know if we should confiscate all the wealth in America and turn it into money we still would not have all the money necessary to do all the things labeled desirable by the liberal politicians and bureaucrats who are spending it.

You know that, don't you?

Mr. ADAMS. Yes, sir.

EAST AFRICA REGIONAL PROGRAM

Mr. PASSMAN. You cannot satisfy the appetite of the spenders. Don't try to do that, because it cannot be done. That is impossible. I notice that you have a program known as the east African regional pro-

gram for which you are requesting $6,740,000 for the regional activities; $2,994,000 for Kenya, $5,119,000 for Tanzania and $3,753,000 for Uganda, for a grand total of $18,606,000, is that right?

Mr. ADAMS. That is correct.

Mr. PASSMAN. I believe Uganda and Rwanda have a total land area half the size of West Virginia.

Mr. NEWSOM. Uganda is the larger.

Mr. PASSMAN. You have Rwanda and Uganda and I get them mixed up. What is the population of Uganda?

Mr. ADAMS. Eight million in Uganda.

(Discussion off the record.)

Mr. PASSMAN. You have one country out in the Pacific with 6,000 population, I believe. I think it is a recognized nation.

Mr. NEWSOM. Nauru.

WORLD BANK LEADERSHIP

Mr. PASSMAN. That means my State would have about 75 nations down there if it was divided in that way. Wouldn't that be something to work with? It is frightening how you people can cook up all these programs. I note the World Bank leads the east African consultative group in arriving at the amount of assistance that your area needs, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. Who is President of the World Bank?

Mr. ADAMS. Mr. McNamara.

Mr. PASSMAN. I think I have heard of that fellow before. He used to be at the Pentagon, did he not?

Mr. NEWSOM. That is right, Mr. Chairman, yes.

Mr. ADAMS. The World Bank itself, sir, contributes $135 million——

Mr. PASSMAN. The World Bank does not contribute a dime. The people through the taxpayers permit the World Bank to make the distribution for them. The World Bank does not have any money until it first gets it from the taxpayers. Isn't this the organization under which IDA operates?

Mr. NEWSOM. Yes, Mr. Chairman.

Mr. PASSMAN. You know, so many times the politicians say, "Look what I am giving." The Government doesn't give you anything until the Government first takes it from you. You know that, don't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Every time we take a dollar, we dissipate about 39 cents of it and give back about 61 cents.

AMOUNT CONTRIBUTED BY THE CONSULTATIVE GROUP

Would you furnish for the record a table showing the amount of assistance given by the consultative group within the four programs of the area which you represent showing the amount of the subsidized loans and grants, and for the loan portion indicate the terms of such

Mr. ADAMS. Yes, sir, we will supply it for the record.

(The information follows:)

ASSISTANCE TO EAST AFRICAN COUNTRIES BY MEMBERS OF THE EAST AFRICAN CONSULTATIVE GROUP—COMMITMENTS IN CALENDAR YEAR 1968

[Unit: $1,000]

Recipient member country	Total	Grant	Known loan term			
			Loan	Maturity (years)	Grace (years)	Interest (percent)
East Africa Regional:						
United States	3,300	2,700	600	40	10	2.5
United Kingdom	—	—				
Canada	—	—				
Norway	—	—				
Kenya:						
United States	2,500	2,500				
IBRD-IDA	16,400	—	16,400	50	10	0.75
United Kingdom	—	—	—	—	—	—
Canada	—	—	—	—	—	—
Denmark	—	—	—	—	—	—
Italy	—	—	—	—	—	—
Norway	—	—	—	—	—	—
Sweden	—	—	—	—	—	—
West Germany	—	—	—	—	—	—
Tanzania:						
United States	15,500	2,500	13,000	40	10	2.50
IBRD-IDA	4,300	—	4,300	50	10	.75
United Kingdom	—	—				
Canada	—	—				
Denmark	—	—				
Italy	—	—				
Norway	—	—				
Sweden	—	—				
West Germany	—	—				
Uganda:						
United States	2,000	2,000				
IBRD-IDA	3,000	—	3,000	50	10	.75
United Kingdom	—	—	—	—	—	—
Canada	—	—	—	—	—	—
Denmark	—	—	—	—	—	—
Italy	—	—	—	—	—	—
Norway	—	—	—	—	—	—
West Germany	—	—	—	—	—	—

MEMBERS OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. PASSMAN. Under IDA, do your people have access to that account?

Mr. ADAMS. Yes, sir, they do.

Mr. PASSMAN. How many of your 36 members are members of the International Development Association?

Mr. ADAMS. I think all of them are, sir.

Mr. PASSMAN. Thirty-six.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. In the aggregate how much have they paid into IDA?

Mr. ADAMS. I do not know, sir.

Mr. PASSMAN. Will you get that for us? Then find out how much IDA has given to them.

We find some nations, one in particular—I think it is India—that puts in $1 and gets out $30.

I think Pakistan is pretty close to that. I would like to go with that outfit. I don't guess individuals can affiliate, can they?—only nations can.

Mr. ADAMS. It is intended to assist nations.

Mr. PASSMAN. Only nations.

Mr. ADAMS. Yes, sir.

(The information follows:)

AGGREGATE AMOUNT AFRICIAN LESS DEVELOPED MEMBERS OF IDA HAVE CONTRIBUTED TO AND RECEIVED FROM IDA

African less developed nations have contributed more than $40 million in convertible and other currencies to IDA. They have received, in credits from IDA, $387 million. Thus, they have received about nine times more from IDA than they have put in. This disparity is to be expected, since IDA's purpose is to serve those nations which most need external aid, a group in which African countries are prominent.

Mr. PASSMAN. What is the aggregate? Do you have it there?

Mr. ADAMS. The aggregate is not separated. I mean it includes the whole list.

Mr. PASSMAN. Could you have it for us tomorrow morning? Does that list show what it is?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I believe your 36 nations are eligible to receive aid from many of the 27 spigots of foreign aid, are they not?

Mr. ADAMS. I really could not say if they are eligible for the other items on your list.

(Discussion off the record.)

Mr. PASSMAN. You have the East African Development Bank, too, do you not?

Mr. ADAMS. Yes, that is correct.

NEW EAST AFRICAN COMMUNITY HEADQUARTERS COMPLEX

Mr. PASSMAN. I notice on page 110 you state the proposed $6,200,000 development loan program contains $2 million as partial financing for construction of a new east African community headquarters complex, is that correct?

Mr. ADAMS. Yes, that is what we propose.

Mr. PASSMAN. They are really going to be eating high on the hog, aren't they? What is going to be the total cost of the facility?

Mr. ADAMS. $8 million, sir. We propose to assist them in connection with aid which they would receive from the World Bank and possibly other donors.

Mr. PASSMAN. I know all that, but I am talking about the building now. The building itself is going to cost how much?

Mr. ADAMS. $8 million, sir, for the total complex.

Mr. PASSMAN. How much are we putting up?

Mr. ADAMS. $2 million.

Mr. PASSMAN. What a building.

Mr. ADAMS. It is a series of buildings which are needed for the administrative services for the East African Community Organization which has been particularly successful.

Mr. PASSMAN. How many buildings are involved all together?

Mr. ADAMS. An office building and a legislation assembly hall plus housing.

Mr. PASSMAN. Housing; what is that?

Mr. ADAMS. Housing for the staff of the East African Communities Organization, sir.

Mr. PASSMAN. The President? That is a pretty good deal.

Mr. ADAMS. These are principally the working staff.

Mr. PASSMAN. I know, I imagine they work. They have been told they work. They ought to, they are on the payroll. What kind of housing do you provide for these people?

Mr. ADAMS. We are not providing the housing, sir.

Mr. PASSMAN. You said housing.

Mr. ADAMS. The overall cost reflects the estimate for cost of construction including housing.

Mr. PASSMAN. It is a part of it.

Mr. ADAMS. The $2 million which we would be lending would be for the administrative facilities.

Mr. PASSMAN. Let us break it down. It all goes in the pot. The total building complex will cost $8 million, is that right?

Mr. ADAMS. That is correct.

Mr. PASSMAN. What part will be for the banking facility or facilities? What part will be for housing? Can you give us that?

Mr. ADAMS. About $4.5 million for the administrative of the East African Community at Arusha, Tanzania. Buildings facilities for the bank are not included. The remaining $3.5 million is required for the housing.

Mr. PASSMAN. How many houses are involved?

Mr. ADAMS. I will have to get that for the record. I do not know.

(The information follows:)

BUILDINGS INVOLVED IN EAST AFRICAN COMMUNITY HEADQUARTERS CONSTRUCTION

Headquarters and administrative buildings (estimated cost)	$4,420,000
East African Community Legislative Assembly Building	
Administrative Office Building	
Staff Housing for East African Community Staff (estimated cost)	$3,377,000
12 National Representatives residences	
15 Department Head residences	
28 Senior Staff residences	
16 Intermediate Level Staff residences	
218 Junior Level Staff residences	
16 Apartment houses providing apartments for all levels of staff	
Estimated architectural and engineering costs	203,000
Estimated total	$8,000,000

Mr. PASSMAN. Where is this bank domiciled?

Mr. ADAMS. At Kampala, Uganda, sir.

Mr. PASSMAN. We are still dealing with the East African Development Bank.

(Discussion off the record.)

Mr. PASSMAN. Specifically, what is the East African Community Headquarters Complex?

What are their responsibilities?

Mr. ADAMS. The administrative facilities are needed for the operation and management of a whole series of East African organization.

Mr. PASSMAN. Such as?

Mr. ADAMS. The Secretariats for the common market, for research and communications, and for finance and administration as well as the port authority, railway corporation, postal service, tax services, and a series of common service organizations which have been agreed to by the East African organization.

Mr. PASSMAN. Is this going to be similar to the U.N. at New York?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Are you dealing with just one nation?

Mr. ADAMS. There are three nations which are part of the East African community: Uganda, Tanzania, and Kenya.

Mr. PASSMAN. More or less on the order of the UAR.

Mr. ADAMS. The Middle East? No, sir.

Mr. PASSMAN. Isn't that true, Mr. Secretary?

Mr. NEWSOM. More like the European Economic Community in Brussels.

Mr. PASSMAN. That is right. You have several nations.

Mr. NEWSOM. That is right. Cooperating together in a single enterprise.

Mr. PASSMAN. You mean you hope they will cooperate together?

Mr. NEWSOM. They already are. This is the most successful regional organization in Africa.

Mr. PASSMAN. Most of these things blow up as you well know.

Mr. NEWSOM. This has been going for a number of years.

Mr. PASSMAN. So was the arrangement in the Middle East going on for several years. It blew up overnight, did it not?

Mr. NEWSOM. Mr. Chairman, that has been a problem for several thousand years.

Mr. PASSMAN. This may be a problem. It is a problem of $2 million up to this point. Is that the total contribution we are going to make to this outfit?

Mr. ADAMS. Yes, sir; that is correct with regard to the headquarters construction.

Mr. PASSMAN. Is this a grant?

Mr. ADAMS. This would be a loan.

Mr. PASSMAN. What are the terms?

Mr. ADAMS. Forty years at 2 percent interest for the first 10 years and 3 percent thereafter.

Mr. PASSMAN. With a 10-year grace period?

Mr. ADAMS. Yes.

Mr. PASSMAN. If it is repaid at all, we get 2 percent the first 10 years?

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. I believe to make this money available we are now paying up to 8¼, are we not?

Are we borrowing it from the American taxpayers at 8¼, Mr. Secretary?

Mr. NEWSOM. I think that is the prime rate now.

Mr. PASSMAN. That is a nice kettle of fish, borrowing it at 8¼ and agree to pay it back maybe in 12 months or 4 years and we are lending it out at 2 percent.

PARTICIPANT TRAINING

On page 113 I note that you plan to more than triple the number of noncontract participants in fiscal year 1971 over fiscal year 1970, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. By "noncontract," you mean those who are employed directly by AID.

Mr. ADAMS. These are persons who are receiving training under the AID program, sir.

(Discussion off the record.)

Mr. PASSMAN. What is the cost per year per participant from your area?

Mr. ADAMS. It averages $6,000 per participant.

ANIMAL AND CROP PRODUCTION PROJECT

Mr. PASSMAN. In connection with the animal and crop production project on page 114, I note you plan to program $280,000 for fiscal year 1970, and last year this estimate was only $175,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. I also note that $53,000 listed under "Other cost," was not justified to the committee last year, is that correct?

Mr. ADAMS. That is correct, sir.

GRADUATE UNIVERSITY AGRICULTURE PROJECT

Mr. PASSMAN. Also I notice on page 116 in connection with the graduate university agriculture project that you propose to extend the life of this project by 6 years to 1980, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. And increase the total estimated cost by $2,419,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. You people are making plans to spend money that we do not have 10 years from now—1980.

Mr. ADAMS. These are just estimates of what the projects will cost.

Mr. PASSMAN. You are making plans. You show that you are extending it to 1980, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. I guess you are making plans to involve us in this one project—and this is the only one—10 years in advance.

DELAY IN OBLIGATION

On several of the projects I notice that you plan to make the initial obligation in 1971, is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. These same programs apeared last year and were being proposed to be started in 1970. I assume this is just another example of the fact that your plans had not materialized to a point where a project could intelligently be obligated, is that correct?

Mr. ADAMS. Our planning——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. That is par for the course. So don't let that excite you.

EAST AFRICAN COMMUNITY SUPPORT PROJECT TAX CONSULTANTS

On page 129 in connection with the east African community support project, I note you propose to fund four income tax specialists to assist the tax department at a total cost of $200,000, is that correct?

Mr. ADAMS. Yes; that is an effort to help the east African community to improve its tax collection procedures and accumulate the revenues to carry on the development activities.

Mr. PASSMAN. I understand all that. Let us not get away from the four specialists. That is what we are talking about, at a cost of $200,000.

Mr. ADAMS. It is for 18 months, sir.

Mr. PASSMAN. That is $50,000 per specialist.

Mr. ADAMS. It is 18 months.

Mr. PASSMAN. You said that. I said that is $50,000 per specialist.

Mr. ADAMS. It is $33,000 average annual cost.

Mr. PASSMAN. It is still $200,000 per specialist. There are four of them. I am talking about the total cost. If you employ them for 18 months the cost still averages out to four at $50,000 for the period of the contract, does it not?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. Where do you recruit these people?

Mr. ADAMS. From the IRS, sir.

Mr. PASSMAN. I thought they were trying to recruit people themselves.

I happen to be on the committee that handles their money. They claim they have a shortage, they are having a terrific time recruiting these people.

(Discussion off the record.)

Mr. PASSMAN. How many people worldwide have you gotten, sir?

Mr. ADAMS. I do not know, sir.

Mr. PASSMAN. Is this for the entire area you serve?

Mr. ADAMS. This is just for the East African Community.

Mr. PASSMAN. How many of these so-called income tax specialists do you expect to recruit for your entire area?

Mr. ADAMS. Nine, sir.

Mr. PASSMAN. Nine additional ones or grand total?

Mr. ADAMS. Including these, sir. A grand total of nine.

Mr. PASSMAN. This covers all the tax specialists you have in your entire 36 nation area.

Mr. ADAMS. Yes, sir; that is correct.

(Discussion off the record.)

REGIONAL PROGRAM SUPPORT PROJECT

Mr. PASSMAN. You indicate on page 131 under the regional program support project that the fiscal 1970 program is now at a level of $602,000, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. Under last year's program you proposed a level of funding of $427,000 for this same year, is that right?

Mr. ADAMS. Yes.

Mr. PASSMAN. That is an increase of $175,000 more than you asked for last year, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. That is a remarkable performance.

With a greatly reduced program you come along and increased so many of these programs by 20, 30, or 40 percent.

Mr. ADAMS. Some of this is the result of the reorganization in east Africa.

Mr. PASSMAN. I do not care what it is the result of. I am talking about what you requested and what the committe gave you and what you

allocated. You wanted $427,000. We cut that by 30 percent. Yet you were able to fund it at the $602,000 level. These are the things that confuse me.

Mr. ADAMS. We made an adjustment in other programs, sir.

Mr. PASSMAN. The answer is, whether you agree or not, you did not know what you needed. You just had to throw a figure in there and it happened that it did not add up to what you wanted. In fact, if you had a firm estimate where you wanted to go last year you would not have this problem this year.

MAKERERE UNIVERSITY COLLEGE CONSTRUCTION LOAN

Under the "Makerere University College phase II construction development loan," on page 136, I note the loan was authorized on June 27, 1968, at a level of $600,000.

Mr. ADAMS. That is correct.

Mr. PASSMAN. I believe that is 3 fiscal years ago, is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You have not disbursed any funds yet?

Mr. ADAMS. $25,000 has been disbursed.

Mr. PASSMAN. Let us go to the books.

Mr. ADAMS. This is not shown here, sir.

Mr. PASSMAN. If we are examining from your books, is the statement correct that you had not disbursed any funds according to the justification presented to the committee?

Mr. ADAMS. When this was published we did not have any disbursements.

Mr. PASSMAN. We do not have anything to go by other than the justifications you brought up the other day?

Mr. ADAMS. That is right.

Mr. WILLIAMS. Yes, sir. These in the book show as of December 31.

Mr. PASSMAN. You brought them up about a week ago.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Do you know anything else we can examine on other than the information you brought here? That is what we have to go by, is it not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Thank you.

RANGE DEVELOPMENT PROJECT

On page 139, in connection with the program for Kenya, I notice that the range development project has been extended for 1 year and the estimated total cost has increased $220,000 over the estimate proposed last year, is that correct?

Mr. ADAMS. Yes, that is correct.

POPULATION DYNAMICS PROJECT IN KENYA

Mr. PASSMAN. In connection with the population dynamics project, I notice last year you estimated the total cost of the project to be $1,590,000.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. And the project was scheduled to be completed in 1979?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I believe that is 9 years from now, is it not?

Mr. ADAMS. Yes.

Mr. PASSMAN. This year I notice the final year of obligation and the estimated total cost has been eliminated and you say this project will be subject to annual review?

Mr. ADAMS. Yes.

Mr. PASSMAN. Let me say this, gentlemen: I do not know what you people are going to get by with. This Congress has abdicated to the executive. They run the show. It is a matter of formality to be in Congress. We do not have any more authority than your cook. As far as I am personally concerned, I am going to fight it. It just is not right. This is the poorest run program ever conceived by the mind of man. We are closing down projects in America and permitting you people who do not know any more about what is going on than I do surgery to go out and involve us financially. Now you are going to come along and indicate that you do not know what these projects are going to cost. You do not know when you are going to complete them. The only thing you will tell us, if you are real nice, we will have an annual review of them. I want to take note of all of these projects, and perhaps we will try to line them out until you give us a better idea. We are representing you, your children, and your grandchildren. This is no way to run a show. We notice this popping up all through the book this year.

Mr. ADAMS. We try our best, sir.

TOTAL U.S. GOVERNMENT OBLIGATIONS

Mr. PASSMAN. You should not start a project until you have an idea of what it is going to cost and when you are going to complete it, because we have to borrow this money and unborn generations are going to have to struggle with this unbearable public debt which is in two parts—borrowed money, $375 billion and statutory, $1,300 billion, for a grand total of $1,675 billion.

That is our public debt as of today. It means that every one of the 204 million Americans owe this Government $8,210 for its extravagance. While you are giving this money away remember we are having to borrow it.

It will be unborn generations who will struggle in trying to service this public debt. For fear that you would confuse the two parts of our public debt, in fairness to you I think I should say, one represents borrowed money, the other the statutes that we passed saying to our constituents that we are going to give you this in subsequent years for some service you previously rendered, and for which we have created no reserves.

There are about 115 of those statutes.

Interest on the public debt is now running over $2 million an hour in the year. We are still mailing out 1,049 checks to relatives of Civil War veterans and that war was concluded 105 years ago. It gives you an idea how long a statute runs. It is going to cost $1,300 billion to meet our present commitment by statute, such as interest on the

public debt, our veterans benefits, retired military personnel, and civil service. You put up yours; the Government does not, it puts it on the cuff. It is not right to take advantage of the people to the extent that we are.

All I can do is to try in my own way to indicate at least that I am trying to get through to you people that you ought to start cutting back on these projects. You cannot satisfy the appetite of those people in your area any more than we can satisfy them down in my State of Louisiana. You just cannot get enough money to satisfy the appetites of hungry politicans who are willing to promise everything to everybody everywhere on borrowed money. Too few people are thinking of the welfare of the next generation.

(Discussion off the record.)

Mr. PASSMAN. It is men like you who could make a record for yourself if you would cut out about two-thirds of these programs. You would get along better and make those people appreciate us more. You cannot satisfy their appetites, if that is what you are trying to do. You will wind up awfully disappointed some day.

SEED MULTIPLICATION DISTRIBUTION PROJECT IN TANZANIA

In connection with the Tanzania program, I note on page 143 that the seed multiplication and distribution project has been extended 4 years to 1979 and that the total estimated cost has increased by $1,543,000 over last year's estimate of $380,000, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. It is frightening. It is frightening, Mr. Secretary, how little people know about these programs. They just throw in a figure.

It is not the way to run a show. You don't disagree with that, I am sure.

COST OF TECHNICIANS IN UGANDA

In connection with the Uganda project, I notice on page 149 under the agricultural production and marketing research project you propose to fund six U.S. technicians at a cost of $375,000, is that correct?

Mr. ADAMS. The funding is for 18 months.

Mr. PASSMAN. I am talking about the amount of money. Is this $375,000 for six technicians?

Mr. ADAMS. $360,000, sir.

Mr. PASSMAN. $375,000 according to our book, isn't it? All I can do is refer you gentlemen to page 149 of your own justifications.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. How much is that per technician?

Mr. ADAMS. The funding is for 18 months, sir.

Mr. PASSMAN. I want to know the amount per technician. We have the 18 months in there already.

Mr. ADAMS. $62,000, sir.

Mr. PASSMAN. $62,000. That is about a little over $40,000 per technician per year, is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. What does the technician get out of the $41,000, using that as a rounded off figure?

Mr. ADAMS. There is the——

Mr. PASSMAN. How much goes to the technician himself?

Mr. ADAMS. $23,000 or $24,000.

Mr. PASSMAN. Which one?

Mr. ADAMS. It averages $23,000.

Mr. PASSMAN. $23,000?

Mr. ADAMS. Yes.

Mr. PASSMAN. That is about $18,000 left in for something else. Who gets the $18,000?

Mr. ADAMS. It includes the cost of travel and transfer.

Mr. PASSMAN. Now we are down to $16,000.

Mr. ADAMS. Also the moving of his family.

Mr. PASSMAN. What if he does not have any family?

Mr. ADAMS. We have to use illustrative average family sizes and costs, sir.

Mr. PASSMAN. How much override do you give some agency for employing this man? There is a breakdown. We want it in the record. What is the commission of the employing agency?

Mr. ADAMS. Sir, there is no fee to an employment agency. Now I have the break out. I estimated the salary too high. It averages, roughly $16,000 for the base salary of the employee plus a differential of $4,200.

Mr. PASSMAN. Let us go back. Use $40,000 if you want to. $40,000. What is the base average?

Mr. ADAMS. The base average comes out to $16,800, sir.

Mr. PASSMAN. That is $23,200 that is left.

Mr. ADAMS. $4,200 for a differential. $2,300——

Mr. PASSMAN. Don't go so fast. What do you mean "differential"?

Mr. ADAMS. The cost-of-living differential.

Mr. PASSMAN. Then it is $20,400 you are paying the man. It is not $16,200. Isn't that right?

Mr. ADAMS. Yes, he actually receives more than his base salary.

Mr. PASSMAN. Why didn't you say so, so we can keep up with what is going on? Let us get down to the other $19,600. How do you use that?

Mr. ADAMS. We have $2,300 for travel, $1,000 for education allowance.

Mr. PASSMAN. Education allowance?

Mr. ADAMS. Yes, sir. The shipment of household effects, $900. Educational travel, $350.

Mr. PASSMAN. What kind of travel?

Mr. ADAMS. Educational travel.

Mr. PASSMAN. You just mentioned educational allowance for $1,000. Now you have educational travel.

Mr. ADAMS. One is for tuition cost and $350 for travel.

Mr. PASSMAN. What if he lives only a block from the school?

Go ahead and read it in.

Mr. ADAMS. There is $900 for shipment of household effects, unaccompanied baggage, $1,600. The estimated cost for housing, $6,500, for the technician's family.

Mr. PASSMAN. $6,500 rent for housing.

Mr. ADAMS. Yes. $600 for storage of household effects.

Mr. PASSMAN. Storage. He ships it and stores it.

Mr. ADAMS. This is for storing of some of his effects here at home.

Mr. PASSMAN. Go ahead.

Mr. ADAMS. $1,200 for post allowance.

Mr. PASSMAN. Post allowance?

Mr. ADAMS. Yes, sir. The difference between the cost of living in Washington and the cost of living at the post of assignment.

Mr. PASSMAN. That is twice. We have already given him $4,200 differential. Keep reading, this is most interesting.

Mr. ADAMS. I am sorry, I made a mistake, the differential is the hardship allowance as contrasted with the $1,200.

Mr. PASSMAN. You have the hardship allowance and the differential allowance. Keep reading.

Mr. ADAMS. There is a overhead fee——

Mr. PASSMAN. How much is that?

Mr. ADAMS. $3,024.

Mr. PASSMAN. Overhead fee, does that mean the employing agent gets that for finding the great technician?

Mr. ADAMS. This is a part of the overhead cost.

Mr. PASSMAN. I know, but who does this go to?

Mr. ADAMS. To the contracting university.

Mr. PASSMAN. That is right, $3,000. Boy, they really know how to bargain. What else?

Mr. ADAMS. All that adds up to——

Mr. PASSMAN. Is that all?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Are you sure?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. In other words, it costs more to employ this man and take him over and bring him back than he gets in total salary.

Mr. ADAMS. No, sir.

Mr. PASSMAN. You said $16,200, plus $4,200.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Do these people have good qualifications?

Mr. ADAMS. They are high quality.

Mr. PASSMAN. I am sure they are high quality in some fields but are they good in the field of education? We have had a pretty good record on that already. Anyway, I guess the record is made.

CONGO

Now you have the Congo. I believe that your 1971 estimate is for $12 million.

Mr. ADAMS. Yes. It is $12 million.

Mr. PASSMAN. I hope this is a typographical error, but it would appear that last year you only asked for $2,835,000. Is that correct?

(Discussion off the record.)

Mr. PASSMAN. The program last year was $2,835,000, is that correct?

Mr ADAMS. That is correct.

Mr. PASSMAN. So this is $9,165,000 over the 1970 program.

Mr. ADAMS. The additional amount is for development loan.

Mr. PASSMAN. I do not care what it is for. It is still money. We know what kind of loans you are talking about. This is an increase of $9,165,000 over last year.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. The fiscal year 1971 request is about five times the amount programed for fiscal year 1970, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. ADAMS. May I try to correct that for the record?

Mr. PASSMAN. I am talking about the amount of programed. I am dealing with programs. You programed $2,835,000, did you not?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. You are asking for $12 million for fiscal 1971.

Mr. ADAMS. That is correct.

WORLD BANK CONSULTATIVE GROUP

Mr. PASSMAN. You indicate that the World Bank has recently proposed to sponsor a consulting group for aid coordination, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. We are being told now that there has been no coordinator for foreign aid in the past?

Mr. ADAMS. Yes, sir, there has been.

Mr. PASSMAN. Why do you want to get the World Bank? You know what McNamara is trying to do. He is trying to cut down bilateral aid and trying to get it all into international organizations.

Mr. ADAMS. There was considerable coordination, sir.

Mr. PASSMAN. I know but why do you want the World Bank superimposing their powers in every area of AID? We have detected that the World Bank is leading a lot of these consultative groups. You people should tell the World Bank that you have been able to give away tens of millons of dollars in the past without him sending a consulting group in.

Mr. ADAMS. One can have, sir, the consultative group mechanism without the multilateral funding.

Mr. PASSMAN. Oh, yes, you let a organization into your operations for too long soon he will know as much about your operation as you do. The organizations could take it over. You have read about things like that, haven't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I don't know why you would allow Mr. McNamara to make your decisions.

Mr. ADAMS. Would you agree, sir, that the kind of coordination which has resulted from the participation of many donors in a project can improve the effectiveness of our own operations?

Mr. PASSMAN. I will tell you what you ought to do sometime while you are learning something about this program. Go out and sit in some of these foreign government legislative bodies and listen to some of the debates about the assistance funds they contribute. They say, "Don't you realize that if we put in this 2 percent, that we can get 40 percent out of the United States." They know that their 2 percent is going into something like the International Development Association, where their funds go to their colonies in which they have very profitable trade ties.

You have answered the question. I see you are getting a little bit indictrinated into this multilateral area yourself. I hope it never ma-

terializes, but when I look at some of the things that are happening, it is just amazing.

TOTAL AID FOR THE CONGO

In addition to the $12 million requested for fiscal 1971, could you tell the committee how much you are requesting under Public Law 480, and for that matter, the amounts requested in the other 25 spigots other than title I and Public Law 480?

Mr. ADAMS. $6 million that is requested for Public Law 480, sir. The MAP program is ———.

Mr. PASSMAN. Put it all in.

Mr. ADAMS. And the Peace Corps, $300,000.

PEACE CORPS IN AFRICA

Mr. PASSMAN. How many nations is the Peace Corps now operating in?

Mr. NEWSOM. Twenty-five in Africa, sir.

Mr. PASSMAN. I think they have been asked to get out of 13 nations, some of which are African nations.

Mrs. HANSEN. Mr. Chairman, will you yield?

Mr. PASSMAN. I yield.

Mrs. HANSEN. How many people are in the Peace Corps in Africa, and what is the cost per Peace Corps person? We have had questions directed at my committee, comparing personnel in the Peace Corps with those in our Indian areas.

Mr. NEWSOM. You mean the cost per volunteer in Africa?

Mrs. HANSEN. The cost per volunteer in Africa.

Mr. ADAMS. 2,743 Peace Corps volunteers in Africa as of April 1, 1970, in 25 countries.

Mrs. HANSEN. And what is the cost per volunteer?

Mr. NEWSOM. We will have to provide that for the record.

Mrs. HANSEN. Please do.

(The information follows:)

COST PER PEACE CORPS VOLUNTEER IN AFRICA

The average cost for a Peace Corps volunteer serving in Africa is $9,773 per year.

Mr. PASSMAN. Doctor, while you are studying this program, always remember that this country became great, free, strong, and wealthy, quickly built around trade and firmness, not aid and appeasement. You may not be helping people when you do for them what they could and should do for themselves. I have a background that places me in a position to know what I am talking about.

LOAN FOR SCHOOL EQUIPMENT

On page 155 I note you state that depending on the availability of funds, a $2 million loan is planned for science teaching equipment for secondary and technical schools, is that correct?

Mr. NEWSOM. Yes; that is correct.

Mr. PASSMAN. According to this, you indicate that this assistance will complement a Peace Corp program in the same field, is that correct?

Mr. NEWSON. Yes, sir; there is a great need for this kind of assistance.

Mr. PASSMAN. I am not asking you about need. I am asking you to answer my questions. There is need for everything. There is need for me to be younger, and a need for me to be healthier. I can point out a lot of needs. I am dealing with the fundamentals of what you ask for and what it is to be used for. I am of the opinion that you are on the minus side, not the plus side of this giveaway outfit. I don't mean to cut you off but I just want my questions answered because there are 10 members on this committee and I have 4,000 questions and the others may have that many.

Mrs. HANSEN. We are going to be worn out.

LABOR EDUCATION PROJECT

Mr. PASSMAN. Now, in connection with the labor education project on page 158, I note you plan to increase the estimated total cost by $248,000 to $444,000 this year.

Mr. ADAMS. That is correct.

Mr. PASSMAN. That is almost double what you asked for last year.

Mr. ADAMS. The program has been particularly successful.

Mr. PASSMAN. I know; have you ever heard of a failure in any foreign aid program?

Mr. ADAMS. I can say honestly, yes, sir.

Mr. PASSMAN. I wish you would cite one according to your interpretation of failure. The facts are you run over this too quickly. You are quick to run over these figures. You are just about doubling the total cost of the project.

Mr. ADAMS. Not quite double, Mr. Chairman.

Mr. PASSMAN. Which means you didn't know anything about it, that is your predecessor didn't know anything about this project last year. Would you also tell the committee what the $188,000 is programed for in fiscal 1971 for local project operations.

LEADERSHIP TRAINING PROGRAM

Mr. ADAMS. In fiscal 1971, to continue the leadership training program, $30,000, shop steward training, $40,000, a new program in Lumbumbashi, $20,000, a commercial course for officeworker training, $22,000; cooperative training, $20,000; and local office expenses, $36,000.

Mr. PASSMAN. You didn't give us that information last year, did you?

Mr. ADAMS. I don't know what was provided last year.

Mr. PASSMAN. But this total doubles last year.

Mr. ADAMS. Almost.

Mr. PASSMAN. I feel, that I should say this to the other witnesses off the record.

(Discussion off the record.)

FOREIGN AID PROJECTS DELAYED

Mrs. HANSEN. I think at this point, Mr. Chairman, it might be well for them to put in the record how many projects for the 1970 budget

were frozen by the Bureau of the Budget, like domestic projects were frozen?

Mr. PASSMAN. I made that record over 100 times. Not one project anywhere on the surface of the earth suffered one dime in cost on account of the budget action, not one. Not one project lost one dime anywhere on the face of the earth. That is why I get bitter. There is nothing personal about this but you don't know these things like I do, and to think that you fine people don't know any more about this aid program than I do surgery. You set up an international bank and approve $10 million here and $5 million there.

You throw away money as though it were chickenfeed thrown out to a bunch of hungry chickens. All of these projects in America are being closed down because you can't get a penny for them. Contractors in my district were found to close down projects. Personnel were laid off. If you knew what I knew you would be wanting to shake my hand every 10 seconds by being able to operate in such a calm manner when I know what you people are doing to America. You will have to use your imagination and think everything is good. I am trying to deal with the facts of life. I thought you would like to know about that.

Mrs. HANSEN. Do you want to hear something more classic? The Department of Interior hired a psychiatrist for "departmental employees."

ETHIOPIA

Mr. PASSMAN. Well, as we rush along, we move to Ethiopia. I believe your request for fiscal 1971 is $19,998,000, is that correct?

Mr. ADAMS. $20 million is requested, sir.

Mr. PASSMAN. I don't want to quarrel but is $19,998,000, correct.

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. Why do you want to throw away the other $2,000? To me that is money. I want to be accurate with these figures.

Mr. ADAMS. I am sorry, sir.

Mr. PASSMAN. That is quite all right. This is an increase of $4,050,000 above the 1970 program, is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. On the divider sheet I notice last year you projected the annual growth rate at 1.8 percent and this year you state that the growth rate percent is 2.3, is that correct?

Mr. ADAMS. Yes; that is correct.

Mr. PASSMAN. I believe Ethiopia is one of the oldest nations in the world, is it not?

Mr. ADAMS. Yes, it is.

Mr. PASSMAN. It goes back many, many, many centuries, 4,000, 5,000, or 6,000 years, is that correct?

Mr. NEWSOM. That is correct.

Mr. PASSMAN. I believe the situation is about the same now as it has always been, isn't it? They live their lives and seem to be reasonably happy.

Mr. ADAMS. The modern world has its effect in every country, Mr. Chairman.

Mr. PASSMAN. Sure it has its effect.

Mrs. HANSEN. Will the chairman yield?

Mr. PASSMAN. Yes.

Mrs. HANSEN. Isn't it true there is probably more ferment right now in Ethiopia than there has ever been heretofore.

Mr. NEWSOM. That is right.

Mr. PASSMAN. Firmness?

Mrs. HANSEN. Ferment.

Mr. NEWSOM. And it is one of the poorest countries in Africa too, in spite of its long history.

Mr. ADAMS. I would imagine, sir, unless they are able to make progress in economic development one can anticipate additional ferment.

We face the problem, sir, of an immediate tomorrow.

EFFECTS OF U.S. AID

Mr. PASSMAN. We created that situation, to be frank with you. We have gotten this world in a state of turmoil with this foreign aid program because everybody is trying to get their share. I think we established earlier that you were a churchworker. Let me go back to Biblical days, and I could get you 40 or 50 quotes, but here is one in particular. In this day in which the Federal Government is talking of providing a guaranteed income for everyone regardless of whether or not he works, we wonder what the Apostle Paul of Christ's time on earth would have said on this subject. To find out what Paul thought in the day in which he did live we have only to read Second Thessalonians, chapter 3, verses 10 and 11 in which he said,

> For even when we were with you, this we commanded you, that if any would not work, neither should he eat, For we hear that there are some which walk among you disorderly, working not at all, but are busybodies.

There are people that just won't work and they are happy. You don't have to give people caviar, pink champagne, and fillet for them to be happy. A lot of people want to be left alone. You have had these poor people from time immemorial in every civilization, even back before Christ's time. You are always going to have them. You can't remake and reform the world. What you people are doing is wrecking the economy of America, destroying our world markets, upsetting this intricate trade situation that means so much to our survival, under the pretense that we are straightening everybody's business out.

This is an entirely new concept, only 24 years old.

TYPE OF AID NEEDED BY ETHIOPIA

If I may say briefly, as it would apply to Ethiopia, you know and I know that Haile Selassie is accepted as one of the world leaders, and I have a lot of respect for him.

Not too long ago we refitted a ship for the Ethiopian Government and they had just about as much use for that reconditioned ship out there as I would have for another head. You are not helping people when you try to give them something they don't need and shouldn't have.

Mr. ADAMS. What we are trying to do, Mr. Chairman, for Ethiopia——

Mr. PASSMAN. Trying to do or trying not to do, which one?

Mr. ADAMS. We are trying to do something about increasing agricultural production and doing things which can mean a better life for the people.

Mr. PASSMAN. Why don't you stop doing the things that we shouldn't do.

Mr. COHELAN. Mr. Chairman.

Mr. PASSMAN. Yes.

Mr. COHELAN. Dr. Adams, I think we all want that, but how do you rationalize the allocation of resources in Ethiopia where the Emperor has two squadrons of jet aircraft while the per capita gross national product is $63?

Mr. ADAMS. Perhaps it is difficult to understand, sir, but presumably the amounts which they are allocating for defense relate to these needs.

Mr. COHELAN. ———.

Mr. ADAMS. ———.

Mr. NEWSOM. ———.

Mr. PASSMAN. ———.

Mr. NEWSOM. ———.

Mr. COHELAN. I want to be as supportive as I can because I happen to believe in economic assistance very strongly. What I am trying to get over for the record and also for Dr. Adams is that some of us who are your best friends have some serious questions. I have been there many times, most recently with the African Development Bank. I am not impressed by the Somalia threat. I believe any country has the right to protect itself, and I would be perfectly willing to provide military assistance of a different character. Kenya, for example, doesn't seem to require that, and they have a common border with Somalia. I am just a little bit disturbed by that. The record is replete with my comments. I happen to be in complete agreement with the chairman on this aspect of the problem.

Mr. PASSMAN. I want to thank the gentleman for making a very great contribution. I hope he will explore this further when it comes around to him.

Mrs. HANSEN. Will the chairman yield a minute?

TOTAL ECONOMIC AND MILITARY AID TO ETHIOPIA

What is the total amount of money that we have furnished Ethiopia in military assistance since the beginning of our program? You can put it in the record.

And what is the total amount of money we have furnished in economic assistance since the beginning of our program.

(The information follows:)

U.S. overseas loans and grants to Ethiopia, fiscal year 1946 through fiscal year 1970 (estimated)

Economic	$214,300,000
Military	147,100,000
Total	361,400,000

UNIVERSITY GENERAL SUPPORT PROJECT

Mr. PASSMAN. In connection with the university general support project I note you are extending the life of this project for 3 years and increasing the estimated total cost by $3,367,000 to a new estimated cost of $5,657,000, is that right?

Mr. ADAMS. $2.29 million, sir, is the cost we proposed last year.

Mr. PASSMAN. You are increasing the total cost by $3,367,000, aren't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Do you need any further proof? I could talk for 2 weeks about how you people don't know what you were talking about last year and next year you won't know as much as you know this year in all probability.

LIBERIA

Now in Liberia, you are requesting $4,815,000, is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. This is $47,000 below the 1970 program, is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. I note on page 185 that AID assistance is complemented by the Peace Corps in the primary education, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Everybody is trying to get aid from several U.S. sources. Last year I note you requested 75 participants for the fiscal 1970 program and this year you reflect 91 that participants have been programed for the current year, is that correct?

Mr. ADAMS. Yes, that is correct.

AGRICULTURAL PRODUCTION SERVICES PROJECT

Mr. PASSMAN. Under the agricultural production services project, again I note you plan to extend the life of this project by 5 years, and increase the estimated total cost by $883,000, is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. When you don't even know what you need for 1 year I just wonder how in the world you can know what you are going to need for 5 years.

Mrs. HANSEN. Will the Chairman yield?

Mr. PASSMAN. Yes, I yield.

LIBERIA VESSELS

Mrs. HANSEN. On Liberia, would you place in the record the revenue that Liberia secures from those ships that fly the Liberian flag rather than the American flag, in order to dodge the maritime restrictions of the United States? I say this advisedly. The Secretary of the Interior appeared before my subcommittee and stated that the greatest problem of the United States or any country in the world was the problem not of pipelines in the transportation of oil, but in the water transportation.

We know that a great many ships are sailing under the Greek and Liberian flags in order to circumvent the maritime restrictions on safe vessels, and with the kind of safety restrictions which will prevent oil spills. Therefore, I am interested in knowing how much Liberia charges for the ships that sail under her flag, and what she is contributing toward the world of environment in the prevention of oil spills. Thank you, Mr. Chairman.

Mr. NEWSOM. We will try to get that.

(The information follows:)

REVENUE LIBERIA RECEIVES FROM SHIPS FLYING HER FLAG AND WHAT IS SHE DOING IN PREVENTION OF OIL SPILLS

Liberia is a member of the Intergovernmental Maritime Consultative Organization and is a signatory of the 1954 International Convention on Pollution of the Sea by Oil. Liberia also took an active part in the most recent international diplomatic conference on pollution of the sea in Brussels in November 1969 and is a signatory of the protocol. The Liberian Government requires all ships flying its flag to comply with the international convention of 1954.

Liberia's income from ship registration consists of the following. There is an initial $1.20 registration fee per net ton. There is a $0.10 annual net tonnage fee. The current net weight of the Liberian fleet is 22 million tons. Thus the current annual income from the annual tonnage fee is $2.2 million.

NIGERIA

Mr. PASSMAN. Last year I notice you proposed for fiscal 1970, $23.7 million for Nigeria, is that correct?

Mr. ADAMS. That is the amount proposed for the economic development program.

Mr. PASSMAN. As I look at the record this year it would appear that you have increased the fiscal year 1970 program to $37.5 million, is that correct?

Mr. ADAMS. Yes, that is correct, $10 million of the additional amounts was proposed last year on page 167 for the international relief effort. The further increase of $4 million was required for relief.

Mr. PASSMAN. It simply indicates to me that you had more money in that region than you should have had, even after the Congress reduced the grant total by $1 billion. You people just had to find some way to get rid of that money or you would have had a fantastically high unobligated balance. It just reads that way.

Mr. NEWSOM. We had a very severe emergency in Nigeria, Mr. Chairman.

Mr. PASSMAN. You will have another one this year somewhere. Don't let that excite you. You will always have emergencies. We had emergencies before we ever got into this mess. It is not necessarily our problem, regardless of what you people think. We are having emergencies everywhere.

FACULTY OF AGRICULTURE UNIVERSITY IFE, NIGERIA

Page 196 in connection with the faculty of Agriculture, University of Ife, I notice you propose to extend the life of this project 4 years and increase the estimated total cost by $1,724,000; is that correct?

Mr. ADAMS. Yes, sir; the agriculture faculty is still being developed.

Mr. PASSMAN. If you don't know how much you need for one 1 year as the record indicates how in the world can you estimate what you need for 4 years?

Mr. ADAMS. We have been putting high priority on the training of professional agriculturalists.

Mr. PASSMAN. Why does this require high priority?

Mr. ADAMS. The country requires an institution that can train high agricultural specialists.

Mr. PASSMAN. If you don't know what you want for 1 year, how in the world could you estimate what the cost is going to be for 4 years? We bring this out all along the way, that you can't even estimate many

of these projects accurately for 1 year, but when you start projecting projects 4 years in advance, it is strictly a guess, isn't it?

Mr. ADAMS. It is our best estimate with the planning that we have done thus far, sir.

Mr. PASSMAN. I think that is a better answer than if you had just said that it is just a guess. It is a little bit of an elaboration that supports "guess" fully.

LABOR TRAINING PROJECT

Last year under the labor training project I notice you planned to terminate the project in 1971; is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. And at a total cost of $686,000.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. This year you propose to convert this project to a project subject to annual review again; is that correct?

Mr. ADAMS. Yes, sir. That is in connection with——

Mr. PASSMAN. I want to call to the attention of the committee members that throughout this record these people are moving away from total cost estimates and moving away from termination dates and indicating the project will be subject to annual review, which means it could go on indefinitely. I don't like that language and I think the committee should make these people be more precise. It is not right to be starting on projects that could last indefinitely, according to this terminology.

Mr. ADAMS. What we are doing——

Mr. PASSMAN. With as much guessing as you do, I would rather have you make an estimate of the completion date rather than have you list undetermined.

Mr. ADAMS. What we are trying to do in this particular project, sir, is give encouragement to the free trade union movement in Nigeria.

Mr. PASSMAN. How about giving some encouragement to the American taxpayer who is putting up this money. I want this to go to Mr. Hannah, that where you have undetedmined for a project that you submit to the committee your best estimate as to the date of termination. Along the way you have indicated some projects in your area, one in particular, that you are moving it up for 10 years. Do you remember that one from 1970 to 1980?

Mr. ADAMS. Yes.

Mr. PASSMAN. You are not going to get any money on that basis.

Mr. ADAMS. Each project is given careful annual review, sir.

Mr. PASSMAN. I don't want that. We want to know the total cost and the termination date. We have already had it and we are not going to buy this new language. You had better discuss that with Dr. Hannah.

Mr. ADAMS. Yes, sir.

ADVANCE PROFESSIONAL STUDIES PROGRAM

Mr. PASSMAN. On page 219 in connection with the advance professional studies program project I note you plan to finance three contract technicians at a cost of $160,000, is that correct?

Mr. ADAMS. Yes; that is correct. This is for the College of Education, sir.

Mr. PASSMAN. I am talking about the fact that they are technicians, and that you are going to pay $160,000. I don't know what they are

going to be technicians in. I am interested in the money cost. Of the $160,000, how much is that per technician?

Mr. ADAMS. I think it is about $53,333; $28,000 a year, because we are funding for 21 months.

Mr. PASSMAN. I am talking about the total cost per technician.

Mr. ADAMS. Over 21 months, sir?

Mr. PASSMAN. I am talking about the total cost per technician, even if it is for 20 years. I want to know what each one of these technicians are going to get. That is $53,333 for the period in which he is employed?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. What is the composition of this total? Do you have it there? Is it similar to the other one?

Mr. ADAMS. Yes; it is similar.

Mr. PASSMAN. The smallest part of the total would be the salary?

Mr. ADAMS. In this instance, it is over half.

Mr. PASSMAN. Put the spread in the record.

(The information follows:)

ESTIMATED BUDGET FOR 3 PROFESSORS

	1 professor, 1 year	1 professor, 21 months	3 professors, 21 months
Salary	$16,250	$29,000	$84,000
Differential (15 percent)	2,400	4,200	12,600
Allowances and insurances	4,120	7,210	21,630
Transportation (persons and HHE)	3,900	4,500	16,500
Overhead, estimated at 30 percent	4,800	8,400	25,200
Total	31,470	53,310	159,930

NORTHERN NIGERIA TEACHERS TRAINING

Mr. PASSMAN. On page 227 under the "Northern Nigerian teachers training" development loan, I notice this loan was authorized on June 23, 1964; is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. The amount is $3,800,000.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. And according to these books presented to us a week ago, none of the funds had been disbursed, is that correct?

Mr. ADAMS. Yes; that is correct.

Mr. PASSMAN. Seven years. There are a lot of projects like that, which is another indication that you people do whatever you want to do, and as a usual thing the Congress will go along with it because they don't know what you are doing.

Mr. ADAMS. The northern region was broken up into six states and all of this has been delayed.

Mr. PASSMAN. That is exactly what I am saying. You people don't know what you need or where you are going at a later date. It was just completely premature. You entered into this with an awful lot of money. You have carried it as an obligation, for the entire time. Yet seven years ago you put money into this area, and as of now no funds have been disbursed.

Mr. ADAMS. This project was not premature.

Mr. PASSMAN. You have hundreds of men that are premature.

Mr. ADAMS. There was a coup d'etat which affected it.

Mr. PASSMAN. This goes back 7 years ago, doesn't it?

Mr. ADAMS. That is correct.

Mr. PASSMAN. It is time you did something about this, Mr. Secretary. You ought to cooperate with them and deobligate this project. Let's shake this thing down all over the world and get back to a commonsense operation. You people have this money hidden in hundreds and hundreds of places throughout the area, and for that matter the world.

TUNISIA

What did you request for Tunisia in fiscal 1970?

Mr. ADAMS. $11.015 million.

Mr. PASSMAN. What did you obligate?

Mr. ADAMS. $14.2 million, sir.

Mr. PASSMAN. An increase of?

Mr. ADAMS. $3.2 million, sir. May I point out sir, that there was the additional cost of devastating floods and our assistance to Tunisia because of these floods.

Mr. PASSMAN. Is this a loan or grant?

Mr. ADAMS. This was an emergency situation, sir.

Mr. PASSMAN. Loan or grant?

Mr. ADAMS. $2 million in contingency moneys were provided as a grant.

AGRICULTURAL PRODUCTION AND RESEARCH

Mr. PASSMAN. On page 233, in connection with the agricultural production and research project, I note that you plan to increase the total estimated cost by $725,000, is that correct?

Mr. ADAMS. Yes, that is correct.

GHANA

Mr. PASSMAN. What did you request for Ghana last year?

Mr. ADAMS. We requested $17,535,000, sir.

Mr. PASSMAN. What did you obligate?

Mr. ADAMS. $17,487,000, sir.

Mr. PASSMAN. Even after the Congress reduced the request by one-third, you could still obligate the full amount of your request?

Mr. ADAMS. It was a matter of shifting priorities, sir.

Mr. PASSMAN. I know, but you still did not take the congressional reduction in mind, when you obligated to Ghana the $17 million.

Mr. ADAMS. As a matter of fact we had hoped to provide $20 million program loan, instead of the smaller one requested and programed.

Mr. PASSMAN. You requested $17.5 million, is that right?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. And you obligated $17.5 million.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Notwithstanding the fact that the Congress had reduced the request by one-third.

(Discussion off the record.)

Mr. PASSMAN. Last year you estimated the fiscal 1970 program would call for 85 participants, is that correct?

Mr. ADAMS. That is correct.

Mr. PASSMAN. When you came to programing funds, you funded 114 participants, is that correct?

Mr. ADAMS. That is correct.

AGRICULTURE MANPOWER DEVELOPMENT PROJECT

Mr. PASSMAN. On page 266 in connection with the agricultural manpower development project, I notice you plan to increase the total estimated cost by $271,000 this year, is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. So that will bring the estimated cost up to $647,000?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Which is another indication you did not know what you needed.

I also note last year you estimated the 1970 program would be $41,000 and this year you indicate that $206,000 will be programed during the current fiscal year.

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. There has never been anything so loose as this foreign aid program. Nothing like this has ever been conceived by the mind of man before.

Mr. ADAMS. Our current estimate reflects the current evaluation of the requirement and our decision to fund through contract.

Mr. PASSMAN. The trouble is, Mr. Director, these people last year did not know what they wanted. They just threw a figure out. When they finally got around to some stage of finalizing these things, in hundreds of instances the cost was two, three, four, five times more than they previously requested. This indicates they did not know what they were talking about.

MOROCCO

Now in Morocco, I believe in fiscal 1971 you are requesting $15,944,000?

Mr. ADAMS. That is correct.

Mr. PASSMAN. If I read the record correctly, this is an increase of $7,242,000 above the amount programed for fiscal 1970.

Mr. ADAMS. Yes, sir, that is correct.

WORLD BANK CONSULTING GROUP

Mr. PASSMAN. Would you furnish for the record the amount of assistance furnished by the World Bank consultant group in calendar year 1969 and if at all possible for fiscal 1970, indicating the amount of grant assistance for each of the donor nations and where the loans are a part of the assistance would you indicate the terms of such loans indicating the maturity, interest rate, grace period and any other pertinent information.

Mr. ADAMS. Yes, sir, we will provide it for the record.

(The information follows:)

IBRD CONSULTATIVE GROUP FOR MOROCCO MAJOR BILATERAL ASSISTANCE, CALENDAR YEAR 1968

[Dollar amounts in millions]

IBRD or IMF sponsored group IBRD consultative group for Morocco	Actual commitments			Known loan terms			
	Total	Grants	Loans	Amounts	Maturity (years)	Grace (years)	Interest (percent)
IBRD	15.00	.....	15.00	$15.00	14	(6)	6
Belgium							
Canada							
Denmark							
France							
Germany							
Italy							
United Kingdom							
United States	45.98	[1] 17.09	28.89	[2] 13.00	40	10	2-2.5
				[3] 4.20	10	2	6
				[4] 10.15	20	2	2.5
				[5] 1.53	3	1	[7] 7

[1] Includes $7.7 million commodity sales for recipients currency.
[2] AID.
[3] Eximbank.
[4] Public Law 480.
[5] CCC.
[6] Not available.
[7] CCC loans have an interest rate of 7 percent for 90 percent of the credit and of 6 percent for the remainder.

PUBLIC LAW 480 ASSISTANCE IN FISCAL YEAR 1971

Mr. PASSMAN. Would you tell the committee how much Public Law 480 funds will be provided in fiscal 1971?

(The information follows:)

Public Law 480 assistance to Morocco in fiscal year 1971 (estimated shipments)

Title I	[1] $17,700,000
Title II	17,700,000
Government to government	9,600,000
Voluntary agencies	7,800,000

[1] Subject to revision according to actual requirements.

DEVELOPMENT PLANNING ASSISTANCE PROJECT

Mr. PASSMAN. I note on page 289 in connection with the development planning assistance project, you plan to increase the life of this project by 1 year and also raise the estimated total cost of $467,000. I note also under this same project that last year you proposed a fiscal 1970 program, of $133,000, is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. However this year you indicate the current fiscal year program will now be $320,000.

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. My friend, you have been a very excellent witness. This is a complicated program, but you can understand the frustrations of the chairman, and I hope other members, when we move from one year to another and the current year estimate shows how little you knew about these projects the previous year where your estimates are three of four times higher. It certainly indicates that

these projects have not been planned out. If these projects were handled like the ones in the United States you could not miss the costs by over 2 or 3 percent. They do not permit you to do things that way on U.S. projects.

Under the public works program, it takes quite a while just to get the project approved by the Congress. And here I am talking about flood control and rivers and harbor projects where property is being washed away and people are being drowned. The project plans have to move all the way up through the district local engineer to the Corps of Engineers, it then comes to the Chief's office and after you finally come up with what appears to be a good project, then you have to introduce the resolution to the Public Works Committee of the House and Senate. Then they took it over. Maybe you get this put in one of the so-called omnibus flood control bills. But you have to have a favorable cost-benefit ratio. The time required to establish a public works project in America is about 7 years. After we get it authorized, you ought to see the headlines we get. It might be 5 years before we get a confounded nickel for construction.

Then one of these days we get about 10 percent of the cost of it. Then we get on the front page.

Do you understand?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Then we have to consider these projects all over the world where possibly you do not get 3 cents benefit for each dollar spent. It is all in the field of imagination. I have never dealt with anything where you deal completely with imagination. There is nothing personal about any of this. I am just frightened.

Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

NIGERIAN REHABILITATION

On page 2 of your statement, Mr. Adams, you say supporting assistance of $8.3 million is proposed to aid Nigerian rehabilitation following the ending of its unfortunate civil war. What other countries will be doing this and how much will they contribute?

Mr. ADAMS. We propose $7.5 million for this purpose. The United Kingdom, also the World Bank will be providing assistance to Nigeria for rehabilitation efforts, as well. Canada and the other international agencies.

Mr. NEWSOM. Mr. Shriver, the northern European countries, the Scandinavians and Netherlands are also very much interested in this.

Mrs. HANSEN. I am glad to hear they are interested in something besides kicking hell out of us.

Mr. NEWSOM. The World Bank is moving towards a $25 million loan to Nigeria for transportation rehabilitation.

Mr. SHRIVER. What is the United Kingdom putting in?

Mr. SHEAR. We do not know the amount yet.

Mr. SHRIVER. You are specific here on how much supporting assistance you are requesting—$8.3 million—and I asked for the figures for these other countries, if you know.

Mr. NEWSOM. We do not know what the United Kingdom is planning.

AID TO AFRICAN SCHOOLS

Mr. SHRIVER. Then on the next page you say that over the past decade, AID assistance helped African states to provide places for nearly one million African children in school. Some more statistics are given there.

Mr. ADAMS. Yes, that is correct.

Mr. SHRIVER. What percent of all of the African children would this be?

Mr. ADAMS. It would be rather hard to say.

It remains a very small percentage of the school-age children in Africa.

Mr. SHRIVER. It is quite small.

Mr. ADAMS. Yes. Africa began its independence with so few school facilities and what we have done over the past 10 years is to make it possible for more children of school age to have the opportunity to attend school. But the numbers are still very small.

AFRICAN DEVELOPMENT BANK

Mr. SHRIVER. Mr. Newsom, what is the status of our participation in the African Development Bank?

(Discussion off the record.)

Mr. NEWSOM. It is on the record, I believe, now. Very briefly, Mr. Congressman, we provided a $400,000 grant 3 years ago to the African Development Bank to assist them in creating projects. We have provided one man to work on the staff of the African Development Bank. We have considered other forms of assistance to the African Development Bank. The former President of the Bank has resigned, and the Bank is currently in the process of selecting a new President.

The Canadians and the northern European countries are taking the lead in a special development fund for the Bank. We are watching this closely and have suggested to the committee our interest in participating in this provided there is substantial participation from the other donors. We also have suggested the possibility of a development loan to the Bank, which would be for assistance in a sense to some of the Bank's projects.

Mr. SHRIVER. France and Britain are still not interested.

Mr. NEWSOM. Britain is interested. France is still not interested, although we hope the fact that the Canadians, the Scandinavians, and the Dutch are interested may lead the French to a greater degree of interest.

U.S. TRADE WITH RECIPIENT AFRICAN COUNTRIES

Mr. SHRIVER. Along the same line, would you provide a table for the record which shows the U.S. dollar totals and percentages of our foreign trade with each of the recipient countries in Africa.

Mr. ADAMS. Yes, sir.

Mr. SHRIVER. And the same information for the former colonial powers for the last year in which figures are available.

Mr. ADAMS. Yes, sir.

(The information follows:)

TRADE OF SELECTED AFRICAN COUNTRIES WITH THE UNITED STATES AND FORMER METROPOLE, 1968[1]

[In millions of dollars]

Country	Exports					Imports					Former Metropole
		To United States		To former Metropole			From United States		From former Metropole		
	Total	Amount	Percent of total	Amount	Percent of total	Total	Amount	Percent of total	Amount	Percent of total	
Burundi	16	11.9	74	1.7	11	23	1.5	7	1.7	7	Belgium.
Cameroon[2]	189	19.7	10	63.9	34	188	10.8	6	52.2	28	France.
Central African Republic	36	11.3	31	13.6	38	40	1.9	5	21.5	54	Do.
Chad	28	(3)	(3)	17.6	63	38	3.3	9	16.3	43	Do.
Congo (Kinshasa)	510	42.0	8	293.0	58	335	56.0	17	77.0	23	Belgium.
Dahomey[4]	15	2.1	14	5.3	35	48	1.8	4	21.6	45	France.
East Africa	706	70.0	10	141.4	20	774	39.0	5	201.3	26	United Kingdom.
Kenya	(250)	(11.0)	(4)	(44.5)	(18)	(356)	(22.0)	(6)	(101.0)	(28)	Do.
Tanzania	(240)	(13.0)	(5)	(54.4)	(23)	(256)	(12.0)	(5)	(59.3)	(23)	Do.
Uganda	(216)	(46.0)	(21)	(42.5)	(20)	(162)	(5.0)	(3)	(41.0)	(25)	Do.
Ethiopia	106	46.0	43	----	----	173	32.0	19	----	----	
Gabon	124	15.3	12	42.0	34	64	6.2	10	36.5	57	France.
Gambia	17	0.1	1	8.1	48	19	0.7	----	7.1	37	United Kingdom.
Ghana	335	58.7	18	90.1	27	307	58.8	19	84.9	28	Do.
Guinea[5]	[6] 53	[6] 2.7	[6] 5	[6] 15.9	[6] 3	[6] 31	[6] 4.5	[6] 15	[6] 5.6	[6] 18	France.
Ivory Coast	425	63.9	15	146.6	35	314	6.0	2	156.3	37	Do.
Liberia	169	43.9	26	----	----	118	44.3	37	----	----	
Malagasy Rep	116	26.1	23	38.8	33	170	8.6	5	107.0	63	France.
Malawi	48	2.0	4	20.7	43	80	3.9	5	21.5	27	United Kingdom.
Mali	18	----	----	1.8	10	46	0.3	1	[6] 14.0	30	France.
Mauritania[4]	72	0.6	1	16.0	22	35	9.1	26	15.5	44	Do.
Mauritius	67	3.8	6	49.1	73	76	1.6	2	17.9	24	United Kingdom.
Morocco[7]	450	8.4	2	173.0	38	551	62.6	11	173.9	32	France.
Niger[4]	33	[6] 0.1	(3)	[6] 18.0	[6] 55	46	2.5	5	22.1	48	Do.
Nigeria	587	49.1	8	174.2	30	541	33.3	6	238.5	44	United Kingdom.
Rwanda	15	(3)	(3)	5.3	35	23	1.5	7	4.5	20	Belgium.
Senegal	151	0.5	(3)	100.3	66	181	6.6	4	78.8	44	France.
Sierra Leone	96	2.8	3	64.3	67	91	8.6	10	25.5	28	United Kingdom.
Somali Rep.[8]	30	(3)	(3)	9.1	30	42	6.4	15	16.5	39	Italy.
Togo	39	----	----	14.9	38	47	2.1	5	14.9	32	France.
Tunisia	158	2.8	2	36.5	23	218	44.5	20	72.4	33	Do.
Upper Volta	21	----	----	3.0	14	41	1.7	(3)	18.0	44	Do.
Zambia	762	15.1	2	223.9	29	515	46.6	9	106.5	21	United Kingdom.

[1] Data not available for Botswana, Equatorial Guinea, Lesotho and Swaziland.
[2] A part of what is now Cameroon was formerly under the administration of the United Kingdom. Trade between Cameroon and the United Kingdom is small and is not included in data on trade with "Former Metropole."
[3] Less than one-half the unit shown.
[4] 1967; latest year for which direction of trade data are available.
[5] Fiscal year Oct. 1, 1967—Sept. 30, 1968.
[6] Estimate.
[7] A part of what is now Morocco was formerly under the administration of Spain. Trade between Morocco and Spain is small and is not included in data on trade with "Former Metropole."
[8] A part of what is now the Somali Republic was formerly under the administration of the United Kingdom. Trade between the Somali Republic and the United Kingdom is small and is not included in data on trade with "Former Metropole."

Mr. SHRIVER. In conjunction with that information, would you also show the dollar totals and percentages of our foreign aid in all forms to each of these countries from the United States and the colonial powers.

Mr. ADAMS. Yes, sir.

(The information follows:)

AID TO AFRICAN COUNTRIES FROM UNITED STATES AND SELECTED OTHER DONORS,[1] CALENDAR YEAR 1968

[Dollar amounts in millions]

	United States		France		United Kingdom		Italy		Belgium		Portugal		Germany	
	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid
North of Sahara:														
Algeria			$105.4	13.1					$0.1	0.1			$1.3	0.3
Libya	$3.0	0.1											.3	.1
Morocco [2]	54.0	1.6	10.8	1.3	$0.1	0			1.6	2.2			25.0	5.6
Tunisia [2]	43.0	1.3	14.0	1.7			−$2.1	−1.6	1.2	1.6			8.5	1.9
UAR	−4.0	−.1	−8.9	−1.1	−.2	−.1	23.0	17.7					8.2	1.8
Unallocated			.4	0.5										
South of Sahara:														
Botswana [1]	1.0	0			13.7	3.6								
Burundi [2]									7.8	10.6			.7	.2
Congo (Kinshasa) [1]	17.0	.5			.1	0	.5	.4	44.5	60.3			.5	.1
Ethiopia [2]	16.0	.5			.5	.1	6.7	5.1	.1	.1			3.4	.8
French Franc area:														
Cameroon [2]	3.0	.1	−.5	−.1	.6	.2			.1	.1			3.2	.7
Central African Republic [1]			.4	0	.1	0							.8	.2
Chad [2]	1.0	0	.2	0									.4	.1
Congo (Brazzaville)	1.0	0	6.5	.8									.3	.1
Dahomey [2]	1.0	0	−.3	0			1.4	1.1	.1	.1			.3	.1
Gabon [2]	1.0	0	−.2	0									.1	0
Ivory Coast [2]	2.0	.1	6.9	.9	.1	0	.7	.5	.1	.1			2.3	.5
Madagascar [2]			1.2	.1	.1	0			.2	.3			.3	.1
Mali [2]	1.0	0	−.4	0									−.4	−.1
Mauritania [2]			−.1	0									.5	.1
Niger [2]	3.0	.1	2.4	.3	.1	0							1.6	.4
Senegal [2]	3.0	.1	2.4	.3	.1	0			.1	.1			.2	0
Togo [1]	1.0	0	−1.1	−.1	3.6	.9	.3	.2					2.6	.6
Upper Volta [2]	2.0	.1	.4	0									1.4	.3
Comoro Islands			8.1	1.0										
Reunion			79.2	9.8										
Other French overseas territory			1.02	1.3										
Gambia [2]					2.8	.7								
Ghana [2]	27.0	.8	1.7	.2	14.3	3.7	2.1	1.6					9.7	2.2
Guinea [2]	5.0	.1	−1.4	−.2			−.2	−.2					1.5	.3
Kenya [2]	5.0	.1			23.6	6.2							3.6	.8
Lesotho [2]	1.0	0			10.3	2.7								
Liberia [2]	15.0	.4			0.1	0	−.1	−.1					1.6	.4
Malawi [2]	2.0	.1			18.1	4.7							.7	.2
Mauritius [2]					9.1	2.4								
Nigeria [2]	29.0	.9			12.3	3.2	2.0	1.5	.1	.1			4.8	1.1

See footnote at end of table.

AID TO AFRICAN COUNTRIES FROM UNITED STATES AND SELECTED OTHER DONORS,[1] CALENDAR YEAR 1968—Continued

[Dollar amounts in millions]

	United States		France		United Kingdom		Italy		Belgium		Portugal		Germany	
	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid	Amount	Percent of bilateral aid
Portuguese overseas territory:														
Angola											$9.1	35.5		
Mozambique											8.1	31.6		
Other Portuguese											6 4	25.0		
Rhodesia					.3	.1							1.6	.4
Rwanda [3]	1.0	0							7.6	10.3			.7	.2
Seychelles					2.4	.6								
Sierra Leone [3]	4.0	.1			1.1	.3							4.1	.9
Somalia [3]	6.0	.2					8.1	6.2					2.1	.5
St. Helena					.9	.2								
Sudan	1.0	0			.1	0	11.3	8.7					2.1	.5
Swaziland [3]					7.2	1.9								
Tanzania [3 5]	6.0	.2			3.6	.9	6.2	4.8					3.4	.8
Uganda [3 5]	4.0	.1			8.6	2.3	.3	.2					3.1	.7
Zambia [3]	—4.0	—.1			25.2	6.6	13.1	10.1					.8	.2
East African Community Services					6.0	1.6								
Unallocated	24.0	.7	[4] 264.5	32.8	.8	.2							2.1	.5
Total to Africa	275.0	8.2	505.8	62.7	162.1	42.4	73.1	56.1	63.2	85.6	23.5	92.2	103.6	23.5
Total bilateral aid	3,355.0	100.0	807.0	100.0	382.2	100.0	130.3	100.0	73.8	100.0	[5] 25.6	100.0	443.8	100.0

[1] Official bilateral disbursements (net). For United States, includes AID, Public Law 480, Export-Import Bank and Peace Corps. For other donors, includes both official developjent assistance and official nonconcessional transactions.

[3] Countries for which U.S. assistance is proposed for fiscal year 1971.

[3] Excluding disbursements through East Africa Community Services Organization.

[4] Largely Franc area.

[5] Excluding unallocated by continent.

Source: DAC Statistical Annexes to 1969 Annual Aid Reviews.

Mr. COHELAN. If the gentleman will yield, Mr. Newsom, what happened to Mr. Beheiry?

Mr. NEWSOM. As far as we know, he resigned.

Mr. COHELAN. What were their difficulties? Didn't it have something to do with their inability to loan the capital that they did have?

Mr. NEWSOM. We do not know the precise reasons for his resignation. At the last annual meeting there was much discussion of what many Governors believed to be slow progress in using the bank's resources. Since his resignation the bank's activities have accelerated. For example, the $400,000 which we provided has, I think, only begun to be utilized during the last 6 months, when Mr. Labidi of Tunisia has been the Acting Resident.

Mr. COHELAN. Is this for the soft loan window?

Mr. NEWSOM. No. This is for technical studies. Nothing has been done on the soft loan window. This is what the money might be for.

Mr. ADAMS. Nine loans have been made and six more are currently under review.

Mr. COHELAN. What kind of outlay do they have?

Mr. ADAMS. $13.2 million.

Mr. COHELAN. What is their capital position at this time? This is the third, fourth or fifth year. They should be fully capitalized by now.

Mr. ADAMS. One-half the capital is to be paid in, the remainder is to be on call.

Mr. COHELAN. $150 million.

Mr. ADAMS. $218 million of the authorized $250 million capital was subscribed; and $60 million has been paid in.

Mr. COHELAN. Out of that they have currently made $13 million in loans.

Mr. ADAMS. Yes, sir.

Mr. COHELAN. How are those loans distributed? I do not want to get into this other than to see some figures. Can you put them in the record?

(The information follows:)

African Development Bank—Financial assistance approved and under consideration (as of Jan. 23, 1970)

Calendar year 1967:	
Kenya—Two roads	$2,300,000
Sierra Leone—Development bank (equity participation)	120,000
Calendar year 1968:	
Uganda—Water and sewage survey	230,000
Tunisia—Medjira irrigation	2,750,000
Ivory Coast—Fertilizer plant	408,000
Calendar year 1969:	
Liberia—Thermal power	1,350,000
East African Development Bank (equity participation)	1,000,000
East African Development Bank (line of credit)	2,000,000
Calendar year 1970: Malawi—Tedzani hydroelectric transmission and distribution facilities	3,000,000
Cumulative total approved	13,158,000

Calendar year 1970 (tentative):	
Sierra Leone—Guma Valley water supply extension (Freetown)	1,500,000
Morocco—Electric transmission	2,800,000
Tanzania—Arusha Hotel Port Improvements (Dar es Salaam and Tanga)	(1)
Uganda—Urban water supplies	(1)
Algeria—Two small unidentified projects	(1)

[1] Not applicable.

EFFECTS OF A REDUCED U.S. AID PROGRAM

Mr. SHRIVER. Mr. Newsom, on page 3 of your statement you say that the interest in what America produces declines when we show diminished interest in what Africa needs. Is that a generalization or are there statistics on which this is based?

Mr. NEWSOM. I think it is very hard to find precise statistics on the relationship of a diminishing aid program to diminishing commercial opportunities. It is an impression that many of our chiefs of mission and others have. As one chief of mission said to me when our aid program phased out, the phone stopped ringing on all inquiries to the Embassy. The implication is that when the United States stops showing an interest in the country, the government's interest in everything from the United States diminishes.

Mr. SHRIVER. Do you have any statistics or any facts on which you base what you said?

Mr. NEWSOM. We are basing it on a general impression.

Mr. SHRIVER. Just impression?

Mr. ADAMS. May I suggest, sir, that the impression is one which can have very deep meaning given the fact that the African countries have one overriding preoccupation, and that is with their problems of economic development.

The extent that we manifest an interest in their problems of economic development indicates that we share a concern about the kind of things which are their most urgent problems. It also reflects the extent to which we seek to cooperate with them in very meaningful ways.

One element of the effort to cooperate with them in meaningful ways is the extent to which, using our aid they have greater flexibility and interest in trying to liberalize their trade patterns to the point that the United States benefits from them. We have some clear instances of that, particularly in the case of Cameroon where they have sought particularly to liberalize their whole approach to trade.

Mr. SHRIVER. Have we lost trade to Cameroon?

Mr. ADAMS. No, sir. The Cameroonian Government has taken the lead in the recent 50-percent reduction in tariff of the Central African Economic and Custom Union, and we have indications now that the Cameroon leaders are willing to consider further liberalizing their trade arrangements to the point where they would not be discriminatory to the United States.

Mr. NEWSOM. We are providing assistance through multidonor projects. I would invite the committee's attention to a report by a Government-business survey team that has been published in the latest issue of International Commerce. There are two quotes from the finding of the team. One says that economic development must of necessity precede the establishment of significantly expanded trade relation-

ships with these countries. Again, in contrast with the developed countries, U.S. Government assistance is required to a greater degree to respond to the highly centralized government procurement systems of these countries.

Mr. SHRIVER. What you are saying would be an argument on behalf of bilateral aid rather than multilateral aid.

Mr. NEWSOM. It may be.

Mr. SHRIVER. Is your request for Africa of $161,358,000 for the next fiscal year the largest program we have had there?

Mr. ADAMS. No, in every fiscal year from 1962 to 1967, with the exception of 1965, the program for Africa was greater. The highest level of $250 million was in fiscal year 1962. In fiscal year 1967 the program was $186 million.

Mr. SHRIVER. This is an increase of $7½ million over 1970?

Mr. ADAMS. Yes, sir.

EMPHASIZING REGIONAL AID PROGRAMS

Mr. SHRIVER. You say on page 5 that you plan to continue to emphasize aid to regional programs and projects giving special attention to innovative ways to make our efforts effective.

What are some of those innovative ways?

Mr. ADAM. One thing we are thinking about, sir, if it is possible is to encourage private investment and make use of the private sector, as one way of transferring resources to the African countries. Also in our regional program progress our sector lending could be a more effective way of meaningfully transferring resources than we were able to do in the past.

The program of sector lending would give encouragement to specific progress in agriculture production, improvement in livestock, and also would be meaningful for U.S. exports, because sector lending would finance commodity imports needed for the developing sectors of the various countries and would generate the local currencies to finance specific development activities, such as livestock production and other agricultural activities.

PERCENT OF BILATERAL AID AND MULTILATERAL AID

Mr. SHRIVER. At the present time what percentage of our assistance to Africa is given on a bilateral basis, and what percentage on a multilateral basis?

Mr. ADAMS. I will have to supply the details for the record. The major part of our assistance is on a bilateral basis.

(The information follows:)

Our assistance to Africa is overwhelmingly bilateral. Using fiscal 1969 as an illustration, the U.S. bilateral economic assistance, from AID, Public Law 480. Peace Corps and Export-Import Bank, amounted to $390.5 million while the U.S. share of multilateral assistance was about $54 million, or about 12 percent of the total.

Mr. SHRIVER. We concluded, or at least Mr. Newsom and I did a little while ago, that if we are going to get the most trade advantage with the African countries—and I think it would be true with any other nations—it ought to be where the people know what we are doing. They will be trading with us if we are helping them bilaterally. If we

are in a multilateral program, the identity is lost and the advantage for this country tradewise is lost, too.

Mr. ADAMS. Of AID funds alone over 70 percent of funds now go for the bilateral programs.

Mr. SHRIVER. 70 percent?

Mr. ADAMS. Yes.

Mr. SHRIVER. So that leaves 30 percent multilateral.

Mr. ADAMS. No, that leave 30 percent regional A.I.D. When we mention regional approaches, it does not imply that they are multilateral, with a loss of identity. We are thinking principally that, in the case of various small countries, rather than attempting to approach them individually we would approach them under regional projects.

This would allow for the identification by the recipient countries of the assistance which came from the United States.

Mr. NEWSOM. Mr. Congressman, there is one other point on this. Even on a multidonor project frequently our participation is a clearly identifiable U.S. commodity or machinery component—an Import-Export Bank loan or development loan to provide specific U.S. commodities for a project in which other countries are participating.

PRIVATE INVESTMENT IN AFRICA

Mr. SHRIVER. We now have $3 billion in U.S. private investment in Africa. Would you break that figure down as to location and type of investment?

Mr. ADAMS. Yes, sir.

Mr. SHRIVER. For the record.

(The information follows:)

BREAKDOWN $3 BILLION U.S. PRIVATE INVESTMENT IN AFRICA, BY LOCATION AND TYPE OF INVESTMENT

U.S. Department of Commerce official data show that U.S. private investment in Africa at the end of 1968 amounted to $2.7 billion. Over half of this was concentrated in three countries—South Africa $692 million, Libya $678 million, and Liberia $178 million. Sixty percent, or $1.6 million was in the petroleum industry, and the remainder was in manufacturing ($400 million), mining and smelting ($387 million), trade ($163 million), and other investments ($156 million).

PRELIMINARY INVESTMENT STUDIES SPONSORED BY AID

Mr. SHRIVER. On page 7 you say that four investment commitments were obtained from 27 preliminary investment studies sponsored by AID. What was the cost of the 27 studies, and the 10 in-depth studies?

Mr. ADAMS. We will supply it for the record.

(The information follows:)

COST OF 27 PRELIMINARY INVESTMENT STUDIES AND 10 IN-DEPTH STUDIES

When the statement is made that four investment commitments were obtained from 27 investment studies, it is very important to note that this means only to date. The majority of in-depth studies are still unfinished, a number of them being involved in pilot growing or marketing operations before a final commitment decision is made. Just recently a commitment was made in Ivory Coast, bringing the commitment total to date to five. Cost of the 27 phase I studies to the U.S. Government will be approximately $500,000; cost of the 10 in-depth

studies will be approximately $450,000. The total amount of the five investments is approximately $7,500,000.

Mr. SHRIVER. Is the 4-for-27 ratio common for this type of operation worldwide?

Mr. ADAMS. Mr. Congressman, that is a fairly low percentage, but it reflects some of the problems of investment in Africa.

Mr. SHRIVER. You might discuss that at greater length in the record.

PARTICIPATING INTERESTS IN FOREIGN OWNED ENTERPRISES

On page 8 you say that several governments, that is, Tanzania, Zambia, and Sierra Leone, undertook measures to acquire participating interests in foreign-owned enterprises in key sections of the economy. In other words, they nationalized certain companies, did they not?

Mr. NEWSOM. This is my statement; yes.

In some cases there were nationalizations with compensations. In other cases there were requests to buy in on a long-term repayment basis out of earnings and equity percentage of the industry. In Zambia, for example, the recent arrangements on the copper industry represented an acquisition of 51 percent by the Zambian Government of the previously privately owned companies with compensation.

In Tanzania, there was a nationalization of an American-owned industrial farm with full compensation for the nationalization.

Mr. SHRIVER. What companies were involved?

Mr. NEWSOM. In Zambia it was two major mining companies. The primary American component is the American Metals Climax, which is one of the principal stockholders of the so-called Roan Selection Trust. The other company was the Anglo-American Corp. which is neither Anglo nor American. It is primarily a South African corporation.

Mr. SHRIVER. You go on to say, "these measures were carried out in ways designed to reassure foreign investors that their continued presence was desired."

What companies have approached you for investment studies in these countries since the nationalization actions?

Mr. NEWSOM. We will have to provide for the record what companies may have approached AID for investment studies. I know from my contacts that companies are still showing an interest in Zambia and in Tanzania—not only American companies but Japanese, German, and British companies.

The one thing that I think is important in this subject is the fact that a number of the independent countries feel that the arrangements made with these mining companies, particularly in pre-independence days, did not provide for any participation by the local government nor did they provide for any arrangement for bringing people of the country into technical and management positions in the company, so that there has been in each country a desire to renegotiate the basic agreements in order to accomplish these two objectives.

(The information follows:)

Since the nationalization act, Stonewall Planting Co., Continental Seafoods, Chester B. Brown Co., and National Molasses Co. have approached AID for investment studies in Tanzania; Warner & Warner Associates have applied for an investment study in Sierra Leone.

Mr. SHRIVER. Do you have something to add?

Mr. NEWSOM. Yes; one of the major U.S. rubber companies has asked for a guarantee on a tire plant in Tanzania, since the nationalization.

Mr. ADAMS. Others include tourist projects for Tanzania.

COOLEY LOANS AND PUBLIC LAW 480

Mr. SHRIVER. How about the Cooley loans?

Mr. ADAMS. No, sir; there are none.

Mr. SHRIVER. We have no Public Law 480 programs there at all?

Mr. ADAMS. No, sir.

Mr. SHRIVER. We anticipate Public Law 480 in Africa, do we not?

Mr. ADAMS. Yes, sir; we do.

Mr. COHELAN. But not in Tanzania?

Mr. ADAMS. We pay the costs of food donations to Tanzania but there are no Public Law 480 loans in the Tanzania program.

Mr. COHELAN. So there would be no basis for any Cooley loans?

Mr. ADAMS. That is correct.

MILITARY ASSISTANCE TO TUNISIA

Mr. SHRIVER. On page 9 you say:

> In January of this year Morocco and Algeria signed a 20-year friendship treaty and quietly shelved their conflicting border claims.

You go on to say:

> Algeria and Tunisia have also made progress in settling their outstanding problems.

———. In view of your statement, that military assistance can be cut back or eliminated, can it not?

Mr. NEWSOM. It is true there have been tensions among the countries in North Africa. The border issue between them has been set aside. It has not been actually resolved ———.

Mr. SHRIVER. So the threat is not from Algeria. ———.

Mr. NEWSOM. ———.

NIGERIAN RELIEF

Mr. SHRIVER. Are we still having difficulty in getting relief, food, and assistance to the war refugees in Nigeria?

Mr. NEWSOM. No. The program is now going on under the Nigerian Red Cross. The feeding level in the former enclave is around 4,000 tons a week, which is not the optimum that our nutritionists would recommend, but it is sufficient to stave off any mass starvation or deaths. The Nigerians have their own concept of what satisfactory feeding levels may be, their own concept of how much external food they need. We put before them through our nutritionists experts what we consider to be the maximum level desirable, but it is not always possible to reach that level.

Mr. SHRIVER. Mr. Adams, on the first page of your statement you say that Secretary Rogers reports: "The United States and Africa in the 70's" calls for the United States to contribute a fair share to African development with emphasis on maintaining a substantial contribution and, hopefully, a larger share.

Mr. ADAMS. Yes, sir, that is correct.

Mr. SHRIVER. What do you mean "hopefully a larger share?"

Mr. ADAMS. I think it is the language that the Secretary has used.

Mr. SHRIVER. What does he mean?

Mr. ADAMS. He is principally referring to the fact that over the past several years the assistance that the United States has provided Africa has averaged somewhere in the neighborhood of $350 million—including AID, Peace Corps, Export-Import Bank and Public Law 480 and to his hope that we would be able to maintain the assistance at least at that level, and hopefully higher, but without specifying exactly what this quantum would be. The thing which has been interesting is that for the period since fiscal year 1967, up until the current year, the aid to Africa has tended to decline, and the trend has been continuing.

Mr. SHRIVER. Is that true in other kinds of aid besides AID programs, such as the Export-Import Bank and Public Law 480?

Mr. ADAMS. Yes, sir, that is correct.

Mr. SHRIVER. All of this has been declining?

Mr. ADAMS. Yes, the general trend is declining. The Export-Import Bank is up.

SUPPORTING ASSISTANCE FOR REFUGEES IN ZAMBIA

Mr. SHRIVER. Part of the supporting assistance request will be used to finance refugee education in Zambia. Where are those refugees from?

Mr. ADAMS. They come from the areas of South Africa, principally from southwest Africa.

Mr. SHRIVER. Why did they leave?

Mr. ADAMS. They left because they regard their regimes as being ones which were overwhelming and which were denying them their liberties and freedoms that they eflt they were entitled to.

LOAN TO ZAMBIA

Mr. SHRIVER. A press release dated November 19, 1969, announced a $5.3 million loan to Zambia. Will any of that money be used for these refugees?

Mr. ADAMS. No, sir, it will not be.

Mr. SHRIVER. Education?

Mr. ADAMS. No, sir.

Mr. SHRIVER. Do you know what that is for?

Mr. ADAMS. No, sir, I don't. We can supply that for the record, sir.

(The information follows:)

$5.3 MILLION LOAN TO ZAMBIA

The loan referred to by Mr. Shriver was made to Zambia by the IBRD. The purpose of the loan was to finance the foreign exchange costs of (1) the extension and further equipping of the schools of education and engineering of the University of Zambia; and (2) the construction and furnishing of student hostels, including staff housing, to accommodate the increased registration in these schools.

BILATERAL ASSISTANCE TO ZAMBIA

Mr. SHRIVER. You are considering initiating a bilateral assistance program in Zambia.

Mr. ADAMS. Yes, sir, because we recognize that the Zambian economy is particularly vulnerable, and one of the things, of course, which adds to its vulnerability is the fact that it does have some very serious problems in terms of skills that it needs for increasing agricultural productivity and also in terms of improving the performance of the economy. What we propose to do under the bilateral assistance which we will initiate for Zambia is principally to give attention to providing personnel that the Zambians might request, which could help them to overcome some of these handicaps which make their situation vulnerable in terms of lack of skilled personnel in certain critical areas wit primary emphasis on agricultural activities.

Mr. NEWSOM. This program would be bilateral in the technical assistance sense only, and thus within the Congressional limits of areas with primary emphasis on agricultural activities.

DECENTRALIZATION OF LOAN ADMINISTRATION

Mr. SHRIVER. On page 6 you say you are decentralizing the loan administration operation.

Mr. ADAMS. Yes, sir.

Mr. SHRIVER. What do you mean by that? What are you doing?

Mr. ADAMS. What we are doing, sir, is principally to try to see if we can actually improve the effectiveness of our loan operation. Up until just recently all of our loan operations have been managed principally from Washington. What we are thinking about doing is setting up Area Loan Offices, one for Central and West Africa and one for East Africa. The loan teams, which will be actually assigned to these two areas, will have the authority to examine loan requests, assist the countries in the whole proces of loan paper development, and hopefully we will be able to accelerate the speed with which the loans can be approved, and at the same time more effectively monitor loans once they have been approved. We aim to accomplish this without any increase in the total field staff.

Mr. SHRIVER. Is this an experiment, or is it being done in other regions?

Mr. ADAMS. We recognize it as a management problem which was within our capabilities and are trying to do something about it. It is an attempt at management improvement.

Mr. SHRIVER. Will those administrators have the final word as to the issuance of loans, or will the decision still have to be made back here?

Mr. ADAMS. The final decision will still have to be made here.

Mr. SHRIVER. I don't see what difference it makes then. It is the same old thing.

Mr. ADAMS. No, sir; because what it actually amounts to is this. In the process of moving a loan from an idea through the necessary feasibility studies to the preparation of the loan paper and the negotiations with the Government, people on the ground are closer to the problem than we are here in Washington. The whole process can be accelerated.

POPULATION CONTROL

Mr. SHRIVER. Your discussion of the population problem in Africa on pages 10 and 11 sounds as though there is official interest in it.

Mr. ADAMS. Yes, sir, there is increasing interest as reflected by the various leaders of African countries, and the recognition on their part that there is a relationship between population control and the kind of things that they want to achieve in terms of increased educational opportunity, better housing, and the provision of more skills to the populations.

Mrs. HANSEN. I may add that these goals in the United States we are not attaining very fast.

Mr. ADAMS. That is true.

Mr. SHRIVER. I believe that is all, Madam Chairman.

Mrs. HANSEN. Thank you.

I have a very few questions. You say the total economic assistance to Africa is $161 million.

TOTAL ECONOMIC AND MILITARY AID TO AFRICA

Mr. ADAMS. This is what we are proposing for fiscal year 1971.

Mrs. HANSEN. What was your total economic assistance last year?

Mr. ADAMS. It was $152 million.

Mrs. HANSEN. Will you put in the record for me the total economic assistance that we have given Africa since the beginning, and the total military assistance we have given. What is our military assistance this year to Africa?

Mr. NEWSOM. $18.5 million.

Mrs. HANSEN. What is that for?

Mr. NEWSOM. The largest part goes to Ethiopia.

Mrs. HANSEN. ———.

Mr. NEWSOM. ———.

Mrs. HANSEN. Put in the total amount that Africa has had militarily since webegan the aid program, the amount for 1970 and that proposed in the 1971 budget.

(The information follows:)

Military aid to Africa

(In millions of dollars)

Net military aid to Africa cumulative through June 30, 1969	297.1
Fiscal year 1970 program	18.5
Proposed fiscal year 1971 program	18.6

Mr. ADAMS. I have for the record the cumulative economic aid through fiscal year 1969 for all of Africa, $3.8 bililon, and for military assistance it is $297.1 million.

Mrs. HANSEN. How many years is that?

Mr. ADAMS. From 1946.

REGIONALIZATION IN AFRICA

Mrs. HANSEN. I have asked this question each year that you have been here. What progress is being made toward regional cooperation in Africa relative to roads, schools, ports, and agriculture? These are the major things I think of.

As you are well aware, Dr. Adams, small countries are like small States. They are very difficult to maintain independence and are very difficult to finance. When you see small countries that are desperately trying to survive, a certain overlay has to go for administrative functions, it has to go for management functions, which if they are combined in a regional effort you lose some of that top percentage. For example, roads we have learned in the United States that although States administer road programs, that we had to pool our resources and build a Federal interstate program. The same has been true with school funding, the same is true with agricultural funding, and I think eventually we are going to get into transportation funding in the same way as in other fields. What progress has been made in Africa toward regionalization?

Mr. ADAMS. May I cite the very encouraging results of the effort of the East African community?

Mrs. HANSEN. How many countries is this made up of?

Mr. ADAMS. Kenya, Tanzania, Uganda. They are cooperating in a whole series of very fundamental activities which relate to economic activity. I refer to the area of taxation, to the area of transportation, to the area of education and training, also in terms of agricultural research, and a round of things of that nature.

Also when one looks at the Central and West African area, one finds some really promising initiatives which have resulted from the effort of the five States of the Entente group to coordinate economic policies, to cooperate in measures to improve road maintenance and develop transportation networks, to develop trained personnel, to encourage private investment in industry and agriculture, and a whole series of things of that sort.

Also there are examples of economic cooperation among the States of the Central African Economic and Customs Union, which have joined together to try to expand and rationalize production and markets over a larger area than a national state. Then there is the effort of over 10 African States to work together to improve their public administration through the organization called CAFRAD which is located in Tangier.

Mrs. HANSEN. I am sure you are aware of the difficulties which the United States had in the earlier years of their life, when not everyone of them could probably support a State university or support the same kind of institutions, and I know now in the West, for example, where we used to have mining schools in every State college or State university through the West, that they have combined these and we only use a couple of States, I believe now. I would think that the faster you move towards regionalization in Africa, the sooner some of these financial problems will be solved.

Mr. ADAMS. I think, Madame Chairman, that the African States are increasingly becoming aware of just the observation you have made, and its validity. For example, Njala University in Sierra Leone aims to service several African countries. There is the Ahmadu Bello University in northern Nigeria, principally serving as a regional organization for training of veterinarians in Central and the West African area. There is also a program situated in Nigeria through the International Institute of Tropical Agriculture which looks at soil

problems throughout Southern Africa, and will make available its research findings to all countries on the continent.

There is a mining school in the Congo (K) which is used by Zambia and Rwanda.

Mrs. HANSEN. I think the faster they do this, and the more that they utilize it, perhaps some of the problems won't be as increasing in some of the underdeveloped areas or the underpopulated areas, and the total tax-wise isn't as great on any one of them as when they pool their resources.

WATER, IRRIGATION, AND EDUCATION PROGRAMS IN AFRICA

Since I discussed the budget for the United States in the field of water, irrigation, education of our American Indians, our Samoans and our trust territories, and fund all those programs related to resources, I am deeply concerned because we find in looking through the budget a great many items for water resources, irrigation, education, and natural resources, which is great. But at the same time I find in our own budgets there are Navajos who live on the Indian reservation, which is larger than the State of West Virginia, we find over half of those people are unemployed. We put some $5 million in the budget last year for irrigation projects, because until you have irrigation you cannot move their economy forward. Basically you can't even supply them with the food they need, and they are probably the most undernourished group in the United States as far as the Indian population except for perhaps some others in the Southwest.

Of the $5 million which was placed in the budget, the Bureau of the Budget saw fit to place the money in research. My question is how much of the money that was appropriated for the African programs in water and irrigation were placed in reserve by the Bureau of the Budget?

Mr. ADAMS. None.

Mrs. HANSEN. This is what I get a little disturbed about. The poor Navajos, it will be the year 2000 before they get any water at the present speed of the program.

Mr. NEWSOM. Madam Chairman, the Bureau of the Budget doesn't operate that way with the AID.

Mrs. HANSEN. You tell me how they do operate. I would be glad to peer into their mental process.

Mr. NEWSOM. I don't pretend to know myself, Madam Chairman.

Mrs. HANSEN. Do they have any paws over this?

Mr. NEWSOM. Yes, they do, but there is never any reserve. It is cut back to a figure within which AID must operate.

Mrs. HANSEN. I think that would be great if they would do that with the Department of the Interior, cut it back to a figure and say live within it at your own discretion, but they don't do that. They pounce on this item and this item, and I may say their favorite item is a pounce on the congressional add-ons because they think they are playing a great game with us, but unfortunately these are the items that pertain to Indian education, to Indian irrigation, they are the one that are the forest protection, natural resources. For example, if you had plenty of people employed as supervisors and inspectors for oil spills and so that the geologists knew what the makeup was of the

geological makeup of the land on the outer Continental Shelf of that we have up for leasing, we could well not have had Santa Barbara. We could well not have had some other troubles down in the gulf. We have 17 inspectors in the gulf for all those platforms that are in use.

I am not speaking against Africa, but I think it must puzzle and I think it must trouble the Indians in our land, the people in our land that have oil spills, because nobody took the effort to realize that the Bureau of the Budget is so deeply concerned about other areas of the world, but it isn't deeply concerned about our own United States. You would have far more cheerful tax paying if this were not done repeatedly year after year, the impoundment of funds which means the well being of the land itself and the resources of the United States, which in turn wisely managed are able to make a greater contribution to the other nations of the world.

Mr. ADAMS. Madam Chairman, as you know, our programs have been reviewed and pared down by the Bureau of the Budget, every year.

Mr. SHRIVER. Is this before it comes to Congress or afterwards?

Mr. ADAMS. Before.

Mrs. HANSEN. Ours are cut before and after, and I may say they have a strange set of priorities. For example, we discovered that in spite of the Presidential order, that all pollution must cease on Federal lands by December 31, 1972, guess what the items are that were curtailed in the 1970 budget? All the pollution abatement construction. Now, wasn't that foresight.

Mr. ADAMS. I believe these elements both at home and abroad require a higher priority.

Mrs. HANSEN. Supposing you put in the record for me the total amount that is in the 1971 budget for water programs in Africa, irrigation programs in Africa, education programs in Africa, health programs in Africa, and resources.

(The information follows:)

AMOUNTS PROPOSED FOR AFRICA FOR FISCAL YEAR 1971 FOR SELECTED PROGRAMS

[In thousands of dollars]

Program	Loans	Grants	Total
Water supply	2,000	300	2,300
Irrigation		500	500
Education (including agriculture education)	6,000	17,443	23,443
Health	3,000	4,662	7,662
Natural resources (other than water, but including agricultural extension)	26,000	19,156	45,156
Total for these programs	37,000	42,061	79,061

Mrs. HANSEN. You spoke in passing I believe in your dialogue with Mr. Shriver about the school facilities, and the lack of them. How many nations were in Africa as colonial powers prior to 1946?

Mr. ADAMS. It was 6 colonial powers.

Mrs. HANSEN. Six colonial powers?

Mr. ADAMS. Yes.

Mrs. HANSEN. And how many nations did they manage, or supposedly manage?

Mr. NEWSOM. 38.

Mrs. HANSEN. And how long had they been there? Can you put that in the record?

(The information follows:)

LENGTH OF PRESENCE IN AFRICA OF COLONIAL POWERS PRIOR TO 1946

GENERAL

The Portuguese, Spanish, and British established commercial posts or trading relationships along the African coast as early as the late 15th century. It was not until the mid- and late-19th century, however, that political control, colonization and protectorates were established by the European powers. The period of colonization, therefore, in most cases lasted less than 100 years.

FRANCE

French colonization in North Africa commenced with the French landing in Algiers in 1830; Algeria was brought fully under French control by 1848. The French establishel a protectorate over Tunisia in 1881 and over Morocco in 1912. French expeditions entered West and Central Africa from 1870 onwards; French colonial administrations were established in these areas beginning about 1880, although full French control over many of the territories was not consolidated until early in the present century.

GREAT BRITAIN

British trading with West Africa began in the 17th century but colonial administrations were not established until late in the 19th century. In East Africa, British colonial administration commenced in 1888.

BELGIUM

King Leopold II of Belgium exercised personal control over the "Congro Free State" from 1885 to 1908, when the administration of the Belgian Congo was assumed by the Belgian Government.

PORTUGAL

The Portuguese established many scattered trading stations on the western and southeastern African costs beginning late in the 15th century. Colonial administrations of Mozambique and Angola were not established until the middle of the 19th century.

SPAIN

There was a Spanish presence in northern Morocco, limited to the enclaves of Ceuta and Melilla (which Spain still holds) from early in the 16th century. Spain established a protectorate over the northern part of Morocco in 1912, as did France over the remainder of the country. Spain assumed control over Spanish Sahara (Rio de Oro) in 1884. The Spanish took over from Portugal what is now Equatorial Guinea in 1778 but did not establish any colonial administration until much later.

ITALY

The Italians established colonies in Eritrea in 1885 and in Somaliland in 1889. Turkey ceded Libya to Italy after the Italo-Turkish War in 1911. All three territories were occupied by British forces in World War II and were being administered by the British as occupied enemy territory in 1946.

ASSISTANCE TO LIBYA

Mrs. HANSEN. I am interested in knowing what Great Britain and Belgium, France, Germany, and the rest of them did toward fostering

education. I think they have been highly critical of us, of our activities in the world, so I would like to know what they were doing.

Mr. ADAMS. When Africa came into independence it was frightfully disadvantaged.

Mrs. HANSEN. I understand. I realize the difficulties. We came into independence in the sailing ship era. You have come into independence in the jet age era, and it is a vastly different thing, and I am well aware of it but since these powers such as Germany, France, and all the rest of them are highly critical of the United States, and our activities, and they probably have good reason, but I think I would like to know what their activities were when they were in power some place.

I would like to know how much assistance we have given, how much foreign economic assistance and how much military assistance we have given to Libya. You can put that in the record.

(The information follows:)

U.S. Overseas loans and grants to Libya, fiscal year 1946 through 1970 (estimated)

[In millions of dollars]

Economic assistance	204.1
Military assistance	17.6
Total	221.7

EDUCATION, MALARIA, FAMILY PLANNING, AND NUTRITION PROJECTS IN AFRICA

Mrs. HANSEN. I would like you to put in the record, this year, for 1971, the total amount for all of Africa, education, malaria, and family planning and nutrition. Please give me for Africa what the infant mortality rate is. I was shocked and surprised the other day to find that our infant mortality in some of our areas of the United States are appallingly high. Interestingly enough, where Indian health services has done a great job where we have had the funds, we have been able to bring the tuberculosis load down. We have been able to curtail infant mortality, but in those areas where we have not had the money, we have done a surprisingly poor job.

I think one of the saddest things, in reviewing the Indian health programs the other day, as to the adequacies of our housing, we found that some 70-plus percent of the housing of our Indian people in the United States is totally inadequate; that they need housing, they need water, they need sanitation facilities; that we have a tremendously high rate of several communicable diseases, and we still have the problem of a wide variety of childhood diseases, that if met would enable these youngsters to attend schools. We still have the problem, and believe it or not the Bureau of the Budget sat on the program of construction last year for roads on all the Indian reservations. Whether we build roads or not determines whether we have good schools or not, and yet it was wiped out.

(The information follows:)

AMOUNTS PROPOSED FOR AFRICA FOR FISCAL YEAR 1971 FOR SELECTED PROGRAMS

[In thousands of dollars]

Program	Loans	Grants	Total
Education	6,000	16,158	[1] 22,158
Malaria	3,000		3,000
Family planning		3,252	3,252
Nutrition		242	242
Total for these programs	9,000	19,652	28,652

[1] Excludes agriculture education.

Mrs. HANSEN. I wonder how much longer we can say to these people, the United States, you can't get any assistance in the United States. You have go to go abroad, preferably to Southeast Asia. Get yourself a couple of guns and you will probably get all kinds of help. I think it is a shameful spectacle. I am not speaking as a opponent of economic aid and assistance in education.

I am saying the United States ought to look at its priorities about people and our own underprivileged people.

MORTALITY RATE

For example, the infant mortality rate in Harlem is far higher than the infant mortality rate in Alaskan Indians. I think this is shameful.

Mr. ADAMS. May I indicate some of the magnitude of the problem that African nations face? For example Nigeria: a 1960 survey showed that only 50 percent of the children reached the age of 5 years. This is a country which has development resources considerably greater than most of the other countries of the continent.

Mrs. HANSEN. Also put in the record the total population of Africa.

CONTRIBUTIONS TO AFRICA FROM FORMER COLONIAL POWERS

Mr. ADAMS. Would you also allow me to submit for the record the amount of aid that the former colonial powers are currently contributing?

(The information follows:)

TOTAL POPULATION OF AFRICA

The estimated total population of Africa in 1969 was 302 million.

Mrs. HANSEN. Yes; but if they are contributing 10 times what they put in in the old days, it is not enough. Bear in mind they all have time and money and effort to criticize us.

Just this morning I was reading in the paper where we have troops in Germany to maintain stability supposedly against "the Soviet danger." Yet, this morning in the paper there is quite a discussion about the pipelines which Soviet Russia is constructing across the Soviet Union from Siberia into Western Europe. I think I quote correctly when I say the Soviet Union is now penetrating "Western Europe" on an economic basis. I want to know why we cannot take that $999 million that we are using in Germany to protect them against this great Soviet Union and spend it on some projects that will benefit you and your poor, and our poor rather than all this shadow boxing, when

Germany and the Soviet Union are able to come to grips on the basic ingredient of an economy, and that is energy.

A country lives or dies according to its source of energy. I think somebody in the United States is not even looking twice at where they are spending money or how they are spending it. If the Germans and the Soviet Union can share each other's pipelines, gas and oil, then they do not need our propping up with $999 million.

I am sure that some of the children are starving to death in Africa and some of the youngsters on the Navajo Reservation that need some care, some of the children in Alaska that need some better schools could stand it. Thank you.

Mrs. REID. Do you have any questions?

RESULTS OF RHODESIAN POLICY

Mrs. REID. Thank you Madam Chairman. What results would you say have been brought about by our policy toward Rhodesia?

Mr. NEWSOM. The problem of Rhodesia, of course, remains very much alive and its resolution will likely be a slow process at best. The primary responsibility is Britain's, but we have joined the international community in exerting pressures which it is hoped will ultimately persuade the Rhodesian regime to come to terms with the world in which it lives. Those pressures are substantial and are certainly felt by the Smith regime. Our part in the United Nations sanctions program has resulted in a reduction of United States-Rhodesian trade from $37 million in 1965 to some $600,000 in 1969. The diplomatic isolation of Rhodesia became all but complete when the United States closed its consulate in Salisbury last month and, with the exception of South Africa and Portugal, all other countries still maintaining consulates there followed suit.

In pursuing our policy toward Rhodesia certain positive results have been attained. We have lived up to our principles of human justice and the right of ultimate self-determination as well as to our obligations under the United Nations Charter. It is important that our serious commitment to these principles has been so clearly demonstrated to the independent African states and to Africans within Rhodesia among the sense of frustration and outrage over the Rhodesian situation runs deep.

Our idenification with and support of legitimate African aspirations have gained us credibility and a voice that is heard, enabling us to exert our influence on the side of efforts to achieve change in Rhodesia by peaceful means. The realization among Africans that they are not forgotten or ignored has, we believe, served to lessen temptations among them to listen to and act on extremist counsel which could well lead to violence disastrous for all concerned.

CONCENTRATED AID POLICY

Mrs. REID. In connection with the limit on the number of African countries receiving aid—what has been the diplomatic effect in the countries that are not on the concentrated aid list?

Mr. NEWSOM. It is important to recall that the concentration approach was introduced because of what was regarded as undue proliferation of small bilateral aid programs in Africa. Even the small

African countries themselves did not regard these U.S. aid programs as a sufficient response to their development needs. Thus, the problem of small amounts of aid for many African countries antidates the current concentration policy.

To avoid aggravating this problem at the time regional emphasis was introduced there was no abrupt cutoff of small bilateral aid programs. Bilateral aid was phased out gradually. At the same time we increased our support for regional and multidonor projects. Now our support for regional projects is reaching almost all of the developing countries in Africa.

Some of the smaller countries are now receiving substantial help through regional and multidonor projects. Plans for such help are well advanced in the case of some other countries. But in still others it has not been possible to move as fast as we hoped because of such factors as lack of contiguity with nearby aid recipients, which makes it difficult to develop regional projects. Moreover, all of the smaller countries have benefitted from assistance through the Self-Help Fund program. Of course, they would all like to have all three kinds of aid—bilateral, regional, and self-help aid—but their primary concern is for their own economic development. To the extent we can help meet this goal through regional and self-help aid the effects of the loss of bilateral aid are lessened. We need, of course, sufficient appropriations to develop the regional and multidonor programs which we believe can make a most effective contribution to the economic development programs of the smaller African countries.

PRIVATE INVESTMENT

Mrs. Reid. Could you tell us more about where private investment is increasing in Africa? Is there any private investment attracted to the Congo?

Mr. Newsom. U.S. private investment has increased more rapidly in the countries north of the Zambezi River than in southern Africa. This relatively greater increase has resulted partially from substantial investment by petroleum companies in Libya and other areas, but a number of new investments of relatively modest scale have been made by mining, industrial, trade and banking interests in Black Africa. With respect to Congo (Kinshasa), the former Belgian Congo, there are no published statistics of U.S. investment in that country, but we estimate U.S. private investment there at about $25 million.

Mrs. Reid. How much of the overall aid to the African countries is going toward payment of old debts?

Mr. Newsom. None of our assistance is used for this purpose. All U.S. assistance is used to cover the current procurement of goods and services for ongoing programs of economic development.

MULTILATERAL AND BILATERAL AID

Mrs. Reid. Compared to 2 years ago, how is U.S. aid to Africa divided between multilateral and bilateral?

Mr. Newsom. In fiscal year 1969, the last year for which final figures are available at this time, U.S. bilateral assistance to Africa was about $390.5 million. U.S. funds channeled to Africa through the UNDP and IDA was about $53.6 million. In fiscal year 1967, U.S. bilateral

aid to Africa was about $380.9 million, compared to some $55.6 million channeled through these multilateral sources.

KNOWLEDGE OF U.S. ASSISTANCE AMONG AFRICANS

Mrs. REID. How widespread is the knowledge of U.S. assistance among the average Africans?

Mr. NEWSOM. Included in all AID project agreements abroad is the stipulation that the host government concerned will assure that its citizens are informed of the assistance program to which the United States and the host country have agreed. The agreement also stipulates that subsequent host country releases cover program development. To supplement this arrangement, USIS abroad also promotes, as appropriate, an awareness of U.S. activities in a given country. Given the foregoing and considering the effect generated by the Peace Corps presence, it is probable that the majority of literate Africans and a large percentage of those who are illiterate are aware of U.S. assistance to Africa.

For example, in 1964 a USIA survey of urban literates in two countries—Nigeria and Morocco—indicated that 92 percent of the Nigerians and 62 percent of the Moroccans interviewed were aware of U.S. assistance, and believed that it was beneficial to their respective countries.

In more recent surveys conducted in Nigeria, Senegal and Kenya, of those interviewed 37 percent of the Nigerians, 61 percent of the Senegalese, and 26 percent of the Kenyans were aware of U.S. assistance and considered it the principal reason for a favorable U.S. image in their respective countries.

PRIVATE INVESTMENTS IN AFRICA

Mrs. REID. In your statement on page 3 you say U.S. private management experience and technical know-how have been provided through private American investments in large-unit agriculture, tourism, engineering services, and banking. In which African countries are most of the private investments concentrated? What guarantees are provided for the private investors?

Mr. ADAMS. In large-unit agriculture, American firms have invested in Morocco, Liberia, Ghana, Ethiopia, and Ivory Coast; in tourism there are U.S. investments in Congo (Kinshasa), Kenya, Ivory Coast, and Ethiopia; in engineering services Morocco, Ghana, Ivory Coast, Ethiopia, and Botswana; American banks have invested in numbers of African countries, among which are most of the former French Wset African countries, Cameroon, Liberia, and Nigeria. American investors can apply for specific risk or extended risk guarantees from AID to cover investments in most African countries. A specific risk guaranty covers protection against certain political risks such as war, revolution, and expropriation and an extended risk guaranty provides protection for debt and equity financing against commercial risks.

AFRICAN STUDENTS STUDYING IN THE UNITED STATES

Mrs. Reid: Do you have any record showing the number of students from Africa now studying in the United States? Upon graduation, do the majority of these students return to their native countries or go somewhere else?

Mr. Adams. In the academic year 1968–69 there were 6,979 Africans (5,969 males and 1,010 females) studying in the United States. Most of these students return to their home countries; very few request waivers to stay in the United States and even fewer go to other countries.

TRAINING OF HEALTH PERSONNEL

Mrs. Reid. How much progress is being made in training and increasing the number of doctors, nurses, and other health personnel needed in Africa?

Mr. Adams. It is certain that there has been progress and an increase in trained health personnel in Africa during the last decade. The extent of this change, however, is difficult to gage, as health statistics which would permit reliable measurement of change are hard to come by.

The number of physicians has increased both absolutely and relatively during the period 1960–66. North of the Sahara the increase was nearly 3 percent to a total of 16,600 physicians. The increase was more marked in countries south of the Sahara rising by 48 percent to 10,800 physicians. North of the Sahara, the number of persons per physician declined very slightly during the 6-year period to 3,800 to 1. South of the Sahara, the ratio of one physician per 20,500 persons that existed in 1966 represented a 25-percent improvement over the preceeding 6 years. Even this is still double the World Health Organization target ratio for the decade which was set at one physician per 10,000 persons.

Reflecting the growing numbers of doctors are figures that show that 14 medical schools were established in the first 6 years of the decade bringing the African total to 31 schools.

I have not come across reliable data on numbers of nurses and other health personnel being trained but my own observations and those of others who have served in Africa are that training facilities have increased markedly in the past decade as have the number of gradutes. Where there was a smattering of nurses' training schools in the continent early in the decade, there are now schools in nearly every African country. The same can be said of training schools for auxiliary medical personnel.

EXPENDITURES IN NIGERIA

Mrs. Reid. What are the total expenditures to date by AID in Nigeria and how much has gone down the drain due to the civil war?

Mr. Adams. AID expenditures in Nigeria since the foreign aid program first started there totaled about $146 million by the end of fiscal year 1969, excluding the relief program. Most of this has been provided since Nigerian independence in 1960. AID expenditures in Nigeria follows in millions of dollars:

U.S. fiscal year:	Total AID expenditures
1954	0.1
1955	.6
1956	
1957	.2
1958	.1
1959	.4
1960	.8
1961	5.6
1962	6.4
1963	9.3
1964	14.1
1965	16.9
1966	20.5
1967	26.9
1968	23.0
1969	21.0
Total	146.0

We do not, in the large proportion of the country outside the original eastern region (the war-affected area), consider AID's assistance to have been wasted as a result of the civil war. Most of our projects in Federal Nigeria continue to operate effectively and are adequately supported by the Nigerian Government. The war has proven, in fact, that Nigeria enjoys a reasonably good economic capacity and a capability to manage its economy. Although this is being done by the Nigerians themselves, AID, along with other countries interested in Nigeria, has played an important role over the past years in helping to develop this capacity/capability. Consequently, I do not believe that AID resources have been wasted in Nigeria.

This is not to suggest, on the other hand, that the economy of Federal Nigeria has not suffered as a result of the war. There has been a contraction of investment, development expenditures, and external reserves. There has been deterioration in the state of the country's transport facilities and other infrastructure. A period of reconstruction will be necessary if the economy is to right itself and regain its former momentum.

As for the former eastern region, there has been physical damage and the economic situation is far worse. We attempted to minimize the direct impact of the war on our projects by suspending our technical and capital assistance projects and removing our technicians. Even in the war area, it would be premature to conclude that our assistance has been wasted.

In fact, many of the institutions and facilities that we helped develop have already been reactivated. The Universtiy of Nigeria at Nsukka was reopened in March 1970; and there is presently an AID advisor assisting the Port Harcourt Secondary School, which is being converted from its wartime grammar school status back to the comprehensive high school curriculum.

We are convinced that the University of Nigeria and the Port Harcourt Secondary School were, before the war began, among the most important educational institutions in the eastern region of Nigeria. We have every reason to believe that they will again form the bases for modern education in the three eastern states.

Mrs. REID. That is all I have, thank you.

Mrs. HANSEN. Thank you, Mrs. Reid. Mr. Cohelan.

ECOLOGY OF AFRICA

Mr. COHELAN. Thank you, Madame Chairman.

Dr. Adams, in examining the design of the programs here, it seems to me to be a good effort. On the basis of interrogations that have been made earlier I would merely like to ask about the ecology of Africa.

The agricultural programs. The effort that is being made in technological development. What are we really doing? Have we made feasibility studies? For example, I come from the University of Califorina at Berkeley. One of our great biophysicists there says we should not discontinue the use of DDT in Africa, and yet you can get a tremendous argument about this.

Now the query is: What are we teaching these people? What are we exporting in terms of ideas on how to develop their agriculture? Are we telling them to use pesicides and DDT? Are we doing it with some due regard to Earth Day, shall we say?

Mr. ADAMS. Yes; I think those concerns are very much a part of our effort to work with Africa and to help it develop its agricultural potential. The advisers who principally assist the African countries in their agriculture development come out of the best of American institutions. They reflect the latest that we have in terms of current knowledge and skills that can be relevant to the kinds of problems Africa faces.

Moreover, we are attempting to assist African countries to undertake basic research which will allow them to make sure that the elements of our technology which they adopt are the ones most meaningful to their setting and also reflect factors which include ecology, soil chemistry, and the whole round of things that would have to be considered in wisely attacking the problems.

Mr. COHELAN. One of the things that occurs to me as I reflect on my visit to Kenya and going up the Rift Valley on the way to Kesumu, that fabulous valley which is so rich in water resources, and potential for capital development. What would really happen if we developed that area, or if that area becomes developed by the Kenyans? What will be the ecological impact? What will happen to the wildlife on that range? Is anybody doing any thinking about this?

Mr. ADAMS. I think the Kenyans themselves are thinking in these terms. They are encouraged by others who have had experience in recognizing what happened when such problems were ignored. I think they are being receptive to this outside advice because they recognize how important it is.

Mrs. HANSEN. You better say the lack of wisdom.

Mr. ADAMS. I was thinking of the kind of advice which is being provided now. Hopefully they are taking due cognizance of this.

ETHIOPIA

Mr. COHELAN. To return very quickly to Ethiopia, because we were left dangling in an earlier colloquy, I want to make it clear. I am utterly devoted to doing all the economic development, multilateral and bilateral, with all the techniques for foreign assistance that this country can provide for the development of Ethiopia. But I find myself awfully hard pressed, when I think of this distortion in their own society. This leads me to the question, Dr. Adams. In our planning do we take into account the potential for instability? I am thinking of the university.

Mr. ADAMS. These definitely are considerations. May I comment briefly that as a part of our economic aid efforts in Ethiopia that we are trying to encourage the Ethiopian officials to commit a greater amount of their resources for economic development. One of the things

which has been quite significant over the past 2 years is that there has been a considerable reorientation that a higher percentage of their own resources are being committed to the economic development than in the earlier periods.

Mr. COHELAN. What about manpower resources for the hospital, for example? It is my understanding that a very good hospital was developed out of Ethiopian resources or other resources not known to me. The hospital in Addis Ababa does not exactly consist of what one would call a good medical organization. There is a big facility there, but no medical manpower to speak of.

Are you aware of that situation?

Mr. ADAMS. No, sir; I am not.

Mr. COHELAN. Are you aware of the city hall of Addis Ababa and this fabulous architectural development?

Mr. ADAMS. I have heard of it, sir.

Mr. COHELAN. This is the kind of thing. I call that a misallocation of resources—a gross misallocation. This is the thing we have to speak to.

Mr. ADAMS. This is one thing we are doing as a part of our current approaches to the Ethiopians, particularly when we talk about sector loans which we provide to them. Some of the self-help provisions of the sector loans relate to the effective use of budget allocations for development projects rather than the misallocations of funds.

Mr. COHELAN. Getting back to the instability or the potential thereof. Do we do any contingency planning in our AID program for an overthrow of the Government, for example? How do we handle that kind of situation?

Let me put it another way: What will happen when the Emperor leaves?

Mr. ADAMS. May I refer to the Assistant Secretary?

Mr. NEWSOM. Your questions——

Mr. COHELAN. Certainly a man as distinguished as the Emperor and as old the Emperor will one of these days fade from the scene. That seems to me to present a tremendous problem in Ethiopia as I understand the structure of Ethiopian society.

(Discussion off the record.)

Mr. ADAMS. I might say we are aware of these things. In all the projects we are attempting to develop for Ethiopia and are striving to accelerate economic development. Hopefully through the acceleration of economic development and the increasing of the opportunities that people have for economic advancement, that these things will in many ways reduce the potential for a very explosive situation.

Mr. COHELAN. I think that covers it.

LIBYA

Mr. SECRETARY. What is the status of Libya today? Have you put something in the record about it?

Mr. NEWSOM. No, Libya has not been brought up.

Mr. COHELAN. Can you tell us something about it?

Mr. NEWSOM. Yes. Libya is under a military regime headed by a committee of 12 young officers. The president of the committee, who is also the President and Prime Minister of the country is 28. His name

is Colonel Qadhaafi. It is a regime that comes into power with two objectives—one was to link Libya more conspicuously and more definitely with the Arab struggle to the east, and the other was to bring to Libya a regime which they felt would be less under external Western influences than the previous regime.

As far as the United States is concerned, this has meant the very early request that we leave Wheelus Air Base, which we are now in the process of doing. We have always made it clear to the Libyans that we would not stay when our presence was not wanted at the base. We are in the process of withdrawing either taking out the equipment or selling it to the Libyans. As far as our major interest in Libya is concerned the roughly billion dollars in U.S. investment—this is under the same kind of pressure which it was under before the revolution. The pressure for a greater share to the Libyan Government of the revenues of the companies. But so far this has been manifested in a difficult negotiation with the companies over the posted price. It has not been manifested in any threats to nationalize or to other types of extreme action.

Mr. COHELAN. Thank you, Mr. Secretary.

KENYA LABOR DEVELOPMENT PROGRAM

Turning to Kenya, Dr. Adams, on page 39, what is that labor development program? What does it consist of?

Mr. ADAMS. This is a program that is supervised by the African American Labor Center. It provides training for the tailoring and cutting trade and provides them with the opportunity for becoming skilled in this area. It is a part of our effort to assist the trade union movement in Kenya to undertake programs for the further development of the skills of their members.

Mr. COHELAN. Do we send technicians from this country from the tailoring trade?

Mr. ADAMS. Yes, sir.

Mr. NEWSOM. This is done through the African American Labor Center of the AFL–CIO.

Irving Brown is in charge.

Mr. COHELAN. Is that in connection with the AFL–CIO?

Mr. ADAMS. Yes; this program started with some 20 students and now has an attendance of about 150 taking some three courses, and 300 Kenyans have completed the course to date.

Mr. COHELAN. There is a project like that in the Congo as well.

Mr. NEWSOM. Yes; there have been 19 AALC projects throughout Africa.

Mr. COHELAN. I notice in the report you speak favorably of it. You evaluate it well.

Mr. ADAMS. Yes, sir; that is correct.

POLITICAL SITUATION IN KENYA

Mr. COHELAN. What is the political situation in Kenya?

Mr. NEWSOM. The political situation went through a very difficult period, when tribal feelings were high. It was climaxed in the incident at Kisumu, in which President Kenyatta made an appearance and there was a riot and several people were killed.

President Kenyatta very shortly after that called for elections, and there were elections within the single party, but very free as far as the number of candidates and the freedom of the campaigning. A new group of younger people, including some of those from the Luo tribe, came into Parliament, as well as into the Cabinet. The general impression that we had when we were in Kenya with the Secretary was that this has helped to stabilize the situation. The next major political hurdle will be the choice of a new Secretary General for the party to replace Mboya.

POPULATION CONTROL

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

Throughout the book, I see you have a real working figure of two and a half percent growth rate on population with the exception of Morocco. How do you prove that? How do you prove that figure?

Mr. ADAMS. These are estimates, sir. Really what it amounts to is that we are attempting throughout our program to help the African countries to come to a more precise definition.

Mr. COHELAN. Doctor, wouldn't you guess it is higher?

Mr. ADAMS. We say it is between two and a half and 3 percent.

Mr. COHELAN. My experience with your program is that you have had some pretty good demographers throughout the world. I remember talking to the Economic Planning Commission of Pakistan, and the director, a very distinguished economist, told me that it was only a working figure.

Of course, our demographers said it was nearer 4 percent. I am overwhelmed by the potential if you just take the Moroccan thesis and apply that continentwide. If we think of population growth it seems to me that any prospect for economic development is negated unless something is done about this population problem.

Mr. ADAMS. Yes, sir; that is true. The thing which is hopeful is that increasingly the African leaders are aware of this. They seem to be aware of it even in instances where their own populations do not feel the pressure of the land. They recognize some of the things which they need to do in terms of providing new schools, in terms of providing additional training opportunities, housing, clothing, and jobs. The increased population growth makes chances for making significant achievements very difficult. This is particularly true in some of the very small poor countries.

AFRICAN STUDENTS IN U.S. UNIVERSITIES

Mr. COHELAN. I certainly hope we keep emphasizing that in our progrms. Of course, we have to do it at home as well.

Dr. Adams, I am terribly interested in education. I have been through a lot of those programs over there. I am concerned about bringing people from other countries to this country. I did not hold that view until I got on this committee.

Will you please comment for me or will you provide some statistics for me, if you have them available, on the brain drain from Africa? Our experience at the University of California is that when the African students come, we have a hard time getting them back.

What is your experience?

Mr. ADAMS. For the ones who have received graduate training we have a return of close to 80 percent. Among those who have undertaken undergraduate training about 45 percent have already returned to Africa; when others, who are continuing their studies, have completed them, the rate of return will be over 90 percent. Because of the Nigeria Civil War, there has been a goodly number of persons who found it difficult or were not willing to return.

Mr. COHELAN. I am playing the devil's advocate. I would like to get a profile of what the African experience is, because from some counselors and advisers at the University I hear of problems all the time. How about dropouts? How about those who do not make the course?

How about dropouts? How about those who do not make the course?

Mr. ADAMS. I think we have had very few in that category.

Mr. COHELAN. Will you provide a little profile?

Mr. ADAMS. Yes, sir.

Mr. COHELAN. This is a problem in other countries.

If you can make a case, I think by all means they should come.

(The information follows:)

The following information provides a profile of the grantee's experience in the undergraduate and graduate scholarship programs which AID undertakes in cooperation with American colleges and universities and African governments:

Program data as of June 30, 1969, for the African Scholarship Program of American Universities (ASPAU)

Still in program	415
Graduates	1,021
Withdrawals	129
Total number of awards through 1969	1,565
Of the graduates:	
Returned to home country	436
Further studies in United States	380
Working in United States	47
Terminal training in United States in part ASPAU sponsored	56
Further studies outside of United States but not home	24
Working outside United States	4
Unknown	74
Total	1,021

By the end of June 1969, 42 percent of the ASPAU program graduates had already returned to their home countries. When those graduates now in terminal training or pursuing further studies complete their programs and return, the return rate should approximate 85 percent. The rate of withdrawal from the program for academic or personal reasons has averaged 8 percent of those who entered the program.

Program statistics as of December 31, 1969, for the African Graduate Fellowship Program (AFGRAD)

Current fellows:	
Enrolled in schools, receiving maintenance	217
AAI-supported terminal training	2
Total	219
Program graduates:	
Returned to Africa or Africa-related employment abroad	157
Pursuing further study in United States	16
Medical interns and in-residency status	16
Living in United States and resisting repatriation	10
Living or studying outside United States or whereabouts unknown	10
Total	209

Withdrawals (5%):	
Returned to Africa or Africa-related employment abroad	12
Pursuing further U.S. study	8
Granted immigrant status and working for NASA	1
Total	21
Total program participants 1963–1969	499

The return rate for AFGRAD graduates is 75 percent. The figure would be 81 percent if 16 medical grantees return to their own countries at the end of their residencies. The balance is likely to return eventually. Only one known grantee has been granted immigrant status and is a certain loss to the program.

Graduates from the program to date include 175 M.A.'s, 15 Ph. D.'s and 19 in medical fields. The average years of study were 2 for M.A.'s, 3½ for Ph. D.'s and 4 for medical.

Mr. ADAMS. Increasingly, the Africans who come to the United States come only for training in areas where there are no African institutions able to provide the training. We are encouraging the development of African institutions and are assisting the African universities in providing on a regional basis, opportunities for Africans to attend the institutions which develop the special capabilities needed. The ones who come to the United States are in selected fields where the African institution has not developed its full capability.

Mr. COHELAN. Do you make some kind of followup evaluation of what happens to these people?

Mr. ADAMS. Yes; we do.

ATTITUDE OF THE GHANIANS TOWARD EDUCATION

Mr. COHELAN. Turning to Ghana, I have been very concerned by a letter I got from a very, very bright person, who is in the service of the State of Ghana now. He writes me that life and work here is a curious business. The Ghanaians have a proverb, "If the yam does not grow, leave it alone." That I am told means if at first you don't succeed, forget it. Perhaps because of the philosophy behind that proverb Ghana is singularly lacking in people who will take initiative. Partly, too, this is a heritage of the British Colonial period. The Britsh are good at inculcating the bureaucratic instinct. Accordingly the Ghanaians take shelter in the bureaucracy, no person will move without the written concurrence of half a dozen other bureaucrats. I could go on.

This person then goes on to say, I quote:

> Ghanaians also suffer from the modern adjunct of its traditional culture. The Ghana chiefs were elected by the tribe. Once elected to that position of stature the chief is expected to do no work. In fact, in many parts of the country he was carried about rather than being allowed to walk. The elected chief was expected to receive the adulation of his followers and to be able to command their lives and assets. Today the chiefs are in eclipse, but the expectations attached to the chiefs have been transferred to the university graduates. These honored few take on civil service jobs. There they, with some notable exceptions, behave like chiefs. They, having arrived at their ordained position, expect to do no work, and expect to have the status of their position. Families feel so strongly about this that on occasion collections are taken up among the graduate poor bretheren in the rural and poor villages so that the graduate can acquire an $8,000 Mercedes-Benz. Those who are not a part of this curious business refer to these people as the Wabenzi, an East African word which translates as the people of the Bends.

He says that people at lower levels began to suffer from the absence of a work ethic. I won't burden you because it is not my purpose to be pejorative. I am trying to be objective. From reading your record I understand you are a distinguished sociologist. It seems to me when we are working in this field we have to know a little more about what we are really doing and whether it is going to work or not. I have my own views on this. I would like to get your comment in conclusion he says—and this is for your benefit, too, Mr. Secretary:

> I had thought when I sat down to write this letter that I would share some of my thoughts on foreign aid and the operation of the State Department with you, but I have run too long already.

He says:

> I am a firm believer in foreign aid. But having seen some of it in Ghana, I do not feel terribly worried when the appropriations are cut back.

You know a good deal about the state of Ghana and I know a bit about it from newspaper accounts and other readings. I suspect as a matter of cultural anthropology there is a good deal in what he says. In a post-Colonial period it would seem that this phenomena is understandable. But how long, oh Lord, how long? How can we defend this against unfriendly people? What do we do when we send brilliant people over there and they come back with this kind of a report? The only reason this man is there at great great sacrifice is because he is devoted to the cause of Africa. Yet, he comes back with this report.

Mr. ADAMS. I would say he perhaps has problems of perception. The one thing which is abundantly clear is that Ghanaians do have the capabilities. They have undertaken a comprehensive alteration of their economy as reflected by the efforts to reestablish fiscal stability following all of the handicaps and the difficulties which were created by the Nkrumah regime. Certainly there may be problems at the moment, but it is abundantly clear that they have been successful in effecting a transition from a military regime to a civilian one. We have regarded very positively what they did achieve in trying to reestablish fiscal stability.

The permanent thing that yet remains is the task of fully offsetting what has been a stagnant economy, and from what I have observed of Ghanians there are millions of them fully committed to trying to revitalize the economy and to remove the handicaps of economic stagnation.

Mr. COHELAN. I don't think there is any doubt about the potential of the society. There is one further note on the same theme which says at the moment the Ghanian people are over-educated. The British sold the people on the notion that social mobility would come through education. Those with grade-school education and who could read and write were clearly superior to their illiterate fellows.

Well, someone convinced the Ghanians to start a mass rural literacy drive on the theory that in this predominantly agricultural society the farmers could be taught to be better farmers if they could read. The trouble is that once they could read they felt they were too good to go on being farmers. As literate people they should have white-collar jobs in the city.

There are, of course, not enough of those clerical jobs to go around so the people still leave the farms for the city.

Once there they discover there are no jobs. Then they look up their relatives and begin living off the extended family as if it were unemployment insurance.

As economists will explain, agricultural production fell as the land was less intensively cultivated. Today, with 25 percent unemployment, Ghana imports about 25 percent of its food.

This to me is a very perceptive point.

Off the record.

(Discussion off the record.)

Mr. ADAMS. We are trying to provide a vocational orientation, and also to assist governments in a situation such as the Ghanian Government finds itself at the moment, to give reorientation to what has been inadequate or irrelevant education in some instances.

It is abundantly clear that where a goodly number of individuals did receive primary education, they did not receive sufficient amount of education to acquire the kinds of skills which Ghana so severely needs.

There are also many persons who are school leavers. They have received some elements of primary education but they have not received the skills which the situation requires and they do not have the opportunity to continue their education to the point where they can become fully operative in the Ghanian economy.

I think the Ghanians themselves clearly recognize this problem.

MANPOWER DEVELOPMENT

Mr. COHELAN. In terms of our Economic and Social Planning Council, are we doing anything to develop patterns of manpower development in terms of Ph. D.'s in agriculture, economics political science, and so on? The point is that I can recall studying in England with a man who was already a highly competent physicist from Nigeria a long time ago. I wondered what he did in physics. He told me. He didn't seem to be particularly aware of the problems of Nigeria.

Is there anything deliberately being done to try to channel the infrastructure?

Mr. ADAMS. Yes. We are trying to emphasize vocational orientation. We are trying to assist the governments with curriculum reform. There is an opportunity for training now which will make a greater contribution to economic development than it has in other instances.

Mr. COHELAN. I would not want the record to be left in a way that would indicate that I do not feel Ghana or any other country is capable of producing great physicists, but it seems a proper allocation of their brain power should be related to the country's development problem.

Mr. ADAMS. This is an area where they are aware. We should have middle-level manpower to perform these skills.

INTERNATIONAL MONETARY FUND ASSISTANCE

Mr. COHELAN. Throughout the whole book here in relation to the economics of all the countries we will be helping, the International Monetary Fund is mentioned. Is it looking into all these countries?

Mr. ADAMS. Most of them.

Mr. COHELAN. What would be those not involved with the Monetary Fund?

Mr. ADAMS. Some of the very small countries.

Mr. NEWSOM. The Fund is called upon by countries as their assistance may be needed, usually in stabilization or in currency and fiscal management. It has been very helpful in the Congo, for example. It has been very influential in Ghana as well.

Mr. COHELAN. The reason I mention it is that I, too, feel that where a country is conscious of its needs for economic stabilization and calls on the bank I am much more impressed by their efforts to help themselves.

Mr. ADAMS. Certainly this is the case with all of the countries which receive bilateral assistance from us.

Mr. COHELAN. I have no further questions.

The committee will adjourn until tomorrow afternoon at 1 o'clock.

LATIN AMERICA

WITNESSES

HERMAN KLEINE, ACTING DEPUTY U.S. COORDINATOR, ALLIANCE FOR PROGRESS, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

CHARLES A. MEYER, ASSISTANT SECRETARY OF STATE AND U.S. COORDINATOR, ALLIANCE FOR PROGRESS

JACK I. HELLER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

JOHN C. ROTHBERG, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

GLENN O. PATTERSON, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

RICHARD D. McLAUGHLIN, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AND PUBLIC AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

JAMES E. WILLIAMS, DEPUTY CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

PETER KNAUR, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.

We shall continue with our examination of the budget request for foreign aid, one portion of title I, or spigot 1 of 27 spigots.

We have as witnesses Hon. Herman Kleine, Acting Deputy U.S. Coordinator, Alliance for Progress, and other supporting witnesses.

I believe, Mr. Kleine, that you are pinch-hitting for Mr. Fowler, the Deputy U.S. Coordinator for the Alliance for Progress, who is presently undergoing a period of recuperation from surgery?

Mr. KLEINE. That is correct, sir.

BIOGRAPHICAL SKETCH

Mr. PASSMAN. We will insert a biographical sketch on Mr. Kleine in the record at this point.

(The sketch follows:)

BIOGRAPHICAL SKETCH OF HERMAN KLEINE

Mr. Herman Kleine, a career AID foreign service officer, was appointed associate U.S. Coordinator for Latin America November 20, 1969. During Mr. James R. Fowler's illness since February 9, he has been serving as acting deputy U.S. Coordinator.

Mr. Kleine has been with AID and its predecessor agencies since 1949, serving in various capacities in Washington, New York and in overseas missions. For the past 2 years prior to his current assignment, he served as deputy director of the U.S. AID Mission in Brazil.

Prior to his assignment in Brazil, he served for 3 years as deputy assistant administrator of the Bureau for Africa. Earlier assignments were as AID advisor to the U.S. Mission to the United Nations, dircetor of the AID Mission in Ethiopia, Assistant Deputy Director of Operations in Washington and as economist in the Netherlands during the Marshall Plan.

Before joining the Economic Cooperation Administration (Marshall Plan), Mr. Kleine held the post of assistant professor of economics at the Worcester (Mass.) Polytechnic Institute.

Mr. Kleine, 50, was graduated from New York State Teachers College in 1941; he received M.A. and Ph. D. degrees in economics from Clark University, Worcester, in 1942 and 1951. He served as an enlisted man and officer in the U.S. Army Air Force from 1942 to 1946. In 1961–62 he attended the National War College.

Mr. Kleine and his wife, Paula, have two sons Joseph, six, and Michael, 1 year old. His home address is 8618 Beech Tree Road, Bethesda, Md.

Mr. PASSMAN. I would assume, Mr. Kleine, that you would like to make a statement to the committee with respect to the request for Latin America?

Mr. KLEINE. I do have a statement, sir.

STATEMENT OF THE ACTING DEPUTY U.S. COORDINATOR, ALLIANCE FOR PROGRESS

Mr. Chairman, I regret that Mr. Fowler, the Deputy U.S. Coordinator of the Alliance for Progress, is not able to appear before your committee today because of illness. However, I welcome the opportunity to discuss with you the Alliance for Progress and the fiscal year 1971 request for appropriations. Secretary Meyer's statement reviews the central issues surrounding the proposed assistance program. I would like to discuss some of its more detailed aspects with you.

We are requesting new obligational authority for fiscal year 1971 of $428.25 million in Alliance Loans and Alliance Technical Assistance and $1.78 million from the worldwide Supporting Assistance appropriation. Together with estimated recoveries and repayments from Latin America of interest and principal, this request would fund $449.12 million in Alliance Loans and $96.1 million in Alliance Technical Assistance.

This program request, within the authorization level already prescribed by the Congress last year, is the lowest AID program request for Latin America since the first full year of the Alliance for Progress. It has been developed on the basis of extensive consultations with the Latin Americans. It reflects the principles enunciated by the Presi-

dent in his speech of October 31 and includes significant departures both in fields of emphasis and in the manner or "style" in which we make assistance available. It is the very minimum program, I believe, consistent with a continued commitment to hemisphere development within the context of a full and mature partnership.

Before outlining in more detail the proposed fiscal year 1971 program, I would like to discuss briefly the program being implemented with fiscal year 1970 funds.

FISCAL YEAR 1970 PROGRAM

The President requested $553.5 million in new obligational authority for the Alliance for Progress for fiscal year 1970. The Congress appropriated $336.5 million, $255 million for Alliance Loans and $81.5 million for Alliance Technical Assistance. With recoveries and repayments the loan availability for the fiscal year 1970 program is $360.775 million.

In fiscal year 1970 we have programed continued major assistance to Brazil and Colombia, countries in which striking recent economic development progress continues to gather momentum. The Brazilian economy is now growing at a rate of about 9 percent per year, one of the highest in the underdeveloped world, as compared with 2 percent in 1963. Contrasted with an 89-percent annual increase in 1964, the inflation rate is expected to be less than 20 percent this year.

The fiscal year 1970 assistance program is also continuing to assist Colombia's energetic stabilization and reform program. GNP rose an estimated 6.6 percent in 1969, or over 3 percent per capita (as contrasted with an average 1.3-percent rate of annual per capita growth during 1961–67). Total investment is up 9 percent this year. Structural reforms in education and agriculture assisted by AID sector loans are bringing modernization to these sectors which bear so directly on the lives of all Colombians.

The fiscal year 1970 loan program remains heavily concentrated in agriculture, education, and health. In this respect, it is complementary to the World Bank and Inter-American Development Bank programs, which are more heavily concentrated in infrastructure development.

For fiscal year 1970, $147 million in sector loans is directed toward comprehensive modernization efforts in these key sectors. Project loans in agriculture, education, and intermediate credit institutions for private investment including a loan to the East Caribbean Development Bank account for most of the remainder of the program.

Proposed technical assistance funds for fiscal year 1970 were $116 million; $81.5 million was appropriated. The resulting austerity imposed on our technical assistance program made it impossible to move ahead with many new activities, notably those highly experimental activities in social and civic development proposed in the fiscal year 1970 presentation. With prior year recoveries a total grant program of $88.6 million was continued in 19 countries.

In fiscal year 1970 full U.S. support has been given to every sound voluntary family planning program and initiative for which our assistance has been requested. At the same time, we have made every effort to assure that our assistance is consistent with a full respect for the values and independence of the Latin American nations in this

sensitive field. $11.4 million was funded from Alliance Loan availabilities for programs in Latin America, and $17.2 million for worldwide programs.

In fiscal year 1970 technical assistance was eliminated in Mexico and phased down in Argentina prior to termination in fiscal year 1971. Both of these countries are now providing some technical assistance of their own to their less-developed neighbors.

FISCAL YEAR 1971 PROGRAM

Let me turn now to the proposed fiscal year 1971 program. It is an interim program based on the principles of a new U.S. policy of action in the Americas.

It reaffirms a U.S. commitment to hemisphere development.

As Secretary Meyer points out, development is the principal concern of the governments and peoples of this hemisphere. It is the key to our foreign policy in Latin America. Our commitment to assist Latin American efforts in economic and social development borne of a "special relationship" with our hemisphere neighbors has been reaffirmed by President Nixon.

The reasons for this reaffirmed commitment are clear. The familiar symptoms of underdevelopment in Latin America will no disappear easily—average annual per capita income of $440, over 40 percent of the primary school age children and 85 percent of the secondary school and university-age children out of school, and over 25 percent of the labor force unemployed or underemployed. As further ominous background to these dramatic data, there is a spiralling population growth rate of 3 percent. Currently over 50 percent of the population is under 20 years of age. Thus, even in the unlikely event that population-growth rates were to drastically decline tomorrow, no less than 30 million new jobs, double the present annual level, would be needed in 1980 to employ the available labor force. Surely we do our children and grandchildren no favor by shortchanging these problems today.

SECTORAL CONCENTRATION

About 50 percent of the proposed fiscal year 1971 loan program and 47 percent of the Technical Assistance program including a pro-rata share of technical support costs are in the fields of agriculture, education, and health. Since the institutional, social and economic problems of these sectors are so complex, they pose the most difficult challenges for urgently needed domestic reform and external assistance. Multilateral agencies are only beginning to enter these very difficult sectors. By way of contrast, only 2 percent of our proposed loan program is in the fields of power, industrial infrastructure and transportation, fields of activity in which the development banks are particularly active.

Agriculture sector loans totalling $110 million are proposed in 7 countries: follow-on loans in Chile and Colombia, to continue basic

rural modernization programs as well as initial loans in Brazil, Costa Rica, El Salvador, Dominican Republic, and Panama. Project loans in agriculture total $17.0 million in four other programs.

The reasons for this heavy concentration in agriculture are obvious. Over 50 percent of the population of Latin America still earns its living from agriculture. Yet food production is only now beginning to rise faster than population growth. Production is simply inadequate to meet the needs of growing populations. Nor does farming provide sufficient income for the millions of rural people tied to inefficient and often socially unjust land patterns.

With AID assistance, government-reform programs are beginning to be effective. Pricing policies are being changed to provide adequate incentive to the small farmer to use fertilizers and modern seeds, and credit and technical assistance are reaching him for the first time. Insufficient storage facilities, antiquated marketing techniques, and the lack of a modern food-processing capacity are also major areas of concern being dealt with through comprehensive agriculture modernization programs.

In education, the second major area of concentration, $58.5 million in sector loans is planned for five countries and $5.1 million in project loans. In most of Latin America the educational structure is totally inadequate for modern societies. Since secondary schooling is largely in private hands, it is not generally available for any but the well-to-do. At most levels of education, textbooks have not been available, teachers have been poorly trained, and the school curriculum unsuited to the needs of the student or the country.

Let us look at the key role AID is playing in helping to overcome these problems.

CHILE EDUCATION PROGRAM

The Government of Chile identified educational reform and expansion as one of its principal objectives, and in 1965, launched a comprehensive program of school construction, teacher training, and qualitative improvements in curriculum and course content. One goal was to provide primary education for every schoolchild by 1971. Another was to extend the secondary school system, by the same date, to at least 35 percent of the school-age children. Since 1965, AID technical assistance has been instrumental in helping the Chileans make needed changes in the school system's underlying financial structure, management, and organization. Capital assistance has helped in textbook production, expanding teacher-training facilities, and the construction of schools. During the same 4-year period Chile has increased its own expenditures for education by over 60 percent. It has completed construction on about one new school every working day between 1967 and 1969.

The goal of 35 percent secondary school enrollment for 1971 has already been surpassed, reaching 38 percent in 1970. Primary school enrollment has climbed to 91 percent in 1970. And these figures take no account of the vast improvement in the quality of education taking place during this period. AID capital and technical assistance have been provided through sector loans. $10 million is proposed in the fiscal year 1971 program to continue that assistance.

CENTRAL AMERICA TEXTBOOK PROGRAM

In Central America, in 1962, there was no country in which textbooks were generally available to schoolchildren and those that were in use were poorly written and designed and based on outdated curricula. With AID assistance, the ministries of education of each country initiated a long-term project to prepare textbook materials and to print and distribute books to all Central American primary school pupils. Under this highly successful project, a textbook-writing center was created and textbooks and teachers' guides prepared in science, mathematics, reading, language and social studies. Twelve million textbooks are now in use in all the Central American countries, three-quarters of the original goal of 16 million. Within a very short time every Central American primary school pupil will receive needed books at no cost to him or his family. Recently, the Central American Ministries of Education enthusiastically agreed to assume complete responsibility for continuing this project, upon the now scheduled fiscal year 1972 termination of AID's role.

$772,000 in technical assistance funds in the fiscal year 1971 proposed program will be for this activity.

BRAZIL WATER FUND

The fiscal year 1971 proposed program includes $23.2 million in loan financing for improved health programs in Brazil and Guatemala in addition to technical assistance in malaria eradication in Haiti. $15 million of this total is for a National Water and Sewerage Fund in Brazil, a good example, I think, of the importance and success of external assistance in key areas.

The explosive growth of Brazil's population and a rapid urbanization combined to strangle maintenance and expansion of municipal infrastructure elements, including water supply and sewerage systems. In turn this resulted in water-borne gastro-intestinal disease becoming the major health problem in the country. Early in 1965, the Government of Brazil, with technical advice and financial assistance from AID created a National Water Fund.

Under this revolutionary financing plan, any city could qualify for a loan for the expansion of its water system if it: (1) developed the necessary administrative competence to operate its system in accordance with accepted technical standards, (2) adjusted its water-use rate structure so that the new system would be self-sufficient, and (3) provided matching funds. The fund was designed to reverse the traditional paternalistic approach whereby the Federal Government had been expected to solve almost all municipal infrastructure needs by focusing responsibility for initiative, financial assistance, and system maintenance on the local municipality. By early 1970, almost every State in Brazil had set up parallel funds, and loans had been made by 19 cities and one State to benefit an estimated 13 million people. Projects for 28 additional cities are now underway or approved with a total value of $317 millon. A total of 2,500 waterworks personnel have received training of whom 214 were trained in the United States and the remainder in five regional training centers in Brazil established with AID assistance. This highly successful program initiated

with U.S. assistance has received U.S. funding of $9.1 million and Brazilian Government financing of $13 million. AID and the Government of Brazil have recently signed a health sector loan of $15.4 million, to support the fund and the Brazilian Government is matching this contribution with $40 million.

I think that only examples like these can clearly indicate what we are doing in Latin America and what this proposed program is financing. There are incontestable macroeconomic evidences of progress—a 6.4-percent GNP growth rate in 1969 (or 3.4 percent per capita, well in excess of the goal of the Charter of Punta del Este) and a 7.8-percent rate of trade expansion, the highest of the decade. Likewise, other institutional changes—improved schools, textbooks for the first time, clean water, etc.—in which our program has played a key role, are directly improving the daily lives of millions of Latin Americans.

The fiscal year 1971 program incorporates elements of a new partnership and increasingly supports multilateral institutions.

Consistent with President Nixon's policy pronouncements, and following upon intensive discussions with Latin American leaders, several significant adjustments were recently made in the administration of the assistance program, including—

Removal of the "additionality" requirement, under which AID financed goods had to be additional to a given level of country commercial imports from the United States;

Removal of the restriction under which goods and services had to be purchased solely in the United States; in favor of a rule which permits AID financed procurement from any independent country south of the United States, except Cuba.

These and other administrative adjustments were made in order to eliminate practices which had encumbered our assistance efforts and reduced its benefits for its recipients.

Recognizing that development within the hemisphere is primarily the responsibiilty of Latin Americans themselves, and that a mature partnership requires that all partners share responsibility for defining and acting upon problems, we are increasingly coordinating our programs within the Inter-American community. It is through the institutions of this community that the dialogue and common actions, upon which true partnership is based, will be achieved. President Nixon pledged $3 million in U.S. support at the IA–ECOSOC meeting to strengthen the staff of the Inter-American Committee on the Alliance for Progress (CIAP), and up to $5 million to CIAP to conduct country and regional studies on ways to strengthen Latin American capital markets. A total of $3 million is expected to be obligated in fiscal year 1970 for these two programs and the remainder in fiscal year 1972.

The President also instructed the U.S. delegation to announce a U.S. offer of $15 million to CIAP and/or the IDB to finance the preparation of loan project proposals to external lenders. Up to $10 million is proposed in fiscal year 1971 for transfer from Alliance Loan funds for this purpose. In keeping with the President's strong desire to show that the United States intends to support its side of the mature partnership bargain with action, we have proposed making $5 million available for this fund in fiscal year 1970.

Consistent with increased emphasis on multilateralism, our fiscal year 1971 proposed program includes support for regional integration. $10 million in loan funds is proposed for the Andean Development Bank, an institution of the Andean subgroup of the Latin American Free Trade Association (LAFTA). A $30 million loan is proposed to the bank of the Central American Common Market, for export promotion and development of their considerable tourism potential. $10 million is also proposed to assist in the establishment of a Central American Monetary Stablization Fund to further integrate the economies of the countries in that area.

We also propose to provide technical assistance to Central American regional institutions, and to contribute to support of the multilaterally financed development programs of the OAS. Included in the fiscal year 1971 program is $4.5 million for the Special Development Assistance Fund of the OAS, up to $1 million for the Inter-America Export Promotion Center in Bogota, and $7.5 million for the OAS Special Multilateral Fund for education, science, and technology.

The fiscal year 1971 program reflects increased attention to the transfer of science and technology, the development of exports and tourism potential, and the expansion and strengthening of capital markets.

After extensive U.S. discussions with Latin American leaders, President Nixon announced to the Inter-American Economic and Social Council that he would request approximately $15 million in his fiscal year 1971 proposed program for export development, approximately $30 million to strengthen securities exchanges and similar capital market institutions, approximately $20 million for the promotion of tournism and $20 million for scientific and technological development and exchange.

Also, we are reviewing each of our ongoing activities to maximize the components in these fields, e.g., trying to increase the export and technology transfer components of our agriculture sector loans, or the assignment of capital markets advisors in our technical assistance programs with private investment institutions.

To assist in these four areas, $112.8 million in loans and $5.7 million in technical assistance for 15 countries is already in the program, with $46.0 million in additional loan projects and $1.3 million in additional technical assistance being developed and which may be undertaken in fiscal year 1971 within the funding levels requested.

I would like to submit for the record, as an attachment to this statement an updated listing of the proposed projects appearing on pages 5 and 6 of the Program and Project Data Book for Latin America. This updating reflects further refinement of our project list in those Presidentially emphasized areas, following upon further discussions with Latin American countries and further study by the AID Missions.

The fiscal year 1971 program, therefore, both contains new elements that are particularly responsive to Latin American proposals and supports the ongoing difficult reform programs in agriculture and education. It is distributed by sector as follows:

(The table follows:)

	Loans (dollars in millions)	Percent	Technical assistance (dollars in millions)	Percent
Agriculture	127.0	28.9	13.0	16.1
Education	63.6	14.5	12.7	15.7
Health	23.2	5.3	0.3	0.3
Public administration	16.0	3.6	6.6	8.1
Community development and social welfare	10.0	2.3	6.9	8.6
Private enterprise promotion	57.5	13.1	1.1	1.3
Other (including technical support)	142.3	32.3	40.3	49.9

I welcome your questions regarding the Alliance for Progress or the proposed fiscal year 1971 program.

(The appendix follows:)

EXPORT PROMOTION

[In millions of dollars]

Country	Project description	Amounts: Fiscal year 1970	Amounts: Fiscal year 1971
	A. Loans within estimated fiscal year 1970 and requested fiscal year 1971 programs:		
Brazil	Program loan	75.0	50.0
	Economic and industrial development planning		5.0
Dominican Republic	Portion of agricultural inputs loan	1.0	1.0
Ecuador	Portion of agricultural diversification loan	5.5	
ROCAP	Portion of CABEI loan for nontraditional exports development		20.0
Guatemala	Portion of rural development loan for export crops and handicrafts	3.55	
	Air cargo terminal		0.600
Honduras	Pulp and paper plant		9.0
Uruguay	Portion of program loan for export industries	7.5	
Total		87.05	91.1
	B. Additional loans under discussion:		
Chile	Port equipment and facilities		10.0
Colombia	Portion of private investment fund loan	3.0	3.0
Guatemala	Seed capital to private export development corporation.		1.0
Panama	Export promotion		1.5
Total		3.0	15.5
	C. Technical assistance within estimated fiscal year 1970 and requested fiscal year 1971 programs:		
Brazil	Export expansion improvement	.269	.222
Chile	Export promotion		.100
Colombia	....do	.050	.050
Costa Rica	A. D. Little contract and export marketing training	.090	.110
Dominican Republic	Development support	.100	
Ecuador	Assist in establishing national institute of standards		.015
	Export promotion adviser	.016	
	Agricultural diversification and development for export.	.203	.238
	Agricultural exports adviser and training	.003	.033
El Salvador	Agricultural planning development of nontraditional exports	.400	
ROCAP	Commercial industrial planning	.080	
	Regional export expansion		.676
	Marketing management	.045	.045
Honduras	Identification and promotion of export industries	.049	.038
Panama	Assistance to intermediate export committee	.045	
Paraguay	Export promotion advisers	.060	
Peru	....do	.050	.050
Uruguay			
Total		1.460	1.577
	D. Additional technical assistance under discussion:		
Brazil	Pernambuco State Expor tPromotion Center		.250

EXPORT PROMOTION—Continued

[In millions of dollars]

Country	Project description	Amounts Fiscal year 1970	Amounts Fiscal year 1971
Guatemala	Development planning and investment	.012	
Do	Export development		.222
Do	Agricultural development		.134
Total		.012	.606
	E. On-going or proposed local currency allocations:		
Costa Rica	Export promotion center	.100	.100
Brazil	Export promotion	1.0	
Dominican Republic	Consulting firm for export promotion	.100	.100
Total		1.200	.200

APPENDIX B

TOURISM PROMOTION

	A. Loans within estimated fiscal year 1970 and requested fiscal year 1971 programs:		
Dominican Republic	Tourism infrastructure loan		5.0
Ecuador	Portion of rural electrification	1.0	
ROCAP	Portion of CABEI loan for tourism infrastructure		10.0
Total		1.0	15.0
	B. Additional loans under discussion:		
Brazil	Rio Airport expansion and improvement [1]		10.0
Guatemala	National parks development		2.0
Total		0	12.0
	C. Technical assistance within estimated fiscal year 1970 or requested fiscal year 1971 programs:		
Dominican Republic	Industry and marketing	.100	
Ecuador	Publish tourist brochure	.005	
El Salvador	Tourism advisers and training		.022
ROCAP	Regional tourism expansion	.070	.260
Honduras	Tourism advisers		.025
Total		.175	.307
Guatemala	D. Additional technical assistance possiblities: Development planning and investment		.020
Total		0	.020
Colombia	E. On-going or proposed local currency allocations: 10 percent of allocations to transport, power, and urban infrastructure sectors	2.0	2.0
Dominic Republic	F. Additional local currency allocations infrastructure for torusim areas		3.0

APPENDIX C

CAPITAL MARKETS

	A. Loans within estimated fiscal year 1970 and requested fiscal year 1971 programs: None.		
	B. Additional loans under discussion guarantee investment and repatriated:		
Ecuador	Flight capital		5.0
Guatemala	Underwriting fund for local securities		.5
ROCAP	Regional financiera		10.0
Panama	Revolving underwriting fund		1.0
Total		0	16.5
	C. Technical assistance within estimated fiscal year 1970 or requested fiscal year 1971 programs:		
Brazil	Capital market development	.217	.102
Bolivia	Participant training		.025
Chile	Special studies and technical assistance		.050
Ecuador	Training for stock market managers		.005
Do	Cooperatives and credit unions	.331	.311
ROCAP	1 adviser—market analysis and promotion		.040
Honduras	Savings and credit cooperatives	.620	.071
Panama	Assistance to investment clubs		.046
Total		1.168	.650

EXPORT PROMOTION—Continued

[In millions of dollars]

Country	Project description	Amounts Fiscal year 1970	Amounts Fiscal year 1971
	D. Additional technical assistance possibilities:		
Costa Rica	Stock exchange feasibility and organization study		.010
Guatemala	Training—security marketing and regulations		.020
Total		0	.030
Brazil	E. Planned local currency allocations: Underwriting fund	7.500	
Total		7.500	

APPENDIX D

SCIENTIFIC AND TECHNOLOGICAL EXCHANGE

	A. Loans within estimated fiscal year 1970 and requested fiscal year 1971 programs:		
Colombia	Portion of education sector loan	.100	.100
Do	Portion of agriculture sector loan	1.100	1.100
Costa Rica	Portion of agriculture sector loan—University of Costa Rica research.		.500
El Salvador	Portion of agriculture sector loan for Agriculture Technology Institute (CENTA).		3.0
Guatemala	Portion of rural development loan for research	1.550	
Honduras	Portion of forestry development loan for research		2.0
Total		2.750	6.70
Chile	B. Additional loans under discussion: Laboratory equipment		2.0
Total		0	2.0
	C. Technical assistance within estimated fiscal year 1970 and requested fiscal year 1971 programs:		
Brazil	Agricultural education	.835	.960
Do	Agricultural research	.932	.455
Do	Graduate engineering, development of science and training, power and transportation.	.714	.646
Colombia	Science and technology	.050	.050
Costa Rica	Production organization and management		.010
Dominican Republic	Science and technology	.100	
Ecuador	Training in business management	.003	
Do	Applied research in food processing		.100
Do	Establish institute of applied and behavorial science	.140	.102
El Salvador	Television advisers and training	.085	.110
Do	Urban development	.115	.014
Honduras	Forest industry survey	.040	
Nicaragua	Agricultural research and irrigation, and technical training.	.296	.366
Panama	Social Science Research Institute and University Agricultural School.	.100	.140
Peru	Support of La Molina University and other educational activities.	.870	1.070
Total		4.280	3.159
	D. Additional technical assistance possibilities:		
Brazil	Northeast regional research fund [2]		
Do	Technical Institute of Pernambuco		.100
Chile	Science and technology-National Commission on Scientific and Technological Research.	.050	.300
Guatemala	Agricultural development	.028	.118
Do	Educational development		.100
Total		.078	.618
	E. Planned local currency allocations:		
Brazil	Agricultural research	2.625	2.325
Do	Health research	.500	.500
Do	Regional educational technology-CNAE	1.0	1.0
Colombia	Agricultural science and technology	4.0	4.0
Do	Science advisory council, urban planning, nuclear institute.	.800	1.100
Total		8.925	8.925

[1] 50.0 over 5 years.
[2] Not yet determined.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS AND U.S. COORDINATOR, ALLIANCE FOR PROGRESS

Mr. MEYER. Mr. Chairman, it is a pleasure to appear again before this distinguished committee to discuss the proposed U.S. economic assistance program to Latin America.

My statement will be brief because the major themes which I would emphasize have already been sounded by the President in his address before the Inter-American Press Association on October 31 in which he said:

> Understandably, perhaps, a feeling has arisen in many Latin American countries that the United States "no longer cares."
>
> My answer to that is simple.
>
> We do care. I care. I have visited most of your countries. I have met most of your leaders. I have talked with your people. I have seen your great needs, as well as your great achievements.
>
> And I know this, in my heart as well as in my mind: if peace and freedom are to endure in the world, there is no task more urgent than lifting up the hungry and the helpless, and putting flesh on the dreams of those who yearn for a better life.

Our polices for the 1970's must perforce take account of the profound changes which swept through the Hemisphere in the 1960's. Among the most striking of these is that, whereas few governments or organized private groups were actively concened with the key issues of development and modernization prior to that time, development and progress are today the essential bywords of national political life throughout the hemisphere. The United States must continue to be responsive to Latin America's growing sense of commitment to development.

Hence—and because extensive reviews had indicated that this was strongly in the United States interest—the President, in October, offered "* * * a firm commitment to continued U.S. assistance for hemispheric development." This undertaking reaffirmed a long-standing and key aspect of U.S. policy toward the hemisphere. Most recently, this policy was again underlined in the pronouncements of Presidential policy at the February meeting of the Inter-American Economic and Social Council (IA–ECOSOC) in Caracas, Venezuela.

I believe it is very important that Congress support the program at the appropriations level requested by the President. Such support is important, first, because the program is designed to reinforce the considerable development momentum already generated. The keystone of our assistance approach in this hemisphere is what the President called "U.S. support for Latin American initiatives." The evidence clearly indicates that Latin America is accepting its development responsibilities: For example, in 1968, domestic savings of Latin America covered 90 percent of total new investment. The record shows, too, that U.S. assistance can and does provide the critical margin necessary to enable Latin efforts to be fully productive—as shown, for example, by U.S. participation with Chile and Colombia in their comprehensive programs of educational reform. A major cutback in what is proposed could materially reduce the ability of many Latin American countries to sustain the forward thrust they have attained. Quite simply, although progress is often slow and setbacks are frequent, the many recent assessments made of economic assistance to the hemisphere

conclude it is an important and productive investment for the United States. It is clear that development progress would be far less rapid or assured in many countries without this assistance than with it.

A second important reason for supporting the President's request is to demonstrate that the United States can be counted on to share in the growth of the mature partnership he espoused, based on mutual respect and responsibility among the community of independent American nations. Recent decisions, for example, to partially untie our assistance loans, to eliminate additionality—and to review other procedural and administrative restrictions which have burdened borrowers and impaired the effectiveness of our aid—directly reflect our efforts to strengthen the partnership concept. A U.S. failure at this juncture to help Latin Americans can only erode this partnership. While there are some who argue that Latin America would prefer to find its own solutions without our help, the overwhelming evidence we have weighed in our assessments, is to the contrary. It is my strong conviction that a loss of confidence by Latin America in our willingness to be concerned and helpful will cut deeply across the entire range of our hemispheric relationships.

Those of us who have taken part in the series of IA–ECOSOC meetings, or who have visited Latin America in recent years have discerned a distinct sense that economic and social development is the foremost concern of these countries. Their delegations to these meetings represent nations which are frustrated by inadequate progress, but yet, still confident of their future. In no small degree this reading of the future turns upon their assumption that the United States stands ready to continue as a helpful partner in development.

Thus, as an outcome of these talks, at Caracas and at other IA–ECOSOC meetings during the preceding months, we conveyed to our Latin American colleagues, President Nixon's determination that the United States will be helpful and that the basis of our cooperation must rest upon a mature partnership—in which responsibilities and decisions are shared. Thus, at these meetings, was explored in some depth their thoughts and ours about the ways in which our cooperation might be made most productive. We offered to help reinforce inter-American cooperation through augmented support for the Inter-American Committee for the Alliance for Progress (CIAP), the creation of a project development fund linked to the CIAP and the Inter-American Development Bank (IDB), and to the establishment of a special CIAP fund for capital market studies. To follow through on these offers will require the support of the Congress. These concrete proposals, I feel, dispelled many doubts in Latin America that the U.S. actions would go as far toward a mature partnership as President Nixon had indicated he would like.

A third reason why I request your support is that doing our utmost to help this hemisphere develop, is right. I have carefully reviewed the proposed program. It has been prepared in accordance with the context established by the authorization ceiling—and by the President's insistence upon a tightly hewn program geared to Latin American needs and initiatives. It represents in our carefully considered judgment, the minimum necessary to sustain meaningful development momentum already under way. I believe we are neither asking for less than is required to advance U.S. interests in the hemisphere, nor re-

questing more than our nation's austere budgetary situation reasonably permits.

Following the months of dialogue with Latin America, we have given priority in the proposed fiscal year 1971 assiestance program—in addition to the major questions of agriculture and education—to private enterprise assistance, and science and technology. Population programs and social and civic development continue as target areas of emphasis. At Caracas, the U.S. offered funds to help develop securities markets and securities commissions; to support trade expansion; to promote tourism; and to support regional programs, and encourage Latin American cooperation on a bilateral and regional basis, in science and technology. These are areas which our experience and our internal reviews suggest merit priority attention. Intensive discussions with our Latin American partners indicate that they strongly share our views, and rely upon our assistance to bolster their own internal efforts.

I submit, Mr. Chairman, that these Latin American efforts merit our continued support. Thank you.

Mr. PASSMAN. Thank you very much.

We now have some questions.

Before getting into the questions, I want to make this abundantly clear. As I have said previously, there is not a thing in the world personal about any questions that I ask or statements that I make.

I like to put it this way: The brains may be down at the Executive Branch but the elected representatives of the people are here. This being the first branch of the Government according to the Constitution, we are supposed to pass laws and tell you people how to administer them. But we finally have reached the point that you people write the legislation and submit it to the Congress and say this is what you want and even have members reluctant to take any position other than what you people want downtown.

Since this is the first branch of the Government and it is our responsibility to keep control of the Government, I feel it is incumbent upon me to go into the foreign aid requests in depth.

Try to understand, I certainly don't want you to believe that it is in the spirit of criticism on a personal basis when I ask some of these pointed questions. Somewhere along the way I have been told if you want to get spiritual advice you go talk to your clergyman, if you want legal advice you get a lawyer, if you want medical advice you get a doctor, and if you want financial advice you go to your banker. I have always tried to think of this operation as a banking operation and we have had some very fine economists. We have had great patriots and we have had men with a lot of degrees, but it is a very rare thing to ever have a banker appear before this committee. It is one of the things that has caused me great concern.

Chances are, with your background you would be terrific as an economist, but bankers usually like to look at financial statements and the ability of the individual to repay. This has concerned me ever since it has been my privilege to chair the committee. I guess it will be of concern to me when I leave the committee. We have great patriots with great backgrounds in the fields in which they specialize, but they have never had any experience in banking, or looking at a loan from

the standpoint of whether or not there has been a feasibility study or whether there has been any benefit-cost ratios established.

These are things that we are going to have to live with. I cannot do anything about it, try as hard as I may. So we will proceed on the basis that we have a foreign aid program and we will just have to look at the past and judge the present and then act in the future on your requests.

FISCAL YEAR 1971 REQUEST

As I check your estimates, I believe that the fiscal year 1971 estimate for Latin America is $547 million. Is that correct?

Mr. KLEINE. Fiscal 1971.

Mr. PASSMAN. Yes, sir. Your request for fiscal year 1971 is $547 million?

Mr. KLEINE. That is correct.

Mr. PASSMAN. If I may borrow words from your AID Director, Dr. Hannah, he said "there is an asking price and taking price."

So I would assume the $547 million is the asking price. Is that correct?

Mr. KLEINE. This is the amount needed.

Mr. PASSMAN. This is the asking price for Latin America?

Mr. KLEINE. This is the amount needed in order to meet what we feel to be the objectives.

Mr. PASSMAN. Are you familiar with Dr. Hannah's forthright statement?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. He said, "Don't worry, this is only the asking price." That is why I usually back up Dr. Hannah and indicate to each one of his deputies that we are looking at your asking price when we look at this portion of it.

I think that Dr. Hannah is a wise man because he recognized that this bill has been reduced an average of 30 percent over the last 10 years and that we always left the program overfunded. So Dr. Hannah being the wise man that he is, recognized immediately that the asking price is one figure but the taking price is another figure. We like to have the record made on that point.

The asking price is $92,626,000, I believe, over the 1970 program. Is that correct?

Mr. KLEINE. That is correct.

UNLIQUIDATED OBLIGATIONS ESTIMATED AS OF JUNE 1970

Mr. PASSMAN. Would you place in the record what the unexpended balance for Latin America is, all spigots?

Mr. KLEINE. As of the end of fiscal year 1969——

Mr. PASSMAN. Get the estimate for fiscal year 1970. That is a year ago.

Mr. KLEINE. That is correct. As of the end of June 1970, it would be $1.5 billion.

Mr. PASSMAN. Unliquidated, known as the pipeline?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Does that cover all spigots of foreign aid or just the one spigot?

Mr. KLEINE. That covers all FAA, economic and military programs Food for Peace, title I, title II, Public Law 480.

Mr. PASSMAN. Does it cover military assistance?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Does it cover the Overseas Private Investment Corporation that has been broken out of AID for this fiscal year?

Mr. KLEINE. These figures do not include any OPIC figures.

Mr. PASSMAN. It does not include——

Mr. KLEINE. That is right.

Mr. PASSMAN. We would have to add the MAAG missions and military groups or we would not get the grand total?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. As we read the record we fiind there are 27 spigots of foreign aid and we are trying to make it all-inclusive because these people are eligible for all types of aid, are they not?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. You have this year a total request for $12,133,525,000 for new funds under 27 spigots. That is picking up all brands of foreign aid. That would not include either one of the windows of Export-Import Bank, would it?

Mr. KLEINE. No, the $1.7 billion would not include them.

Mr. PASSMAN. All nations are eligible for Export-Import Bank loans, are they not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Does that include Public Law 480?

Mr. KLEINE. Yes, sir.

TOTAL AID TO LATIN AMERICA

Mr. PASSMAN. Would you place in the record at this point the amount of aid given to Latin American countries since the inception of the program?

Mr. KLEINE. Yes, sir.

(The information follows:)

TOTAL U.S. OVERSEAS LOANS AND GRANTS TO LATIN AMERICAN COUNTRIES

U.S. overseas loans and grants to Latin American countries from 1946 through fiscal year 1970 (estimated) have totaled $10,061.1 million.

MULTILATERAL AID TO CUBA

Mr. PASSMAN. I guess Cuba was the largest recipient of our generosity of any Latin American nation because of the sugar subsidy, and although we no longer have any direct aid to Cuba we have indirect aid going into Cuba from the United States every year. Since we lose the right of examination when this moves into international organizations, it would require too much research to find out just how much of our aid is going into Cuba. I might say for the record under AID, I believe under the international organizations, Cuba paid in to the UN $1 million and drew back out $8 million.

Mr. KLEINE. Yes, sir, UNDP.

Mr. PASSMAN. I think it is only fair to you and to the American people to say for the record that there is a substatnial U.S. aid program going into Cuba through the indirect route, that is, the inter-

national organizations. I wouldn't think that you would want to try to include Cuba in past contributions, direct and subsidy as a part of the overall, because they are out of the program. Even though we have them on the list as a prior recipient I wouldn't think we would want to foulup the record with that. Do you agree?

Mr. KLEINE. The United States makes voluntary contributions to the UNDP. From its total resources it is difficult to attribute a given amount to a given country.

Mr. PASSMAN. Today you have a lot of one worlders trying to get all aid into multilateral aid and let these international organizations distribute it. We pay in 40 percent of it so when it goes in the pot they stir it up so when they dish out aid to Cuba it is only natural that 40 percent of whatever they get, comes from the U.S. taxpayers, as testified to in the record. I would be very happy to make available the gentleman's record who testified on that and said, "Yes, that is true."

I make this for a statement of fact.

Of course they are getting U.S. aid. Not direct bilateral aid but from the indirect route. You do know that there is a move on to increase the multilateral assistance portions do you not, Mr. Kleine?

Mr. KLEINE. I am not familiar with a move to move it all.

Mr. PASSMAN. Take the Peterson report. Take the Fulbright program. That is what he wants. You people fall for that trap yourself. You recommended and they have included a provision whereby a certain percentage of development loan funds could be transferred over to international organizations, have they not?

Mr. KLEINE. My understanding of the Peterson report recommendations on this point is that it recommends that major increases in assistance be channeled through multilateral institutions and that U.S. bilateral assistance be provided within a multilateral framework.

EXPANDED MULTILATERAL ASSISTANCE

Mr. PASSMAN. I notice that you are decreasing the title I, Foreign Assistance Act. You keep breaking pieces out of that and setting up new agencies. I think until this year OPIC was carried as a part of title I. Is that right?

Mr. KLEINE. I believe that is correct.

Mr. PASSMAN. Now they have set up housekeeping with their own separate organization, haven't they?

Mr. KLEINE. Yes.

Mr. PASSMAN. That is why this thing has built up to 27 different spigots and the most astute member of Congress has difficulty putting it all together. That is the way it goes.

PROJECTS FOR FISCAL YEAR 1971

Would you furnish for the record a list of projects by country which you propose to initiate in fiscal 1971?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Showing the name of the project, fiscal 1971 costs, estimated cost to complete the project, and the final year of obligation for each project.

Mr. KLEINE. Yes, sir.

(The information follows:)

NEW PROJECTS IN FISCAL YEAR 1971 [1]

FISCAL YEAR 1971 AND ESTIMATED TOTAL COSTS, AND TERMINAL DATES FOR EACH PROJECT

Country and project title	Project No.	Terminal date (fiscal year)	Estimated fiscal year 1971 obligations (thousands)	Estimated total costs (thousands)
Brazil:				
Postgraduate program for education staff	512-11-660-267	1977	$297	$1,052
Training for regional development—northeast	512-15-995-268	1977	650	2,350
Special development activities	512-15-998-286	(2)	125	
Chile:				
Food marketing and distribution	513-15-150-256	1975	49	450
Promotion of local development institution	513-15-810-265	1974	160	510
Export development	513-15-910-255	1975	100	750
Special studies	513-15-995-250	1974	102	402
Colombia:				
Education, technology, and management	514-15-680-152	1976	232	1,232
Legal education reform	514-15-660-153	1973	90	290
Decentralized development	514-15-810-154	1975	65	685
Costa Rica: Civic and social research and development	515-15-899-116	1975	348	1,600
Guatemala:				
Agricultural development	520-11-190-197	1975	711	2,381
Educational development	520-15-690-198	1976	598	2,743
Tax administration	520-11-790-199	1975	196	665
Cooperative development	520-15-995-200	1972	253	453
Export development	520-15-995-201	1973	72	112
Guyana:				
Tax administration	504-11-750-053	1973	79	266
Business and public administration	504-11-790-055	1973	170	335
Jamaica: Reorganization of income tax administration	532-11-750-033	1972	70	106
Nicaragua:				
Industrial development	524-15-290-091	1973	200	600
Development planning	524-11-810-092	1975	70	350
Institutional cooperative development	524-11-755-083	1973	130	420

[1] Excludes those activities, in areas of Presidential emphasis, not included within fiscal year 1971 request but listed in attachment to Mr. Kleine's statement to House Appropriations Committee on Apr. 21, 1970.
[2] Continuing.

FISCAL YEAR 1970 DEOBLIGATIONS

Mr. PASSMAN. Dr. Kleine, would you furnish a table showing by country the name of each project in which you have deobligated funds for, so far in fiscal year 1970, and will you project it through June 30?

Mr. KLEINE. Yes, sir.

(The information follows:)

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)

[In thousands of U S dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Argentina:						
Housing			1			
Technical support			9			
Total			10			
Bolivia:						
Agricultural productivity and marketing			14			
Community development			5			
Economic planning			5			
Family care survey	26					
Fiscal reform			15			
Human resources survey			11			
Customs administration			6			
Curriculum revision and textbooks			2			

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)—Continued

[In thousands of U.S. dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Institute of Public Administration			7			
Labor training			12			
Public health administration activities			4			
Public safety			4			
School building survey			2			
Sheep, llama alpaca production and marketing			3			
Technical support			21			
University scholarship			12			
Total	26		123			
Brazil:						
Budget and fiscal management			14			
Trade union development, AIFLD			1			
Elementary training and curriculum improvement			33			
Exploration of ground water resources			2			
Manpower planning and analyses			2			
Seed industry development			1			
Central bank training			127			
Roads NE			17			
Reg. development planning sudene			5			
Food for dev. planning and supervision			27			
Expansion and improvement of agricultural system			9			
Development of agricultural cooperatives			11			
Improved price support and food			11			
Well testing rehabilitation			1			
Public safety			31			
Union-to-union leadership exchange			4			
Municipal and state administration			18			
Partners of the Alliance			1			
Labor Ministry service expansion and improvement			4			
Elementary educational planning			11			
Adult Literacy Training			31			
National industrial vocational training development			7			
Urban water and sewer systems improvement			27			
Secondary education planning and consulting services			6			
Registration centers for admission and training, NE			16			
Economic development planning			3			
Tax administration			1			
Urban comm. self-help and cooperation			6			
Credit union development			3			
Capital market development			3			
Productivity improvement basic cons			3			
Reg. Ind. technical assistance R			13			
Sudene Ind. program inv. incent			9			
Power and telecom. system improvement			6			
Highway engineer training and advisory			45			
Agriculture research entomology inst. development			7			
Fish production, processing and marketing			15			
Est. of nationwide market news			14			
Agriculture economic planning analysis			20			
Frontier homestead program			14			
Improvement industrial apprentice training			17			
Teacher education and training			7			
Technical and science publications			20			
River basin studies for integration			3			
Agriculture Education VIOSA			2			
Natural resources planning and engineering, S			3			
Na ional minerals survey and geology training			4			
Hydrology data collect and analysis			5			
Water development and irrigation			3			
Graduate econ. educ., University of Sao Paulo			61			
National higher education planning and reform			8			
University administration improvement and reform			2			
Spec. partic. training development			34			
National housing bank			12			
Urban planning development			15			
National public health planning & Coordination			18			
Rural education training			8			
Intermediate credit and institutional expansion			5			
Total			806			

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)—Continued

[In thousands of U.S. dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Chile:						
Technical Support			7			
Population Dynamics	29					
Agricultural Development			4			
Campesino Development			19			
Small Medium Scale Ind. Development			12			
Special Development Activities			3			
Training for Development			22			
Teacher Training	3					
Total	32		67			
Colombia:						
Customs Administration			10			
Export Development			3			
Secondary Education			1			
Housing			3			
Labor Affairs			2			
National Agricultural Planning			45			
Program Training			10			
Public Safety			27			
Special Development Activities			5			
Tax Administration			4			
Technical Support			39			
Total			149			
Costa Rica:						
Agrarian Property Law & Land Tenure			57			
Development Planning & Administration			29			
Family Planning	7					
General Assistance to Education			3			
Public Safety			6			
Legislative Reference Service			12			
Total	7		107			
Dominican Republic:						
Agricultural Development Support			50			24
Community Development			17			
Dev. of Industry & Marketing			14			
Education Development Support			1			
Higher Education			58			2
Public Administration			55			
Public health	4					
Secondary and primary education			3			
Special development activity fund			1			
Tax administration			2			
Technical support			19			
Public safety			4		1	
Total	4		224		1	26
Ecuador:						
Agricultural production and agrarian reform			8			
Audiovisual operations			1			
Central University Quito			42			
Civic action			1			
Economic development planning				11		
Health education population	25					
Industrial development			22			
Local planning and development			27			
Manpower and educational planning			3			
Public safety			7			
Special development activities			1			
Technical support			12			
Institutional development			2			
Total	25		126	11		
El Salvador:						
Agricultural development			5			
Education planning and normal school development			1			
Family planning and clinical services	2					
Public safety			2			
Rural community development			1			
Technical support			3			
Instructional TV			1			
Total	2		13			

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)—Continued

[In thousands of U.S. dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Guatemala:						
Agriculture modernization and diversification			25			
Agricultural education			16			
Agricultural policies and institutions			25			
Development planning and investment			12			
Educational policies and priorities			12			
Labor leadership development			1			
Mobile rural health			11			
Population and rural health	19					
Public administration				6		
Public administration and municipal planning			32			
Public safety			22		1	40
Rural community leadership and modernization			25			32
Rural primary education			27			
University development			35			
Technical support			9			
Total	19		252	6	1	72
Guyana:						
Civil works project					62	
Development and diversification, agriculture			3			
General training			12			
Development investment advisory services			22			
Labor education and social projects			2			
Public safety			4			
Road systems maintenance and improvement			2			
Technical support			6			
Special development activities						3
Total			51		62	3
Haiti						
Honduras:						
Forest management			1			
Agricultural development credit and extension			4			
Cooperative development savings and credit			2			
Customs administration			2			
Education development, elementary			1			
Education development, higher			2			
Leadership training			6			
Maternal child health	4					
Public safety			7			
Public administration tax			5			
Special development activities			2			
Public administration personnel			101			
Private enterprise development			3			
Technical support			2			
Total	4		138			
Jamaica:						
Agricultural production and marketing			5			
Family planning	11		8			
Human res. dev., teacher trng			1			
Public safety			10			
Special development activities			1			
Technical support			3			
Human res. dev. ed. broadcasting			9			
Total	11		37			
Mexico:						
Special development activities			2			
Technical support			2			
Total			4			
Nicaragua:						
Institutional development			4			
Agricultural support			3			
Community health services			15			
Family planning	1					
High level manpower training			2			
Manpower planning, development and utilization			1			
Special development activities			1			
Technical support			1			
Community action and cooperative development			1			
Community development			2			
Education planning and development			1			
Total	1		31			

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)—Continued

[In thousands of U.S. dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Panama:						
Agricultural development			14			
Community development foundation						1
Education development and improvement			5			
Agriculture demonstration community development			5			
Government administration and fiscal reform			5			2
Health development			3			
Manpower training and utilization			3			
Public safety			2			
Special development activities			31			
Technical support			15			
Urban development			11			
Health and population	1					
National Volunteer Service						1
Total	1		94			5
Paraguay:						
Development and productivity			6			
Agricultural productivity and institutional development			37			
Road construction and maintenance training			1			
Rural education development			3			
Elementary and secondary education			5			
Medical and nursing education			6			
Tax administration			2			
Total			60			
Peru:						
Community and local government development			7			
Agricultural institutional development and operations			10			
Highway development			1			
Housing and urban development				1		
Human resources and population studies	3					
National economic planning			15			
Public safety			10			
Technical support			12			
University programs			3			
Handicraft development			1			
Total	3		59	1		
Trinidad and Tobago:						
Liberal arts college, Trinidad					83	
Roads equipment and maintenance training					12	
Total					95	
Uruguay:						
Agricultural production and marketing			4			
Export promotion and reg. integration			2			
Public safety			10			
Secondary education			3			
Special development activities			1			
Technical support			22			
Tax administration and reform			12			
Total			54			
Venezuela:						
Government management assistance			1			
National manpower training and development			2			
Public safety			4			
Total			7			
ROCAP:						
Agricultural planning and development			17			
Development of institutions of higher education			15			
Improvement of statistics and census			2			
Industrial investment and trade promotion			19			
Technical support			47			
Textbook development			3			
Fiscal planning infrastructure			1			
Scholarship institutions			9			
Human resources development			1			
Total			114			

FISCAL YEAR 1970 DEOBLIGATIONS (AS OF MAR. 31)—Continued

[In thousands of U.S. dollars]

Project title	Source of funds					
	AL	DG	AG	IAPSP	SA	CF
Regional:						
Regional aviation assistance group			13			
Regional technical coordination			16			
Caribbean organization			5			
Natural resources evaluation			19			
Technical education, Barbados			5			
Tax advisory training service			11			
Technical consultation general			3			
Total			72			
Grand total	135		2,598	18	159	106

PROJECTS TO BE TERMINATED IN FISCAL 1970 AND 1971

Mr. PASSMAN. Also furnish for the record a table showing the projects to be terminated in fiscal 1970 and fiscal 1971.

Mr. KLEINE. Yes, sir.

(The information follows:)

PROJECTS TERMINATING IN FISCAL YEAR 1970 AND 1971

Country	Project title	Project No
Terminating in fiscal year 1970:		
Argentina	Education and manpower development	510-15-690-075
Brazil	Urban development	512-15-810-125
Chile	Small and medium industrial Development	513-13-270-210
	Tax modernization	513-11-750-109
Colombia	Customs administration	514-11-750-115
	National education planning	514-15-680-083
	Higher education	514-15-660-101
Dominican Republic	Industrial development	517-55-290-066
Guatemala	Agriculture moderinization	520-11-190-194
	Rural primary education	520-11-640-193
	Agricultural education	520-11-110-190
Guyana	AIFLD	504-11-490-040
Nicaragua	Community action and Cooperative development	524-11-810-056
Peru	Public safety	527-11-710-062
Venezuela	National manpower	529-15-690-013
ROCAP	Textbook development	596-11-640-006
	Legal publications and studies	596-11-790-018
	Improvement of statistics and census	596-11-780-008
Regional	National markets	598-15-260-440
	Aviation assistance	598-11-370-150
	Tax policy advisory service	598-11-790-469
	Inter-American Investment Center	598-13-910-463
Inter-American organizations	PAHO	598-11-510-407
Terminating in fiscal year 1971:		
Argentina	Agriculture development	510-11-110-079
	Labor development	510-13-410-054
	Technical support	510-11-990-000
Brazil	Agricultural production	512-15-130-247
Brazil	Public safety	512-11-710-070
	Technical, Scientific, & Education publications	512-11-691-127
Chile	Labor development	513-15-410-032
Costa Rica	General assistance to education	515-11-680-085
Dominican Republic	Public safety	517-11-710-021
	Public health	517-15-580-080
East Caribbean	Regional economic development	538-11-995-004
Hait	SDAF	521-15-995-052
Jamaica	Agricultural production and marketing	532-11-140-023
Peru	Manpower and education	527-11-690-067
	Government financial administration	527-11-790-057
	Private enterprise development	527-15-200-058
Venezuela	Population and demography	529-15-990-034
ROCAP	Customs policy and administration	596-11-740-017

PROJECTS EXTENDED IN 1970, FISCAL YEAR 1971

Mr. PASSMAN. Last year you had several projects scheduled to be terminated in fiscal 1970. How many of those projects are you requesting funds for in fiscal year 1971?

Mr. KLEINE. We have 16 projects which we said we would terminate in fiscal 1970 but for which we are asking fiscal 1971 funding.

Mr. PASSMAN. That you said you would terminate in fiscal 1970?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But you are asking for new funds?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Would you list in the record the name of the project, when it was originated, and the slices that you made to the project per year from its inception through 1970. Also place in the record the additional funding per project that you said you would terminate and that you will continue, and the number of years that you have advanced these projects and the amounts of each project.

Mr. KLEINE. Yes, sir.

(The information follows:)

"TERMINATING" PROJECTS [1] WHICH DON'T TERMINATE: CUMULATIVE OBLIGATIONS THROUGH JUNE 30, 1970, INITIAL DATE, ADDITIONAL FUNDS, AND NEW TERMINAL DATE FOR EACH PROJECT

[Fiscal years]

Country	Project title	Project No.	Initial date	New terminal date	Cumulative obligations through June 30, 1970	Additional requested funding
Argentina	Agricultural development	510-11-110-079	1963	1971	$2,079,000	$50,000
	Labor development	510-13-410-054	1964	1971	951,000	140,000
	Technical support	510-11-990-000	1958	1971	3,169,000	218,000
Brazil	Industry and commerce	512-15-950-227	1960	1972	5,215,000	419,000
Chile	Public safety	513-11-710-138	1963	1972	1,696,000	151,000
Colombia	Tax administration	514-11-750-100	1963	1972	1,612,000	150,000
	Urban development	514-52-830-058	1962	1973	1,694,000	710,000
Guatemala	Public administration	520-11-790-176	1966	1972	1,394,000	869,000
Jamaica	Public safety	532-11-710-031	1966	1973	507,000	190,000
	Agricultural production and marketing	532-11-140-023	1964	1971	780,000	30,000
Nicaragua	Agricultural institute development.	524-11-110-057	1958	1972	2,857,000	296,000
	Tax reform	524-11-790-025	1966	1973	1,620,000	641,000
Venezuela	Manpower training and development.	529-15-690-013	1962	1972	3,616,000	275,000
ROCAP	Customs policy and administration.	596-11-740-017	1966	1971	541,000	147,000
	Business administration	596-13-770-024	1967	1972	1,175,000	381,000
Regional	PADF	598-13-810-473	1968	1972	347,000	150,000

[1] Projects which in the fiscal year 1970 congressional presentation were scheduled to terminate in fiscal year 1970.

Mr. PASSMAN. We noticed in the last day or two we have had some rather enthusiastic testifiers. One of them was advancing some of these projects to 1980, which is 10 years from now. Do you have any people that ambitious on your staff?

Mr. KLEINE. The last date on these extensions runs to fiscal 1977.

Mr. PASSMAN. Thank you.

ADVANCE TERMINATION OF PROJECTS

Mr. KLEINE. We also have, sir, projects for which our latest reviews indicate earlier termination than we had planned in fiscal 1970. Would you be interested in those?

Mr. PASSMAN. Put those in the record. The most permanent thing in Government is a temporary agency. The most permanent thing in foreign aid is a terminating project. They always cook it up and it becomes prolific. We had one yesterday where one project was going to terminate but it was divided into four little new projects out of the one project. I think that is right.

I understand that I was wrong. It was not going to terminate. I should have known we are not going to terminate it but it was one project and it split into four little projects and each became a separate project within itself. That is why we have 4,408 of them in 99 nations of the world. We see where they just keep creating subprojects out of a prime project and then subsequently they become prime projects and then produce subprojects.

(The information follows:)

PROJECTS TERMINATING SOONER THAN PLANNED[1]—INITIAL DATE, PREVIOUS SCHEDULED COMPLETION DATE, TOTAL COST, AND RESULTING DECREASE IN COST FOR EACH PROJECT

[Fiscal year]

Country	Project title	Project No.	Initial date	Scheduled completion date	Total cost	Resulting decrease in cost
Colombia	Higher education	514-15-660-101	1962	1972	$2,119,000	$291,000,000
	Nat's education planning	514-15-680-083	1962	1972	896,000	313,000
Costa Rica	Agricultural education	515-12-110-113	1970	1971	300,000	50,000
Dominican Republic.	Development of industry and marketing.	517-55-290-066	1965	1972	1,135,000	984,000
Guatemala	Agricultural modernization and diversification.	520-11-190-194	1969	1973	513,000	912,000
	Rural primary education	520-11-640-193	1969	1972	492,000	693,000
	Agricultural education	520-11-110-190	1969	1973	484,000	462,000
Peru	Public safety	527-11-710-062	1962	1972	3,685,000	315,000
Regional	Regional aviation assistant	598-11-370-150	1956	(2)	3,326,000	----------
	Tax policy advisory service	598-11-790-469	1968	(2)	61,000	----------
	Inter-American Investment Development Center.	598-13-910-463	1967	1972	816,000	1,084,000

[1] Projects terminating in fiscal year 1970 which in the fiscal 1970 congressional presentation were scheduled for later completion dates.
[2] Continuing.

NUMBER OF PARTICIPANTS

Mr. PASSMAN. How many participants do you have in your planned programs for fiscal years 1969 and 1970?

Place that in the record.

(The information follows:)

NUMBER OF PARTICIPANTS, FISCAL YEARS 1969 AND 1970

There were 3,960 participants in fiscal year 1969 and an estimated 4,104 for fiscal year 1970.

AVERAGE COST PER PARTICIPANT

Mr. PASSMAN. What is the average cost per participant in your area?

Mr. KLEINE. Do you want that supplied?

Mr. PASSMAN. I would like to have it now.

Mr. KLEINE. We have the answers for the number of participants.

Mr. PASSMAN. Put that in the record.

(The information follows:)

AVERAGE COST PER PARTICIPANT

The average participant cost in the Latin America region was $2,537 for fiscal year 1969.

THIRD COUNTRY PARTICIPANTS

Mr. PASSMAN. Of the total number of participants in your area, how many will be going to a third country, Dr. Kleine?

Mr. KLEINE. 655 in 1969.

Mr. PASSMAN. Going to third countries?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Will you place in the record what countries they are from and what countries they are going to?

Mr. KLEINE. Yes, sir.

(The information follows:)

NUMBER OF THIRD COUNTRY PARTICIPANTS IN 1969: WHERE TO—WHERE FROM

Country of training	Country of origin	Number
Latin America total		655
Argentina	Bolivia	5
	Chile	1
	Costa Rica	1
	Paraguay	4
Brazil	Costa Rica	1
	Paraguay	6
	Peru	5
Chile	Bolivia	13
	Brazil	1
	Guatemala	1
	Peru	2
Colombia	Bolivia	9
	Brazil	7
	Costa Rica	3
	El Salvador	3
	Guatemala	5
	Honduras	5
	Nicaragua	1
	Panama	1
	Paraguay	3
	Peru	2
	Uruguay	3
	Venezuela	4
Costa Rica	Brazil	1
	El Salvador	1
	Honduras	2
	Nicaragua	6
Dominican Republic	Bolivia	1
Ecuador	Bolivia	6
	Venezuela	8
El Salvador	Argentina	3
	Costa Rica	14
	Guatemala	31
	Honduras	43
	Nicaragua	57
	Panama	46
Guatemala	Bolivia	1
	Costa Rica	6
Jamaica	Costa Rica	1
Mexico	Bolivia	9
	Brazil	104
	Chile	5
	Colombia	17
	Costa Rica	7
	Dominican Republic	9
	Ecuador	5
	El Salvador	16
	Guatemala	19
	Honduras	3
	Nicaragua	3
	Panama	6
	Paraguay	4
	Peru	2
	Uruguay	2
	Venezuela	9

NUMBER OF THIRD COUNTRY PARTICIPANTS IN 1969: WHERE TO—WHERE FROM—Continued

Country of training	Country of origin	Number
Latin America total		655
Panama	Brazil	21
	Colombia	34
	Dominican Republic	5
	Guatemala	7
	Honduras	20
	Nicaragua	4
	Peru	4
Peru	El Salvador	1
Uruguay	Paraguay	4
Venezuela	Bolivia	1
	Brazil	1
	Colombia	10
	Nicaragua	2
	Peru	2
Pakistan	Peru	2
Republic of China	do	2
Republic of Korea	do	2

Mr. PASSMAN. Is it a question of saving money or is it possible they teach some subject we couldn't offer them?

Mr. KLEINE. It is a combination of factors, especially getting the best instruction, the best result from the intended purpose of the training.

Mr. PASSMAN. I thought every course that we taught was better than what other countries could give. I hate to learn that that is not so.

Mr. KLEINE. If I may add, third-country training is the result of the programs that have been undertaken in building up institutions in the developing countries of Latin America. Increasingly, these institutions are becoming able to provide assistance and training to other Latin American countries.

Mr. PASSMAN. How many countries in your area are furnishing technicians that are now training others? Do you understand the question? Some of them become expert and they are then going out and training others.

Mr. KLEINE. There are three countries that are becoming increasingly important in this regard: Argentina, Venezuela and Mexico.

DEVELOPMENT LOANS

Mr. PASSMAN. As we think in terms of development loans, what is your understanding about the amount of it that has been a subsidy from the start?

Mr. KLEINE. I think the figure that has been used is approximately 50 percent.

Mr. PASSMAN. I believe that they have adjusted that downward to 46 percent?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. So as to keep the record straight for the readers and the taxpayers, even through we refer to these items as loans they are in reality 46 percent subsidy to start with on account of the concessionary interest rates we charge. Is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. In other words, we borrow the money for 6½ and make it available to them at 2 percent for the first 10 and 3 percent thereafter with a 10-year grace period?

Mr. KLEINE. That is correct.

FISCAL YEAR 1971 AUTHORIZED LOANS

Mr. PASSMAN. Please furnish for the record a list of loans authorized by country through December 31 and the estimate for June 30.

Mr. KLEINE. Yes, sir.

(The information follows:)

FISCAL YEAR 1970 LOAN LIST

[Millions of U.S. dollars]

Country	Loan title	As of the printing of the L.A. Program and project Data book	As of Apr. 21, 1970
Brazil	Program loan	75.0	75.0
	Health sector	25.0	25.0
	Education sector	50.0	50.0
Central America:			
Costa Rica	Savings and loan associations [1]	1.0	1.0
El Salvador	Private investment (INSAFI)[1]	4.8	4.8
	FEDECACES—Credit unions		2.0
Guatemala	Small municipal loan [1]	2.1	2.1
	Rural development	23.0	23.0
ROCAP	Central American monetary stabilization fund		10.0
Chile	Food marketing	5.0	
	Petrochemical plant [1]	15.0	15.0
	Education sector		15.0
Colombia	Program loan	40.0	40.0
	Agriculture sector	15.0	15.0
	Education sector	15.0	15.0
	Second mineral resources survey	1.7	1.7
Dominican Republic	Education credit fund	1.7	1.7
	Agricultural inputs	13.0	10.0
Ecuador	Land sales loan [1]	3.6	3.6
	Rural electrification	2.1	2.1
	Small enterprise development	5.0	
Guyana	Water supply improvement	1.6	
Panama	Primary education development	6.0	
Paraguay	Pedro Juan electrification [1]	0.4	0.4
Uruguay	Capital goods imports [1]	15.0	15.0
	Carrasco airport improvement		0.4
Regional	Coffee diversification fund	5.0	5.0
East Caribbean	Caribbean Development Bank	6.0	6.0
Total		332.0	338.8
ISDI		(1.0)	(1.0)

[1] Loans authorized before Dec. 31, 1969.

PROGRAM AND SECTOR LOANS

Mr. PASSMAN. Would you describe for the committee your understanding of the difference between a program loan and a sector loan.

Mr. KLEINE. The normal purpose of a program loan is to provide the added margin of foreign exchange that a recipient government may need in order to finance the necessary level of imports to achieve the hoped-for growth level in the economy. It is normally provided in those cases where it is adjudged that the economy is being sufficiently well-managed to use this kind of assistance effectively. It is essentially foreign exchange added to the resources of the borrowing country.

The sector loan has a more narrow focus. It is intended to provide needed resources to help a recipient government tackle the key problems or bottlenecks, that have been identified in a functional sector such as agriculture or education.

Mr. PASSMAN. In other words, kind of like hunting with a single-barrel gun or double-barrel gun; one of them is narrow and direct

and the other is more or less complex because of the foreign exchange and other currencies involved?

Mr. KLEINE. Yes, sir. The program loan deals more with the macro-economic analysis, overall balance-of-payments requirements. The sector loan is concerned with the internal functional areas, such as these I mentioned earlier.

LOANS ROLLED OVER

Mr. PASSMAN. How many loans have you rolled over in your area this year?

Mr. KLEINE. None that I know of, sir.

Mr. PASSMAN. You are familiar with that definition, rolling-over loans?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. How do you understand it?

Mr. KLEINE. When the borrower is not living up to the repayment terms, an agreement to adjust or modify the terms to a different pattern from that which existed when the loan was made would be considered a roll-over.

Mr. PASSMAN. We want the taxpayer to understand what we talk about. We take a delinquent loan and if the man cannot or will not pay it, we bring it up to date on some kind of a mutual arrangement?

Mr. KLEINE. That is correct.

Mr. PASSMAN. That is a simpler definition and everybody can understand it.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I thought you would like to define it for the record.

How many of your loans—you refer to them as loans—have you had to take even a concessionary interest rate and capitalize it, put it into capital?

Mr. KLEINE. There have been 17 loans made to Latin America which have been adjusted, "rolled over," and 9 of these were made by AID's predecessor agencies.

Mr. PASSMAN. That is the same thing. They are going to change the name of this organization again next year. Don't let that cause you any concern. It is the same brand of merchandise.

How many loans have you had to take the interest and put it into the capital account?

Mr. KLEINE. Seventeen, sir.

Mr. PASSMAN. What is the aggregate?

Mr. KLEINE. The aggregate is $6.5 milion in capitalized interest out of a total of $3.6 billion in loans made by AID and its predecessor agencies to Latin America.

Mr. PASSMAN. That is the aggregate?

Mr. KLEINE. That is right.

Mr. PASSMAN. Some of those interest rates, if I remember correctly, were one-half of 1 percent?

Mr. KLEINE. In the early days, yes, sir.

Mr. PASSMAN. Some of them are 2 percent?

Mr. KLEINE. That is correct.

Mr. PASSMAN. They couldn't even pay that. Then you had to take the interest and add it to the capital account?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Thank you very much. That is all we want to show.

It is awful, gentlemen, when we get into an area where we have to go out and borrow the money at 6½ percent and we don't know how we will ever pay it back, and you make it available to them at one-half of 1 percent or 2 percent and they cannot even pay the interest so that you have to add that to the capital account. Do you foresee many of these so-called loans developing into this type of situation?

Mr. KLEINE. There have been none since 1965. We do not anticipate any, sir.

Mr. PASSMAN. I don't guess that you anticipated even these when you made the loans, did you?

Mr. KLEINE. As I understand, these adjustments were made before the actual signing of the agreements.

Mr. PASSMAN. It just does not look good, but there are quite a few all over the world that may be even in worse shape than that. It is either do that or carry it in the delinquent status.

FISCAL YEAR 1971 PROPOSED DEVELOPMENT LOANS

Furnish for the record a list of the proposed development loans by country in your area which form the basis for your fiscal 1971 estimate of $449,120,000.

Mr. KLEINE. Yes, sir.

(The information follows:)

Congressional presentation loan levels—loan list, fiscal year 1971

[In millions of dollars]

Argentina	0
Bolivia	0
Brazil:	
Program loan	50.0
Education sector	25.0
Agriculture sector	45.0
Local government	10.0
Econ/Ind. Devel. Plng	5.0
Child health and nutrition	5.0
Water and sewerage	15.0
Total	155.0
Central America ROCAP:	
Export promotion and tourism	30.0
C. A. stabilization fund	10.0
Total	40.0
Costa Rica:	
University improvement	1.2
Agriculture sector	10.0
Total	11.2
El Salvador, agriculture sector (resch. and ext.)	7.5

Guatemala:	
Air cargo terminal	.6
Malaria control	1.2
Manpower training	2.4
Rural health	2.0
Total	6.2
Honduras, export promotion (pulp and paper)	9.0
Nicaragua:	
(Farm-to-market roads)	4.5
Education sector	5.0
Total	9.5
Chile:	
Education sector	10.0
Agriculture sector	10.0
Total	20.0
Columbia:	
Program loan	35.0
Agriculture sector	15.0
Education sector	15.0
Urban sector	10.0
Total	75.0
Dominican Republic:	
Agriculture sector	12.0
Tourism facility infra	5.0
Total	17.0
Ecuador, agriculture diversification	6.5
Guyana:	
Government administration	1.0
Agriculture credit diversification	4.5
Road to Brazil	3.0
Total	8.5
Haiti	0
Jamaica	0
Mexico	0
Panama:	
Coops/credit unions	1.5
Regional development studies	2.0
Manpower training and utilization	1.5
Agriculture sector	10.0
Total	15.0

Paraguay:	
Fertilizer procurement	1.5
Municipal Devlp. Bank	2.0
Education sector	3.5
Total	7.0
Peru	0
Uruguay:	
Private development bank	5.0
Carrasca Airport Road	.8
Total	5.8
Venezuela	0
East Caribbean reg	0
LA Regional:	
Coffee diversification fund	5.0
Andean Development Corp	10.0
Total	15.0
(Transfer to Inter-Amer. Org. for President's Initiatives)	10.0
Population grants	12.9
Undistributed for population programs	8.5
Other interregional	9.5
Total	449.1
(ISDI)	(9.0)

PASSMAN-CONTE-LONG LOAN AMENDMENT

Mr. PASSMAN. Have you reduced the economic assistance program of any country in your area due to the Passman-Conte-Long amendment?

Mr. KLEINE. No sir.

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How many countries in your program have family planning programs?

Mr. KLEINE. There are family planning programs in all 21 Latin American countries in areas receiving AID assistance. AID supports 15 country programs, sir, plus regional programs.

Mr. PASSMAN. What is the total cost of the family planning program in your area for fiscal 1970 and the estimated cost for fiscal 1971?

Mr. KLEINE. We funded $11.4 million in fiscal year 1970, and plan to fund $12.9 million in 1971, for programs in Latin America. Alliance funds also support worldwide programs.

ACCEPTANCE OF THE FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How are the Latin American people accepting this program?

Mr. KLEINE. It has started very slowly, Mr. Chairman. There has been a building-up of recognition of this problem. I notice, in looking

at the figures that over the past several years since fiscal year 1967, the level of assistance that we have been providing to Latin America directly and indirectly has trebled. The awareness is growing. For some countries the situation is better than in others but a great deal has yet to be done in terms of recognition of the problem by the leadership.

Mr. PASSMAN. What you have said makes good reading but it does not give us any information.

How many of the 10 countries in your area are there where the governments, officials in power, have accepted family planning as a going programs?

Mr. KLEINE. There are 21 countries in Latin America which have population programs.

Mr. PASSMAN. Programs are one thing and substantial programs are something else.

What has been our contribution for 1969 and 1970 in the area of family planning?

Mr. KLEINE. In fiscal 1969 the figure was $10.3 million. In this current fiscal year we anticipate $11.4 million.

Mr. PASSMAN. How about fiscal 1971?

Mr. KLEINE. We anticipate $12.9 million.

Mr. PASSMAN. You have certain areas where possibly just one country would spend more than that, do you not? This is no fault of yours. I am not being critical but I want the record to show that family planning as such is not being received very enthusiastically in Latin America, is it?

Mr. KLEINE. That is correct.

GRANTS TO VOLUNTARY ORGANIZATIONS FOR FAMILY PLANNING

Mr. PASSMAN. Are you proposing to make any grants for family planning to voluntary agencies in your area for fiscal year 1971?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Who are they?

Mr. KLEINE. We have proposed grants to the Population Council, to Pathfinder, to the IPPF.

Mr. PASSMAN. Put those in the record.

Mr. KLEINE. Yes, sir.

(The information follows:)

Fiscal year 1971 grants for family planning to voluntary agencies

Organization	*Amount*
International Planned Parenthood Federation	$2,000,000
The Population Council	1,847,000
The Pathfinder Fund	500,000
Latin American Center for the Study of Population and Family Planning	350,000
Pan American Federation of Associations of Medical Schools	100,000
Latin American Demographic Center	300,000
Total	5,097,000

OFFICERS OF THE PATHFINDER ORGANIZATION

Mr. PASSMAN. Previously we asked the witness to furnish us the name of the officers of the Pathfinder organization. He didn't know.

I would like to know if it is possible to find out who they are, the names of the officers.

Mr. KLEINE. We will be glad to do that.

(The information may be found on page 985.)

Mr. PASSMAN. Annual compensation also, because some of the most profitable operations in America are the nonprofit operations. You know that, don't you?

Mr. KLEINE. I don't know that as a fact, no, sir.

Mr. PASSMAN. It is very easy if you look over some 31,000 foundations that are operating tax free and look at some of the compensation that they paid their officers; you will see that some of the most profitable operations are nonprofit. We have examined in previous years where some of the fees that we paid them would be as high as 40 percent on certain personnel of the nonprofit organizations. It sounds good to a lot of people but not to me.

This one may be all right but we would like to know the names of the officers and have it put in the record.

Mr. SHRIVER. Do you have that with you now?

Mr. HELLER. No, sir, just the source of our money.

Mr. PASSMAN. We want the names and the compensation they get.

Mr. HELLER. Yes, sir.

Mr. PASSMAN. Is the Pathfinder a new organization?

Mr. KLEINE. It was founded in 1929.

USE OF CONTINGENCY FUND IN YEAR 1970

Mr. PASSMAN. Would you furnish for the record the amount of money that you received out of the President's Contingency Fund for your area for fiscal year 1970 showing the country, the amount, and the name of the project?

Mr. KLEINE. Yes, sir.

(The information follows:)

USE OF CONTINGENCY FUND IN FISCAL YEAR 1970

Country	Amount	Project
Mexico	$1,000,000	Narcotics control allocated to the U.S. Department of Justice.
El Salva or/Honduras	[1] 500,000	OAS rehabilitation program following the 1969 war.
Total	1,500,000	

[1] $2,000,000 was allocated for the OAS program but only $500,000 has been obligated. An additional $50 to 60,000 may be obligated later ih the fiscal year.

CONSULTANTS

Mr. PASSMAN. Provide for the record the consultants in your area that are receiving more than $250 a day, as a special column, and also list, if you will, all receiving $100 per day or more.

Mr. KLEINE. Yes, sir.

(The information follows:)

CONSULTANTS RECEIVING MORE THAN $100 PER DAY

[In the Latin America region in fiscal year 1970 there are no consultants receiving more than $250 per day. Only 2 are receiving more than $100 per day]

Name	Contract No.	Country	Amount (per day)	Period of time	Contractor	Title
M. Justin Herman	la-616	Chile	$145	July 15 to September 30, 1969.	M. Justin Herman	Consultant, urban development.
Hector Pineiro	AID-517-288-T	Dominican Republic.	125	November 20, 1969 to February 20, 1970.	Hector Pineiro & Associates.	Tourism.

Mr. PASSMAN. You don't have any of these $250 a day in your area, do you?

Mr. KLEINE. We have none who are receiving more than $250 a day. We have two receiving over $100 a day.

Mr. PASSMAN. How much do they receive?

Mr. KLEINE. $145 and $125 per day.

Mr. PASSMAN. We ran into one last year that was getting $260 a day and a lot of them were receiving $250 a day and it got to the point where $200 a day was a bargain. Read those hearings. I am making this as a statement of fact. We had a long list of these consultants and it reached the point that $200 looked good. A lot of them were over $200 a day. We know they also got many fringe benefits, such as pay for Saturday's, Sunday's, and holidays, and what have you.

EXPORT AND IMPORT TRADE OF LATIN AMERICA

Please update the table which appeared on page 1468 of last year's hearings, showing the export and import trade of Latin America with the United States, and a separate column on Latin America's trade with the other nations of the world.

Mr. KLEINE. Yes, sir.

(The information follows:)

LATIN AMERICAN TRADE WITH THE UNITED STATES AND EUROPE
1960-1969
(Millions of Dollars)

Year	Latin American Exports					Latin American Imports (c.i.f.)				
	Total	To U. S.	% of Total	To Europe	% of Total	Total	From U.S.	% of Total	From Europe	% of Total
1960	8,062.7	3,319.8	41.2	2,595.1	32.2	7,688.2	3,478.9	45.2	2,511.4	32.7
1961	8,088.5	3,170.2	39.2	2,693.2	33.3	7,927.8	3,509.9	44.3	2,721.1	34.3
1962	8,648.1	3,222.7	37.3	2,934.3	33.9	8,018.7	3,456.6	43.1	2,742.5	34.2
1963	9,220.2	3,345.2	36.3	3,184.5	34.5	7,853.3	3,380.0	43.0	2,513.9	32.0
1964	9,977.2	3,385.7	33.9	3,462.7	34.7	8,571.9	3,839.4	44.8	2,548.8	29.7
1965	10,512.4	3,535.3	33.6	3,527.8	33.6	8,845.7	3,805.4	43.0	2,633.1	29.8
1966	11,135.1	3,803.8	34.2	3,786.7	34.0	9,752.6	4,261.2	43.7	2,910.5	29.8
1967	11,045.1	3,700.3	34.0	3,849.1	38.3	10,191.6	4,291.3	42.1	3,183.7	31.2
1968	10,768.7	4,420.6	41.1	3,871.4	36.0	11,142.1	4,888.2	43.9	3,809.6	34.2
1969 (Jan-June)	5,056.4	2,252.7	44.6	1,862.1	36.8	6,064.6	2,200.0	36.3	2,481.3	40.9

Source: Direction of Trade, IMF.

RATE OF INFLATION

Mr. PASSMAN. Update the table on page 1470 of last year's hearings that shows the rate of inflation in Latin America from 1958 onward.

Mr. KLEINE. Yes, sir.

(The information follows:)

RATE OF INFLATION IN LATIN AMERICA

AS REFLECTED IN ANNUAL PERCENTAGE CHANGE IN CONSUMER PRICES

COUNTRY	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Argentina	31.6	114.0	27.1	14.5	25.4	26.6	22.2	28.6	31.8	29.5	16.4	7.4
Bolivia	3.1	20.0	11.7	8.0	6.3	-1.0	10.6	2.7	7.1	11.6	5.2	2.8
Brazil	14.9	37.0	35.0	38.4	52.3	75.4	85.7	61.4	46.3	29.8	24.2	23.1
Chile	26.6	39.0	11.5	7.7	13.8	44.2	46.0	28.8	22.9	18.2	26.7	30.6
Colombia	14.9	7.0	3.7	9.0	2.5	32.3	17.1	3.6	20.1	8.2	5.7	10.2
Costa Rica	3.1	0.0	1.0	3.0	2.9	3.7	2.7	0.0	0.0	1.0	3.8	2.8
Dominican Republic	-2.0	0.0	-4.0	-3.1	9.7	7.8	1.8	-2.0	0.0	2.0	0.0	0.0
Ecuador	2.0	0.0	2.0	3.9	2.8	5.5	4.3	2.9	4.7	3.6	4.3	6.6
El Salvador	5.3	-1.0	0.0	-2.0	0.0	1.0	2.0	0.0	-1.0	1.0	2.9	0.0
Guatemala	1.0	-1.0	-1.0	0.0	2.0	0.0	0.0	-1.0	1.0	0.0	2.0	2.0
Honduras	3.1	1.0	-2.0	2.0	1.0	2.9	4.8	3.6	0.9	0.0	4.5	3.5
Mexico	12.4	2.0	5.9	0.9	0.9	0.9	2.7	3.5	4.2	3.6	1.8	3.4
Nicaragua	5.3	-3.0	-2.1	0.0	1.1	0.0	4.2	3.0	3.9	2.7	n.a.	n.a.
Panama	0.0	0.0	0.0	1.0	1.0	1.0	1.9	0.0	1.0	1.0	1.9	1.9
Paraguay	6.4	10.0	8.2	18.5	1.4	2.1	1.4	4.1	2.6	0.9	0.9	1.8
Peru	5.3	13.0	8.0	7.4	6.1	6.5	10.8	16.5	9.4	9.9	19.4	5.9
Uruguay	17.6	40.0	38.6	22.2	11.0	20.5	43.2	56.4	73.2	89.2	125.5	20.7
Venezuela	5.3	5.0	3.8	-2.8	-1.0	1.0	0.9	1.9	0.0	0.0	0.9	2.8

NOTE: Calculations are based in changes in yearly averages; calculations based on a December average to December average time period yield somewhat different results.

SOURCE: International Monetary Fund "International Financial Statistics."

Mr. PASSMAN. If you will, update the table that appeared on page 1471 of last year's hearings which showed the land distribution in Latin America for the period 1961–67, and list only the ones which have been transferred and firm titles passed, not proposals.

Mr. KLEINE. Yes, sir.

(The information follows:)

LAND DISTRIBUTION IN LATIN AMERICA - 1961-69

COUNTRY	Families settled or resettled 1960-69	Titles distributed 1960-69	Acres distributed 1960-69 (1,000's)	Percent of 1968 rural population settled or resettled thru 1969	Percent of 1969 total population settled or resettled 1960-69	Families settled or resettled in 1969	Titles distributed in 1969	Area distributed (in acres) in 1969 (1,000's)
ARGENTINA	--	8,225 (1)	2,798 (1)	.8 (1)	.2 (1)	---	---	---
BOLIVIA	194,916	320,462	25,696	36.7	23.8	32,663	62,476	5,932
BRAZIL	4,100 (1)	45,000 (1)	---	.05(1)	.03(1)	---	---	---
CHILE	19,868	9,970(1)	5,531 (1)	3.7	1.2	1,188	---	---
COLOMBIA	100,493	100,493	7,080	6.1	2.9	36,000	20,500	840
COSTA RICA	5,200	5,000	833	2.8	1.8	200	500	12
DOMINICAN REPUBLIC	10,052	9,932	126	2.2	1.5	2,482	2,482	29
ECUADOR	31,290	29,970	1,645	4.8	3.1	1,640	320	124
EL SALVADOR	5,728	5,728	42	1.7	1.0	276	276	2
GUATEMALA	5,252(1)	5,252(1)	98 (1)	0.7(1)	.5 (1)	---	---	--
HONDURAS	5,267	4,586	166	1.5	1.1	2,997	2,997	75
MEXICO	445,280(1)	7,595 (1)	58,468 (1)	11.5 (1)	5.7 (1)	--	--	--
NICARAGUA	4,759(1)	3,167 (1)	412 (1)	2.9 (1)	1.7 (1)	--	--	--
PANAMA	7,712	9,192	142 (1)	5.6	3.3	5,922	5,922	--
PARAGUAY	51,132	51,132	5,560	20.6	13.3	4,000	4,000	625
PERU	19,996	18,031	1,988	1.7	.9	6,600	2,200	588
URUGUAY	145(1)	326 (1)	74 (1)	.13 (1)	.03 (1)	--	--	--
VENEZUELA	154,476(1)	33,078 (1)	9,209 (1)	29.3 (1)	9.6 (1)	--	--	--

(1) Data for 1960 thru 1968

COUPS IN LATIN AMERICA

Mr. PASSMAN. How many Latin American countries experienced a coup during the last fiscal year or calendar year 1969?

Mr. KLEINE. I know of none during this fiscal year——

Mr. PASSMAN. I am talking about 1969.

Mr. KLEINE. I believe that there were none. We will check for the record.

(The information follows:)

COUPS IN LATIN AMERICA, 1969

The sole coup in Latin America during 1969 was in Bolivia where Air Force Commander in Chief Alfredo Ovando ousted President Siles.

LATIN AMERICA'S PRESENT AND FUTURE DEBT BURDENS

Mr. PASSMAN. Doctor, you state on page 3 that you are strongly encouraging Latin America to explore carefully with the international institutions the implications of their present and future external debt burdens. If you have some information that you could furnish to the committee please do so as to what progress you have had.

Mr. KLEINE. Yes, sir.

(The information follows:)

LATIN AMERICAN DEBT BURDEN SITUATION STUDY

The United States and Latin American members of IA–ECOSOC, acting on the Rockefeller proposal, recommended at the Eighth Special Meeting of IA–ECOSOC, held in Caracas from February 3 to 6, 1970, that:

CIAP encourage the international financial institutions to make immediate and intensive studies of the present and prospective foreign debt situation of Latin American countries, for the purpose of devising measures by creditors and debtors that may be applicable in appropriate situations to relieve the burden of debt service. The studies should be coordinated by CIAP, which would carry out necessary supplementary studies and consult with Latin American countries.

Technical discussions are currently in progress between CIAP and the international agencies regarding the studies.

DOMESTIC REVENUE COLLECTED BY LATIN AMERICAN COUNTRIES

Mr. PASSMAN. Update the table that appeared on page 1476 of last year's hearings which indicated the amount of domestic revenue collected by the various Latin American countries.

(The information follows:)

CENTRAL GOVERNMENT DOMESTIC REVENUES IN CONSTANT 1968 PRICES: 1961-1969
(Millions of U. S. dollar equivalents)

Region and country	1961	1962	1963	1964	1965	1966	1967	1968	1969 P
18 L.A. Republics TOTAL	10,186.6	10,031.9	10,238.3	10,673.0	11,666.9	13,255.4	13,491.1	15,414.8	15,783.5
5 C.A. Republics * TOTAL	334.4	344.8	354.2	391.5	426.8	442.4	453.4	502.5	542.4
Argentina	2,072.5	1,658.6	1,472.0	1,441.3	1,696.8	2,395.4	2,699.4	3,124.9	3,177.1
Bolivia	47.3	52.6	58.4	63.4	67.8	79.1	82.3	83.6	93.8
Brazil	2,645.2	2,619.5	2,639.3	2,697.7	3,106.8	3,435.9	3,089.5	3,991.5	4,056.1
Chile	734.5	910.5	912.2	913.1	1,125.2	1,320.2	1,300.0	1,422.0	1,539.1
Colombia	424.0	407.4	414.1	407.2	370.7	469.5	491.0	542.0	565.8
Costa Rica	82.6	89.3	84.8	91.3	89.8	90.4	95.7	111.8	108.8
Dominican Republic	153.7	174.2	185.3	206.5	122.1	169.9	180.8	229.1	228.3
Ecuador	194.9	199.3	225.1	252.1	249.1	257.0	290.6	308.8	313.6
El Salvador	75.1	77.3	86.2	93.1	93.4	94.7	94.7	110.8	126.0
Guatemala	86.9	84.8	82.5	98.1	120.5	123.3	126.6	134.9	154.9
Honduras	45.3	47.4	48.5	47.2	55.5	62.7	65.5	69.0	76.7
Mexico	1,164.9	1,252.1	1,399.1	1,606.9	1,796.9	1,864.1	1,862.4	2,151.8	2,244.3
Nicaragua	44.5	46.0	52.2	61.8	67.6	71.3	70.9	76.0	76.0
Panama	69.1	73.6	76.5	81.3	91.7	104.5	112.2	119.4	127.6
Paraguay	34.2	36.8	34.8	36.5	47.3	49.6	54.3	57.6	65.0
Peru	513.4	548.8	600.4	640.9	629.6	624.0	731.6	733.9	717.3
Uruguay	272.3	244.0	239.9	248.8	217.7	254.3	207.0	197.9	213.7
Venezuela	1,526.2	1,509.7	1,627.0	1,685.8	1,718.4	1,789.5	1,936.6	1,949.8	1,899.4

* Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua. P=Preliminary

CENTRAL GOVERNMENT DOMESTIC REVENUES IN LOCAL CURRENCIES: 1961-1969

Country	Unit	1961	1962	1963	1964	1965	1966	1967	1968	1969 P
Argentina	Billions of pesos	164.3	164.8	186.3	229.3	342.0	599.3	851.1	1,093.8	1,189.9
Bolivia	Millions of pesos	423.3	487.6	547.6	640.4	732.6	869.8	948.3	1,004.5	1,136.6
Brazil	Mill.of new cruzeiros	490.0	748.0	1,346.0	2,582.0	4,602.0	7,076.0	8,424.0	13,532.0	16,618.0
Chile	Millions of escudos	808.0	1,153.0	1,628.0	2,375.0	3,930.0	6,024.0	7,614.0	10,908.4	15,356.0
Colombia	Millions of pesos	3,031.0	3,113.0	3,900.0	4,470.0	4,446.0	6,452.0	7,348.0	8,727.0	9,930.0
Costa Rica	Millions of colones	495.9	541.6	530.8	595.1	586.7	588.1	623.1	743.1	744.0
Dominican Republic	Millions of pesos	117.7	150.9	173.7	199.9	117.4	162.0	173.1	229.1	232.5
Ecuador	Millions of sucres	2,707.0	2,831.0	3,330.0	3,854.0	3,950.0	4,282.0	5,018.0	5,558.0	5,987.0
El Salvador	Millions of colones	185.7	189.5	214.0	233.2	236.8	237.1	236.2	277.1	318.3
Guatemala	Millions of quetzales	85.8	85.9	84.3	98.1	118.9	120.8	124.3	134.9	158.1
Honduras	Mill.of lempiras	83.1	87.6	91.1	90.5	108.3	122.1	129.5	138.0	155.5
Mexico	Billions of pesos	11.4	12.8	14.6	17.3	20.1	21.6	22.5	26.9	29.0
Nicaragua	Millions of cordobas	261.1	270.2	318.5	392.0	453.1	483.1	491.3	531.8	542.4
Panama	Millions of balboas	62.5	67.1	71.1	75.6	86.5	99.3	111.4	119.4	130.0
Paraguay	Millions of guaranies	3,623.2	4,156.9	4,091.4	4,376.6	5,779.0	6,300.3	6,832.2	7,255.0	8,323.0
Peru	Billions of soles	9.5	10.7	12.4	14.9	16.6	18.5	23.8	28.4	29.0
Uruguay	Billions of pesos	2.8	2.8	3.4	4.9	6.8	14.5	21.3	46.1	61.9
Venezuela	Millions of bolivares	5,850.0	5,860.0	6,547.0	7,126.0	7,264.0	7,751.0	8,539.0	8,775.0	8,717.0

P=Preliminary

Mr. PASSMAN. I also notice on page 3 that we have eliminated the requirement that all goods and services financed under the U.S. assistance programs be purchased from the United States. Is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Is there any limitation whatsoever or can they purchase wherever they want to?

Mr. KLEINE. There is indeed a limitation, Mr. Chairman.

Mr. PASSMAN. Percentagewise. I am not talking about strategic materials but I am talking about commodities as such.

Mr. KLEINE. Procurement is limited to the United States and all independent countries south of the United States except for Cuba. It is regional untieing.

Mr. PASSMAN. How about Europe?

Mr. KLEINE. No, sir.

Mr. PASSMAN. If we furnish the dollars for which they requisition their commodities, they can take the money they earn from their exports and buy wherever they want to, can't they?

Mr. KLEINE. Their own exports earn free earnings; yes, sir .

Mr. PASSMAN. The same difference; why have any ruling if we have no control over how they spend their money and we do know that the trade, according to the record, with European countries, our competitors, is increasing substantially? Is it not?

Mr. KLEINE. But there is a surplus that Latin America is enjoying in its trade with Europe. In fact its surplus with Europe is being used by Latin America to finance its deficit with the United States.

Mr. PASSMAN. I am of the opinion that if you make a check of it, this picture will not look as good as you might think. Everything that we ship to Latin America against their aid program is taken into account as an export, isn't it?

Mr. KLEINE. In the U.S. figures?

Mr. PASSMAN. Yes.

Mr. KLEINE. But then on the payment side, the U.S. drawdowns in U.S. loans are recorded.

Mr. PASSMAN. It is a very small payback, we know that. I could almost pay back as much as they pay back. The facts are that foreign aid, commodities, shipped, regardless of whether it is grant or concessionary loan, it is considered an export, isn't it?

Mr. KLEINE. That is correct.

Mr. PASSMAN. That is why we are getting into a lot of trouble with our balance-of-payments situation. We may adjust these figures on exports versus imports but you have to bring those dollars home before you can ever take credit for them in our balance of payments.

Mr. KLEINE. I was just wondering if I might comment on your remark. In the Latin American situation the United States enjoys a positive account that is far in excess of the financing through the AID program. For example, in 1969 the positive trade balance for the United States is $2 billion——

Mr. PASSMAN. What do you mean positive?

Mr. KLEINE. Favorable balance.

Mr. PASSMAN. What did we import? What were our imports from Latin America in 1969?

Mr. KLEINE. $6.047 billion.

Mr. PASSMAN. What was our export figure to Latin America?

Mr. KLEINE. Into Latin America is $8.105 billion.

Mr. PASSMAN. What was the amount of aid to Latin America?

Mr. KLEINE. In that year the disbursements were $546 million.

Mr. PASSMAN. All spigots?

Mr. KLEINE. That is all spigots.

Mr. PASSMAN. I bet you a suit of clothes that is not correct.

Mr. KLEINE. These are based on the Department of Commerce figures.

Mr. PASSMAN. I am talking about all spigots. The total amount of aid to Latin America, all spigots, is running in excess of $1 billion a year. Isn't it?

Mr. HELLER. This does not include international agency figures. These balance-of-payments figures do not include transfers through the World Bank.

Mr. PASSMAN. Right; this is just one part of it.

Mr. HELLER. It is even if you add them in, I suspect——

Mr. PASSMAN. Let us have a look here at your own records and see what the situation is.

In fiscal year 1969, I think that you are going to find that your grand total was $1,043,800,000. Is that correct?

Mr. KLEINE. If I may just add, the all-spigot disbursement, Latin America, for fiscal year 1970, was $688 million.

Mr. PASSMAN. How much?

Mr. KLEINE. $688 million.

Mr. PASSMAN. What are you going to do with this figure here in your own material where you show an Alliance for Progress obligation of $1.043 billion?

Mr. KLEINE. Those are obligations.

PIPELINE FUNDS

Mr. PASSMAN. I don't know what your drawdown is. What is your pipeline? What is the leadtime in Latin American foreign aid?

Mr. KLEINE. It is about a 2-year pipeline.

Mr. PASSMAN. About 2 years?

Mr. KLEINE. That is right.

Mr. PASSMAN. Even military—what is the military average—pipeline?

Mr. KLEINE. From 12 to 18 months.

Mr. PASSMAN. Military, that includes an average of 12 to 18 months' pipeline where you have to make procurements?

Mr. KLEINE. This is for heavy equipment.

Mr. PASSMAN. All you people have to do is draw a check.

Mr. KLEINE. We draw a check on the basis of progress on these development loans.

Mr. PASSMAN. Your contribution to international organizations, that is not added in either, is it?

Mr. KLEINE. No; that would not be added in.

Mr. PASSMAN. I am not at all satisfied with these statistics because I believe there have been too many deletions.

PRINCIPLE POLICY OF AID ASSISTANCE TO LATIN AMERICA

O page 1 you indicate that the principle of the new U.S. policy of action in the American states is a firm commitment to continued U.S. assistance to hemisphere development. Is it not true that we have already made this commitment to them in the past?

Mr. KLEINE. Yes, sir; the commitment is a reaffirmation.

LOAN TO CARIBBEAN DEVELOPMENT BANK

Mr. PASSMAN. On page 4 you indicate that a loan of $6 million is expected to be made in fiscal year 1970 to the newly formed Caribbean Development Bank. Could you tell the committee the purpose of the loan?

Mr. KLEINE. The Caribbean Development Bank is in the process of being organized and a president has been appointed.

Mr. PASSMAN. What country is he from?

Mr. KLEINE. He is from Jamaica.

Mr. PASSMAN. What is going to be the capital of this Caribbean Development Bank?

Mr. KLEINE. The bank had its inaugural meeting in January of this year and the planned capitalization is $50 million.

Mr. PASSMAN. What is going to be the amount we are going to commit?

Mr. KLEINE. $6 million.

Mr. PASSMAN. Is this the final figure.

Mr. KLEINE. This is the——

Mr. PASSMAN. I am familiar with the Inter-American Development Bank, the Asian Development Bank, and the International Development Association and how these things start out. They have continued to grow. I think that they are the most mismanaged operations that you can find anywhere in the field of finance. When I look at the record of the Inter-American Development Bank and the Asian Development Bank, it is unbelievable. As I read the record from the Asian Development Bank, their administrative expenses were $5,652,598. The board of governors spent $64,892, the board of directors spent $724,949 and the staff spent $3,993,031 in the "other" category they listed $869,726. Then they had representation allowances of $44,849. That is the most mismanaged operation that I have had anything to do with.

Our own U.S. director, the U.S. member on the board, was not able to tell the committee the individuals receiving loans from the Bank because the president would not let him know. Look that record up. This is the worst operation that you will find in government.

These things are getting us, it would appear, into a certain amount of trouble, because you have no right of detailed examination because the projects are untouchable. We can talk about representation allowance, and the overhead expense, but the type of loans and whether they are sound we have no way of knowing. That is why I don't like multilateral organizations. I wish you would be careful about this. Who are the other subscribers to this Bank?

Mr. KLEINE. From outside the region, the United Kingdom and Canada are in fact members of the Caribbean Development Bank.

Mr. PASSMAN. I wish you would put in the record, if you will, who is putting up this $50 million. Is this a grant or a loan?

Mr. KLEINE. The U.S. input to the Bank is a loan, sir. The Bank's capitalization has been set at $50 million. Fifty percent of the $50 million will be paid in over a 5-year period.

Mr. PASSMAN. Fifty percent of what, the $6 million?

Mr. KLEINE. Of the Bank's $50 million capitalization. Our $6 million will be a loan to the Caribbean Bank.

Mr. PASSMAN. How do you know they would need it, if the subscribers are going to pay in $50 million? The bank hasn't been organized yet, has it?

Mr. KLEINE. It has been organized.

Mr. PASSMAN. Have they set up operations? Are they doing business yet?

Mr. KLEINE. No business as yet.

Mr. PASSMAN. Do they have a location?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. They have set up shopkeeping?

Mr. KLEINE. They have a location. It is located in Bridgetown, Barbados. There is a president.

Mr. PASSMAN. Have they opened their door?

Mr. KLEINE. Not yet.

Mr. PASSMAN. Are they accepting applications?

Mr. KLEINE. Not yet.

Mr. PASSMAN. They are going to have $50 million to play with?

Mr. KLEINE. They will have $25 million that will be paid in over a 5-year period. This does grow out of a study that was made with regard to the needs of the bank.

Mr. PASSMAN. Who made the study?

Mr. KLEINE. It was done by the UNDP preparatory mission in 1967.

Mr. PASSMAN. That doesn't mean a thing in the world. How do you know they will even need the $6 million? They are not in business.

Mr. KLEINE. Based on the analysis of the needs of this bank to get itself started and to help meet the initial needs.

Mr. PASSMAN. I thought they were going to have $25 million, some of it paid in.

Mr. KLEINE. Paid in over a 5-year period.

Mr. PASSMAN. How much are you going to have paid in before they unlock the door for business? Does it show any?

Mr. KLEINE. I don't have that information right here, sir, but I can provide it for you.

Mr. PASSMAN. But your record shows $25 million will be paid in over a period of 5 years.

Mr. KLEINE. That is right.

Mr. PASSMAN. And the $50 million extends out into the future, is that right?

Mr. KLEINE. That is correct.

Mr. PASSMAN. It looks like Uncle Sam is getting taken for a ride. It looks like they are going to operate on our $6 million. I am reasonably sure, if I were sitting in your place, I would hold this in abeyance for at least 5 years. They have gotten along this long without it. Maybe they don't need this money, because we are going to have to borrow it, and I would assume this would be one of those concessionary type loans, wouldn't it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I wish you would have a look at this. You ought to read the hearings some time on this Asian Development Bank as to just how far afield we have gone. They have money running out of every hole in their body, and yet they are thinking about requesting a supplemental. I don't care over how many years it is. They might get it all in the first day.

INCREASED EMPHASIS ON MARKETING SYSTEMS IN BRAZIL

On page 10 you state that the present primitive marketing systems are wasteful and incapable of meeting the needs of rapidly growing urban centers without exerting increasingly intolerable pressures on costs and prices. Is this a new discovery or have we been trying to improve these marketing systems over the past several years?

Mr. KLEINE. No, it is not a new discovery. It is a recognition that perhaps more emphasis is desirable in this area than in the past. In the past more of our effort was directed toward agricultural production. Our present approach is geared to the whole chain, that when you have production, in order to get the output to the consumer, you need a distribution system that works reasonably efficiently and economically. The increased emphasis in marketing seeks to address that area.

COFFEE PRODUCTION

Mr. PASSMAN. How many of the Latin American countries produce coffee on a commercial basis? I think Brazil is one, is it not?

Mr. KLEINE. Brazil, Colombia, Peru, Ecuador, Guatemala.

Mr. PASSMAN. That is considered an agricultural commodity, is it not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is one of their large sources of cash.

Mr. KLEINE. That is correct.

Mr. PASSMAN. I believe that we enforce these programs because it is an agricultural commodity, providing foreign exchange?

Mr. KLEINE. We have not been focusing on the coffee.

Mr. PASSMAN. You are not trying to diversify, are you not?

Mr. KLEINE. Yes, we are trying to diversify, so that they would not be so heavily dependent on the one crop of coffee.

Mr. PASSMAN. Is that the purpose, so that they wouldn't be too highly dependent upon the one crop? Is that the reason why you are diversifying?

Mr. KLEINE. That is correct, sir.

(Discussion off the record.)

Mr. PASSMAN. I guess we would be down there trying to tell them how to raise better bananas if they just gave us time, or are we doing that already?

Mr. KLEINE. I am not aware of any direct assistance in improved banana production.

Mr. PASSMAN. Direct, you say?

TOURIST PROMOTION

On page 6 you indicate that $20 million would be available from the fiscal 1971 program for tourist promotion. Would you provide a

more detailed breakdown to the committee on the $20 million? Put it in the record.

(The information follows:)

BREAKDOWN OF $20 MILLION PROPOSED IN FISCAL YEAR 1971 FOR TOURIST PROMOTION

Two loans for tourism promotion are included in the fiscal year 1971 request. A $5 million loan to the Dominican Republic would finance access roads and utility services to areas where private investors would build resort facilities. In Central America, approximately $10 million of a proposed $30 million loan to the Bank for Economic Integration would be used for the construction of hotels and motels.

Other activities under consideration include a loan for national parks development in Guatemala, loans to Brazil for airport expansion and improvement, and advice and training in the development of tourist services in Central America. Additional loan or technical assistance projects may be presented to AID and will be considered for financing.

TRANSFER TO THE INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE

Mr. PASSMAN. According to one of the footnotes on page 7, $1 million in fiscal 1970 and $9 million in fiscal 1971 will be transfered to the Inter-American Social Development Institute, is that correct?

Mr. KLEINE. That is the plan, yes, sir.

Mr. PASSMAN. And I believe this will be transferred from the development loan program?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. Is this a new way of handling this type of fund? Is this the first time you have transferred money out of the development loan program?

Mr. KLEINE. No. I believe it is not.

Mr. PASSMAN. You are dealing with very recently passed legislation, are you not?

Mr. KLEINE. That is right. This flexibility was provided in the authorization. Up to $50 million of the funds to be made available for fiscal year 1970 and 1971 from Title I of the Foreign Assistance Act are from this Institute.

Mr. PASSMAN. Moving it out of development loans into grant?

Mr. KLEINE. Out of any of the categories appropriated.

Mr. PASSMAN. I will tell you one thing, gentlemen. You are pulling the wool over the eyes of Congress. What you are doing is legal, but all the give-away spigots that you have, complete outright grants under your technical aid program, your supporting assistance program, and all of the international organizations, and now you come and take money out of your development loan fund which until a year ago was supposed to be so sacred. It was a development loan. We switched from grants to loans. We knew all along it was about a 50-percent subsidy to start with. Now it is 46 percent subsidy. But now you people, not only in your area, Dr. Kleine, but in other parts of the world, are dipping into the development loan funds for money to give away strictly as grant aid.

Why won't you people, if you just have to give more away, increase some other spigot? Why get language to transfer it out of something that is called loans into something that we know is a grant? Why didn't you just reduce the amount of the development loan request,

and get it over in the outright grant field rather than to get language, that would permit you to transfer funds out of the development loan program and give it away as a grant? Wouldn't it have been a lot easier, less complicated with less bookkeeping?

Mr. KLEINE. It would have been easier. You will recall, sir, that AID did not make a specific request for the Inter-American Social Development Institute.

Mr. PASSMAN. This is one exception where you are taking money out of your development loan account and putting it over into the Institute. We examined earlier, I believe, this week in another area. Regardless of what they use it for, they take it out of development loans and it gets over into a grant category. I think it is very, very bad to present it as a loan request, and then have the legislation amended as you did, I believe, last year. Fiscal year 1970 is the first year you have used it.

Mr. KLEINE. That is correct, fiscal year 1970 is the first year in which we plan to use loan funds for this purpose. When this was set up as I mentioned earlier, Mr. Chairman, there was no specific amount that was appropriated for it. It was new. Nobody knew just what its requirements would be.

Mr. PASSMAN. Why didn't you ask for it as a grant in another section of the bill?

Mr. KLEINE. It was added to the bill, during the Congressional cycle, and with the authorization provided that the funds could be drawn from grant or loan funds.

Mr. PASSMAN. From development loans.

Mr. KLEINE. Development loan.

Mr. PASSMAN. And given as a grant?

Mr. KLEINE. And it could be given as a grant.

Mr. PASSMAN. Regardless of what they use it for, when you take the funds out of development loans, it is given as a grant, isn't it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And this is a brand new approach to foreign aid, isn't it?

Mr. KLEINE. ISDI is. Yes, sir.

Mr. PASSMAN. I don't like it. I believe if you thought it over you wouldn't like it. It would be a lot better to have the money requested under the grant request.

What you are actually doing is dissolving the development loan fund.

Would you briefly place something in the record which would support this type of departure from the normal operations in order to fund this new institution and provide some information on this institution?

Mr. KLEINE. Surely.

(The information follows:)

INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE (ISDI)

The Inter-American Social Development Institute was established by an amendment to the Foreign Assistance Act of 1969. The purpose of the Institute is to increase sharing of individual Latin Americans in development benefits and decisions, and to strengthen democratic institutions. The Institute, governed by a board of directors appointed by the President, will carry out long-term social development through and with private organizations, individuals and

international organizations. Once the President nominates a board of directors, and the Senate approves his nominees, they can select an executive director who can begin operations.

Since the legislation left some latitude as to the Institute's scope and channels of assistance, the administration is studying several alternatives of how best to implement the legislation.

It is assumed that the Institute would support initially a modest social and civic development program which emphasizes innovational activities to stimulate change and further title IX-type goals. Only a few AID programs would be transferred at the outset. The rate of transfer of current AID activities to the Institute would be governed not only by development of Institute capabilities to monitor projects, but also by its choice of a mix as between projects now supported by AID, and activities initiated by the Institute itself or its grantees. It is expected that, while direct support of Latin as well as United States and international institutions is not foreclosed, initial grants would go primarily to private U.S. institutions. This view appears to be consistent with that of congressional sponsors. In any event, the Institute's board of directors, and the executive director appointed by them, will largely determine what the Institute seeks to do, and how.

The Foreign Assistance Act of 1969 provided that a sum not to exceed an aggregate amount of $50 million of the funds—either grant or loan—made available for the fiscal years 1970 and 1971 to carry out part I of the act should be made available for the purposes of the Institute. To enable the Institute to begin operations, AID is programming $1 million of Alliance loan funds in fiscal year 1970 and $9 million in fiscal year 1971 for transfer to the Institute to cover administrative costs and grants for new activities. The authorization levels approved by the act for both grants and loans in fiscal years 1970 and 1971 represented large reductions from the funds requested. Hence, it was decided to transfer loan funds, which entirely support new projects, rather than grant funds, which mostly provide funds required to continue existing projects.

The Peterson task force, in its report just issued, suggested that the functions envisaged for the Institute be performed by a proposed U.S. International Development Institute on a world-wide basis, with a separate division for Latin America. Thus, the question of activating the Institute remains under study.

LEGISLATION FOR THE INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE

Mr. PASSMAN. I don't see how you people keep up with all of these different names, bureaus and departments that are set up under different captions. Of course, that brings in an extra desk and provides more jobs to take care of various people we like. I understand that.

Mr. KLEINE. But I would stress, sir, that this was included in the legislation as an initiative on the part of the Congress.

Mr. PASSMAN. I don't know of a thing in the world that has ever been initiated on the Hill since I have been here. This comes from downtown and the doctor over here knows that. Most members of Congress won't even switch a period or a comma from one word to another. They are afraid they will change the meaning. They have to call downtown to see whether it is acceptable. Who initiated it?

Mr. KLEINE. This was proposed by Congressman Fascell and I believe a number of cosponsors.

Mr. PASSMAN. Where is this outfit domiciled?

Mr. KLEINE. Not anywhere as yet, sir.

Mr. PASSMAN. Do you have any plans as to where it will be, where the association will be domiciled?

Mr. KLEINE. No, sir. This would be left to the board of directors when appointed.

Mr. PASSMAN. What board of directors?

Mr. KLEINE. Under the legislation there is to be a board.

Mr. PASSMAN. I believe this institute was proposed by Congressman Fascell?

Mr. KLEINE. It is correct that he was a cosponsor.

Mr. PASSMAN. What is going to be the total annual allocation to this Inter-American Social Development Institute?

Mr. KLEINE. It is too early to say. The legislation permits up to $50 million from fiscal 1970 and fiscal 1971 appropriations. The expectation is that later on the Institute will request funds from the Congress, separately from the AID request.

Mr. PASSMAN. This is brand new though, isn't it, a brand new organization?

Mr. KLEINE. That is correct.

PURPOSE OF THE INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE

Mr. PASSMAN. What will it do? What is the purpose of the organization?

Mr. KLEINE. It is intended to provide emphasis on activities which expand participation in development decisions and benefits.

Mr. PASSMAN. Emphasis on what?

Mr. KLEINE. Using nongovernmental organizations with a focus on title IX.

Mr. PASSMAN. In what field? What is title IX?

Mr. KLEINE. Title IX of the Foreign Assistance Act is concerned with programs that deal with improving the quality of living of individuals and broadening their participation in development.

Mr. PASSMAN. I thought that was the whole purpose of AID from the very outset of AID, to improve the situation of the individual down at the grass root level. Isn't that just what you said?

Mr. KLEINE. That has been a general purpose of the legislation. Title IX has put special emphasis on the grass roots aspects of assistance.

Mr. PASSMAN. Isn't that what we have had ever since we started this worldwide giveaway program, to help the people?

Mr. KLEINE. That is correct, sir. This is primarily in the private sector, the nonpublic sector.

Mr. PASSMAN. I know but if it is in the private sector, it is being financed with Government funds. Who will the institute be dealing with?

Mr. KLEINE. They will be dealing with such organizations as savings and loan institutions, credit unions, cooperatives, local municipal government groups.

Mr. PASSMAN. Where are you going to get the board of directors and what are they going to do? Are they going to be salaried men?

Mr. KLEINE. No, sir, they will not be salaried. The Executive Director will be salaried.

Mr. PASSMAN. And the board of directors?

Mr. KLEINE. Will be appointed.

Mr. PASSMAN. Who will they be?

Mr. KLEINE. They will be nominated by the President and confirmed by the Senate.

Mr. PASSMAN. But they are coming from the private sector?

Mr. KLEINE. Four of seven will.

Mr. PASSMAN. What are they going to do, teach people how to have better health or how to get more profit or how to charge higher interest?

Mr. KLEINE. We recognized, sir, that it was difficult for the U.S. Government, as an establishment, to deal outside of direct government-to-government relationships.

Mr. PASSMAN. These people then are going to deal from private sector to private sector?

Mr. KLEINE. That is correct.

Mr. PASSMAN. And it is going to be business people, maybe out of banking, out of building loans, out of retailing or wholesale distributors, and they are going to go and talk to people in other countries, is that right?

Mr. KLEINE. They can be businessmen, educators, those involved in social development programs.

Mr. PASSMAN. But they are in the private sector talking with their counterparts?

Mr. KLEINE. That is correct.

Mr. PASSMAN. And if a tired old banker in America wants to go talk to a tired old banker down in Guatemala, then his expenses are paid for out of this fund?

Mr. KLEINE. A great deal, of course, will be left to the discretion of the board of directors when they are appointed. We assume that non-governmental organizations will carry out these activities, rather than individuals on a direct hire basis. If I recall the legislation, it limits the numbers of staff that the organization can employ. As for the board of directors, if I recall, the legislation does provide that three of the seven will be drawn from the U.S. Government.

Mr. PASSMAN. Four from the private sector?

Mr. KLEINE. Yes, sir; major reliance will be on the private sector.

Mr. PASSMAN. But on the other hand, these people have $50 million. They are not going to be peddling commodities, are they?

Mr. KLEINE. No, sir.

Mr. PASSMAN. This is a new agency that you people didn't ask for, that you knew nothing about, a vehicle of the Congress. Yet you plan to fund it up to $50 million.

Mr. KLEINE. It was sponsored by Members of the Congress, but it was one which we supported. We are now funding up to $50 million as——

Mr. PASSMAN. You said you envision this outfit costing $50 million.

Mr. KLEINE. The legislation provides for authority up to $50 million.

Mr. PASSMAN. Up to $50 million. Have you transferred any money over to it? I believe earlier you said $1 million.

Mr. KLEINE. Not yet, sir.

Mr. PASSMAN. Why don't you just kill this thing right now?

(Discussion off the record.)

Mr. PASSMAN. There are no commodities involved. We are dealing entirely with expenses and personnel, aren't we?

Mr. KLEINE. That would be it primarily.

Mr. PASSMAN. There are no commodities involved?

Mr. KLEINE. There might be small demonstration equipment and training materials.

Mr. PASSMAN. Unless there is something cosumed while you are imparting this knowledge.

Mr. KLEINE. Or minor equipment for training purposes.

Mr. PASSMAN. You are now speculating, aren't you?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. As far as you know now, it is a paper organization dealing with personnel and paper?

Mr. KLEINE. Social development activities.

Mr. PASSMAN. When you say "social," that is a rather broad term. But we get involved with bankers, fixture merchants, credit unions, doctors, tired presidents of universities and they go to these countries and they contact their counterpart in a like situation and talk about racial development. That is just about it.

Mr. KLEINE. Or private groups sponsoring population programs.

Mr. PASSMAN. You are going to have so many population programs that none of you will be able to keep up with it. It is going to be the biggest business on the face of the earth. If you could kind of get this thing to where you stay on top of it, but everybody is starting a family planning program. Like the Pathfinder organization, they popped up overnight with one of these family planning programs. I think this is bordering on the ridiculous.

(Discussion off the record.)

BRAZIL

Mr. PASSMAN. First we will take up Brazil. You are requesting $167,711,000 for fiscal 1971.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. An increase of $4,961,000 above the 1970 program.

Mr. KLEINE. That is correct, sir.

INTERNAL PROBLEMS

Mr. PASSMAN. Mr. Director, several articles in the past indicate that harassment and torture of people opposed to the present Government of Brazil is becoming a way of life. Is that about the way it is running?

Mr. KLEINE. We hope that is not a fact.

Mr. PASSMAN. Of course you hope and I do too, but is it a fact?

Mr. KLEINE. We have had reports, and are concerned with reports, of the use of torture as an interrogation process.

Mr. PASSMAN. Is this a country where they suspended Members of Congress?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. They are really having fun, aren't they? Maybe Americans will get an idea from reading that so let's jump along if we may.

Mr. KLEINE. The Congress has been called back.

Mr. PASSMAN. They are suspended and they could suspend them again, couldn't they?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. They really do have power.

TOTAL ECONOMIC AID TO BRAZIL

Would you place a table in the record showing the total amount of economic aid that is planned for Brazil in fiscal 1971, indicating the source and the amount?

Mr. KLEINE. Yes, sir.
(The information follows:)

Total U.S. Economic Aid to Brazil in fiscal year 1971 by Source and Amount [1]

[In millions of dollars]

AID loans	$155.0
AID grants	12.7
Public Law 480 title I (sales)	25.0
Public Law 480 title II (donations)	11.7
Peace Corps	3.6
Total	208.0

[1] Excludes Export-Import Bank assistance, since amount of business which it does with any country cannot be predicated in advance.

TOTAL FUNDS TO BRAZIL

Mr. PASSMAN. And if you would please place in the record at this point the amount of funds on hand unexpended for Brazil, from all spigots, as well as the amount that we have already funded them from all spigots since the inception of the program?
Mr. KLEINE. Yes, sir.
(The information follows:)

UNEXPENDED BALANCES IN BRAZIL

The unexpended balances of foreign assistance funds in Brazil is estimated to be $481,620,000 at June 30, 1970.

U.S. OVERSEAS LOANS AND GRANTS TO BRAZIL

U.S. Overseas Loans and Grants to Brazil from fiscal year 1946 through fiscal year 1970 (estimated) totaled $2,824 million.

SHIFT TO SECTOR APPROACH

Mr. PASSMAN. On page 11 I notice you say that AID is shifting its approach from separately conceived loan programs for primary and secondary education levels to an integrated sector loan, attacking critical areas and needs in each State. Does this mean that the approach used in the past years has not been productive?
Mr. KLEINE. On the contrary, our current approach does build on the experiences we have had in past years.
Mr. PASSMAN. Builds on?
Mr. KLEINE. Built on a sector approach.
Mr. PASSMAN. When did you think of this?
Mr. KLEINE. An education sector loan to Brazil was authorized in fiscal 1968.
Mr. PASSMAN. After the program had been in operation for 22 years? What I am trying to find out is whether or not you have any positive proof that this is the better approach to the problem.
Mr. KLEINE. It is our sincere belief that it is a better approach, based on our long association with the educational sector in Brazil. We have had lots of technical assistance, as you know, sir, over the years, and as a result of this involvement and knowledge of the requirements, the sector approach developed.
Mr. PASSMAN. I will bet you agree with me on this, that we are certainly getting ourselves involved in a lot of programs in a lot of places around the world.

Mr. KLEINE. We are engaged in a number of programs.

Mr. PASSMAN. When I say "involved," that is about the same thing, isn't it? You won't quarrel with that?

Mr. KLEINE. No, sir.

Mr. PASSMAN. This aid program is very complicated, complex, and has so many different phases to it, also you people just run it the way you want to. It is strictly an illustrative proposition, is it not? I mean your request is on an illustrative basis?

Mr. KLEINE. The development loan category, yes.

Mr. PASSMAN. The whole program is on an illustrative basis, even your technical aid, isn't it?

Mr. KLEINE. That is correct with respect to loans. For technical assistance grants, however, our request covers needs for projects, which, for the most part, are underway.

Mr. PASSMAN. You could write me a letter and couldn't say any more than that. It is correct. It is illustrative.

DEVELOPMENT LOANS—PROJECT ASSISTANCE AND SECTOR LOANS

Would you furnish for the record a breakdown of the $155 million estimate for development loans, showing how much would be project assistance and how much would be in the form of sector loans?

(The information follows:)

Brazil—Composition of loan request, fiscal year 1971

Sector:	
Name:	
Agriculture	$45,000
Education	15,000
Total sector	60,000
Project:	
Name:	
Education	10,000
Health	5,000
Health	15,000
Local governments	10,000
Economic and industrial development	5,000
Total project	45,000
Summary:	
Sector	60,000
Project	45,000
Program	50,000
Total, proposed fiscal year 1971 loans	155,000

NONCONTRACT PARTICIPANTS

Mr. PASSMAN. Last year you indicated that you would program 805 noncontract participants for fiscal year 1970, is that correct?

Mr. KLEINE. Yes, 805 were proposed last year for fiscal year 1970.

Mr. PASSMAN. May I ask the Comptroller this question. I believe the AID program was reduced by about one-third last year.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I wonder how you, along with all of the other people who appear before this committee, are able to increase substantially every area that you operate in. Now about the 805 noncontract partici-

pants, even with a one-third reduction in the program you were able to fund, I believe, 871, is that correct?

Mr. KLEINE. 871. The increase in participants is tied to a decrease in U.S. technicians. We decided to reduce U.S. personnel in Brazil, while not causing a detriment to the AID training effort.

AGRARIAN REFORM PROJECT

Mr. PASSMAN. On page 16, under the agrarian reform project, I notice you plan to increase the life of this project by 2 years, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And by so doing you are going to increase the total cost by $1,975,000, is that correct?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. It is too bad we don't have a line item bill to make you people come in with a benefit/cost ratio on these projects. You have no more idea what these projects are going to cost and when you are going to terminate them when they are originated than I do.

Mr. KLEINE. We do have an idea, sir. In this case we extended the project, and increased the cost estimate, in response to greatly intensified Brazilian interest and activity in the last year or two, particularly in helping the workers on the sugar lands in the Northeast.

Mr. PASSMAN. Oh, you have an idea. I didn't say you didn't have an idea. With practically every project, each year you move them up 1 year, 2 years, or 3 years, and the cost goes up and up. Let's go back to when the project was originated. When did you originate this project?

Mr. LONG. Will the Chairman yield?

Mr. PASSMAN. As soon as he answers this question.

Mr. KLEINE. In 1963, sir.

Mr. PASSMAN. In 1963, you originated this project. What was the estimated cost at that time?

Mr. KLEINE. I can supply that for the record.

Mr. PASSMAN. Provide it now. What is the last year you have since it started in 1963? Do you have 1966?

Mr. KLEINE. We have the figure used last year as an estimate of total cost.

Mr. PASSMAN. Let's go back a little bit before that. We might as well make a case right here. Do you have 1969?

Mr. KLEINE. The fiscal year 1970 congressional presentation book figure is the last I have, sir.

Mr. PASSMAN. Two-thirds of the questions I ask deal with years prior to 1970. Why don't you people bring your books up? Are you afraid I will ask you these questions and you don't want to give the answers?

Mr. KLEINE. No, sir.

Mr. PASSMAN. Let's take this one project. Let one of your assistants, if you can spare him, go find out from downtown, the estimated cost of this project in 1963 and when it was to be completed. We will excuse you while you go get that information.

Dr. Long?

LINE ITEM APPROACH

Mr. LONG. The Chairman mentioned the line item. Why don't you folks justify your requests on a line item basis? It is done by the armed forces on another subcommittee, military construction. Why can't you people do it, and stay with it? I mean use a real line item and not an illustrative item.

Mr. KLEINE. Unlike construction undertaken by the U.S. Armed Forces, the situation with which we deal in these developing countries, Mr. Congressman, is a fluid one. The line item approach does not provide the flexibility required for assisting institutional change in developing countries.

Mr. LONG. You come back for an appropriation every year. Isn't that time enough in which to change your plans and bring your justification before Congress?

Mr. PASSMAN. The gentleman is shaking his head. Let me tell you something, Doctor. I have been around here a few more years than you have been around. We run our government that way. When a public works project is proposed, you have to justify the project. I don't care what great benefits this project will produce, you have still got to go through the regular process and arrive at Washington through the local engineer, the Corps of Engineers, the Chief of Engineers, and the Public Works Committee. You must establish what this project is going to cost and what the cost-benefit ratio is going to be. When you finally get it approved, if you get it approved, then you only get a portion of the funds each year for about 5 years. You don't start tripling the cost of those projects every year. The time is coming that we are going to have to insist——

(Discussion off the record.)

Mr. LONG. Does this committee, Mr. Chairman, have the power to insist on a line-item bill?

Mr. PASSMAN. Sure.

Mr. LONG. Why don't we do it?

Mr. PASSMAN. This should be looked into.

Mr. LONG. It this a problem with the whole committee?

Mr. PASSMAN. I guess it could be a problem but we could recommend the action as a subcommittee.

Mr. LONG. Then why can't we as a subcommittee insist on line-item justification?

Mr. PASSMAN. I think this year we are going to eliminate all of these projects where they have tried to change the rules by which they operate, where they do not give the estimated cost and the year of completion. All through the book they are throwing in undetermined——

Mr. LONG. Frankly, it is a waste of our time to sit here and go through illustrative justifications. I don't appreciate having my time wasted. On the Military Construction Subcommittee, if there is a $50,000 item for air conditioning, for an administration building in some obscure base, we deal with that as an individual item. They either spend the money for it, or the money goes back into the pot and has to be reappropriated.

Mr. PASSMAN. There is no reason to believe that we would have lost complete control without these hearings. It may appear to be a waste of time to you, but we do point out hundreds of times in the

record just how many entanglements we have gotten ourselves into, and just how loosely the department is operating. Without that, I question whether this thing possibly wouldn't have been double the amount.

Mr. LONG. I think our hearings are better than nothing, but I think it would be far better if we made them toe the line and made them adhere to the justifications.

Mr. PASSMAN. There are 4,408 projects and subprojects in 99 nations of the world. The bill would be a book in all probability. I have pleaded with these gentlemen for years, and some of you recall this, to start a few programs, know what they are going to cost, and do them well, but you people insist on covering the waterfront. You will just start literally hundreds of programs, whereas if you would go in and start a few good programs and be sure they are carried out according to a well laid out plan, not only would you get some beneficial return but you would make an impression on these people.

Mr. LONG. I agree with the Chairman on that.

Mr. KLEINE. May I comment, sir.

Mr. LONG. Yes, I would like to hear your comment.

Mr. KLEINE. For the bulk of the program, which represents the lending category, we operate as a banking institution.

Mr. PASSMAN. I don't mean to interrrupt you, but you sure don't operate as a banking institution.

Mr. KLEINE. In the allocation of these resources that are made available through an appropriation, we do approach, to the greatest extent possible, a businesslike cost-benefit approach. We try to be responsive to initiatives taken by the developing countries to meet what they believe to be their primary needs. We, as you know, sir, are a bank of last resort in that what we undertake is that which is not funded, financed by the International Bank, the Export-Import Bank, or not available for financing in regular commercial sources. Only 2 percent of our proposed loans are in fields such as power, industrial infrastructure, and transportation, where cost estimates can be realistically firm. This area of loan funding is illustrative. What we have described in our presentation is the result of discussions and talks that have gone back and forth, and at this date represent our best ideas as to those projects which will mature, based on surveys and studies that have been undertaken sometime past.

The technical assistance grant category, as you know, sir, represents projects that have been underway for some time. We fund on an annual basis. We can be more precise but changes of an institutional or political nature upset our calculations. Sometimes opportunites come up which we believe are desirable for us to take advantage of, to help meet again these priority needs as identified in these countries, and the system that is used now make it possible for us to be more flexible in meeting these needs.

Mr. LONG. In other words, putting it unsympathetically, you are able to do what you want to do now.

Mr. PASSMAN. It is just this simple. I have discovered this over and over again. You have some capable people administering this program, but I also find men that don't know any more about this program than I do surgery.

So many people in AID do not know how to relate the costs of these projects to value received. They don't even know what you are talking about when you talk about cost-benefit ratio and how it is proven. The point is you have one standard for America and you have another standard for the AID program abroad. There isn't any question about that. I have gone over this for 18 years, hundreds and hundreds of times. I would pick a few of them just to make a case.

We have found you people changing the names of projects and breaking a project into several projects. You are fairly new in this program, and as a new witness here I don't go too much into detail, but so that you will know that we do keep up with what is going on I want you to read page 176 of the hearings of 1966 concerning the balance of exports and imports which we discussed earlier. You are going to find out whether we are on the minus side or whether we are on the plus side. It speaks for itself.

Of course you have some kind of an explanation, but it follows nevertheless that we give you a great big lump sum, and you people do whatever you want to with it, and there is nobody to pass judgment upon you other than this committee, with our limited resources.

AGRARIAN REFORM PROJECT

Do you have those figures, Doctor on the agrarian reform project? When did you originate the project?

Mr. KLEINE. 1963.

Mr. PASSMAN. What did you estimate the project would cost in 1963?

Mr. KLEINE. I am informed that the earliest information we have is that indicated in the congressional presentation for fiscal year 1966.

Mr. PASSMAN. All right, gentlemen, we will take that.

In 1966 what was the estimated cost?

Mr. KLEINE. $2,133,000.

Mr. PASSMAN. When did you estimate that it would be completed?

Mr. KLEINE. 1970, fiscal 1970.

Mr. PASSMAN. In 1969 what did you estimate the cost would be?

Mr. KLEINE. I have the estimate made in the fiscal 1970 presentation.

Mr. PASSMAN. Gentlemen, my apologies. I am not asking for 1970. I want to establish for the record what this thing is. Do you have 1969?

Mr. KLEINE. I don't have that information here.

Mr. PASSMAN. Gentlemen, don't you have these books?

Mr. KLEINE. Yes, sir, we have the books for fiscal year 1969 and previous years in our files; but we brought only this year's presentation, and last year's, to these hearings.

Mr. PASSMAN. Let me give it to you then. I don't like to ask questions and then answer them. The figure is $3,104,000. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I want you to verify it. You people have the same books that I have.

Mr. KLEINE. That is correct.

Mr. PASSMAN. Now, in fiscal 1970?

Mr. KLEINE. $2,810,000.

Mr. PASSMAN. And when did you estimate it would be completed?

Mr. KLEINE. Fiscal 1973.

Mr. PASSMAN. You see how you move up. Let's get into fiscal 1971. What is the estimated completion cost now?

Mr. KLEINE. $4,785,000.

Mr. PASSMAN. About double. When do you say it is going to be completed?

Mr. KLEINE. Fiscal 1975.

Mr. PASSMAN. I wish I had time to examine on every one of these projects. We would have a line item bill.

Thank you very much, Mr. Kleine.

LABOR PROJECT

On page 18 in connection with the labor project, I note this project is supposed to promote the free democratic trade union movement in Brazil. Do U.S. trade unions contribute any to this project?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. How much? Put it in the record.

Mr. KLEINE. Yes, sir.

(The information follows:)

U.S. TRADE UNION CONTRIBUTIONS TO DEMOCRATIC TRADE UNIONS IN BRAZIL

The contribution made by U.S. trade unions in the promotion of free and democratic trade unionism in Brazil takes various forms, e.g. financing, training, gifts, advisory services, and related assistance. Recent examples are: U.S. Steelworkers—contribution of $5,000 to aid a Brazilian hospital for brain damaged children; Amalgamated Transit Union—donation of sewing machines, material, and clothing to aid a rural cooperative in Northeast Brazil; Meatcutters—donation of several hundred dollars in refurbishing a school in Puerto Alegre; National Maritime Union (NMU)—provided training including room and subsistence for several key Brazilian maritime workers at the NMU Maritime Training Institute in New York.

Over 50 individual U.S. unions belong to international trade secretariats and provide sizeable funds for labor activities in Latin America. These include expenses in Brazil for conferences, travel, vocational, and labor education, training and similar items.

The AFL–CIO provides money for social impact projects related to assisting Brazilian trade unions self-help efforts in community development and children's education and social welfare. During calendar year 1969, for example, the AFL–CIO allocated over $13,000 for projects such as providing shipping costs for several thousand dollars worth of medicine obtained in the U.S. by AIFLD for use in Brazil, assistance in the construction of schoolrooms for union operated schools, purchase of an ambulance and other similar types of community assistance.

The AFL–CIO also furnishes the major portion of funding for ORIT which maintains an office in Brazil and issues publications in Portuguese for the Brazilian workers and assists in developing democratic labor organizations.

Additionally U.S. unions participate in a union-to-union program and visit their counterpart labor organizations in Brazil. The union representative who travel on these programs are paid their salaries and their unions provide the costs for many additional expenditures including costs of publications and materials given the Brazilians, representational costs and related items associated with the visits. Similarly, the U.S. unions host the return visits to the United States made by the Brazilian labor leaders and this has resulted in a very successful union-to-union exchange program.

ELEMENTARY EDUCATION PROJECT

Mr. PASSMAN. In connection with the elementary education project on page 21, I notice you plan to extend the life of this project by 3 years, and increase the total estimated cost by $1,332,000. Is that right, sir?

Mr. KLEINE. Yes, sir. This will permit us to help strengthen the education secretariats in Brazil's northeast and assist Brazil toward its goal of universal education by 1976.

Mr. PASSMAN. I am not blaming you people. This thing cries out for correction.

RESULTS OF THE U.S. AID PROGRAM

It isn't right to let you people get this Government, this great country of ours involved in so many of these entanglements in every country almost on the face of the earth. I will bet, Dr. Kleine, it would be hard for you to believe that when this program was originated you were a very young man, and it required members well fortified with seniority to walk into the well of the House and address the Chair: They said,

> Mr. Speaker, we are now embarking upon a program that could conceivably take us into 17 countries of the world, and it may require 5 years to complete this program and the cost could reach the staggering sum of $15 billion.

You could have heard a pin drop. Fantastic, unbelievable.

Contrast 5 years to 24 years, $15 billion to $195 billion if you include the interest we have paid out on the money we have borrowed to give away and 17 nations to 123 nations of the world. It is unbelievable that we just let this thing get completely out from under control.

You are a smart man. All of you people are scholars. But I am just afraid that you are not associating these costs to the entanglements that we are getting into, the problems that we are creating. This world is in a state of turmoil and where we have made the biggest disbursements of aid, we are now having the most trouble.

Go to the middle East and we see that billions of dollars have been poured into these countries. Yet they break off diplomatic relations. Look at Egypt or take any of them. Go anywhere you want to on the face of the earth. I don't want to lecture a man with your abilities, but do you realize that we are in one heck of a mess with our foreign trade? We have priced ourselves out of the world market. As an economist you know very well that when you raise taxes at the county, State, municipal and Federal levels, a person has to put all of his commodities on the market place at a price which include all the taxes. We have gotten our price so high that we are not competitive on a single agricultural commodity in this country.

Let's take one of our greatest commodities, steel, I think we are importing twice the tonnage that we are exporting. Do you realize Japan, is about 7,000 miles away and they come over here, buy iron ore and scrap metal, ship it to Japan, pay the freight, process it, pay the freight back to the United States, pay the duty, and deliver it to almost any port in the United States at $285 a ton cheaper than Pittsburgh can produce and deliver it.

Mr. Kleine, you are the type of man who could help straighten this out. I would like to have you on this side of the table. Do you realize that Mr. Johnson wanted to try and show a surplus in our balance of payments situation in 1968. And mind you, we have had only two balance of payments surpluses since 1950. One in 1957 of $500 million and in 1968 of $93 million. But in 1968 we had the black satchel man jumping off at all capitals of the world where people had built up surpluses in the foreign exchange account we tried to borrow this money. This man arrived in Bangkok, Thailand, where we had given them over $1 billion in aid, we found that during that same period they had created unneeded surpluses in the balance of exchange accounts and gold reserves of over $1 billion.

We tried to borrow a quarter of a billion dollars from them. It was a very unpleasant incident. Our diplomats pleaded with theirs. Finally they reluctantly agreed to make us a $100 million loan for 4½ years at 6 percent. When it gets ready to come due they don't have anything to pay it with. This is only one example of what makes up this $35 billion worth of short-term claims due tomorrow against our gold reserve.

Mr. Nixon stopped it the first week after he was in office. I guess he must have considered it to be just as ridiculous as I do. He had to stop it. But look what it jumped to when he did. We are looking at the facts of life now, a $7 billion balance of payments deficit, $6.99 billion. This is a mess we are getting ourselves into. If you had studied both sides of this thing, you would understand why I get so completely frustrated when I go into these projects. We just deal from daylight to dark with $1 million here and $10 million there but we happen to know enough about what we are doing to pull all of this out of the budget and put it in one place. I doubt if you would believe that the total budget request this year for all spigots of foreign and for new funds is $12,133,525,000.

I have to deal with the complete package, and it is very frightening, to be frank with you. I don't know where we are going to stop.

Mr. Kleine. If I may just comment very briefly, sir, the Latin American contribution to the balance of payments problem, is, as I mentioned earlier, to the advantage of the U.S. account.

Mr. Passman. I respect your views. You have a right to say it, but I don't know whether it is true or not and I will tell you why.

Every person who comes before this committee and every agency refuses to accept any blame for the deficit in the balance of payments. They say, "No, no, we do not contribute to it," so we complete our examination. We cover the waterfront. Even Mr. McNamara used to say all of the military programs help our balance of payments and our gold situation.

Every person says what you say, "We don't contribute anything to it," but when we finish our examination, all of these disclaimers are put in. But it follows nevertheless that they do make a contribution.

Do you realize that in all probability, if you didn't give Latin America $1, that about 60 percent of everything you give them they would purchase from us anyway? This giving away of our wealth is a brand new foreign policy. The United States became great, free,

strong, and wealthy quickly. As an economist you know this, built around trade and firmness, not around aid and appeasement. We could argue all day, but somebody is contributing greatly to this mess.

Mr. KLEINE. It is not in our relationship with Latin America.

Mr. PASSMAN. I am arguing that of what you are giving them, about 60 percent of it would be purchased if you didn't give it to them. And I want you to check those statistics. You have got to stop this practice. I am not talking about you. I am talking about the government. It is going to eventually wreck our country. We are going to isolate ourselves by not being able to compete on world markets.

I don't do this to be ugly, but I have listened to some of these arguments too long. Do you remember that it used to be said that we should never think about collecting these debts in dollars. It was unthinkable that you would ask these people to repay in dollars. We must accept local currencies. Do you remember that old philosophy?

Mr. KLEINE. That has changed now.

Mr. PASSMAN. No, wait a minute. Lo and behold, one morning, we wake up and said "We have been completely wrong." We took an about face. We said, "Now we are destroying more than we are building up, so we have to have a plan where they will be repaid in dollars." Do you remember the switch? All these years we have had to deal with that?

INDUSTRY AND COMMERCIAL PROJECTS

On page 27, under the Industry and Commercial project, I notice that you plan to extend the life of this project by 2 years, and increase the total estimated cost by $999,000, is that correct?

Mr. KLEINE. Yes, sir. This project has been extended to provide for an expanded program in capital markets and exports promotion, in line with the Presidential initiative announced at Caracas.

Mr. PASSMAN. I notice that last year you projected a fiscal 1970 program of $182,000, and this year you reflect in the current fiscal year a program of $692,000, is that correct?

Mr. KLEINE. Yes, sir. It reflects, sir, 2 years' funding in fiscal year 1970 for an expanded program under the President's initiatives—

Mr. PASSMAN. I just want to know what you asked for last year, and what the same project is this year.

TECHNICAL SUPPORT

Under the technical support project on page 31, I notice last year you proposed a program for fiscal 1970 of $1,728,000, is that correct?

Mr. KLEINE. $1,728,000.

Mr. PASSMAN. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year you indicate the current fiscal year program will be $2,332,000, is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. You might read an explanation of the increase into the record at this point.

(The information follows:)

FISCAL YEAR 1970 INCREASE IN TECHNICAL SUPPORT

The $598,000 increase in the request for fiscal year 1970 technical support funds for Brazil (from $1,728,000 to $2,326,000) is needed for the following:

Personnel services	$218,000
Eight technicians were transferred from grant TA projects which have been terminated. These technicians (five Bureau of Public Roads engineers and three power engineers) are continued under Technical Support to monitor loan projects, among which are transportation amounting to $64.8 million and power amounting to $211.7 million.	207,000
Commodities	207,000
For the purchase of excess property trucks for Food for Development workfront projects; and underprogramed replacements of USAID vehicles, office furniture, equipment, and training aids.	
Participants	93,000
For meeting increased needs and higher costs of training for Food for Development participants; and to provide training for Partners of Alliance participants.	
Other costs	78,000
For a contribution toward early establishment of Brazilian Partners of Alliance Federation in order to transfer PAL responsibilities to the Brazilians; and funding of a preloan feasibility study in Agricultural Marketing (Northeast Brazil) by a Brazil-based American firm.	
Total increase	598,000

LOANS CAPITALIZED

Mr. PASSMAN. I believe you stated earlier you had not capitalized any interest during fiscal 1970, on any of Latin American loans.

Mr. KLEINE. That is correct, sir.

SECOND FOOD PRODUCTION DEVELOPMENT LOAN

Mr. PASSMAN. On page 55, in connection with the Second Food Production development loan, I note this loan was authorized on June 29, 1966, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I think that was a $20 million loan.

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. And we are talking about some 4 fiscal years ago, are we not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And there has only been $209,000 disbursed, is that correct?

Mr. KLEINE. That is correct, sir.

(Short recess)

Mr. KLEINE. This loan has not been implemented and is being deobligated.

Mr. PASSMAN. Is what?

Mr. KLEINE. Being deobligated.

Mr. PASSMAN. When?

Mr. KLEINE. It is in the process now. The decision has been made——

Mr. PASSMAN. This was a loan that you people obligated on the next to last day of the fiscal year, June 29, 1966. Is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. This is just one of many, many where they rush them in, get them in the gray area where we have to respect the obligation. Look how many years this has been carried, 4 fiscal years, and what did we disburse the $209,000 for?

Mr. KLEINE. The first production loan was successfully disbursed, and a second one authorized. Prior to signature of the second loan, increased U.S. shipping costs discouraged Brazilians from procuring U.S. fertilizer. The $209,000 was disbursed on a pilot basis as part of the process to find some way whereby the loan would in fact work under the changed circumstances. But the problem of the high shipping costs proved too much.

Mr. PASSMAN. Why didn't you find that out before you obligated $20 million of American money?

Mr. KLEINE. After the loan was authorized—following the successful first loan—shipping costs went up. I might add that this loan has been a policy success—measured by lower fertilizer prices to farmers and vigorous Brazilian implementation of the fertilizer credit program.

Mr. PASSMAN. You certainly had a lot of uncertainty built around it at this time or you would not have obligated this money. You certainly knew the rates, whether it was by rail or sea, did you not?

Mr. KLEINE. I guess——

Mr. PASSMAN. Because there has been an increase in freight rates?

Mr. KLEINE. The freight component of this loan, shipping of bulk commodities such as fertilizer, is such an important——

Mr. PASSMAN. Are we still shipping fertilizers in even larger quantities all over the world?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Gentlemen, I am not going to blame you. This is one of many, many loans that we are getting ready to wind up with a large unobligated balance and you thought you better put this behind an obligation. This is par for the course. I could go through and possibly pick out 100 if I had the time, worldwide.

Mr. KLEINE. We have looked at loans that were authorized in June and the end of June to see whether in fact the experience shows that these have been as satisfactory, or if they have been more unsatisfactory, than other loans. Our experience shows, based on our check, that the thinking and the planning is just as solid as for the loans authorized in June as for any other time.

Mr. PASSMAN. My examination shows just the reverse. Isn't that strange? Maybe we are looking at different books. I can tell you——

Mr. KLEINE. It was an objective look——

Mr. PASSMAN. I can tell you, my dear friend, over 25 percent of your loans are put out in June. Let me ask the Controller.

What percentage of your total annual loans are put on the books in June?

Mr. WILLIAMS. I don't have that information.

Mr. PASSMAN. It could be much higher than that:

Mr. KLEINE. I believe last year it was 25 percent.

Mr. PASSMAN. It has gone up as high as 40 percent. It is funny you people get so businesslike and so precise in the last month of the fiscal year. This is an on-going program, isn't it? It operates 12 months out of the year?

Mr. KLEINE. The percentage of authorizations is relatively high in those 2 months, because we frequently don't receive our appropriation until the middle of the fiscal year, and about 4 months of leadtime is then required to negotiate loans within the appropriation level.

Mr. PASSMAN. If you don't get your regular appropriation you operate under a continuing resolution, don't you?

Mr. KLEINE. That is correct.

Mr. PASSMAN. It is funny how you people get so businesslike down there during June and can get so much of these loans on the books. What we are going to do now is to be a bit specific.

LOANS OBLIGATED IN JUNE

Put in the record for the past 5 years a list of all of the loans that were obligated in June. Then we might want to examine on every one of them to find out whether or not they are still on these books. Just because you have them on those books does not mean a thing in the world to me.

I think maybe one time you put 12 percent of your total annual obligation on the books on the very last day of the fiscal year you got real businesslike on that last day.

(The information follows:)

LIST OF LOANS OBLIGATED IN JUNE FOR THE PAST 5 YEARS

Fiscal year and country	Title	Amount
1965:		
Brazil	Rio Electrical Distribution	$25,000,000
	Sao Paulo Electrical Distribution	15,000,000
Chile	Cooperative relending	3,650,000
	CORFO private sector	6,000,000
	Fertilizer imports	3,600,000
Costa Rica	Rural electrification	3,300,000
Ecuador	COFIEC Development Bank	3,000,000
	Primary education improvement	5,300,000
El Salvador	Rural road construction	1,200,000
Guyana	Mackenzie Road	5,500,000
Jamaica	Dairy development	3,800,000
Mexico	University of Guadelajara	3,000,000
Nicaragua	Feasibility studies	1,300,000
	Cadastral survey	5,400,000
Panama	Colon sewer	1,300,000
1966:		
Bolivia	Santa Cruz Power	4,750,000
	El Alto-Oruro Power	4,750,000
Brazil	Guanabara sewerage	2,500,000
	Guanabara water	2,600,000
	Sao Paulo Highway maintenance	20,000,000
	Highway technical assistance	400,000
	Food production	20,000,000
	Mascarenhas hydro	13,300,000
Costa Rica	Malaria eradication	500,000
Ecuador	do	2,000,000
Nicaragua	Private development bank	500,000
	Housing bank	3,700,000
Panama	DISA development bank	4,000,000
	S. & L. systems	2,100,000
Paraguay	Brazil road rehabilitation	4,680,000
	Airport rehabilitation	4,700,000
Peru	Mantaro Valley Electric Coop	1,600,000

LIST OF LOANS OBLIGATED IN JUNE FOR THE PAST 5 YEARS—Continued

Fiscal year and country	Title	Amount
1967:		
Bolivia	Feasibility studies	$1,500,000
Brazil	Santa Cruz Thermal Plant	41,200,000
	Santa Caterina Highway maintenance	7,500,000
	Parana Highway maintenance	10,800,000
	Rio Grande du Sul Highway, maintenance	13,300,000
Chile	Feasibility studies	2,500,000
	Education sector	10,000,000
Dominican Republic	Feasibility studies	2,000,000
	Education credit	1,400,000
	Private development bank	5,000,000
Guatemala	FIASA development bank	5,000,000
	Property tax development	2,200,000
Guyana	Coastal roads	7,500,000
Honduras	Secondary education	7,000,000
Nicaragua	Industrial relending	5,000,000
	Small enterprise relending	2,000,000
	Agriculture service centers	2,200,000
Panama	Feasibility studies	1,000,000
	CAM Highway	1,100,000
	Panama City streets	2,000,000
	Panama City sewage	6,600,000
	Cooperative housing	3,350,000
Peru	Private investment fund	7,500,000
Regional	Integration fund	20,000,000
1968:		
Brazil	Passo Real Hydro	27,400,000
	IBCE statistical development	5,800,000
	Agricultural research	11,930,000
	do	1,470,000
	Education sector	32,000,000
Chile	do	16,300,000
Colombia	Agricultural sector	15,000,000
	Program assistance	58,000,000
Dominican Republic	Cooperative bank	2,650,000
	Maternity and infant care	7,100,000
	Education loans	12,000,000
El Salvador	Education reform	1,900,000
Guatemala	Primary school construction	8,600,000
Guyana	Water supply improvement	3,600,000
Honduras	Agricultural credit and storage	9,500,000
Nicaragua	Rural electric cooperatives	10,200,000
	Basic coop production	9,400,000
	Health centers	2,200,000
Panama	Water supply	15,000,000
	Rural mobile health	500,000
Paraguay	Agricultural production	1,000,000
1969:		
Chile	Agricultural sector	10,000,000
	Human resources	2,500,000
Colombia	Slaughterhouse loan	2,100,000
	Private investment fund	10,000,000
Costa Rica	Highway maintenance	7,100,000
Dominican Republic	Private investment fund	8,000,000
Ecuador	Feasibility studies	2,000,000
	Cooperative bank	1,200,000
El Salvador	Education reform	8,200,000
Guatemala	Feasibility studies	2,000,000
Guyana	do	2,500,000
Panama	Urban development	320,000
	do	4,280,000
	Small farmer improvement	3,500,000
	Development administration	3,700,000
Paraguay	Agricultural production	5,000,000
	Private development bank	2,600,000

OBLIGATED LOANS UNSIGNED

Mr. PASSMAN. Mr. Director, I also note that several loans have not been signed as of yet. These loans can be found on pages 62, 64, 71, and 73. Insert in the record the amount of the loans and verify at this time whether or not it is correct that you carried them as obligation but they have not yet been signed.

Mr. KLEINE. Yes, sir.

(The information follows:)

BRAZIL: UNSIGNED LOANS: REASONS, PROSPECTS

Highway maintenance equipment	Date authorized	Original loan amount	Current amount
512-L-067 Santa Caterina	June 21, 1967	$7,500,000	$5,300,000
512-L-069 Rio Grande do Sul	June 22, 1967	13,300,000	5,500,000

Loans remain unsigned because, following authorization, it was necessary to—

1. Reexamine the equipment lists in light of changing import restrictions imposed by Brazilian Law of Similars which prohibits importation of equipment for which a national "similar" exists;

2. Reexamine financial capacity of borrowers to undertake highway maintenance programs after GOB radically reduced extent to which Brazilian states (highway departments) would share in Federal Government gasoline tax receipts;

3. Interruption of negotiations for an extended period while U.S./Brazil AID programs were under review.

As a result of 1 and 2 above, the authorized amounts of the loans were reduced to the current amounts.

Present authorizations require the signing of a detailed agreement, concurrently with the signing of the loans, providing for the transfer of Federal maintenance responsibilities in the States of Santa Caterina and Rio Grande do Sul to the State highway departments in each. It has been decided by the Mission and DNER, the Federal highway department, that the transfer agreement should be thoroughly examined by qualified engineering consultants prior to signing and thereby provide a sound basis for initiating the transfer process. Amendments to the loan authorizations providing for the postponement of the signing of the transfer agreement are being prepared for approval of AID/W. Upon approval of AID/W, loan agreements can be signed within approximately 30 days.

	Date authorized	Original loan amount	Current amount
512-L-077, 512-L-079 Agricultural research	June 28, 1968		$11,930,000

Loans remain unsigned because:

1. Interruption of negotiations for an extended period while AID program in Brazil under review.

2. Changes in agricultural ministers which necessitated renegotiations.

3. Approval by the Brazilian Commission for Reviewing Foreign Loans.

Upon completion of 2 and 3 above the loans will be signed. At this time, there is no indication of when this might occur.

COLOMBIA

Mr. PASSMAN. We will now look at Colombia. These figures stagger the imagination. I believe the 1971 estimate is $77,995,000. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This is an increase of $2,658,000 over the fiscal 1970 program. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. On page 75 you state that President Lleras will conclude his term on August 7, 1970, and you hope that the United States will achieve a similar constructive working relationship with the successor government. Do you have any feeling at this time what the successor government's attitude would be toward the United States?

Mr. KLEINE. No, sir. We don't know who the successor government is going to be.

Mr. PASSMAN. Then it is just a wish and we all wish for the same thing.

TOTAL AID

Place in the record a table showing the total amount of aid from all spigots to Colombia, listing each source and amount separately.

Mr. KLEINE. Yes, sir.

(The information follows:)

Total U.S. Overseas Loans and Grants to Colombia fiscal year 1946 through fiscal year 1970 (estimated)

[In millions of dollars]

Economic assistance program:	
Aid and predecessor agencies	$651.5
Food for Freedom (Public Law 480)	192.0
Export-Import Bank long term loans	20.9
Other U.S. economic programs:	
Peace Corps	30.7
Social Progress Trust Fund	40.8
Other	1.8
Total economic assistance	937.7
Military assistance program:	
Grants	94.7
Other	14.5
Total military assistance	109.2
Total economic and military	1,046.9

AGRICULTURE SECTOR LOANS

Mr. PASSMAN. On page 77 I note that you state there were agricultural sector loans of $15 million in 1970 and $15 million in 1971 planned with up to $1.4 million of each loan earmarked each year to fund technical assistance. Under this would the technical part come in as a grant or be a part of the loan?

Mr. KLEINE. Part of the loan, sir.

Mr. PASSMAN. Why would it not be funded out of technical assistance?

Mr. KLEINE. Where it is possible and desirable to fund technical assistance from the loan to which the technical assistance is related we prefer that route. In this case the technical assistance is directly connected with the purpose of the loan, and the government would be borrowing the money to finance this technical assistance.

Mr. PASSMAN. You indicate the counterpart funds will be generated from the commodity sales under program loans and these funds will finance high-priority projects and programs in the public sector investment budget. Is that correct?

Mr. KLEINE. Yes, sir.

COUNTERPART FUNDS

Mr. PASSMAN. By counterpart funds you mean we give the commodities to the country, they sell them to their nationals and then the

money goes into a fund and this money is spent in that country on projects mutually agreed upon between the donor and the recipient?

Mr. KLEINE. I would agree with all of that except that we do not give the commodities. We provide loan financing for those commodities that are imported.

Mr. PASSMAN. We then control what they want to spend the money for?

Mr. KLEINE. The counterpart use is still agreed, as you pointed out, between the two governments.

Mr. PASSMAN. You are making these people loans and you expect these loans to be paid back. They buy commodities and they sell these commodities and this goes into a special fund. That is their money.

Mr. KLEINE. The local currency generated from these sales, yes, sir.

Mr. PASSMAN. They can make a decision as to what projects they want to finance, can they not?

Mr. KLEINE. With our approval.

Mr. PASSMAN. Then you are getting completely in the internal affairs of these people, aren't you? You say that they are borrowing money from us and we expect them to pay it back?

Mr. KLEINE. Borrowing the——

Mr. PASSMAN. You expect them to pay it back?

Mr. KLEINE. That is correct.

Mr. PASSMAN. When they sell these commodities, at that time we superimpose our judgment upon them as to what they should spend their own for, is that it?

Mr. KLEINE. We don't superimpose it; we reach agreement.

Mr. PASSMAN. What do you call it? They make a decision on most of their economy and public expenditures. Don't they have the right to make that decision?

Mr. KLEINE. On the counterpart——

Mr. PASSMAN. On their own money they earn from their exports.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Do you realize these people could tell you to get out?

Mr. KLEINE. They have not.

Mr. PASSMAN. They could. You are getting strictly into their internal affairs when you make them a loan and agree on what they should buy.

Mr. KLEINE. The local currency generated is applied to uses as agreed between our government and theirs.

Mr. PASSMAN. They can buy what they want, can't they?

Mr. KLEINE. They must be eligible commodities within the purview of the list.

Mr. PASSMAN. I don't know of anything that is not eligible under this program. I guess you would find something. I am talking about grants where you generate funds but you generate funds from strictly a loan to these people, that is their own money they are dealing with, isn't it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We go in and have a right to insist that they not initiate any projects without our approval: is that right?

Mr. KLEINE. That is correct. The funds are used on projects agreed to by their Government and ours.

Mr. PASSMAN. Let me tell you what kind of a position we are in. Now you are talking about expending local currency, are you not?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Currency generated from the sale of these commodities?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Hypothetically let us say there are $20 million in that category. Couldn't those people freeze $20 million of their currency and go out and print an additional $20 million and spend it on projects they want?

Mr. KLEINE. Theoretically they could.

Mr. PASSMAN. What do you mean? They can do it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Why do you get yourself in that position? If they didn't agree with you they could freeze the funds, print new money and spend it on projects they want.

Mr. KLEINE. It is not likely they would do this.

Mr. PASSMAN. I don't know. Anything under this program is likely. I hope not.

Mr. KLEINE. I believe, sir, we are——

Mr. PASSMAN. You knew Doug Dillon?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. He told me one time categorically we did not have the right to get into people's internal affairs. You are getting right into their budget, aren't you? Looking over their shoulders as to what projects we think would be good, with money borrowed from us? It is all right to have an agreement as to what commodities they buy, but you tell them they are going to spend the money for from the sale of those commodities. If they like it they will sign the agreement in a hurry; if they don't like it they can tell you to get out.

URBAN DEVELOPMENT PROJECT

On page 85, in connection with the urban development project, I note that you plan to extend the life of this project 3 years and increase the total estimated cost by $917,000. Is that correct?

Mr. KLEINE. Yes, sir. This will permit us to capitalize on the increased interest of the Colombian Government in urban development programs, and in particular to provide training and advice in connection with the development plan for the Cali metropolitan area.

Mr. PASSMAN. I notice last year you proposed a 1970 program of $180,000 for this project.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year's justifications indicate that $390,000 is now estimated for the current year. Is that correct?

Mr. KLEINE. That is right, for expansion of leadership programs to include the urban center at Cali.

SLAUGHTERHOUSE AND PRIVATE INVESTMENT FUND LOANS

Mr. PASSMAN. Based upon what you told us last year, it is about like most of the others, not holding firm. I notice on pages 106 and 107 you authorized two development loans which were dated June 30, 1969. That is the last day of the fiscal year, is it not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. What is the amount of those two loans?

Mr. KLEINE. The slaughterhouse loan was for $2,100,000. The private investment fund loan was authorized at $10 million.

Mr. PASSMAN. Was this something invented to obligate this money or did you have applications pending that had been seriously considered?

Mr. KLEINE. These were applications which had been seriously considered which reached the point of maturity at that time.

Mr. PASSMAN. It did come on June 30. Is that the last day of the fiscal year?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. If you had not obligated it you would have had a larger unobligated balance to carry over?

Mr. KLEINE. Yes, sir.

REGIONAL PROGRAMS

Mr. PASSMAN. In your area you also have what is known as regional programs; is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I believe that your 1971 estimate is for $33,340,000?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is an increase of $10,993,000 over fiscal year 1970; is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Let me say this for the record: This causes some great worry for me, Mr. Kleine.

REVENUE AND EXPENDITURE CONTROL ACT

You remember the freeze order? We passed a bill here that raised revenue and limited expenditures in fiscal 1969?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Not one foreign aid agency, not one foreign aid bureau, not one foreign aid project lost one penny or had a single project fund impounded. They operated fully and as loosely as ever. Yet you had literally hundreds of projects in America, flood control, bank stabilization, rivers and harbors, reclamation, Hill-Burton hospitals, crippled children's funds, where the funds were frozen. Some of the small contractors went bankrupt. Some of them had a perfectly legal project with the Government, 60, 70 percent complete, and no funds. They closed down, lost personnel, and stored the machinery and some of them were broke. Do you realize that even last year, gentlemen, you had literally hundreds of American projects, badly needed projects, badly needed hospitals, badly needed post office buildings placed in suspension? You are familiar with that?

Mr. KLEINE. I heard that, yes, sir.

Mr. PASSMAN. You ought to do more than hear it. You ask this of the Director of the Bureau of the Budget. Again, this sacred cow didn't lose a nickel. Full steam ahead.

Believe me, it is pretty hard for me to explain this to these 440,000 intelligent people that I represent.

Mr. KLEINE. I was just wondering if the exemption of foreign assistance from that act was not the consequence of the fact that the

appropriations request for foreign assistance had already been greatly reduced.

Mr. PASSMAN. Nothing to do with it. This is par for the course ever since I have been on this committee. It is just a wild program and even Members of Congress knew nothing about all of these facts that I am talking about. They had no more conception about the manner in which this program is run than you do about what I am going to have for dinner this evening. No, sir. It is frightening and it should frighten you.

REGIONAL FUNDS

On the regional program, the amount that we have given to each nation is only part of the story. To know what the costs really are you would have to do a lot of research and take whatever amount in the regional program they got and add to it, wouldn't you?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I think this thing has built up to where now on a nationwide basis through fiscal 1970 we had obligated to the regions, $16,191,600,000.

This is another bogeyman that we look at in the nations and this would show up only if you had some way of researching it and adding it to the nation that really was a recipient. Is that correct?

Mr. KLEINE. Much of the regionally funded activities cannot, because of such considerations as administrative efficiency or sensitivity of the subject, be carried out effectively through AID country programs.

Mr. PASSMAN. If you are going to spend $33 million in your area for fiscal year 1971, I hope you are not—you would divide this melon among the nations, wouldn't you? It is spent in that area?

Mr. KLEINE. Yes, sir, regional funds are spent on Latin American programs.

Mr. PASSMAN. So as to arrive at what each nation gets you would have to research it out and know how much of this went to each nation, would you not, to get the grand total?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is all I am asking you to do, give me the answer. It couldn't be anything but yes.

Mr. KLEINE. There is overhead, sir, provided by regional funds in support of activities carried on in the various countries with AID mission funds.

Mr. PASSMAN. Overhead on all of this stuff?

Mr. KLEINE. That is right. It would be difficult to prorate the overhead costs chargeable to any particular AID mission.

Mr. PASSMAN. Do you have greater overhead on regional than you do on all the others?

Mr. KLEINE. I would think not.

Mr. PASSMAN. This is the first time that you ever brought that in, overhead on all of it. Is that right?

Mr. KLEINE. For years, in our presentation to the Congress and in our project operations, we have used the criterion of administrative efficiency to help us decide whether a project should be financed with regional funds or AID mission funds.

Mr. PASSMAN. Even if it is a $1 loan or $1 billion loan you have overhead?

Mr. KLEINE. That is correct.

Mr. PASSMAN. The regional overhead is no greater than any other part of AID, is it?

Mr. KLEINE. That is right. In fact, many projects would not be regionally funded except that the overhead is less than if borne by the various AID mission.

Mr. PASSMAN. Thank you.

INTER-AMERICAN SOCIAL DEVELOPMENT

I note on page 110 that you propose to transfer $9 million in loan funds to the Inter-American Social Development which was established last year. This is the thing that we discussed earlier, is it not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This was the agency that started out here independent of the AID agency, I believe?

Mr. KLEINE. That is correct.

LOAN TO ANDEAN DEVELOPMENT CORP.

Mr. PASSMAN. On page 111, you indicate a $10 million project loan would be used to finance a new subregional development bank. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You people are going to bank us out of business. Has this bank been formally established at this point?

Mr. KLEINE. It is the Andean Development Corp.

Mr. PASSMAN. Has it been developed? Is it a going institution?

Mr. KLEINE. It has not yet actually made loans but it has been approved and ratified by the member organizations.

Mr. PASSMAN. Why do we have to get into every one of these outfits?

Mr. KLEINE. It is to assist an organization working toward closer integration of the Andean countries as a step toward economic integration of Latin America as a whole.

COOPERATIVE DEVELOPMENT PROJECT

Mr. PASSMAN. In connection with the cooperative development project on page 115, I again, note that you plan to increase the estimated total cost by $1,123,000. It that correct?

Mr. KLEINE. Yes, sir. Will you please repeat the figure, Mr. Chairman?

Mr. PASSMAN. In connection with the cooperative development project on page 115, again I note that you plan to increase the estimated total cost by $1,123,000. Is that correct?

Mr. KLEINE. That is correct. This will permit us to support a program of participant training for Latin American cooperative federation leaders.

COMMITTEE REDUCTION IN FOREIGN AID, TITLE I

Mr. PASSMAN. Let us look at Foreign Aid reduction over the past years. In 1968 I believe we reduced the title I request by 29.38 percent.

We might as well put this document in the record. Put the other 2 years in the record.

(The information follows:)

MUTUAL SECURITY (FOREIGN AID) PROGRAM—REGULAR ANNUAL APPROPRIATION

Fiscal year	Budget estimate	Appropriation	Reduction below estimate	Percentage below budget estimate (in percent)
1956	$3,266,641,750	$2,703,341,750	−$563,300,000	17.24
1957	4,859,975,000	3,766,570,000	−1,093,405,000	22.50
1958	3,386,860,000	2,768,760,000	−618,100,000	18.25
1959	3,950,092,500	3,298,092,500	−652,000,000	16.51
1960	4,429,995,000	3,225,813,000	−1,204,182,000	27.18
1961	4,275,000,000	3,716,350,000	−558,650,000	13.07
1962	4,775,500,000	3,914,600,000	−860,900,000	18.03
1963	4,961,300,000	3,928,900,000	−1,032,400,000	20.81
1964	4,525,325,000	3,000,000,000	−1,525,325,000	33.70
1965	3,516,700,000	3,250,000,000	−266,700,000	7.58
1966	3,459,470,000	3,218,000,000	−241,470,000	6.98
1967	3,385,962,000	2,936,490,500	−449,471,500	13.27
1968	3,250,520,000	2,295,635,000	−954,885,000	29.38
1969	2,920,000,000	1,755,600,000	−1,164,400,000	39.88
1970	2,710,020,000	1,812,380,000	−897,640,000	33.12
Total	57,673,361,250	45,590,532,750	−12,082,828,500	20.95

You also had an even larger Inter-American Development Bank and International Development Association during that same period?

Mr. KLEINE. Each loan is a new project.

Mr. PASSMAN. I am talking about the areas where you have been fragmenting the aid so you may look lower in one section. You know this only covers a very small part of the total aid, isn't that correct?

Mr. KLEINE. This is just the economic and military assistance on a bilateral——

Mr. PASSMAN. That is spigot 1 only and the grand total was higher because you have tremendous increases in some of the other sectors. During this period you have created the Asian Development Bank. You jumped the appropriation for IDA from $61 million to about $160 million.

Mr. KLEINE. We were talking in the context of——

Mr. PASSMAN. Total foreign aid, is what we were talking about. Not this one little spigot.

Mr. KLEINE. You were mentioning, if I may, that there were some domestic projects that were held back because of funding.

Mr. PASSMAN. Hundreds, maybe thousands of domestic projects, and AID did not lose one single project anywhere on the face of the earth. That has been testified to by all of the top witnesses, including the Secretary of State.

Mr. KLEINE. I was making the point that perhaps that occurred because——

Mr. PASSMAN. When you say "perhaps," it is not so, because you are trying to discount the fact that during this same period you increased many requests for appropriations. Let us look at last year's hearing record. I will read:

Mr. PASSMAN. Do you know of any aid project that you had to discontinue or stop completely last year because of the Revenue and Expenditure Control Act of 1968?

Mr. MENDENHALL. None, sir.

I just put one of them in for you. Not a darn one. That is hard for me to explain. This is only one and we can give you 25 cases.

FREE LABOR DEVELOPMENT PROJECT

Under the free labor development project on page 117, again this year I note that you plan to increase the total estimated cost by $2,504,000. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You also increased this total estimated cost last year, did you not?

Mr. KLEINE. Yes, sir. This program is consistent with our policy of strengthening free labor unions under section 601(a) of the Foreign Assistance Act.

PARTNERS OF THE ALLIANCE PROJECT

Mr. PASSMAN. Last year you didn't indicate there would be any need for funds for commodities on the Partners for Alliance project, page 119, did you?

Mr. KLEINE. No, sir.

Mr. PASSMAN. I observe here that you allocated $24,000 for the program.

Is that correct?

Mr. KLEINE. Yes, sir. That was for shipping costs of donated commodities. Private sources will fund these in the future.

LATIN AMERICA SCHOLARSHIP PROGRAM OF AMERICAN UNIVERSITIES

Mr. PASSMAN. On page 120, the Latin America Scholarship Program of the American Universities project, you plan to extend the life of this project 2 years and to increase the estimated total cost by $5,946,000. Is that correct?

Mr. KLEINE. Yes, sir. We think this program is an excellent investment in strengthening the teaching staff of Latin American universities, and we want to continue to benefit from it.

Mr. PASSMAN. You also indicate that $1,664,000 will be needed for participant maintenance of 800 students, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Where will these students be?

Mr. KLEINE. They will be in American universities.

Mr. PASSMAN. Could you place in the record the number of students, what university they will attend, the monthly stipend. Is the maintenance in addition to the other benefits?

Mr. KLEINE. The maintenance represents the major cost to AID of this program.

Mr. PASSMAN. As it would apply to the individual?

Mr. KLEINE. To the individual.

Mr. PASSMAN. Individual maintenance in addition to the regular monthly figure?

Mr. KLEINE. No, sir.

Mr. PASSMAN. Is that the same item?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Last year you indicated $2,867,000 would be needed for participant maintenance of 703 students. How do you account for this large variance in participant-maintenance-cost per student? Put something in the record on that.

Mr. KLEINE. Glad to.

(The information follows:)

LASPAU: NUMBER OF STUDENTS; UNIVERSITIES THEY WILL ATTEND; MONTHLY STIPEND

The fiscal year 1971 request for the Latin American Scholarship Program of American Universities (LASPAU) covers needs for the 9-month period of April 1–December 31, 1971, including needs of those students who will have completed their study prior to the end of that period, as well as those students who will begin their study in the course of the 9-month period. The average cost per student for maintenance for 1 academic year is about $3,000 per year, or $330 per month. Universities donate tuition averaging $1,500 per student. In addition to maintenance costs, AID pays for English language training, LASPAU staff and overhead costs.

By March 1971, 816 students will be enrolled at one of the 211 participating U.S. universities which provide free tuition and fees. A listing of the participating universities follows:

Albion College
Alfred University
Allegheny College
Alverno College
Amherst College
Barnard College
Bates College
Beloit College
Bluffton College
Boston College
Bowdoin College
Brandeis University
Brooklyn Polytechnic Institute
Brown University
Bryn Mawr College
California Institute of Technology
California State College at Los Angeles
Canisius College
Carleton College
Case Western Reserve University
Catholic University of America, The
Central Michigan University
Claremont Men's College
Clark University
Cleveland State University
Coe College
Colby College
Colby Junior College for Women
College of the Holy Cross
College of Wooster
Colorado College, The
Colorado School of Mines
Colorado State University (Fort Collins)
Columbia College
Columbia Teachers' College
Columbia University
Connecticut College for Women
Cornell College (Mount Vernon)
Cornell University
Dartmouth College
DePauw University
Drew University College of Liberal Arts
Duke University
Elmira College
Emory University
Fordham University
Fresno State College
Friends World College
Georgetown University
George Washington University
Gonzaga University
Grinnell College
Gustavus Adolphus College
Hamilton College
Harris Teachers' College
Harvard University
Harvey Mudd College
Haverford College
Heidelberg College

Hope College
Illinois State University
Indiana University
Iona College
Kalamazoo College
Kansas State College
Kansas State Teachers' College
Kent State University
Lafayette College
Lake Forest College
Lawrence University
Lehigh University
Lewis & Clark College
Long Island University, the Brooklyn Center
Luther College
Macalester College
Manhattanville College
Marquette University
Marshall College
Massachusetts Institute of Technology
Miami University (Ohio)
Michigan State University
Middlebury College
Midwestern University
Mount Holyoke College
Mount Union College
Muskingum College
New York Institute of Technology
New York University
Northeastern University
Northern Michigan University
Northwestern University
Oakland University
Oberlin College
Occidental College
Ohio State University
Ohio University (Athens)
Ohio Wesleyan University
Oklahoma State University
Oregon State University
Pembroke College
Pennsylvania State University
Pomona College
Portland State College
Princeton University
Purdue University
Radcliffe College
R.C.A. Institutes, Inc.
Rensslaer Polytechnic Institute
Rice University
Rider College
Rose Poytechnic Institute
Rutgers, The State University
Sacramento State College
Saint Louis University
Saint Michael's College
Saint Olaf College
San Fernado Valley State College
Scripps College
Skidmore College
Smith College
Southern Illinois University
Springfield College
Stanford University
State University College New York, Buffalo
State University College New York Geneseo
State University of New York at Albany
State University of New York at Buffalo
State University of New York College of Forestry, Syracuse
State University of New York at Fredonia
State University of New York, Stony Brook
State University of New York, Old Westbury
Stevens Institute of Technology
Swathmore College
Syracuse University
Temple University
Trinity College (Connecticut)
Trinity College (District of Columbia)
Tufts University
Tulane University
Union College
University of Alabama
University of California at Berkeley
University of California at Davis
University of California at Los Angeles
University of California at Riverside
University of California at Santa Barbara
University of Chicago
University of Colorado (Boulder)
University of Connecticut
University of Dayton
University of Florida at Gainsville
University of Hawaii
University of Houston
University of Illinois, Chicago Circle
University of Illinois, Medical Center
University of Illinois, Urbana
University of Iowa
University of Kansas
University of Kentucky
University of Maine
University of Maryland
University of Massachusetts
University of Miami (Florida)
University of Michigan
University of Minnesota
University of Missouri (Columbia)
University of Missouri (Rolla)
University of Nebraska
University of New Hampshire
University of New Mexico
University of North Carolina
University of North Dakota
University of Notre Dame
University of Oklahoma

University of Oregon
University of the Pacific
University of Pennsylvania
University of Pittsburgh
University of Puerto Rico, Mayaguez
University of Puerto Rico, Rio Piedras
University of Rhode Island
University of Rochester
University of South Carolina
University of Southern Califorina
University of Tennessee
University of Texas at Austin
University of Texas at El Paso
University of Vermont
University of Washington
University of Wisconsin at Madison
University of Wisconsin at Milwaukee
University of Wyoming
Valparaiso University
Vanderbilt University
Vassar College
Wabash College
Wake Forest College
Washington & Jefferson College
Washington & Lee University
Wasington State University
Washington University
Wellesley College
Wesleyan University
Western College for Women
Western Michigan University
Whitman College
Wilkes College
Williams College

LASPAU: EXPLANATION OF DIFFERENCES IN MAINTENANCE COSTS—FISCAL YEAR 1970 AND FISCAL YEAR 1971 CONTRACT PERIOD

The difference results from the period of time covered by the fiscal year 1970 and fiscal year 1971 funding proposals. Funding in fiscal year 1970 for maintenance of 703 students was for a 15-month period. Funding proposed in fiscal year 1971 for maintenance of 816 students is for a 9-month contract period ending December 31, 1971.

PAN-AMERICAN DEVELOPMENT PROJECT

Mr. PASSMAN. Under the Pan-American development project on page 122, I note that the project was scheduled for termination last year. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year you propose to extend the life of the project to 1972, is that correct?

Mr. KLEINE. Yes, sir. The Pan-American Development Foundation is not yet self-sustaining. We hope that it will become so as a result of its recently launched endowment fund campaign, and payments into its revolving loan fund.

Mr. PASSMAN. Too bad we couldn't have better planning on these projects.

REGIONAL TRAINING PROGRAM PROJECT

In connection with the regional training program project, I note last year you proposed a fiscal year 1970 program of $54,000. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year you indicate the new estimated fiscal year 1970 level will go up to $315,000, is that correct?

Mr. KLEINE. This year, $315,000.

Mr. PASSMAN. That is what I said.

Mr. KLEINE. I should add that that is really not a net increase in the scope of the activities previously supported by this project, but it reflects inclusion of a project, which had previously been funded by cen-

tral AID. This year responsibilities for a soils fertility project was transferred from the AID central staff to the Latin American Bureau.

Mr. PASSMAN. Who is central AID? I never heard of that outfit.

Mr. KLEINE. We have in the agency an office called the Technical Assistance Bureau which has been handling funds for projects that cover the needs of more than one bureau, more than one region.

Mr. PASSMAN. I wish that I had the time to write a book on this operation. You people have got this thing so complicated I don't believe if you picked out 50 members of the Congress, from the two bodies, and assigned them to the problem of digesting foreign aid and weed out all these little gimmicks that you people set out in AID, they could do it in a year's time.

Here is another example of that. If we would have had a line item bill, you wouldn't have been able to get funds out of some other agency. You take it out of some other spigot or some other little bureau.

We were told the project was going to operate at the $54,000 level.

Mr. KLEINE. The principle is one that——

Mr. PASSMAN. You missed my point altogether, Dr. Kleine. You were not running this program on $54,000 as you testified to last year, you found one of these little gadgets over here where you could draw that money off and add it to this project, isn't that right?

Mr. KLEINE. When we made our presentation last year, we did not expect to have responsibility for the soils fertility project transferred from central AID.

Mr. PASSMAN. You had to get it from somewhere else so the project was not a $54,000 project. It was in reality a $315,000 project, is that correct?

Mr. KLEINE. That is what it became, after the soils fertility project was incorporated in it.

Mr. PASSMAN. Where do we find any information in the justifications last year which would indicate that this was going to be a $315,000 project?

Mr. KLEINE. That would be included, I would think, in the interregional funding.

Mr. PASSMAN. Where do we find it dealing directly with this project? Don't get away from that. You show it at $54,000 and that was it, isn't that right?

Mr. KLEINE. That is correct.

Mr. PASSMAN. No use to beat the devil around the stump; you people have more hidden desks up there. If we cut you in one area you can get funds from another area. Whoever testified last year knew this was not a $54,000 project. They ought to be fired if they knew it was going to be $315,000.

CONTRIBUTIONS TO INTER-AMERICAN ORGANIZATIONS

You have contributions to inter-American organizations for which the fiscal year 1971 estimate is $23 million, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is an increase of $2,700,000 over 1970, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. There are four projects under this program: Special Development Assistance Fund, for which the fiscal year 1971 estimate is $4,500,000; the Special Multilateral Fund project, for which the 1971 estimate is $7,500,000; the Inter-American Export Promotion Center project, for which the fiscal year estimate is $1 million; and Presidential initiatives, for which the fiscal year estimate is $10 million. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Uncle Sam picks up all these checks.

Furnish for the record a table showing the contributions and percentages of the total of each Latin American country to each of these four projects.

Mr. KLEINE. Yes, sir.

(The information follows:)

Estimated Contributions, and Percentage of Total, of Each Latin American Country to Inter-American Programs Contributed in Fiscal Year 1971

The voluntary funds use the following OAS percentage system as regards quotas:

Country	*OAS percentage*
Argentina	7.06
Barbados	0.08
Bolivia	0.31
Brazil	6.76
Colombia	1.52
Costa Rica	0.31
Chile	1.74
Cuba	1.44
Ecuador	0.31
El Salvador	0.31
United States	66.00
Guatemala	0.38
Haiti	0.31
Honduras	0.31
Jamaica	0.38
Mexico	6.60
Nicaragua	0.31
Panama	0.31
Paraguay	0.31
Peru	0.75
Domican Republic	0.31
Trinidad & Tobago	0.31
Uruguay	0.68
Venezuela	3.20
Total	100.00

The table which follows provides information on the Special Development Assistance Fund (SDAF), the Special Multilateral Fund (SMF) and the Inter-American Export Promotion Center (CIPE). The Presidential initiative projects are being negotiated and hence there is no operational information.

The following table shows member pledges, payments, and percentage paid of amount pledged since the start of the voluntary programs:

PAYMENT RECORD—OAS VOLUNTARY FUNDS (THROUGH APR. 30, 1970)

[In thousands]

	Special multilateral fund (SMF)			Inter-American Export Promotion Center			Special development assistance fund (SDAF)		
	Total pledges 1968/69–1969/70	Total payments	Percent of pledges paid	Total pledges 1968/69–1969/70	Total payments	Percent of pledges paid	Total pledges 1968/79–1969/70	Total payments	Percent of pledges paid
Argentina	1,400,000	$402,570	28	112,823	$55,928	49	2,648,457	$2,145,000	89
Barbados				1,288	606	47	5,637	5,637	107
Bolivia	45,953	10,488	22	4,953	2,268	45	121,855	55,000	45
Brazil	749,994	386,664	51	112,665	58,335	51	2,464,735	1,594,706	64
Colombia	545,000	380,000	69	26,743	26,743	100	701,206	616,266	87
Costa Rica				2,268			84,750	52,299	61
Chile	425,841	425,841	100	30,641	16,626	54	649,919	542,008	83
Ecuador	51,953	29,988	57	5,447	3,030	55	147,188	85,653	58
El Salvador				4,692			121,855		
Guatemala	60,354	10,000	16	5,374	2,268	42	142,243	114,930	87
Haiti				4,692			74,744		
Honduras	20,000	20,000	100	4,692	4,536	96	121,855	97,000	80
Mexico	863,487	613,487	71	102,233	102,233	100	1,980,856	1,980,856	100
Nicaragua				4,692	2,268	48	101,855	80,100	71
Panama	41,953	41,953	100	4,692	2,273	48	102,855	48,000	46
Paraguay	46,953	15,890	34	4,692			122,744	101,000	82
Peru	106,194	106,194	100	11,426	5,290	47	282,185	225,162	79
Dominican Republic	61,453	19,500	33	4,692			49,744	5,000	10
Trinidad and Tobago	66,953	66,953	100	4,622	2,268	48	66,855	45,111	67
Uruguay	100,000	50,000	50	11,835			242,428	85,000	35
Venezuela	587,706	333,333	56	48,201	23,484	49	1,214,769	995,320	82
Subtotal	5,173,794	2,912,861	56	513,363	308,156	60	11,448,735	8,874,048	77
U.S. total	11,800,000	6,900,000	58	1,000,000	875,000	87	23,328,919	20,147,387	85

Mr. PASSMAN. Last year you proposed a fiscal year 1970 program level of $15,100,000, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year I note that you have reestimated this program level to $20,300,000. Is that correct?

Mr. KLEINE. Yes, sir. President Nixon's new proposals for strengthening the inter-American machinery more than accounts for the increase.

Mr. PASSMAN. I notice that this program has increased from the fiscal year 1969 level of $9,100,000 to the proposed level for 1971 of $23 million. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. All that within 2 years.

Mr. KLEINE. $2 million of the fiscal 1970 increase is from the Contingency Fund to provide emergency relief through the OAS following the El Salvador/Honduras war.

Mr. PASSMAN. I don't care where you get it, my dear friend. It is like I have said so many times, milk from a white cow tastes the same as milk from a black cow. We are still dealing with specific amounts, aren't we?

Mr. KLEINE. Yes, sir.

LOSS OF CONTRIBUTION IDENTITY

Mr. PASSMAN. On page 131, in the footnote you state that the U.S. dollar contributions to the ongoing inter-American programs loses its identity. It is not possible to identify specific uses of funds. Is that correct?

Mr. KLEINE. At this stage, sir——

Mr. PASSMAN. You didn't answer my question. I am talking specifically about the footnote. On page 131, in the footnote, you state, "U.S. dollar contributions to ongoing inter-American programs lose their identity and it is not possible to identify specific uses of funds." That is what I am saying.

Mr. KLEINE. It is not possible to identify specific uses of U.S. contributions since these are commingled with those from other countries——

Mr. PASSMAN. Is that correct?

Mr. KLEINE. I want to make the point it is not possible to identify the specific U.S. dollar use that goes into the multilateral funds.

Mr. PASSMAN. It is like what we call a Mulligan in Louisiana. You take a coon, couple of squirrels, an old tough hen, some potatoes, rutabagas, a possum and put it into the pot and it takes about three hours for you to finally get the mulligan ready to serve. It is all stirred up. You don't know whether you are eating chicken or coon. That is what you do here?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. It follows nevertheless, if we are the largest contributor, that certainly whatever amount we contribute, the law of averages means that a lot of U.S. funds are going into the country program or the project, doesn't it?

Mr. KLEINE. As a rough measure, yes, sir.

Mr. PASSMAN. I said on the average. Of course, that is what it is. You know it is, but we are trying to fool the American people.

You never send dollars anyway; this whole thing, Dr. Kleine, is a book system. You transfer figures, don't you? You are not dealing with currencies, dollars. We talk about dollars. That is not involved. We are dealing strictly with paperwork from the very start to the finish. You put it on the books and you transfer it from the United States over to the account of this country and then commodities are shipped out against it and then when the Treasury draws on them there is a question of transferring. Actually we are dealing with pen, ink, and paper all the way through, aren't we?

Mr. KLEINE. Essentially, yes.

Mr. PASSMAN. Certainly we are. So many people mix dollars up. What is the difference whether you give them U.S. dollars or not? Every currency on the face of the earth is convertible at some rate, isn't it?

Mr. KLEINE. Yes, sir.

SPECIAL MULTILATERAL FUND

Mr. PASSMAN. On page 134, in connection with the Special Multilateral Fund, I notice last year you estimated total expenditures as of June 30, 1969, would be $4,825,000. Is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year you indicate the figure will jump up to $6,900,000. Is that correct?

Mr. KLEINE. Let me be sure of the facts here.

Mr. PASSMAN. On page 134, in connection with the Special Multilateral Fund, I notice last year you estimated total expenditures as of June 30, 1969, would be $4,825,000.

Mr. KLEINE. That is correct.

Mr. PASSMAN. This year you indicate the spigot will jump to $6,900,000. Is that correct?

Mr. KLEINE. That is correct.

PRESIDENTIAL INITIATIVE

Mr. PASSMAN. Look at the presidential initiative sheet on page 138, where you indicate $8 million will be needed for fiscal year 1970 and $10 million will be needed for 1971. We indicated to the Director and Comptroller General, that we would try to be as considerate as we could on two of the items; namely, I believe, $3 million and $5 million, for a grand total of $8 million.

In the second part of it, where you would ask us to violate the law by transferring out of the Development Loan Fund where we had a prohibition against it, we are going to ask you people to be reasonable about that. The committee is not going to recommend the $15 million but we will recommend the $8 million.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. As much as I think of President Nixon——

Mr. MEYER. This proposal for a project development fund linked to CIAP and the IDB for your information was sent to the U.S. Delegation at the Inter-American Economic and Social Council Meeting in Caracas directly from the White House, with instructions to announce it as an initiative by the President.

Mr. PASSMAN. From the White House? How many people are there at the White House? How many are employed?

Mr. MEYER. I guess considerable.

Mr. PASSMAN. How many would you say 2,000 or 3,000?

Mr. MEYER. In this case, the proposal did come with President Nixon's personal stamp of approval on it.

Mr. PASSMAN. Mr. Secretary, it has been established I understand by using a computer system, it would take 1,293 people to do all the things in the name of the President. Do you realize, Mr. Secretary, if you operated a little filling station down here on the corner, and you had only two employees, and you operated strictly on a cash basis, that 40 percent of all the decisions would have to be made by those two subordinates? Don't tell me that with a Nation of 204 million people, 6 million on the Federal payroll, 3,814 Federal agencies, bureaus, and departments and foreign activities in 134 nations of the world, that the President knows all about this. I want you to think about your filling station where you have two employees. This thing is cooked up by some bureaucrat and it is put before the President.

Mr. MEYER. But this proposal would not provide additional money for the American Bank to lend.

Mr. PASSMAN. You are spending it though.

Mr. MEYER. That is what we propose.

Mr. PASSMAN. You are taking money that no doubt we overfunded to you last year. Are you familiar with the fact that we have a limitation against this? Where is the language? I want you to read the language.

Mr. KLEINE. That is why we went to you, Mr. Chairman.

Mr. PASSMAN. I don't have any right to violate the law.

Mr. HELLER. Our letter to you referred to the proposed use of fiscal year 1970 funds, including $5 million in grant funds for the CIAP/IDB project development fund.

Mr. PASSMAN. Wait a minute, I know what you asked for. You want to take $10 million, do you not? Let's look at section 120 of last year's bill:

None of the funds contained in title 1 of this act may be used to carry out the provisions of sections 205 and 251(h) of the Foreign Assistance Act of 1961 as amended.

That is the law.

Mr. KLEINE. And it would require an amendment, sir; yes.

Mr. PASSMAN. Yes; but I am not about to recommend it. I don't have to write a book on it. You are only just a few weeks away from fiscal 1971, and are trying to get all of these bills passed, behind us by June. I am not going to recommend it. There are just too many of these different litle bureaus set up, and this is actually a little outfit in the Inter-American Development Bank, isn't that correct, Mr. Secretary? Let's read the language into the record. This is in a letter with John Hannah's signature. Under the indented paragraph 3:

A $15 million fund would be established within the Inter-American Development Bank to finance preparation of development project proposals consistent with CIAP priorities to be submitted for financing to the United States and other governments, private lenders, and international agencies.

Now, how long has IDB been in operation?

Mr. MEYER. Ten year, sir.

Mr. PASSMAN. What have we contributed altogether in callable capital and grant aid?

Mr. KLEINE. This year——

Mr. PASSMAN. I am talking about the grand total for the Inter-American Development Bank, both grants and appropriated funds, known as callable capital.

Mr. KLEINE. The figures I have here, ordinary capital as of December 1969——

Mr. PASSMAN. Give the grant total.

Mr. KLEINE. Ordinary capital $967.6 million.

Mr. PASSMAN. That is the United States?

Mr. KLEINE. United States, yes, sir, of which callable is $817 million.

Mr. PASSMAN. Almost $1 billion. The purpose of this money, grants, or callable capital, is to enable them to have sufficient capital to finance whatever projects this banking operation was created to cover, and it is an ongoing firm, with almost $1 billion of U.S. capital or credit. The new proposition is to finance the preparation of proposed development projects and with all of the money we put in that Bank over 10 years, and the experience that they have had, now you have to come along and set up another operation to look over proposals. It simply means that you got started off wrong.

Mr. KLEINE. CIAP is not a new committee.

Mr. PASSMAN. It is new as far as the Bank is concerned.

Mr. KLEINE. The project development fund idea, and the CIAP's association with IDB on the fund, is new.

Mr. PASSMAN. That is what I say, as far as the Bank is concerned it is new.

Mr. KLEINE. Right, and one of the reasons for this direction is to strengthen the role of the CIAP in connection with the overall——

Mr. PASSMAN. I wish you would spell out CIAP. You have over 4,000 of these abbreviations, and a Rhodes scholar couldn't identify 5 percent of them.

Mr. KLEINE. Inter-American Committee for the Alliance for Progress.

Mr. PASSMAN. And you have an Alliance for Progress committee, don't you, that is looking over your Alliance for Progress loans?

Mr. MEYER. That is the CIAP.

Mr. PASSMAN. Why do you want to get them involved in the Inter-American Development Bank?

Mr. KLEINE. The purpose is to strengthen the Inter-American system. CIAP has an overall coordinating role.

Mr. PASSMAN. How do you know you are going to strengthen it?

Mr. KLEINE. This committee has been in existence from the beginning.

Mr. PASSMAN. It hasn't been in existence to operate the affairs of the Inter-American Development Bank though, Mr. Kleine.

Mr. KLEINE. Not to operate the Bank, but to strengthen the Inter-American system of which the Bank is a part.

Mr. PASSMAN. Certainly not. This is just another way to involve the spending of $15 million as far as I am concerned.

Mr. MEYER. Could I add one more thing, sir?

Mr. PASSMAN. Certainly.

Mr. MEYER. As I understand it, the $5 million request for——

Mr. PASSMAN. $15 million.

Mr. MEYER. The $5 million that John Hannah requested for fiscal 1970 would be provided through grant funds. No amendment in the law would be required to use grant funds for this purpose.

Mr. PASSMAN. $10 million comes out of the development alliance loans.

Mr. KLEINE. That is correct, for fiscal 1971 an amendment would be required to use loan funds.

Mr. MEYER. What are were asking in our letter was $5 million in grant money for this year, which we understand would require no amendment.

Mr. PASSMAN. Gentlemen, we have waited all of our lives to do this. Why do you have to just rush in and get it in the last 2 or 3 weeks of the fiscal year?

Mr. MEYER. In a very real sense, sir, I can attest, please believe me, to the President's personal involvement in the particular proposal. In this case it was not motivated by any of us bureaucrats.

Mr. PASSMAN. This is Rockefeller's recommendation, isn't it?

Mr. MEYER. I don't think so.

Mr. PASSMAN. Where does he find time to get into this? I am going to see him in a day or two, I hope to. I am going to find out what he knows about it. Some bureaucrat cooked this up, planted the idea, and of course it becomes his.

(Discussion off the record.)

REGIONAL OFFICE FOR CENTRAL AMERICA AND PANAMA

Mr. PASSMAN. You are asking for $43,685,000 for the regional office for Central America and Panama, ROCAP, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This compares with $3,549,000 in fiscal 1970, is that correct?

Mr. KLEINE. Yes, sir. No loans were made under the ROCAP program in the fiscal year 1970 due to reduced appropriations. Loan activity was restricted to the use of loans in the pipeline from fiscal year 1969 and prior years.

HOUSING LOAN GUARANTEE

Mr. PASSMAN. One of your agency press releases states a loan guarantee for $10 million for long-term mortgage financing for housing projects in five Central American countries was signed March 25, 1970. The press release further states that the dwellings will be sold to middle-income families, is that right?

Mr. KLEINE. This was a housing guarantee; yes, sir.

Mr. PASSMAN. Why are we guaranteeing loans for housing for the middle-income families in Latin America when we can't even build houses for our own people here in North America?

Mr. KLEINE. This is under the housing guarantee program which has been authorized by the Congress.

Mr. PASSMAN. If we didn't appropriate a dime we won't violate any legal commitment, would we?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. And you do know the tremendous housing shortage here in America and the difficulty we are having in finding funds to finance housing, don't you?

Mr. KLEINE. I recognize that shortage.

Mr. PASSMAN. Thank you. I am glad you do, Mr. Kleine. I think Americans ought to come first. So we have no legal commitment. Maybe we had better just hold this program back until we can do a little bit better job providing housing here in America.

These are not loans?

Mr. KLEINE. These are not loans, sir. These are the housing guarantees.

Mr. PASSMAN. I know what we are charging veterans and others in America that borrow money for housing, don't you?

Mr. KLEINE. Right.

Mr. PASSMAN. You know, Mr. Kleine, it doesn't make sense. My apologies for appearing to be so confounded frustrated over this program, but the people don't know what we are doing to them.

Mr. KLEINE. The funds that go into this program covered by guaranties do come out of the private sector in the United States.

Mr. PASSMAN. You have a tremendous building program out of the public sector in these Latin American countries, do you not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You know that I know that too, and they are getting that money at 2 percent, aren't they?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Then what are they charging the individual, whether it is after it goes out through a building and loan or through a bank? What interest rate are they charging this individual?

Mr. KLEINE. It varies.

Mr. PASSMAN. What is the average?

Mr. KLEINE. On the local market it could be 11 to 12 percent.

Mr. PASSMAN. Is that the average?

Mr. KLEINE. Roughly.

Mr. PASSMAN. But the Government is getting this money for 2 percent from us, are they not?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Two percent for 10 years and 3 percent thereafter.

Mr. KLEINE. Loan funds.

Mr. PASSMAN. I am talking about the loan funds.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I am talking about the loan funds. I am getting into this. You have a tremendous housing program going in practically every Latin American country, do you not?

Mr. KLEINE. U.S. private investment in housing programs in the Latin American countries is guarantied through the housing guaranty program.

Mr. PASSMAN. That is only one part of it. You have many housing projects going on under the Inter-American Development Bank. That is one of the purposes of the Inter-American Development Bank to make capital available. Some funds go out to banks and some goes out to building and loans, does it not?

Mr. KLEINE. The Inter-American Development Bank? Yes, sir.

Mr. PASSMAN. Certainly. You know that I know that, Doctor.

DEVELOPMENT OF INSTITUTIONS OF HIGHER EDUCATION

On page 145, under the development of institutions of higher education project, I note you plan to increase the life of this project by 2 years, and also raise the total estimated cost by $1,183,000, is that correct?

Mr. KLEINE. That is correct. Additional time is needed, following the setback of the El Salvador/Honduras War, to foster regional university integration and reform.

ECONOMIC INTEGRATION FUND

Mr. PASSMAN. In connection with the Economic Integration Fund, the second development loan, I note that this loan was authorized on June 30, 1967, for $20 million. I believe that is 3 fiscal years ago, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. As of this date there has been no disbursement, is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. When do you plan to deobligate this thing?

Mr. KLEINE. We have no plans to deobligate. This is a followon. As indicated here——

Mr. PASSMAN. I said second development.

Mr. KLEINE. Yes, sir. The funds are believed to be necessary to continue——

Mr. PASSMAN. I am sure you believe that, but it follows nevertheless this authorized on the last day of the fiscal year, June 30, 1967. That was 3 fiscal years ago, is that correct?

Mr. KLEINE. Authorized in fiscal 1967.

Mr. PASSMAN. When did you obligate the funds, on what day of the year?

Mr. KLEINE. June 30 authorized and the agreement was signed on January 23, 1968.

Mr. PASSMAN. It went behind this gray curtain on June 30, 1967, did it not, for $20 million?

Mr. KLEINE. It was authorized on that date, yes, sir.

Mr. PASSMAN. What is the difference? It may have been authorized several months later. There is authorization and appropriation. We are dealing with an appropriation, not an authorization, but you people, after you got the money, you did what we refer to as obligating it, did you not on June 30, 1967?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Don't try to change it to authorization because the authorization comes ahead of the appropriation.

BRITISH HONDURAS

How much do you plan to allocate for programs in British Honduras for fiscal 1971?

Mr. KLEINE. $95,000, sir, will be made available from ROCAP funds.

Mr. PASSMAN. British Honduras is an independent country?

Mr. KLEINE. No.

Mr. PASSMAN. British Honduras is a possession of Great Britain?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. So in effect, if we want to be completely fair about this, this is aid to Great Britain, is it not?

Mr. KLEINE. It is aid to British Honduras.

Mr. PASSMAN. That is right. It is their possession. It is just as much a part of Great Britain, is it not, as Louisiana is a part of the United States, is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Mr. Controller, do you show this year that Great Britain is a recipient of foreign aid?

Mr. WILLIAMS. I believe in previous discussion before this committee, sir——

Mr. PASSMAN. You finally brought them in?

Mr. WILLIAMS. (continuing). That you have included it in the 99 countries, yes, sir.

Mr. PASSMAN. I believe you told us in previous years you had to get permission of the mother country before you could give one of their children aid, did you not? You have to get permission of the United Kingdom before you can give one of its possessions aid, is that right?

Mr. KLEINE. Yes. It is in cooperation with the United Kingdom.

Mr. PASSMAN. Very fine, Doctor, but I am trying to get direct answers. Before you can give British Honduras U.S. tax dollars, you have to get the permission of the United Kingdom, don't you?

Mr. KLEINE. Yes, sir.

COSTA RICA

Mr. PASSMAN. In connection with the program for Costa Rica, I note that demographic education is another one of those projects you are slipping out of this estimate as to cost and termination date, and putting it over into a continuing program, is that right?

Mr. KLEINE. That is correct.

Mr. PASSMAN. This project could just go on, and on, and on into the unforeseen future, could it not?

Mr. KLEINE. Depending on the funds that would be made available for this, yes, sir.

Mr. PASSMAN. This absolutely means that it could go on and on and on.

Mr. KLEINE. It is a recognition of the high priority attached to population programs that we plan to continue them as long as we have AID programs in the Latin American countries, where we have family planning projects.

Mr. PASSMAN. If it is such a high priority, gentlemen, why in the world didn't you tell us about that last year, the year before that and the year before that? I don't think we are going to let you get by with this, Mr. Kleine. I am not talking about you personally, but you people down there are changing your system. We are running into this throughout the books.

(Discussion off the record.)

Mr. PASSMAN. I am going to get this plea on the record. Please, Mr. Kleine, and the supporting witnesses, instead of loosening this program up, it is already the loosest thing that has ever been devised by the mind of man, try to project a total cost estimate and a termi-

nation date so these projects can be controlled. When you come along, on a project that has been going for several years, and eliminate any admission as to the date you will terminate or what it will cost, it is frustrating. I hope the committee will support me in trying to tighten up this situation.

Mr. KLEINE. May I comment a bit on that, sir.

Mr. PASSMAN. Certainly, you can comment all you want.

Mr. KLEINE. The need to plan precisely is certainly recognized and appreciated by all of us. The continuing designation is, as you will note, a very rare one in terms of the projects that we submit.

Mr. PASSMAN. I have heard this thing 20 or 30 times since we started hearings.

Mr. KLEINE. For example, we designate technical support projects as continuing because we recognize and frankly admit that we will need them as long as there are AID programs.

Mr. PASSMAN. As long as we are foolish enough to give you the money.

Mr. KLEINE. We consider the population program as continuing in recognition of the fact that it is so important, and yet so sensitive, that our help will be needed so long as we have AID programs.

Mr. PASSMAN. How about the malaria eradication program, was that important, and they tell us to a dollar what they need per year.

Mr. KLEINE. The malaria eradication program is supported by the Pan American Health Organization. AID's separate contribution of grant funds to PAHO for this purpose terminates in fiscal year 1970, under present planning.

Mr. PASSMAN. As far as I am concerned we are going to mark them out.

On this project, last year you wanted $1,236,000, and you were going to terminate it in 1972. This year you come along with the same project. It is undetermined as to when you will terminate it or what the cost will be. We are running into a lot of these projects. Mr. Secretary, give us some type of an educated guess, as you have always done. I think it is going to be a terrible thing, because if you start it in this one area, this thing is going to spread. Then you are not only going to have a illustrative program, you are going to have a program that nobody knows the cost of or when you will complete it.

AGRICULTURAL EDUCATION PROJECT

In connection with the agricultural education project, I notice this year the project is estimated to be at a funding level of $300,000 for fiscal year 1970, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. How much did you justify for this project last year?

Mr. KLEINE. $100,000, sir.

Mr. PASSMAN. But you finally funded it at $300,000, is that right?

Mr. HELLER. Yes, sir. Thus, we were able to terminate the project earlier, and at a reduced total cost, than proposed last year.

El Salvador

In connection with the El Salvador program, I notice under the technical support last year you proposed a fiscal 1970 program of $240,000, is that correct?

Mr. Kleine. $240,000 in fiscal 1970, yes, sir.

Mr. Passman. But you funded $410,000 this year, didn't you?

Mr. Kleine. That is correct. That includes $149,000 of shared administrative services, which in last year's congressional presentation had been funded from administrative funds.

Mr. Passman. But it makes no difference. Last year the project that you wanted was $240,000, is that right?

Mr. Kleine. That is correct.

Mr. Passman. And you funded at a level of $410,000. I would assume that you were going to spend it for something. I am only establishing the discrepancies against what you tell us and what you do.

Mr. Williams. I believe though, Mr. Chairman, that the regional program was reduced by the amount of the shared administrative——

Mr. Passman. It still doesn't make any difference. You increased this program because you are overfunded in some other area, you don't think there is any law that forces you to fund it somewhere else, do you? Just because you didn't need it in some other area, then you have to take it and increase some other program so as to get rid of the money?

Mr. Kleine. It was asked for, for that purpose.

Mr. Passman. But you only asked for $240,000.

Then you—I don't like to use the word "confess" but that is what you are doing, that in reality it was not $240,000 that you needed, as the book would indicate, but $410,000, isn't that right?

Mr. Kleine. That is correct.

Mr. Passman. That is not the way to run a show. It just keeps this committee so confused, and I am even accused of badgering the witnesses. But when you run this kind of a show, what do you expect from this side of the table?

That causes me a lot of concern. It makes me wonder what is happening on the entire 4,408 projects.

Guatemala

Under the program for Guatemala, I notice this year your estimate for the fiscal 1970 program will be $28,400,000, is that correct?

Mr. Kleine. Yes, sir.

Mr. Passman. Last year you proposed to this committee the fiscal 1970 program would be $18,100,000, is that correct?

Mr. Kleine. That is correct. Most of that increase results from a broadening of the objectives of the rural development loan so as to reach the small farmer more effectively.

Mr. PASSMAN. Also last year you indicated $400,000 would be used for supporting assistance. Last year you indicated that nothing would be allocated for supporting assistance in fiscal 1970, is that correct?

(Discussion off the record.)

Mr. KLEINE. That is right, yes, sir.

Mr. PASSMAN. With all the kidnapings going on in Guatemala in the past several months, have we tried to increase the public safety program?

Mr. KLEINE. This $400,000 project in supporting assistance is in the public safety area.

HONDURAS

Mr. PASSMAN. In connection with the Honduras program, I notice that many of your projects listed on page 164 have been increased, in the estimated total cost above what was projected last year. What has been the increase? Put it in the record, gentlemen.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Do you have it? How much?

Mr. KLEINE. By project? I have the list of individual projects.

Mr. PASSMAN. What is the grand total, gentlemen?

Mr. KLEINE. Last year for Honduras the grand total in fiscal 1969 was $2.7 million.

Mr. PASSMAN. How much did you allocate?

Mr. KLEINE. That was the actual in 1969. In fiscal 1970 the estimate is $2.4 million.

Mr. PASSMAN. I am looking at projects, if we may, under the Honduras program. The projects listed specifically on page 164, do you have it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. They have increased the estimated total cost above what was projected for last year, is that correct?

Mr. KLEINE. That is correct. Beginning with the program proposed for fiscal year 1971, we hope to focus more sharply on two key bottlenecks to development—weak public institutions, and a lack of skilled human resources.

ARGENTINA

Mr. PASSMAN. In connection with the program for Argentina, I note last year you proposed a 1970 program of $400,000, is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But you allocated $700,000, did you not?

Mr. KLEINE. This is correct; $265,000 in additional funds were needed for training costs under the education project in areas related to Argentina's new role as a donor, in tax administration to correct inadequacies prior to an orderly phaseout, and in the labor project.

Mr. PASSMAN. Last year you indicated several projects would be terminated in 1970, and now I notice that these same projects have been extended through 1971, is that correct?

Mr. KLEINE. That is correct, sir. Last year's presentation assumed that the labor project would receive regional funds and serve neighboring countries. But when we decided not to do this, we needed to provide phaseout costs under the Argentina program. Extensions of technical support and agriculture to fiscal year 1971 are also to provide final phaseout costs.

Mr. PASSMAN. In connection with the grain storage government loan program on page 173, I notice that this loan was authorized in May of 1963 for $10 million, is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. I believe that is 8 fiscal years ago, isn't it?

Mr. KLEINE. That is correct.

Mr. PASSMAN. But no money has been disbursed, is that correct?

Mr. KLEINE. That is correct, sir.

BOLIVIA

Mr. PASSMAN. In connection with the Bolivia program, is it true that no funds will be disbursed in Bolivia until a satisfactory resolution of the Gulf Nationalization issue is reached?

Mr. KLENE. Funds on existing projects, sir, are being disbursed against commitments.

Mr. PASSMAN. You are disbursing funds then in Bolivia?

Mr. KLEINE. Against existing commitments, yes, sir.

Mr. PASSMAN. We would not violate any legal commitments if we didn't disburse these funds, would we?

Mr. MEYER. No, sir.

Mr. PASSMAN. We would not, Mr. Secretary? Thank you.

Mr. KLEINE. On existing projects there are contracts.

Mr. PASSMAN. You have commitments but if we didn't appropriate the money you would not have violated any legal commitment, would you?

Mr. KLEINE. Those funds have been appropriated.

Mr. PASSMAN. It doesn't make any difference?

Mr. KLEINE. Against which legal commitments have been made.

Mr. PASSMAN. If they have violated our agreements and move against general principles, we have a right to suspend funds to them, do we not? Do we not have a right to cease disbursing?

Mr. KLEINE. We have a right within each agreement to do so, sir, but that has not been judged to be the case in the Bolivian situation.

Mr. PASSMAN. Why not?

Mr. MEYER. Because at no time, sir, Bolivia has said, or most positively from the outset, that Gulf would receive compensation for its property.

Mr. PASSMAN. When?

Mr. MEYER. As soon as the Bolivian Government and Gulf can reach an agreement. They have been in constant communication.

Mr. PASSMAN. I guess Gulf will just about have to yield to whatever proposition they offer. That has been our experience in these Latin American countries, hasn't it?

Mr. KLEINE. In part, yes, sir.

Mr. PASSMAN. Thank you, Mr. Secretary. This is not a quarreling session, and I respect you people very greatly, but you have gotten us into so many entanglements and commitments around the world that if we stopped now we couldn't straighten ourselves out in 25 years. I like to say occasionally, for the record, and there is not a scholar in America who can refute the accuracy of it, that 181 years ago we were a primitive underdeveloped Nation of about 3 million people, but our Founding Fathers gave us a great political document

that furnished incentive and incentive-created initiative, and that is an unbeatable pair. So on our own initiative we became the greatest, the freest, the strongest, and the wealthiest nation in recorded history. Our policy: Trade and firmness, not aid and appeasement. We are not running our business today. Foreign nations are running our business. They are calling the shots. You people won't admit it.

On page 177, in connection with the "engineering adviser services" project, I note you plan to extend the life of this project by 3 years, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And to increase the total estimated cost by $1,555,000, is that correct?

Mr. KLEINE. That is correct. Due to delays in completing loans for transportation and infrastructure projects, we had to continue funding of advisors through grant assistance.

CHILE

Mr. PASSMAN. In connection with the Chile program, I note on page 181, under the "population family planning" project that last year you estimated a termination date of 1972, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. At a total estimated cost of $2,011,000, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And again this year you have left the final obligation blank and also left the total estimated cost blank, haven't you?

Mr. KLEINE. This again reflects our feeling that population programs are so basic to our overall development goals that we should keep working at them as long as we have AID programs.

Mr. PASSMAN. I know what it is.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But you changed from one system to another, just over the year, didn't you?

Mr. KLEINE. On this category, yes, sir, for the reason I mentioned.

Mr. PASSMAN. Don't you know very well that you are just encouraging these people to delay formulating any plans, and if you go out with this type of proposition it is just like handing a man a blank check and just saying, "Just fill it out, my name is already signed to it." You people shouldn't operate like that.

Last year you projected that the total number of participant programs for 1970 would be 91, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And this year I note you propose 123 participants, the same year, is that correct?

Mr. KLEINE. Yes, sir, 123. A delay in signing the human resources development loan required us to continue grant funding of participants who henceforth will be borne by the loan.

DOMINICAN REPUBLIC

Mr. PASSMAN. Under the Dominican Republic program, I notice that you state elections are scheduled for May 1970. Will our aid program be withheld until we find out what type of government is elected in May?

Mr. KLEINE. The aid program, sir, is continuing.

Mr. PASSMAN. Thank you. You have answered my question. I knew that. I just wanted to see if you concur.

Mr. KLEINE. There are no grounds to hold up the program before the results of the election, sir.

Mr. PASSMAN. What if you got a completely unfriendly government? Don't you think in retrospect that if you had withheld that money we gave to Egypt, that our position would have been better if we hadn't given away that money?

Mr. KLEINE. I don't know, sir.

Mr. PASSMAN. I don't guess any of us know. But they broke off diplomatic relations, and they have very friendly relations with Soviet Russia; do they not?

Mr. KLEINE. Yes, sir.

ECUADOR

Mr. PASSMAN. In connection with your Ecuador program, I note you state that AID funded assistance for land reform. Could you put something in the record as to what progress, and please don't exaggerate it, you are presently making.

(The information follows:)

ECUADOR'S PROGRESS IN LAND REFORM

To date, land reform in Ecuador has experienced considerable difficulty in achieving the stated objectives of the government program. The present Velasco government has expressed its intent to press for increased land reform but has taken little action, other than to reorganize the administration of land reform agency.

In 1963 the then new military junta took a strong position in favor of land reform. Under a land reform law of 1964 a national program was established, the administration of which was given to the Ecuadorean Institute of Agrarian Reform and Colonization (IERAC).

While never popular with politically powerful landowners and business interests, IERAC operated until early 1970 as a governmental semi-autonomous agency and was dependent on direct financial support from the Central Government budget and earmarked taxes. Throughout its life, IERAC has suffered from lack of sufficient funding, in part due to lack of a firm commitment of subsequent governments to land reform and in part due to the general lack of sufficient Central Government revenues to support all budgeted programs. In addition to Central Government, IERAC has received two loans from the Inter-American Development Bank amounting to $6.3 million for colonization projects. After the fall of the military junta in March 1966, IERAC has been in an increasingly difficult financial position because its activities did not rate as high a priority with the two more conservative governments that followed the junta.

From 1964 to 1967 IERAC activities resulted in 39 properties of 227,000 hectares (one hectare equals 2.471 acres) being expropriated and redistributed to 11,700 peasant families. Of these 39 properties, 33 were over 500 hectares but represented only 2.4 percent of all properties in Ecuador this size. In 1968 25 properties totalling only 15,000 hectares were distributed to 1,000 families. In the area of colonization, approximately 400,000 hectares of unutilized Government lands have been given to 10,000 families between 1964–69. While admirable, in relation to the need, these figures are small. By way of comparison there are approximately 260,000 farms (of approximately 350,000 farms) in Ecuador under 5 acres in size (2 hectares). Of this number 100,000 are less than 1 acre. Thus over 60 percent of the agricultural properties in Ecuador are less than 5 acres.

The Velasco government, which took office on August 31, 1968 has recently taken action to revitalize the land reform program. In order to bring agrarian reform under more direct control of the executive branch of the government, a law has been approved providing for the consolidation of IERAC as a separate entity in the Ministry of Agriculture. While the land reform program now will come under

executive control with operating responsibilities under the Minister of Agriculture, it is too early to tell whether this new administrative arrangement will lead to a more effective and broader program.

Mr. PASSMAN. On page 195 in connection with the human resources development project, I note you plan to extend the life of this project by 4 years, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And increase the total estimated cost by $1,031,000, is that correct?

Mr. KLEINE. Yes, sir. The project extension and increases represent a major shift in emphasis. We plan to intensify our activities in community education in an effort to reach people not reached by the traditional educational system.

JAMAICA

Mr. PASSMAN. In connection with the Jamaica program, I notice last year you estimated 15 participants would be programed for 1970, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I notice you have increased that to 26 participants, is that correct?

Mr. KLEINE. That is correct, sir. That increase is entirely in public safety, because of Jamaica's need to reorganize and strengthen its police forces.

Mr. PASSMAN. You fellows are really operators; with the 30-percent cut in the program and throughout the book we see where you have been able to increase not only personnel but expenditures in practically all the areas.

Mr. KLEINE. But we have made cuts in other programs to offset these.

Mr. PASSMAN. I doubt if you needed it. You wouldn't have cut if you had needed it. You are still going to wind up with unobligated funds. That doesn't justify just hundreds of cases where you obligated differently than you said you would.

If you didn't have an illustrative program you couldn't do it.

PANAMA

In connection with your program for Panama, I note on page 213 several of your development loans were authorized on June 30, 1969, is that correct?

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. But as of yet no loan agreements have been made, is that correct?

Mr. KLEINE. We have made loan agreements or signed an agreement on this small farmer improvement project on November 25, 1969. We have not concluded loan agreements on two of those three.

Mr. PASSMAN. How many of these loan projects did you allocate or fund on June 30, 1969?

Mr. KLEINE. There were two on June 30, sir, one on June 27.

Mr. PASSMAN. One of them 3 days before the end of the fiscal year, and two of them on the last day of the fiscal year.

Mr. KLEINE. Right. The one on June 27 is the one I mentioned that we did sign in November.

Mr. PASSMAN. I believe if you hadn't obligated these funds on June 30, they would have been in the unobligated category, would they not?

Mr. KLEINE. Yes, sir.

PARAGUAY

Mr. PASSMAN. I note on page 217 in connection with the Paraguay program, last year you estimated 38 U.S. technicians would be programed for fiscal year 1970, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And this year I see that you indicate 56 U.S. technicians will be programed, is that correct?

Mr. KLEINE. Yes, sir. The increases are associated with formulation of an education loan, initiation of a statistics program, and establishes most of an export promotion center.

PERU

Mr. PASSMAN. You people really operate, don't you? Would you please tell the committee what the Peru Government has done concerning the uncompensated expropriation of U.S.-owned property to date? Mr. Secretary, would you like to comment on that?

Mr. MEYER. There is only one, sir, as you know, and that is the International Petroleum Corp.

Mr. PASSMAN. I said U.S.-owned property.

Mr. MEYER. That is it, and that is still in the same stage of low-key discussion toward a solution that it was a year ago.

Mr. PASSMAN. What is that, Mr. Secretary, low key?

I have a lot of respect for you people. I don't care whether you like the way I examine or not. I have an obligation to the American taxpayer. You people are bankrupting and destroying the economy of this country or will eventually by pricing us out of world markets and building this public debt up to where the total is fantastic. I don't purposely offend you.

URUGUAY

In connection with the Uruguay program, I notice last year you estimated a fiscal 1970 program level of $9.2 million, is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This year I note that the new estimate for the current fiscal year is now $16.8 million, is that correct?

Mr. KLEINE. That is correct, sir. After the Rockefeller mission visited Uruguay the loan planned by export expansion was increased to $15 million to also include expansion of imput of capital goods.

Mr. PASSMAN. I wouldn't offend you under any circumstances. I don't see how you people have the courage, the conscience to come up here and answer questions as you do, with how little you know about these programs from 1 year to the next as established in our examination the following year. There is only one answer to it, and that is a line-item bill. We should limit the number of programs that you people can start in a country. You are trying to remake the world over-

night, and I tell you, gentlemen, and I want you to know that the total requests for all brands of foreign aid and assistance this year is $12,133,525,000, the highest in the history of America. I want to give the Secretary a copy of it. I am not criticizing all of it, but you are weakening even our good agencies. It is that which is actually foreign assistance or foreign aid.

The Export-Import Bank, we now have three windows of that operation, the regular one, one that can go up to 25 years on industrial loans, and you have the third window, of course, which permits the lowering of the credit criteria that we have followed in the past, even made provision where you charge it off when they fail. This thing, Mr. Secretary, has just been scattered thoughout the budget. You should be glad that some committee will take the time and put these pieces back together. I have watched it over the years being fragmented.

Take military assistance, the big piece has been moved out of title I and put over into defense. They took with it a large amount of the grant aid. Overseas Private Investment Corporation had to break out of title I. Let me give you this. Those came right down from the agency. The Export-Import Bank, window one is good, two I don't know yet and three is a form of aid. Look at all of the international organizations, Mr. Secretary, that are thrown in there. It has been fragmented, and I just don't believe the President of the United States realizes that this thing is $1,600 million higher than the same totals last year. Mr. Shriver?

GNP GROWTH

Mr. SHRIVER. Thank you, Mr. Chairman. In your statement on page 3, you discuss the rise in the GNP. Where do you get those figures?

Mr. KLEINE. These figures, sir, are put together by the economists of the Bureau, based on data obtained from the international agencies, primarily IMF, as well as our Department of Commerce, and other sources.

Mr. SHRIVER. On page 10 you note the 6.4-percent GNP growth rate in Latin America in 1969, and 3.4-percent per capita GNP growth rate that year. Will you put a table in the record breaking these percentages down as to individual countries.

Mr. KLEINE. Yes, sir; we have that information.

(The information follows:)

TRENDS OF GROSS NATIONAL PRODUCT, TOTAL AND PER CAPITA: 1969-69

Region and country	Gross national product				Gross national product per capita			
	Average annual percent change			Percent change	Average annual percent change			Percent change
	1961-65	1965-69	1961-69	1968-69	1961-65	1965-69	1961-69	1968-69
Total, 18 Latin American republics	4.6	5.4	5.0	6.4	1.6	2.4	2.0	3.4
Total, 5 Central American republics [1]	6.2	5.3	5.7	4.5	2.8	2.0	2.4	1.3
Argentina	2.7	3.4	3.1	6.9	1.2	1.8	1.5	5.4
Bolivia	5.5	5.3	5.4	5.2	3.2	2.8	3.0	2.7
Brazil	4.2	6.8	4.9	9.0	.1	3.9	2.0	6.4
Chile	4.5	3.6	4.1	3.6	2.3	1.6	1.9	1.7
Columbia	4.4	5.4	4.9	6.6	1.2	2.1	1.7	3.3
Costa Rica	5.3	7.5	6.4	6.2	1.7	5.5	2.9	2.7
Dominican Republic	2.6	6.3	4.4	7.0	−1.0	2.8	1.0	3.5
Ecuador	4.9	4.5	4.7	3.0	1.3	1.1	1.2	−.4
El Salvador	7.6	4.8	6.2	2.8	4.1	1.3	2.7	−.6
Guatemala	5.5	4.9	5.2	5.7	2.1	2.0	2.0	2.7
Honduras	5.1	5.3	5.2	3.7	1.7	1.8	1.8	.3
Mexico	7.1	6.9	7.0	6.4	3.5	3.3	3.4	2.7
Nicaragua	8.0	4.1	6.0	3.0	4.7	.9	2.8	−.2
Panama	7.7	7.3	7.5	7.0	4.2	3.9	4.1	3.6
Paraguay	[2] 4.2	3.9	[3] 4.0	3.2	[2] 1.1	.7	[3] .8	0
Peru	6.1	3.4	4.8	1.6	3.0	.3	1.6	−1.5
Uruguay	.2	.4	.2	4.6	−1.2	−.9	−1.0	3.3
Venezuela	5.9	4.3	5.1	4.0	2.4	.7	1.5	.5

[1] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.
[2] Average anunal change 1962-65.
[3] Average annual change 1962-69.

Note: Data are based on constant 1968 prices.

CONCENTRATION ON AGRICULTURE, EDUCATION, AND HEALTH

Mr. SHRIVER. On page 3 you talk about the concentration on agriculture, education, and health in the 1970 loan program. You say, "in this respect it is complementary to the World Bank and Inter-American Development Bank programs which are more heavily concentrated in infrastructure development." What do you mean?

Mr. KLEINE. By that, sir, we mean that in our close cooperation with these international agencies, there has been sort of an informal specialization. They have been specializing in projects for infrastructure, roads, power.

Mr. SHRIVER. What do you mean by infrastructure? That is the foundation as I understand it.

Mr. KLEINE. Yes; the physical foundation to the economy, which includes power, roads, the whole transportation sector. AID, on the other hand over the years, moved from these projects in physical infrastructure, and has been concentrating more and more in the sectors of education, agriculture, and program loans.

Mr. SHRIVER. What you are saying then is that the World Bank and the Inter-American Development Bank programs are concerned with capital programs for powerplants or roads and that kind of thing.

Mr. KLEINE. That is correct.

Mr. SHRIVER. You would be more involved in helping people?

EAST CARIBBEAN DEVELOPMENT BANK

Mr. KLEINE. Social development; yes sir.

Mr. SHRIVER. Then in the next paragraph you mention a loan to the East Caribbean Development Bank. What is the East Caribbean Development Bank?

Mr. KLEINE. That is the bank that has been initiated to provide capital assistance to its members located in the eastern Caribbean. These are Jamaica, Trinidad, the Bahamas, Guyana, Barbados. Also participating members are the United Kingdom and Canada. The total anticipated capitalization is $50 million.

Mr. SHRIVER. We are not in that bank, are we?

Mr. KLEINE. We are not members of the bank, but it is our intention to provide a loan of $6 million to the bank.

Mr. SHRIVER. With Canada and Great Britain participating, why would it be necessary for us to get involved in that?

Mr. MEYER. We opted, sir, to be a lender rather than a stockholder. We were asked to be a stockholder.

Mr. SHRIVER. My question is still good. It hasn't been answered. If Canada, which has resources, and Great Britain are in it, as you have indicated, why would we become involved?

Mr. KLEINE. We are engaged in a cooperative effort with these other donors to support the regional bank, and this is assistance to the key development institutions of the Caribbean area survey team which had concluded that it was desirable to establish a bank in order to help promote development in the area.

Mr. SHRIVER. How much has been contributed by Canada?

Mr. KLEINE. Of the $50 million capitalization, 60 percent is to come from the regional members, and 40 percent from the United Kingdom and Canada.

Mr. SHRIVER. Why would they need a loan from us?

Mr. KLEINE. For lending capital.

Mr. SHRIVER. I mean from AID.

Mr. KLEINE. To help meet the needs that this bank would seek to address. A calculation of the kinds of activities needed, based on these studies, suggested the utility of an AID input.

Mr. SHRIVER. So AID, decided to make a loan to the bank which has capital support from Canada and the United Kingdom?

Mr. KLEINE. It will provide an opportunity for the United States to participate through the loan with the area's key development organization.

Mr. SHRIVER. How much interest are we going to charge?

Mr. KLEINE. This is being negotiated, discussed, and the amount has not yet been set, to my knowledge. If it has, I will provide that for the record.

FUNDING OF FAMILY PLANNING

Mr. SHRIVER. On page 4 you say:

> * * * we have made every effort to assure that our assistance is consistent with a full respect for the values and independence of the Latin American nations in this sensitive field.

This is in connection with family planning. It says:

> $11.4 million was funded from Alliance Loan availabilities for programs in Latin America, and $17.2 million for worldwide programs.

Was the worldwide amount from Alliance funds?

Mr. KLEINE. This represents a transfer from Alliance availabilities for worldwide population programs monitored by the AID central staff.

Mr. SHRIVER. My recollection is that we appropriated or made available large sums for family planning worldwide in the last appropriation bill and the bill prior to that.

Mr. KLEINE. If I may, sir, I believe it was an earmarking of funds from the total availabilities, total AID appropriations. In fiscal year 1970, $75 million and $100 million in fiscal 1971 would be made available for population. These funds could be drawn from whatever appropriation AID had.

Mr. SHRIVER. From funds appropriated for the Alliance for Progress?

Mr. KLEINE. Yes, sir, AID population programs in Latin America could use Alliance funds.

AID GIVEN BY MEXICO AND ARGENTINA

Mr. SHRIVER. In the next paragraph on page 4 you mention that technical assistance is now being given by Mexico and Argentina to their less developed neighbors.

Mr. KLEINE. That is correct.

Mr. SHRIVER. How much technical assistance is being given by Mexico and to whom and the same for Argentina?

Mr. KLEINE. The precise amount I don't have with me. I can provide that. The Mexican activities normally involve scholarships for training in Mexican training institutions. The Argentine example is a recent one, and indeed a very gratifying one. Argentina has been advised that AID will no longer provide concessional assistance except that which may be necessary for an orderly termination of ongoing activities. In essence we look to Argentina as a donor in the inter-American system. Argentina has responded very encouragingly. The Argentines have already indicated to the Inter-American Bank that they are willing to make available resources to help meet the contributions necessary from other Latin American countries as their contribution to IDB projects. They are setting up a technical assistance mission in Paraguay to provide technical assistance to facilitate trade with Paraguay. Argentina has taken its role as a donor very seriously and, as I mentioned, it is an encouraging sign.

Mr. SHRIVER. Put the amount in the record on that.

(The information follows:)

TECHNICAL ASSISTANCE PROVIDED BY MEXICO AND ARGENTINA TO OTHER COUNTRIES

Argentina has assumed an important technical and economic assistance donor role in South America. Her advanced institutional frameworks for scientific and technological activities are increasingly being made available to less developed neighbors.

The national university system is hosting tuition free 7,500 students from other Latin American countries. A recent agreement provided for Argentine cooperative assistance to Paraguay's agricultural sector to increase agricultural and forestry exports to Argentina and other markets. Argentina has agreed to cooperate with IDB in financing certain development projects in Bolivia, Paraguay, and Uruguay, and to expand her role in the development of infra-structure projects for regional integration of the River Plate Basin.

Mexico provides technical assistance through the Monterrey Institute of Technology (MIT) and through other institutions sponsoring seminars on a variety of developmental topics for third-country participants. To date MIT has graduated approximately 4,600 third-country participants. Over 3,500 AID-sponsored participants have been trained in Mexico and approximately 10,000 non-AID-sponsored third-country participants have used Mexico as a third-country training center. Mexico lists over 150 training institutions in its Directory of Training Facilities in Mexico. In addition Mexico has contributed technical assistance for the development of a school construction program in Costa Rica and made a $5 million loan to Costa Rica for school construction. The Mexican Institute of Rehabilitation in cooperation with USAID's has promoted the establishment of the Guatemalan, Salvadoran, Honduran, and Peruvian Rehabilitation Institutes. These institutes continued the Mexican precedent of putting up 95 percent of the financial resources. Mexico's Centro de Adiestramiento de Operadores has trained more than 1,000 third-country administrators and teachers of automotive mechanics and mechanics for roadbuilding equipment which has resulted in the establishment of four such training centers in Guatemala, Bolivia, Colombia, and Nicaragua.

MULTILATERAL AND BILATERAL AID

Mr. SHRIVER. Would you show for the record the dollar figures and percentages for our bilateral programs in Latin America and multilateral programs there for each of the past 3 fiscal years and those proposed for fiscal year 1971.

Mr. KLEINE. Yes, sir.

(The information follows:)

AMOUNTS AND PERCENTAGE OF AID BILATERAL AND MULTILATERAL PROGRAMS,[1] FISCAL YEARS 1968, 1969, 1970 and 1971

[Obligations in millions of U.S. dollars]

	Fiscal year 1968		Fiscal year 1969		Fiscal year 1970 (estimated)		Fiscal year 1971 (proposed)	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
AID	548.4	32.3	341.8	20.2	454.4	21.0	547.0	20.5
EXIM	299.5	17.6	289.0	17.1	500.0	23.1	700.0	26.2
IDB	393.8	23.2	507.8	30.0	600.0	27.7	700.0	26.2
IBRD	376.4	22.1	457.7	27.0	500.0	23.1	600.0	22.4
IDA	9.1	.5	14.6	.9	15.0	.7	20.0	.7
IFC	17.2	1.0	26.6	1.6	40.0	1.8	45.0	1.7
EEC	14.3	.8	8.9	.5	9.0	.4	10.0	.4
U.N	41.1	2.5	46.5	2.7	48.0	2.2	50.0	1.9
Total	1,699.8	100.0	1,692.9	100.0	2,166.4	100.0	2,672.0	100.0

[1] These are programs in Latin America only.

LAND REFORM

Mr. SHRIVER. You mentioned land reform in your statement on page 6. Would you comment on that further and include the percentage of farmland involved in each of the countries in which reform has been initiated?

Do that for the record.

Mr. KLEINE. Yes, sir.

(The information follows:)

AGRARIAN REFORM

Following in outline form are pertinent points relative to agrarian reform in Latin America.

1. The Latin America situation

A. Agrarian reform is an agreed goal of the Alliance for Progress signed in 1961.

B. Existing problems have been of several types:

(*a*) Minifundia—large numbers of people control essentially uneconomically small farm units. For example, small farms providing work for less than two people comprise 43 percent of all farms in Argentina; 64 percent of all farms in Colombia, and 88 percent of all farms in Guatemala.

(*b*) Large agricultural enterprises control much of the land in farms. Examples of this are: 81 percent of the land in farms in Chile are in large farms and in Peru it is 82 percent.

(*c*) Little concern had been given to other factors of the land tenure situation including (*a*) land taxation; (*b*) water rights; (*c*) tenancy arrangements; (*d*) title security; (*e*) colonization; and (*f*) expropriation.

C. In Latin America the availability of land for cultivation is not a major limiting factor since even today 800 million acres of arable land are not in farms.

D. Much unused land has extremely poor transportation and other needed infrastructure.

E. Over 6 million rural families were landless in 1961.

F. Governments had not recognized that land distribution without credit, technical information, good seeds, favorable markets, and essential infrastructure, dooms most new farmowners to failure.

G. Few countries had effective agrarian reform laws and supporting institutions in 1961.

H. Sixty percent of rural families in Latin America in 1960 received a total income of $210 or less per year.

I. Success on land reform depends on national will.

2. AID position

A. It is an AID goal to support national agrarian reform efforts.

B. AID considers agrarian reform to include the whole institution of land tenure including taxation, adequate water legislation, equitable tenancy arrangements, et cetera.

C. Success of agrarian reform in improving welfare of rural people depends upon adequate and effective assistance in all factors relating to the improvement of productivity.

D. AID's professional capability and capital development fund continues to be available and responsive to Latin America's initiatives on agrarian reform.

3. Results of agrarian reform activities in 9 years

A. Seventeen countries now have agrarian reform laws.

B. Over 120 million acres have been affected by the program to date.

C. Approximately 15 million acres of land has been expropriated or purchased.

D. Over 600,000 land titles have been granted.

E. Over 1,064,000 families have benefited to date.

F. AID has provided over $210 million in loans to provide credit to settlers for houses, production inputs, et cetera.

PERCENTAGE OF FARM LAND BY COUNTRY INVOLVED IN LAND REFORM

Country	Total land [1] (thousands of acres)	Land distributed through 1969 (thousands of acres)	Percent of total	Land distributed 1969 (thousands of acres)	Percent of total
Argentina	694,165	[2] 2,798	0.40	[2] 173	0.02
Bolivia	274,645	[3] 25,696	9.36	[3] 5,932	2.16
Brazil	2,127,990				
Chile	189,235	[2] 5,531	2.92	[2] 932	.49
Colombia	284,585	[3] 7,070	2.48	[3] 840	.30
Costa Rica	12,675	[3] 833	6.57	[3] 12	.09
Dominican Republic	12,182	[3] 126	1.03	[3] 29	.24
Ecuador	73,390	[3] 164	.22	[3] 124	.17
El Salvador	5,347	[3] 42	.79	[3] 2	.04
Guatemala	27,222	[2] 98	.36		
Honduras	28,022	[3] 166	.59	[2] 75	.27
Mexico	493,137	[2] 58,468	11.86	[2] 8,648	1.75
Nicaragua	32,500	[2] 412	1.27	[2] 201	.62
Panama	18,912	[2] 142	.75	[2] 62	.33
Paraguay	101,687	[3] 5,560	5.47	[3] 625	.61
Peru	321,305	[2] 1,988	.62	[3] 588	.18
Uruguay	467,325	[3] 74	.02	[2] 18	.00
Venezuela	228,012	[2] 9,209	4.04	[2] 988	.43

[1] From 1967 FAO Production Yearbook.
[2] From 1968 reports.
[3] From 1969 reports.

USE OF FERTILIZER BY SMALL FARMERS

Mr. SHRIVER. On page 6 you say:

Pricing policies are being changed to provide adequate incentive to the small farmer to use fertilizers * * *.

An Associated Press article dated December 26, 1969, reported that for the first time in 9 years Chile has increased the prices charged for nitrates used in fertilizer. What effect does this increase have on small farmers down there?

Mr. KLEINE. I don't know what the effect has yet been in Chile. We do know that in a number of the Latin American countries there have been introduced policies to provide higher prices to the producer. For example, that is the case in Brazil where a price-support program has encouraged the production in the field of agriculture. As a parallel to this, increased amounts of credit are being made available in many of the countries of Latin America to the farmers, small farmers as well, to enable them to improve their production. In general, there is an increased recognition of the importance of more support by the governments with their own resources in various ways to bring about an improved and more efficient agricultural sector. This is reflected in increased Latin American resources allocated to agriculture, as well as AID's heavy accent on agriculture.

AVERAGE COST OF UNIVERSITY STUDENTS

Mr. SHRIVER. On page 1719 of last year's hearings I was told that the average cost per year of a Latin American Scholarship Program at American universities students is approximately $3,250, while the regular AID participant's average cost is over $5,000 per year. That would indicate that students financed under your AID programs cost 54 percent more than those under this university contract project, does it not?

Mr. KLEINE. Yes; the universities in this program contribute the tuition for these students. Many of our participants are short term, and the costs for their programs for a man-year are on an annual basis

higher than for LASPAU students for the academic study year. The relatively low cost in this program is the result of the contributions made by the universities, and also of transportation costs often being provided by sponsors or by the individual. Most of our contribution is for the maintenance of the students while they are here and for provision of the overhead support to the organization.

Mr. SHRIVER. Regarding the table on page 14 of your statement, would you show similar information for the program of the Inter-American Development Bank and International Development Association?

Mr. KLEINE. Surely.

(The information follows:)

IDB AND IDA: PROGRAMS BY SECTOR

Neither of these two agencies forecasts future lending programs by sectors. The IDB has indicated that it expects to continue its activities in the same fields where it has acquired experience in the past, while devoting major emphasis to agriculture. Although the sectoral distribution in a given year will vary because of a number of factors, including the type and viability of proposals received from the borrowing countries, the pattern of lending in the coming year is likely to be similar to the sectoral distribution shown in the following historical table:

IDB LOANS, BY SECTORS

[Dollars in millions]

Sector	Calendar year 1969	Total 1961–69	Percen
Agriculture	$202.1	$833.8	24.3
Industry and mining	35.1	577.3	16.8
Transportation and communications	188.6	521.9	15.2
Electric power	118.5	427.7	13.9
Water supply and sewerage	37.1	457.4	13.3
Urban development and housing	11.3	322.7	9.4
Education	26.4	136.9	4.0
Preinvestment	4.8	66.0	1.9
Export financing	7.6	41.0	1.2
Total	631.5	3,429.7	100.0

Total IDB lending is expected to increase slightly in 1970 and 1971 over the level reached in calendar year 1969.

The IDB program consists almost entirely of loans, but a small amount of technical assistance is provided on a nonreimbursable or grant basis; this totaled less than $1.8 million in calendar year 1969.

The program of the International Development Association is administered on a worldwide basis, making the forecasting of such credits regionally and sectorally extremely difficult. The following table shows the sectoral distribution of IDA's Western Hemisphere program both in fiscal year 1969 and since its inception, but affords little basis for prediction because of the relatively small number of credits involved.

IDA DEVELOPMENT CREDITS TO WESTERN HEMISPHERE COUNTRIES, BY SECTORS

[Millions of dollars]

	Fiscal year 1969	Cumulative total to June 30, 1969
Agriculture	4.3	27.4
Education	2.9	8.0
Electric power	7.4	22.4
Transportation		71.3
Water supply		3.0
Total	14.6	123.1

USE OF ALLIANCE LOANS AND TECHNICAL ASSISTANCE

Mr. SHRIVER. The table on page 14 shows 32 percent of the Alliance loans and nearly half of the technical assistance in the "Other" category. Would you tell us in greater detail how these funds are to be used?

Mr. KLEINE. Most of the loans in this category are program loans. Those provide balance-of-payments support to governments such as in Brazil and Colombia to help provide a level of imports for their overall economy, necessary to increase the growth of the economy. The grants are mostly for labor, public safety, and technical support.

SOCIAL PROGRESS TRUST FUND REPORT

Mr. SHRIVER. The 1969 report of the Social Progress Trust Fund of the Inter-American Development Bank shows the aggregate flow of external financing, both public and private, to Latin America in 1968 to be $1,921 million. At the same time, the service on the external debt amounted to $2,156 million, or $235 million more than the external financing flowing into these countries.

Could those figures be broken down for the record?

Mr. KLEINE. Yes, sir.

(The information follows:)

BREAKDOWN OF SPTF FIGURES ON EXTERNAL FINANCING AND DEBT SERVICE

The figure of $1,921 million quoted is an average of 1967 and 1968 net external financing data shown in more detail on page 80 of the Social Progress Trust Fund report. They were obtained by deducting amortization payments and capital repatriation from the gross flows of public capital (including donations) and private long-term capital (more than 1-year maturity). Detail for 1968 is as follows, in millions of dollars:

Net public flow:	
Multilateral	$433
Bilateral United States of America	747
Bilateral other countries	−3
Subtotal	1,177
Net private flow:	
Suppliers and banks	201
Direct investment	643
Subtotal	844
Total	2,021

The figure of $2,156 million, taken from page 91 of the same report, refers to 1968 service on the regional external public debt. Of the $2,156 million total, $1,505 million was in amortizations, and $651 million in interest payments.

The fact that debt amortization has already been discounted in the first figure and that it appears again in the debt service total is one reason these two sets of data cannot be directly compared. Another is that there are basic conceptual differences between net external financing and external public debt (the latter includes only loans and the credits of suppliers and commercial banks, but excludes direct investment flows).

A further breakdown of the 1968 debt service information, distributed by creditors, is shown below. IDB estimates are based on data provided by the World Bank.

SERVICE OF THE PUBLIC EXTERNAL DEBT OF LATIN AMERICA IN 1968

[In millions of dollars]

	Interest	Amortization	Total
1. International organizations [1]	125	120	245
2. Foreign governments [2]	204	421	625
3. Suppliers and private banks	274	852	1,126
4. Other, principally bonds	48	112	160
Total	651	1,505	2,156

[1] IBRD, IDA, and IDB.
[2] USA, European countries and Japan.

Mr. SHRIVER. Will that situation worsen, do you think? There is quite a little difference there.

Mr. KLEINE. Depending on the amount of resources that can be made available through the various agencies, multilateral and bilateral as the SPTF input goes down, the repayments will start to creep up on the amount of new inputs that will be coming in.

ASSISTANCE TO BRAZIL

Mr. SHRIVER. You are requesting almost $168 million for Brazil, an increase of about $5 million over the fiscal year 1970 program. How much of our contributions to multilateral assistance programs might be expected to go to Brazil in 1971?

Mr. KLEINE. I know that the IDB has a rough planning level for Brazil that has been running at about $100 million. The World Bank planning figure is about $200 million over this immediate period with the hope of being able to expand in the future. The actual inputs tend to fall short of these planning totals.

Mr. SHRIVER. Mr. Meyer, what about the Government down there now; what is the situation in Brazil?

Mr. MEYER. Mr. Shriver, the Government, I know, is development oriented. It is committed to control of inflation. It is military in the sense that the President is a general. The civilian——

Mr. SHRIVER. Is it a dictatorial regime?

Mr. MEYER. There is no Congress and to that degree it could be identified as dictatorial. But it is not a dictatorship. There is a current concern as to the Government's tendency to curtail adverse criticism. The AID program in Brazil, for both fiscal 1970 and 1971, is still under study.

To be totally honest with you on that, because the economic performance of the Government is superb, while the political performance of the Government we are studying.

EL SALVADOR AND HONDURAS

Mr. SHRIVER. Honduras and El Salvador had a war last July, and the U.S.-financed Pan-American Highway between them is still closed. Yet you are requesting very substantial increases in our assistance to both countries. Is there any that we can get that highway opened up?

Mr. MEYER. Unilaterally, I don't believe so, sir. The highway is closed purely in the aftermath of the war and it would be reopened tomorrow if El Salvador were willing to discuss firmly a boundary treaty which has been in process, to my knowledge, since 1965. The Organization of American States is concerned with this question, as it was with the settlement of the shooting war.

OTHER LATIN AMERICAN ASSISTANCE

Mr. SHRIVER. Would you provide for the record a table showing expected external assistance to the countries in Latin America from all sources outside the United States?

Mr. KLEINE. Yes, sir.

(The information follows:)

PAST AND PRESENT ASSISTANCE OF DONOR INSTITUTIONS OTHER THAN UNITED STATES IN LATIN AMERICA

[Obligations in millions of dollars]

	Actual fiscal year 1968	Actual fiscal year 1969	Estimated fiscal year 1970	Estimated fiscal year 1971
Inter-American Development Bank (IDB)	393.8	507.8	600.0	700.0
International Bank for Reconstruction and Development (IBRD)	376.4	457.7	500.0	600.0
International Development Association (IDA)	9.1	14.6	15.0	20.0
International Finance Corporation (IFC)	17.2	26.6	40.0	45.0
European Economic Community (EEC)	14.3	8.9	9.0	10.0
United Nations (UNDP, SF, TA, other U.N. agencies)	41.1	46.5	48.0	50.0
Development Assistance Committee (DAC)	[1] 359.3	[1] 375.0	[1] 375.0	[1] 400.0
Inter-American Organizations [2]	26.7	31.7	36.8	45.2
Pan American Health Organization	25.8	26.3	27.7	29.0
Ford Foundation [3]	16.0	10.2	13.0	10.0
Rockefeller Foundation [4]	5.6	5.9	(5)	(5)
Kellogg Foundation [6]	1.4	1.5	1.6	1.6
Total	1,286.7	1,512.7	1,666.1	1,910.8

[1] Figures are disbursements rather than obligations and include export credits, loans, and technical assistance. Figures are calendar year.
[2] Includes Organization of American States, Inter-American Institute of Agricultural Sciences, Export Promotion Center Special Multilateral Fund, and Special Development Assistance Fund.
[3] Figures are for year ending Sept. 30, 1969.
[4] Figures are for year ending Dec. 30, 1969.
[5] Not available.
[6] Figures are for year ending Aug. 30, 1969.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Shriver. Mrs. Reid?

OBJECTIVES OF THE ALLIANCE FOR PROGRESS

Mrs. REID. Thank you, Mr. Chairman. The original target date of 10 years set in 1961 to meet the objectives of the Alliance for Progress will expire next year? What is your present estimate of the number of additional years it will take to achieve the objectives?

Mr. KLEINE. I do not think I could give you a better answer than Mr. Meyer did when you asked a similar question last year. You will recall that he said that he could not—and I quote—

> Give you any meaningful estimate of the number of years it will take to reach the objectives of the Alliance for Progress. It is much clearer now than it was in 1961 that the answer to your question is measured better by decades than by years. I think it is well to keep in mind the essential differences between the Latin American countries and the European countries to which we provided Marshall plan aid. While the physical infrastructure of the latter was devastated

after the war, they had the technological and institutional base which makes the difference between developed economies and those still in transition toward modernization. It was basically a question of providing the capital to restore the physical infrastructure. Hence, Europe's recovery took only a few years, whereas the development of the type of technological and institutional base required in the Latin American countries will take considerable time yet. Therefore, I think we should measure the job still to be done not in terms of time but in resources, will, and patience—ours and theirs.

ALLIANCE FOR PROGRESS PIPELINE

Mrs. Reid. It has been said that the Alliance for Progress could go along on the so-called pipeline for a year or even more. Would you comment on this? What would be the results if no new appropriation were provided this year?

Mr. Kleine. The so-called pipeline represents the amount of money obligated or committed but not yet spent. In most cases services have been contracted for and are being provided, commodities or equipment have been ordered, or participants are being trained, but bills have not yet been paid. For Alliance loans, AID authorizes the total amount required for a project at one time even though it might take a year or more for the equipment to be delivered and the supplier to submit a bill or for the contractor to complete his studies and submit a bill. Until AID actually pays the bill the money is in the "pipeline," but this does not mean it can be used for any other purpose than that for which it was originally obligated. Therefore, if there were no new obligational authority appropriated, it is clear that virtually no new projects could be undertaken this year and that the external flow into Latin America would be greatly reduced toward the end of this year and throughout next year.

Unlike capital loan projects, technical assistance is funded only for 1 year at a time, so that if an agriculture or tax advisor is working with a Latin American institution or a U.S. university working with a Latin American counterpart university over a 5-year period, each year's input comes out of that year's appropriation. Therefore, if there were no authorization of technical assistance funds in a given year all U.S. Government personnel would be withdrawn since their salaries could not be paid, contractors would leave the country as of the end of December when their contract funds usually run out, and Latin American students studying in the United States would in many cases have to be withdrawn before the completion of their courses. Since the total technical assistance pipeline contains only about 9 months' funding all activities would end before the completion of the new fiscal year.

U.S.S.R. PRESENCE IN LATIN AMERICA

Mrs. Reid. Is the diplomatic and economic presence of the Soviet Union continuing to grow in Latin America?? What is your evaluation of that situation?

Mr. Meyer. The Soviets have been successful in expanding their diplomatic presence in Latin America in recent years, despite temporary setbacks following such crises as the Kremlin's invasion of Czechoslovakia. Peru established diplomatic relations with Moscow in February of 1969. And just before the end of the year both Ecuador and Bolivia also resumed relations with the Soviets. Venezuela resumed

relations in April 1970. Other countries which already had such ties with the U.S.S.R. are Argentina, Brazil, Chile, Colombia, Mexico, Uruguay, and of course, Cuba. This expansion of Soviet presence undoubtedly increases Kremlin influence to some extent. It is noteworthy that the Soviets have been pursuing these tactics while simultaneously supporting the Castro regime at a cost of more than $1 million per day, a regime which has repeatedly advocated the violent overthrow of other Latin American governments.

As regards Soviet economic relations with Latin America, exclusive of those with Cuba, there has been no great overall change in recent years although there has been sharp fluctuation in a few individual countries. In 1968, Soviet trade with Latin America came to less than 1 percent of total Latin American foreign trade, and that figure has not changed significantly since then. Nor has Latin America made much use of Soviet trade credit offers. In most cases the quality and prices of Soviet goods have been an inhibiting factor.

DEVELOPMENT OF PRIVATE INVESTMENTS

Mrs. REID. What is the present trend in development of private investments in Latin America?

Mr. KLEINE. We do not have sufficient detailed financial data for Latin America to permit a breakdown of the financing of gross investment as to origin. According to one estimate, made by the United Nations Economic Commission for Latin America (ECLA), the public and private sectors have contributed approximately one-third and two-thirds, respectively, to total fixed investment in Latin America in the 1960's. With an estimated average annual total investment of about $17 and $18 billion, this means a private sector input of between $11 and $12 billion.

LAND REFORM

Mrs. REID. What is the present status of land reform legislation in the Latin American nations? I recall that Colombia started such a program in the last year or two and also Chile.

Mr. KLEINE. Under the Alliance for Progress, the United States and 19 Latin American countries have committed themselves to the encouragement of programs of comprehensive agrarian reform under the Charter of Punta del Este. As of this date, 17 of the Latin American signatories to the Alliance have enacted agrarian reform laws and created institutions responsible for the administration of land reform programs. Several countries continue to prepare legislative reforms to interpret existing laws or making previously enacted ones more effective.

Since the initiation of the Alliance, it is estimated that some 5.078 million people have been provided with land titles or other types of assistance under this program.

Colombia passed an agrarian reform law in 1961. Since that date, it is estimated that the Agrarian Reform Institute (INCORA) has granted over 88,200 titles and distributed approximately 7 million acres of land. The issuance of land titles increased rapidly during the 1969 period. The program has generally avoided expropriation

of large estates and focused more on providing titles, supervised credit, land irrigation, and reclamation.

Chile passed an agrarian reform law in 1963. The law has been amended several times and the program is under the Agrarian Reform Institute (CORA). The Institute currently has 4 million acres of agricultural land under its program and from 1964 to the end of February 1970, 20,000 farm families were resettled; the Institute estimates that 100,000 families will be settled by 1973. A considerable amount of the land resettled is from expropriation of unutilized large estates.

Land reform in both Colombia and Chile is proceeding more or less on the same schedule as last year. The new government in Peru in 1969 began an expanded land reform program under laws decreed by the new government now in power there. It is too soon at this time to evaluate progress made under this new program.

COMMODITY AGREEMENTS

Mrs. Reid. What is your feeling regarding commodity agreements as they relate to the Latin American economy? There is one school of thought which contends that international commodity agreements are not in the best longrun interests of producer countries or constitute the best means of providing assistance to developing countries.

Mr. Kleine. I do not think international agreements are likely to provide a solution to all—or even many—of Latin America's commodity problems. Such agreements can be helpful in appropriate circumstances, however, in stabilizing prices and preventing wide fluctuations in the export earnings of countries dependent on the export of a limited number of products. The Coffee Agreement, for example, has prevented the wide fluctuations in coffee prices which occurred during the 1950's.

When the agreement was negotiated in 1962 coffee prices were at the lowest figure in more than a decade. The average composite spot price in New York for a pound of green coffee was 31.1 cents a pound. In 1967–68, under relatively normal supply conditions, the average price was 36.8 cents. This year (1969–70) the price is up to about 50 cents a pound, as a result of a freeze in Brazil and a very short crop. This is much lower, however, than the 71.6 cents which prices averaged in 1954, when Brazil also had a bad freeze but there was no international agreement. There is no question that the Coffee Agreement has exerted a moderating influence on prices—to the benefit of consumers as well as producers.

The fact that earnings from this crop, which is important in the trade of more than half of the Latin American countries, have been stabilized has contributed greatly to more effective planning of budgets and development programs. It also provides a framework to bring coffee supply into reasonable balance with demand through the setting of production goals by the International Coffee Organization, and the establishment of a Coffee Diversification Fund. I should like to point out that commodity agreements are not a form of assistance in the financial sense. Prices under a commodity agreement may average no higher than in an unregulated market. The difference comes in the absence of peaks and valleys under a stabilization arrangement, which leads to a more rational direction of resources.

There are many Latin American export commodities, however, for which price stabilization through international commodity agreements is not a practicable solution. In cotton, for example, an agreement to limit production and stabilize prices might result in further loss of market to manmade fibers. The International Sugar Agreement, of which a number of Latin American countries are signatories, has not succeeded in bringing prices on the world market within the range established as an objective. In summary, I believe that proposals for stabilizing the incomes of raw-materials-producing countries through negotiation of international commodity agreements merit investigation, on a commodity-by-commodity basis. But the scope for this type of cooperation is distinctly limited.

INTERNATIONAL ORGANIZATION HANDLING AID

Mrs. REID. It has been said from time to time that more would be accomplished if the economic development program was channeled through some international organization such as the OAS. Would you comment on this?

Mr. KLEINE. I doubt very much whether the OAS is presently able to manage and administer the provision of large amounts of assistance. The World Bank, IDB, and UNDP can probably do this better. But, to channel the funds now provided for bilateral economic aid through multilateral agencies—assuming that the Congress did agree to make all of its foreign assistance appropriations in large sums for multilateral organizations over which it has little control—would probably mean a reduction in the development impact of assistance. That is because multilateral agencies are hesitant in practice in pressing for change in sensitive areas like educational reform and agricultural modernization. AID now carries the major burden for sectorial, institution-building, and technical assistance lending. In this role, AID has exerted maximum influence for difficult, but essential, changes through program loans and sector loans, devices recognized in the Rockefeller report as aid techniques of major importance.

Mrs. REID. That is all I have, thank you.

Mr. PASSMAN. Thank you, Mrs. Reid. Mr. Kleine, I observed that you taught economics.

Mr. KLEINE. Many years ago.

GENERAL U.S. ECONOMY

Mr. PASSMAN. I am always interested in discussing our mutual problems with those who have been in that field of endeavor. I want you to help me make a factual record. I believe that a man that majored in economics could make a contribution. I do mean this sincerely. I remember old Professor Brown who stated that a government could not afford extravagance for too long any more than the individual. If they should pursue a course of extravagance for too long they could get into trouble.

You don't quarrel with that statement, do you?

Mr. KLEINE. No, sir.

Mr. PASSMAN. Here is something that causes me great concern and I wish that I didn't have an analytical mind because I majored in

economics. Of course, I got mine the hard way. Some of you younger men got yours the easy way. I had to dig mine out part time attending night school and doing the best that I could.

There is a beautiful record beginning with 1789, showing that receipts and expenditures of our Government, we have actually collected in revenue—this is through 1968 only, since I have not had time to bring it up to date—$2,235 billion.

For this entire 181-year period, for every dollar we collected and spent, we encumbered unborn generations with an additional 71 cents alongside each one of those dollars collected.

Let us see if we agree on this. I own a Government bond and it is an obligation and it is listed in this U.S. Treasury as an obligation. I believe we looked at our public debt, borrowed money, as being $375 billion. Isn't that about the figure?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Do any of you people draw veteran's pension or are retired?

Let us look at another item. If you are a retired Army officer or if you are a disabled veteran, and we passed legislation known as a statutory obligation, saying we are going to give you this money in subsequent years for some service you previously rendered, and fixed the amount that you would get; that is an obligation, isn't it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Let us eliminate all trust accounts. Get away from social security and railroad retirement. Look at purely 115 statutes that we have on the statute books. They say that we are going to give you this money in subsequent years for services that you previously rendered and for which we created no reserves for whatsoever.

Look at the interest on the public debt running $19 billion a year, over $2 million every hour of the year, just interest on our Federal public debt. We look at the retired military personnel that is costing $3.5 billion a year to pay their pensions. Not a dime in reserve. It is an obligation.

Look at veterans costing $8 billion a year. The Civil War, concluded 105 years ago; we are still mailing out over 1,000 checks every month to relatives of Civil War veterans, so we take the most conservative estimate furnished by the Department with these 115 statutes and we are obligated and bound by the statutes to pay out $1,300 billion for these statutory obligations.

If you go back and pick up your $375 billion borrowed money, we have a Federal debt or Federal obligation of $1,675 billion. Every man, woman, and child in America, 204 million of them, owe Uncle Sam for this part of this extravagance $8,200.

That is one reason that I fight this thing so hard. We are borrowing this money. The public debt during the most prosperous period of America, 1960–1970, the public debt jumped $40 billion during just that period, just about the amount of foreign aid. We have to borrow all the money that we are giving away. So many people don't think of the statutory obligations. They are just as much an obligation as this borrowed money, aren't they?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. When you put the two together it is unpardonable how we have encumbered the welfare of unborn generations. I would

give anything in the world—it does not concern you but it does concern me—if I could get away from it and forget it. I put in 24 hard years up here irritating and aggravating people because the Constitution says this is the first branch of Government. It is our responsibility to do these things and we don't necessarily do the job as well as we should. Being an economist, you are bound to agree with me that we have gone pretty far afield when we have built up a public debt of $1,675 billion that must be paid or serviced by generations yet to be born.

Unless we slow it down there is only one way to continue, and that is to confiscate all the savings of the thrifty of the past. You do it two ways: Either place a moratorium on your borrowed money, public debt, or you do it through inflation. We are doing it through inflation. You have to confiscate all of the savings of the people that are in bonds and destroy the value of insurance or slow it down. You cannot finance these programs without inflation. We have just got this country messed up. Why some of the scholars don't come down out of the clouds and help us straighten this out, I don't know. I know a man like you would admit that you have these two sections; one is borrowed money and one is statutory, and we have ourselves in a mess.

When we look at per capita income or gross national product, you have to associate it with something, don't you?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Here is a shirt that cost me $12.95 wholesale in America. That moves into our gross national product at $12.95. If I am able to buy that shirt over in Brazil or over in Japan for $6.95 wholesale, that moves into their gross national product at that price, does it not?

Now, let's look at our gross national product last year. It was about $850 billion; is that correct?

Mr. KLEINE. That is right.

Mr. PASSMAN. You can run this gross national product up $5 million and not increase unit production 1 percent. We have had an increase, but this GNP increase has mainly been brought about through inflation. Do you agree to that?

Mr. KLEINE. A good deal of it has been through inflation.

Mr. PASSMAN. I am talking about over half of it has been through inflation. You can go into some countries with per capita income of $400 and live like a king. It depends on what you can buy with it, doesn't it?

Mr. KLEINE. That is right.

Mr. PASSMAN. Thank you very much. The committee will adjourn.

THURSDAY, APRIL 23, 1970.

STATEMENT OF THE SECRETARY OF STATE

WITNESSES

HON. WILLIAM P. ROGERS, SECRETARY, DEPARTMENT OF STATE
HON. JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
DAVID M. ABSHIRE, ASSISTANT SECRETARY OF STATE FOR CONGRESSIONAL RELATIONS
CHRISTIAN CHAPMAN, DIRECTOR, OFFICE OF MILITARY ASSISTANCE AND SALES, DEPARTMENT OF STATE
ALLAN R. FURMAN, DIRECTOR, LEGISLATIVE PROGRAMS, COORDINATION STAFF, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
COL. FRANK E. BURDELL, JR., U.S. ARMY, ASSISTANT FOR SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA)

CLERK'S NOTE.—The following note was attached to the Secretary of State's transcript when it was returned.

(The note follows:)

Enclosed is the Secretary of State's transcript for HAC hearings of April 23, 1970.

The entire transcript, except for the statement (p. 3984 & 85) is classified.

Mr. PASSMAN. The committee will come to order.

The committee is honored to have the Honorable William P. Rogers, Secretary of State, before the committee this afternoon. Mr. Secretary, I would assume that you have a statement you would like to make to the committee.

Secretary ROGERS. Yes, Mr. Chairman.

Mr. Chairman, I am pleased to have this opportunity to support the President's request for the appropriation of $2.2 billion for economic and military assistance. Of this total appropriation, $1.8 billion is for AID's economic assistance program, $350 million for military assistance, and $37.5 million for the Overseas Private Investment Corporation.

As you know, the framework of U.S. foreign assistance is under review. Recently, the Peterson task force issued its report with specific recommendations. The task force concluded that the development of an equitable political and economic order in developing countries should be a "cardinal aim" of our foreign policy and that the downward trend of appropriations should be reversed. The administration is reviewing the Peterson report. The President will soon report to Congress on the results of the review.

However, this review does not dim the importance of the request now before you. If we are to maintain the steady course of our assistance policy, it is essential that the Congress appropriate the funds asked for by the President.

Our assistance has, in the past, earned signal rewards. Let me briefly recall some of them:

U.S. aid to a war-desolated Western Europe helped increase the security and prosperity, not only of that region, but of the United States as well.

Our help to the Republic of China, Iran, and Israel has played a large role in their emergence as viable and stable states with economic growth rates among the highest in the world.

AID loans for fertilizers, pesticides, and high-yield seeds played a large part in the "green revolution," which has increased agricultural production in Asia dramatically.

These examples illustrate the value of realistic and effective economic assistance.

I believe the AID program before you meets the criteria of realism and effectiveness. It is basically a continuation of the fiscal 1970 program. We are requesting an appropriation of $1.8 billion, which is about $400 million less than what we asked for in fiscal 1970. This would fund a total economic assistance program of $2.1 billion, which compares with a fiscal 1970 economic assistance program of slightly less than $1.9 billion.

Most of the increase over the fiscal 1970 total economic assistance program is in development loans which are AID's primary way of supporting self-help measures undertaken by developing countries. If the total request is appropriated, the development loan program would increase by $113.6 million in the Near East and South Asia, $88.3 million in Latin America, $42.3 million in East Asia, and $16.8 million in Africa.

In considering our proposed economic assistance program on a region-by-region basis, I will try to highlight the major thrusts in each region. Let me begin with Latin America.

LATIN AMERICA

The fiscal 1971 economic assistance program proposal for this hemisphere is based upon the principle, announced by the President in October, of strong support for a mature partnership of shared responsibilities and decisions within a multilateral framework.

Discussions with our hemisphere partners about how our assistance might be more productive have indicated a need to strengthen the multilateral mechanisms through which our bilateral assistance is made available. We intend to devote special attention to areas on which the Latin Americans themselves have placed high priority.

They have singled out inadequate education, unemployment, uncontrolled growth of the cities, and the need for increased food production for a rapidly growing population. To meet these problems, we expect to continue to concentrate on development of the agricultural sector and on expansion and modernization of their educational systems.

The proposed 1971 program for Latin America contains an increase of about $93 million. Most of this is related to new Presidential initiatives for funds to support:

Export promotion to earn needed foreign exchange;

Capital market development to mobilize private savings and strengthen capital market institutions;

Tourism promotion to tap an important source of foreign exchange earnings; and

Scientific and technological exchange, in basic research, agriculture, natural resources inventories, and education, to support continuing modernization.

I believe that these new programs will strengthen the capacity of Latin American nations to increase their foreign exchange earnings and expand their technological skills. They will also reinforce our ongoing programs in agriculture and education. I urge your support for them.

NEAR EAST AND SOUTH ASIA

In the Near East and South Asia, three countries—India, Pakistan, and Turkey, with a total population of over 700 million—would receive 95 percent of the $478.3 million of assistance proposed for the region.

Our goal is to build upon the recent advances in agriculture and to make them permanent and self-sustaining. For this purpose, our appropriation request would fund a $71.3 million increase in the development loan program for India and a $29.8 million increase in development loans for Pakistan. Much of this increase will be used to continue our support for agriculture in these two countries. Our technical assistance requests will also help India and Pakistan improve agriculture research, establish high-quality agricultural education institutions, and develop better irrigation techniques.

AID assistance will also emphasize major food grain production programs in Turkey's wheat-growing Anatolian Plateau as well as in rice-growing east Pakistan, which has not kept pace with gains in west Pakistan. As population grows, there must be more jobs as well as more food. AID-financed imports help existing industrial plants to operate at higher capacities; this helps expand employment opportunities. At the same time, we are aiding India and Pakistan to accelerate their family planning efforts.

AFRICA

My recent report to the President on Africa contained recommendations on the political and economic policy which we should follow there in the 1970's. He has approved the recommendations. Africa will need substantial foreign assistance for some time. We hope that European countries will continue to provide most of it. But I believe that a U.S. economic assistance program to Africa is in our interest and that our assistance should continue at no less than the present level.

Within the fiscal 1971 program for Africa, the most important changes are a reduction of $17 million for Nigeria, made possible by the end of the war, and an increase of almost $12 million for African regional programs. Regional programs account for almost 30 percent of our total program for Africa; they were 24 percent in fiscal 1970.

Regional cooperation is necessary for Africa, where few states have, on their own, the means for development. African leaders have recognized this need and are taking realistic steps toward regional cooperation. We hope to remain in the forefront of efforts to help them and to participate, with others, in projects beyond the reach of a single donor.

EAST ASIA

In East Asia, bilateral programs are planned with five countries (Indonesia, Korea, Laos, the Philippines, and Thailand), in addition to a regional program. These programs address two major U.S. objectives: the general economic development of the area and the security of those countries threatened by armed Communist infiltration and aggression. Programs aimed at these objectives are mutually reinforcing, since some measure of security is essential for economic development, while development enhances the prospect for internal security.

Communist infiltration continues to threaten the internal security of Korea, Laos, and Thailand. We propose to continue supporting their efforts to improve police effectiveness and to carry out development programs designed to strengthen national allegiance and unity.

Some degree of economic and monetary stability must underpin effective development and security efforts. In Indonesia, in cooperation with nine other countries, we have supported a stabilization program as a basis for progress in development. In Laos, we have supported a stabilization program primarily to help the country defend itself.

The fiscal 1971 program for East Asia is $218.1 million, an increase of $36.5 million over the current fiscal year. Virtually all of the increase is in development loans for Indonesia. I would also note that this program reflects an end to our Supporting Assistance grants to Korea.

We attach great importance to continued economic progress in Indonesia, which has about half the area and population of Southeast Asia. The Indonesian Government has made effective use of foreign assistance and has achieved much in a relatively short time. The progress to date permits Indonesia to increase its emphasis on development activities. With this in mind, we are requesting a program of $81.4 million in development loans, $35.4 million more than this year's program.

VIETNAM

Vietnam remains our largest recipient of aid, all of it in the form of Supporting Assistance. The fiscal 1971 request for $366.3 million is virtually unchanged from this year's program. The President's request may, however, be affected by the Vietnamization program.

Increased spending by Vietnam for military purposes as a result of Vietnamization will increase the demand for locally produced goods and services and for imports. In addition, the reduction of U.S. forces in Vietnam will result in reduced earnings of foreign exchange by the Vietnamese Government. The order of magnitude of these changes, however, is as yet undetermined.

In recognition of this factor, the President stated in his budget message that as much as $100 million might be needed in additional supporting assistance authority and appropriations.

Mr. Chairman, programs in these four regional areas and Vietnam are at the center of our assistance efforts. In dollar figures they represent more than 80 percent of our total economic assistance. However, there are programs not limited to a regional framework whose importance I would also like to highlight today.

These are:

First, our support for the United Nations and its programs;

Second, our efforts to curb the increase in population growth; and

Third, our commitment to increasing private foreign investment through the new Overseas Private Investment Corporation.

INTERNATIONAL ORGANIZATIONS

An important aspect of our foreign assistance has been support for the United Nations and its programs. U.N. organizations deal with practically all facets of economic development. While these programs do not receive nearly so much public notice as U.N. peacekeeping activities, about 80 percent of the annual resources of the U.N. system are related to development. The request for fiscal 1971 continues U.S. support to these organizations at approximately the same level as this year. The only major change is a requested increase of $13.8 million for the United Nations Development Program.

We are well aware of the criticisms of the UNDP expressed in the Jackson Capacity Study. We encouraged this study, and we support the valuable reforms it proposes. But we recognize, as Sir Robert Jackson has recognized, the important and effective work being accomplished by the UNDP, however strained it may be at its present level of activity.

A $250 million UNDP target is contemplated for fiscal 1971. This level accords with the guidelines within which the Jackson study believes the UNDP can function effectively before the proposed reforms are made. The level will be attainable only if the United States contributes 40 percent, or $100 million. The requested increase of $13.8 million over fiscal 1970 would bring our contribution up to that amount.

POPULATION

Expanding population growth, intensified by falling death rates, is a critical obstacle to economic growth in many countries. As you know, the President has asked Dr. Hannah and me to give population and family planning high priority in our multilateral and bilateral programs. Although efforts to slow population growth are no substitute for other forms of economic assistance, for most countries they are an essential part of a successful program for progress.

The task of reducing birth rates will require years of effort by many nations. Congress, as well as the President, has placed great emphasis on this effort. We will continue our bilateral assistance to some 31 countries. Some of these, like Ghana, the Philippines, and Indonesia, are undertaking new national population programs. Others, like India and Pakistan, are substantially expanding existing programs.

THE ROLE OF PRIVATE INVESTMENT

In recognition of the importance of private investment, Congress last year enacted legislation creating the Overseas Private Investment Corporation (OPIC), which is expected to begin operations around July 1, 1970. OPIC's aim will be to mobilize U.S. private en-

terprise and its resources for additional investment insurance and guarantee reserves. I believe that OPIC will be an important factor in generating the private foreign investment so essential to developing countries.

MILITARY ASSISTANCE

Finally, Mr. Chairman, I would like to turn to a program which is also valuable in a development context—our Military Assistance program. This program provides a security framework within which effective development can be carried out.

Secretary Laird has already made a detailed statement in support of the President's request for $350 million for military assistance under the Foreign Assistance Act in fiscal 1971 and $275 million and $272.5 million for credits under the Foreign Military Sales Act in fiscal 1970 and 1971, respectively.

The amount requested for the Military Assistance program for fiscal 1971—all in grant aid—is basically the same as that of the present year, with no changed regional emphasis.

On the general question of military assistance, I would stress three points:

(*a*) The Military Assistance Program is a valuable instrument of foreign policy and contributes significantly to our national security. Over three-fourths of our total military assistance program goes to four forward defense countries—Greece, Turkey, China, and Korea.

(*b*) We do not view grant military assistance as unending. We have already stopped providing such assistance to many countries. In fiscal 1962, we gave material to 60 countries. In fiscal 1970, we are providing it to 23. We shall continue to review these programs carefully, and, as the economies of recipient countries improve, to shift from grants to sales. This is why we also attach importance to our request for funds under the Foreign Military Sales Act. The credits we can provide under this act enable us to ease the transition for many countries away from grants.

(*c*) The Nixon doctrine reiterates our willingness to help those who help themselves. If we want our friends and allies to assume a greater role in their own defense, it is incumbent on us to provide economic and military assistance to help them do so.

CONCLUSION

Mr. Chairman, I would like to conclude by emphasizing that the United States can no longer consider its own future as unconnected from the future of the world as whole. That world is largely made up of people in developing regions. It is right that we should help them.

It is also, I believe, in our own national interest. Our participation in international development helps us as well as the recipients.

In the first place, development promotes the growth of international trade by enabling the developing countries to compete successfully in the world market. Thus it provides our own economy with needed goods and raw materials.

In the second place, development reduces international political tensions. A U.S. policy which responds to the needs of developing nations can help them to become healthy, self-reliant, and secure in their

own progress. Thus it can improve the prospects for peace, an objective which is at the very heart of our own policy.

I respectfully urge the members of this committee to support this request.

Mr. PASSMAN. Thank you, Mr. Secretary, for a very excellent statement.

(The remainder of the testimony was classified.)

STATEMENTS OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

Mr. PASSMAN. Before concluding our hearings on the fiscal year 1971 aid program, I would like to insert in the record at this point a statement from the Citizens Committee for UNICEF.

CITIZENS COMMITTEE FOR UNICEF,
Washington, D.C., April 23, 1970.

Hon. OTTO E. PASSMAN,
Chairman, House Appropriations Subcommittee on Foreign Operations, U.S. Capitol, Washington, D.C.

DEAR MR. PASSMAN: The statement of the Citizens Committee for UNICEF filed with your subcommittee on August 8, 1969, stressed the basic soundness of UNICEF's commonsense approach to meeting the problems of children and youth in the midst of the world's turmoil. Again, this year we should like to reaffirm and emphasize this point. Last year, we referred to the continuity of UNICEF's work in a period of rapid worldwide change. Since then not only has the world remained embroiled in turmoil, but also the concept of foreign aid itself is undergoing change.

The past year has been a period of surveys and reviews, appraisals, and new ideas. All of these reports, however, have only reinforced our conviction of the fundamental strengths of UNICEF. First came the Pearson report, "Partners in Development," which recognized that—

"The physical and mental development of this generation is not only a matter of immediate humanitarian concern. It is also of central importance to the whole process of development. In only a few decades this generation will have taken the place of their elders" (p. 63).

The new emphasis on the human aspects of national development comes out clearly also in the Jackson report, "A Study of the Capacity of the United Nations Development System," and in the "Peterson Report From the Task Force on International Development." The latter stresses as its first conclusion:

"The United States has a profund national interest in cooperating with the developing countries in their efforts to improve conditions of life in their societies" (p. 2).

While the major thrust of the Peterson report is directed toward aid financed by loans through multilateral lending institutions, nevertheless the proposed increased reliance on international organizations strengthens our view that, with adequate funds, UNICEF can be increasingly useful as a multilateral channel for aid to children.

Our organizations remain committed to support for a U.S. contribution of $15 million to UNICEF. This amount can be more than matched, on the basis of the 40–60 ratio, by the increasing contributions from other governments. In 1969, 128 governments contributed to UNICEF a total of $33.4 million. This number of contributors is the highest in the history of UNICEF; the increase in governmental contributions amounted to $4.6 million in 1969 above the total for 1968.

Although we continue to point out that the qualitative value of UNICEF aid is often more important than those aspects that can be measured quantitatively, quantitative figures have their significance. In 1969, for example, in selected disease control campaigns UNICEF rendered assistance to a total of 86.6 million children, as follows:

BCG vaccinations against tuberculosis	27,600,000
Malaria	32,000,000
Yaws examinations	25,000,000
Leprosy treatments	43,000
Trachoma treatments	2,000,000

In citing these figures, it must be pointed out that UNICEF's disease control campaigns form only one part of a comprehensive program to help countries build basic health services, for which UNICEF's expenditures in 1969 amounted to $21.8 million. Furthermore, only one in four children in developing countries receive medical attention at birth or later. Basic health services cover the establishment of networks of maternal and child health centers and include also equipment and supplies for environmental sanitation, health education, and family planning.

One of the strengths of UNICEF—and a most important safeguard against potential abuse of funds by the recipient governments—is the fact that aid is provided in the form of supplies and services and not in cash grants to assisted governments. Moneys allocated to the recipient countries are spent on the world market in order to obtain the best price for the goods provided. The government itself matches UNICEF's assistant on a dollar-for-dollar basis.

Needs for emergency assistance produced heavy demands on UNICEF's limited resources last year. The gravity and extent of the Nigerian crisis commanded wide attention and a succession of natural disasters in different parts of the world brought requests to UNICEF for assistance. These disasters included, among others, severe floods in Iraq, Tunisia, and Algeria; prolonged drought in southern Yemen; and earthquakes in Yugoslavia. Already in 1970, the earthquakes in Turkey suggest that new crises will require emergency assistance from UNICEF.

Referring again to points in the 1969 statement of the Citizens Committee for UNICEF, I call attention to the fact that UNICEF's goal is building people. UNICEF is unique in fostering both humanitarian and economic development. Our organizations reaffirm our faith in the future and believe that one of the best practical demonstrations of this faith is the fullest possible funding of UNICEF. Quoting the House floor debate last year which recommended "no less than $13 million for UNICEF," we reaffirm our previous request for $15 million and hope that the way can be found to provide it this year.

Sincerely,

Mrs. Virginia M. Gray,
Executive Secretary.

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